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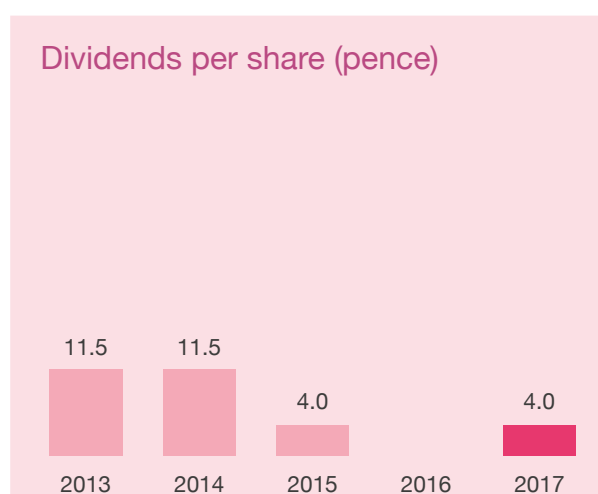
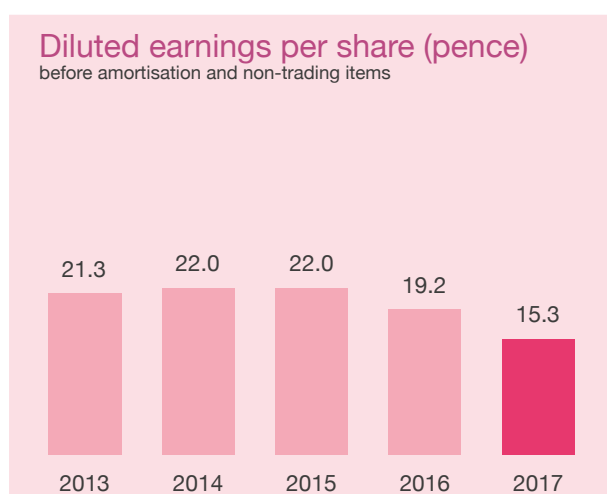
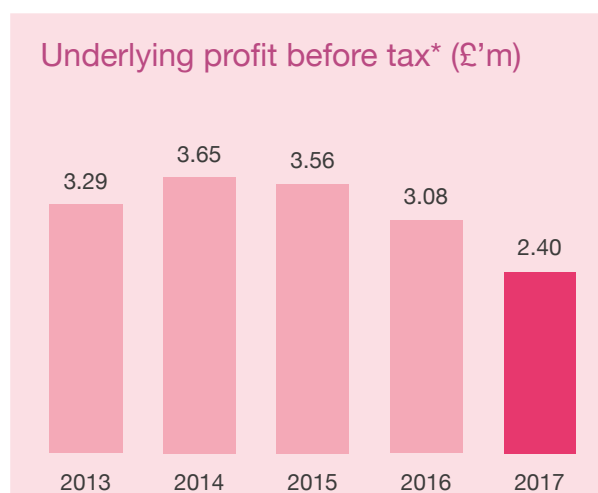
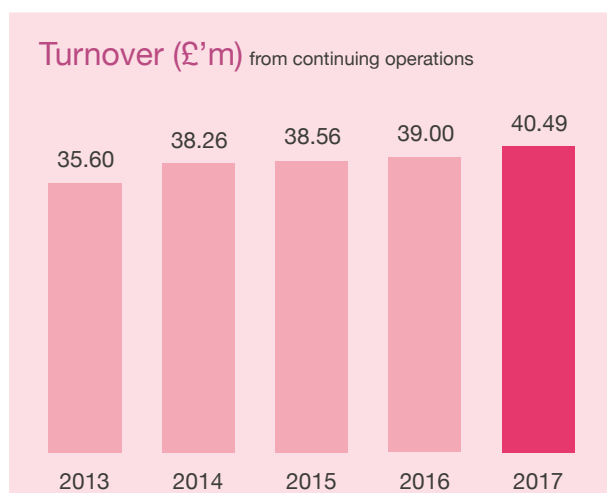
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# Financial Highlights

FOR THE YEAR ENDED 31 MARCH 2017

	2017 £m	2016 £m	Change %
Turnover from continuing operations	<b>40.49</b>	39.00	3.8
Profit before tax	<b>1.89</b>	2.80	-32.6
Underlying profit before tax*	<b>2.40</b>	3.08	-22.2
Diluted earnings per share before goodwill amortisation and non-trading items	<b>15.3p</b>	19.2p	-20.2
Cash flow from operations	<b>2.46</b>	4.29	-42.6
Net asset value per share	<b>320p</b>	310p	3.0

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



# Chairman's Statement 2017

It is a pleasure and an honour to report to you as interim chairman of FIH group plc (the "Group" or "FIH"), especially as the Group has fulfilled another year of profitable trading in line with expectations.

I refer you to the Chief Executive's Strategic Review for details of that performance and the outlook. There you will read about the contributions of our three constituent companies, Momart, PHFC and of course the Falkland Islands Company ("FIC"). The latter was very much the centre of attention during the recent, now lapsed, take-over bid from Staunton Holdings and the approach from the Argentinian Dolphin Fund during the offer period.

Whenever I have visited the Falkland Islands I have been struck by the warmth of the welcome I have received, the energetic and independent spirit of the people, the beauty of the land and seascapes, and the history of the Islands and of FIC. Therefore, when events earlier this year unfolded to reveal an Argentinian expression of interest in acquiring the entire share capital of FIH (something that the independent board members had to treat both fairly and seriously), it came as no surprise to witness the concern and objection at many levels in the Falkland Islands raised by that expression of interest. The implications were very clear: Argentinian control of FIC would be strongly opposed by Islanders, damaging to the trading performance of FIC, and potentially hazardous to FIC's ownership of assets in the Islands. With that in mind, and with a duty of care to the welfare and prospects of FIC, the independent board members refused to entertain that expression of interest.

It has been a privilege, as interim chairman, to steer FIH to stability following the period of uncertainty caused by the Argentinian interest and the failed offer for the Group by Staunton. That offer provided an opportunity for shareholders to realise value but it did not meet with sufficient support and caused lively debate among shareholders. I, along with the chief executive, took that debate to the largest non-Staunton shareholders representing more than

60% of the share capital. That consultation was positive, broadly consensual and supportive of the following three objectives:

- to reinstate a dividend;
- to strengthen the board; and
- to grow by acquisition.

I am pleased to report that efforts on all three are underway. A modest dividend is proposed for shareholder approval at the forthcoming Annual General Meeting. Further details are available in the Chief Executive's Strategic Review and Directors' Report.

A search for a permanent, independent non-executive chairman is advanced and I hope to be able to announce the appointment soon. Thereafter, the intention is to strengthen the board still further with the appointment of an independent, fourth non-executive director.

Edmund Rowland, having relinquished the chairmanship after the lapse of the Staunton offer, will step down as a non-executive director and be replaced by Rob Johnston. This reflects the recent transfer of the single largest shareholding in the Group from Rowland family ownership to the Trust that Rob Johnston represents. An announcement will follow the release of these results.

After the distraction and expense of the recent offer period, the search for a suitable complementary acquisition to add to the Group is being driven forward in conjunction with professional advisers. The aim is to acquire a sound and profitable business for good value in order to increase the earnings base and profitability of the Group. Renewed energy is going into this project.

Having come through an unprecedented and uncertain six months, I believe FIH will now benefit from its refreshed shareholder base, new independent non-executive directors and a determined strategy. These are all positive developments. There are good opportunities ahead.

I look forward to seeing as many of you as possible at the Annual General Meeting at 11.30 a.m. on Thursday 31 August at the offices of FTI Consulting, 200 Aldersgate, London EC1A 4HD.

Jeremy Brade  
Interim Chairman  
13 June 2017

# Chief Executive's Strategic Review

BUSINESS REVIEW

John Foster  
Chief Executive



## Group Overview

I am pleased to report on another year of profitable trading for the Group. Revenues were up £1.5 million on last year at £40.5 million (2016: £39.0 million) and underlying pre-tax profits, were lower by £0.7 million at £2.4 million (2016: £3.1 million) because of the expected return to more normal trading levels in the Falklands after a record year in 2015-16.

Reported profits before tax were £1.89 million (2016: £2.8 million). Operating cash flow remained strong and the Group ended the year with record levels of cash of £15.1 million (2016: £14.0 million).

In the Falklands, with low oil prices contributing to the early curtailment of exploration drilling in May 2016, demand in the local economy returned to more normal levels compared to the record activity seen in the prior year. In the absence of oil related corporate demand, lucrative high value rental and services income fell back and retail margins were squeezed as the business faced the double impact of strengthened local competition and weakening demand as it fought to maintain market share. This was partially offset by healthy growth in housebuilding and Penguin Travel tourist services but overall revenues from the Group's Falkland operations still fell by 3.6% and FIC's underlying pre-tax contribution dropped by £0.78 million to £1.16 million from the record levels seen in 2016 (£1.94 million).

In the UK both the Group's businesses made progress despite challenging market conditions. At the Group's fine art handling company Momart, like for like underlying trading profits increased by £0.24 million (+50%), but expected start-up losses of £0.2 million from its new art storage warehouse, completed in March 2017, held back Momart's underlying pre-tax contribution to £0.52 million slightly ahead of the prior year (2016: £0.46 million). At Portsmouth Harbour Ferry Company ("PHFC"), despite reduced passenger volumes, revenues remained stable (+1%) and with tight control of operating costs, underlying profits were slightly ahead at £0.71 million (2016: £0.68 million).

## Review of Operations

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

Group revenue	2017 £m	2016 £m	Change %
Year ended 31 March			
Falkland Islands Company ("FIC")	<b>17.82</b>	18.50	-3.6
Portsmouth Harbour Ferry ("PHFC")	<b>4.29</b>	4.24	1.0
Momart	<b>18.38</b>	16.26	13.1
<b>Total Revenue</b>	<b>40.49</b>	39.00	3.8

Group underlying pre-tax profit*	2017 £m	2016 £m	Change %
Year ended 31 March			
Falkland Islands Company	<b>1.16</b>	1.94	-40.2
Portsmouth Harbour Ferry	<b>0.71</b>	0.68	4.2
Momart	<b>0.52</b>	0.46	14.7
<i>Rounding</i>	<b>0.01</b>	-	-
<b>Total Underlying Pre Tax Profit *</b>	<b>2.40</b>	3.08	-22.2
Non trading items (see notes below)	<b>-0.51</b>	-0.28	-
<b>Reported Profit Before Tax</b>	<b>1.89</b>	2.80	-32.6

\*Pre-tax profit before amortisation of intangibles and non-trading items, but including the Group's share of the operating contribution from SATCO (excluding any impairments or reversal of impairments of fixed assets), the Group's Joint Venture with Trant Construction in the Falkland Islands.

Non-trading items of £0.51 million comprised £0.53 million of professional advisers costs incurred in dealing with the failed bid by Staunton Holdings and the defence against a possible bid by the Argentine controlled, Dolphin Fund, amortisation costs of £0.14 million netted off against £0.16 million of profits on asset disposals.

The following detailed commentary refers to the underlying trading performance of the business units underlying pre-tax profits, and excludes non-trading items and charges for the amortisation of intangibles from the acquisition of Momart.

# Chief Executive's Strategic Review

## BUSINESS REVIEW

### Falkland Islands Company ("FIC")

In the Falklands, the lack of oil related demand fed through into weakened general demand for goods and services in the Islands and the absence of oil related corporate spending saw the contribution from FIC's property portfolio fall as premium corporate rental income was exchanged for "local" rentals at a 30% discount. The contribution from FIC was also adversely affected by the expansion and further modernisation of FIC's principal retail competitor, the Chandlery. Despite encouraging sales growth at Home Builder / Home Living, the more challenging H2 conditions, compared to record H2 revenues experienced in the prior year, meant total annual retail sales were 5.5% lower than in 2015-16. (H1 -1.9%, H2 -8.3%, FY -5.5%) With margins under pressure too, the contribution from FIC's retail operations fell sharply over the year.

Despite increased local competition and the absence of the oil stimulus, together with the exceptionally poor squid catch at the start of the financial year, the decline in FIC's profitability was mitigated by cost savings in central administration, encouraging performances from FIC's housebuilder, FBS, and Penguin Travel, combined with continued growth from insurance and consumer finance.

Income from the Group's construction Joint Venture, SATCO, also ceased with the departure of the oil rig in early summer 2016 and SATCO's contribution was minimal compared to FIC's share of JV profits of £0.2 million in the prior year. On a more positive note, the successful disposal of fully written down plant and machinery in SATCO's, was achieved by shipping its crawler crane back to the UK and selling it to a middle-eastern buyer at a small profit. The contribution from this sale is included in non-trading income.

In overall terms the pre-tax contribution of the Group's Falklands' business dropped back from the record levels seen in the prior year, (2016: £1.94 million) and pre-tax

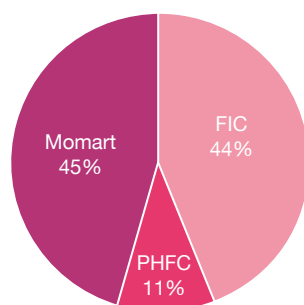
profits declined to more normal "pre-oil" levels of £1.16 million.

### Oil developments

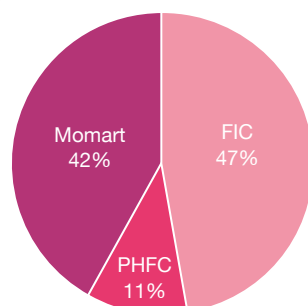
Although the Group has no direct interest in any of the oil licences in the Falklands and no longer has any shares in Falklands' oil exploration companies, future oil development in the Islands would be a significant value driver for both the wider Falklands economy and by extension for FIC.

With the cessation of exploration drilling in May 2016, the principal exploration licence holder, Premier Oil ("Premier") has focussed on completing the Front End Engineering and Design (FEED) for the Sea Lion field in the North Falklands Basin and reported in March 2017 that this work was now substantially complete. The detailed FEED planning process and engagement with suppliers has enabled Premier to reduce the projected break-even cost of developing Sea Lion to \$45bbl with upfront capital expenditure to "First Oil" now reduced to \$1.5bn. Premier has also progressed discussions with the Falklands Islands Government (FIG) and agreed an extension to its licence over Sea Lion until April 2020. Following the last round of drilling in 2015-16 Premier reported that Sea Lion has estimated recoverable resources of at least 520mbbls with further potential from the Isobel field to the South of Sea Lion. Although these developments are positive, Premier's balance sheet is highly leveraged and the company's management has made it clear that it will need a strong farm-in partner to take on the cash cost and upfront investment required to move ahead to develop its Sea Lion licence. With crude oil prices slipping back below \$50bbl in the late spring of 2017, the economics of developing the Sea Lion licence in the near term are uncertain. In the medium term, much will depend on a stable and improving outlook for long term oil prices together with the Falklands' basin becoming relatively more attractive compared to other alternative sources of hydrocarbons.

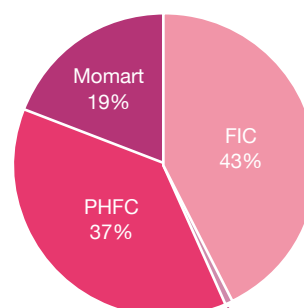
Group Revenue 2017



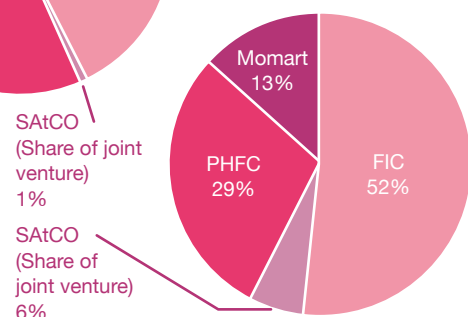
Group Revenue 2016



Underlying Operating Profit 2017



Underlying Operating Profit 2016



## Trading in Detail

Overall revenue in FIC dropped by 3.6% to £17.8 million (2016: £18.5 million).

## FIC Operating results

Year ended 31 March	2017 £m	2016 £m	Change %
<i>Revenues</i>			
Retail	9.14	9.66	-5.5
Falklands 4x4	3.02	3.93	-23.0
FBS (property and construction)	2.68	1.81	48.5
Freight & Port Services	0.93	0.90	3.8
Support services	1.63	1.63	-0.7
Property rental	0.42	0.57	-25.0
<b>Total FIC revenue</b>	<b>17.82</b>	<b>18.50</b>	<b>-3.6</b>
<b>FIC underlying operating profit</b>	<b>1.21</b>	<b>1.82</b>	<b>-33.5</b>
<b>Share of results of SATCO JV</b>	<b>0.02</b>	<b>0.20</b>	<b>-88.0</b>
<b>Net interest expense</b>	<b>-0.07</b>	<b>-0.08</b>	<b>-9.8</b>
<b>FIC underlying Profit Before Tax</b>	<b>1.16</b>	<b>1.94</b>	<b>-40.2</b>
<b>FIC underlying operating profit margin</b>	<b>6.8%</b>	<b>9.8%</b>	<b>-31.0</b>

Total retail sales in FIC decreased by 5.5% to £9.14 million, down £0.52 million from the record levels seen in the previous year of £9.66 million.

West Store retail sales declined due principally to the slow-down in the Falklands economy resulting from the absence of oil exploration activity. Sales were also adversely affected by the expansion and further modernisation of FIC's principal retail competitor, the Chandlery, whose 33% expansion in retail space in November 2016, inevitably drew customers and sales from the FIC's flagship West Store which saw a 6.2% reduction in sales over the year compared to only a 1.6% reduction in the first half. However, the effects of the Chandlery's expansion will wash through in the first 7 months of the new financial year and thereafter West Store sales are expected to stabilise.

Warehouse sales to local retailers and pubs (10% of West Store sales) fell by 2.5%. Despite progress in winning back local market share, weaker local demand and direct internet based sourcing from the UK created challenging trading conditions, albeit the much larger double digit declines in sales seen in recent years were halted.

Sales at the Capstan gift shop decreased by 12.7% despite total cruise ship numbers landing in Stanley being maintained at close to prior year levels (55,600 vs 56,500 in 2015-16) as the absence of high spending oil support workers was felt. The same effect also hit sales at FIC's



The entrance to Crozier Place Retail Park, where Home Builder, Home Living and the child friendly café can be found

# Chief Executive's Strategic Review

BUSINESS REVIEW - CONTINUED

general store at the Mount Pleasant military base ("West Store MPA") where with fewer visiting workers transiting through the airport base, sales at the MPA "airport store" fell by 17.1% over the full year.

On a brighter note, at Home Living, sales recovered from a poor 2015-16 as housing completions under the government's subsidised scheme surged, boosting demand for home furnishings and this together with the benefit of a full year's trading from the new in-store café helped revenues increase by 22.9% (+£0.1 million) over the year. At FIC's Builder's Merchant "Home Builder", despite muted local demand, sales increased by 2.0%. Both "Home" businesses benefited from the much improved access and off street parking offered by the new customer car park at Crozier Place, which was completed in February 2016.

Despite encouraging performances from Home Living and Home Builder, and strict cost control across all retail departments, the overall retail environment in the Falklands was challenging with both revenues and margins under pressure, particularly in H2. However positive steps to reduce retail stock were successful and with hard work from the local team, £1.1 million of cash was released through the more effective management of stock.

In FIC's automotive business, Falklands 4x4, after a record year in 2016, overall revenues dropped by 23% to £3.02 million (2016: £3.93 million) as sales of new vehicles fell by 47% reflecting weakened local demand and the tailing off of sales of the old but much loved Land-Rover Defender which has now been discontinued by the manufacturer. Income from car hire also decreased as oil related corporate demand fell away. However, revenues from used vehicle sales increased modestly and income from servicing and repairs also increased helping to mitigate the decline. Vehicle unit sales fell from 110 (including 54 new vehicle sales) in the prior year, to 77 of which 29 were new vehicles.

Falkland Building Services (FBS), which focusses on building kit homes and small local construction projects, saw revenues increase by 49% to £2.68 million (2016:

£1.81 million) as the number of new houses completed for local residents rose from 12 last year to 17. With new house sales at just below £2 million, revenue was also boosted by healthy increases in small contracts and government work for FIG, and this more than compensated FBS for the decline in oil related construction activity.

FBS also completed the final phase of FIC's warehouse expansion at Airport road on the outskirts of Stanley with the construction of a new smaller warehouse for third party freight. This now leaves the old warehouse site in central Stanley available for future development and has removed heavy container traffic from the town centre and tourist sea front areas.

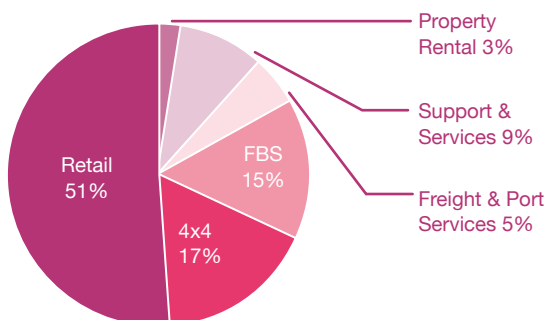
Despite a drop in southbound volumes as the economy slowed, revenues from Third Party Freight and Port Services were largely unchanged at £0.93 million because of an offsetting increase in northbound cargoes as the oil exploration companies withdrew their support infrastructure in Stanley.

Support Services income held up well at £1.63 million (2016: £1.63 million) despite a fall in Fishing Agency revenues following the sharp fall in the illex squid catch early in the year. Penguin Travel had another strong year with income ahead by 17% as relationships with leading cruise operators were strengthened and income from consumer finance, reported as interest income, continued to rise. As in previous years there was steady progress at FIC's insurance agency.

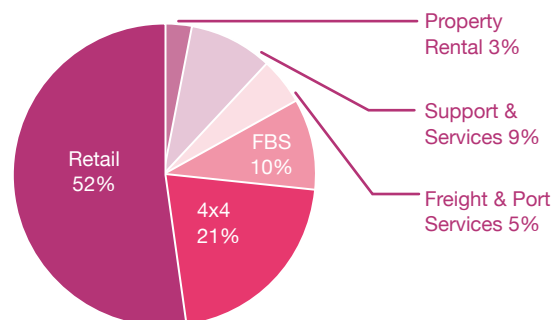
As expected with the departure of the oil companies the level of corporate demand for Property Rental, from FIC's estate of 51 rental properties (which include 10 mobile homes rented to staff), fell back as premium rentals declined, and occupancy levels were initially affected. Rental income fell by 25% and average occupancy went down from 93% to 81% albeit it recovered steadily throughout the year as local tenants replaced outgoing corporate lets.

As expected, activity in FIC's joint venture, the South Atlantic Construction Company, ("SATCO") which was linked very closely to infrastructure projects for the oil industry, fell

FIC Revenues 2017



FIC Revenues 2016





sharply in the year and SATCO's contribution in the year was minimal. In the year to 31 March 2017 the Group's share of the after tax profits of SATCO was £0.02 million (2016: £0.2 million). However FIC was successful in arranging the repatriation and ultimate sale of SATCO's 250 tonne crawler crane generating £205,000 of net proceeds of which the Group's share after tax amounted to £81,000.

## FIC Key Performance Indicators and Operational Drivers

Year ended 31 March	2013	2014	2015	2016	2017
Staff Numbers (FTE 31 March)	129	165	184	172	151
Capital Expenditure £'000	1,594	2,715	2,598	1,229	578
Retail Sales growth %	3.0%	-4.8%	3.0%	1.3%	-5.5%
Number of FIC rental properties	32	36	50*	50*	51*
Average occupancy during the year	88%	82%	93%	93%	81%
Number of vehicles sold	48	79	76	110	77
Number of 3rd party houses sold	3	8	16	12	17
Illex squid catch in tonnes (000's)	58.2	188.0	364.0	235.2	30.1
Cruise ship passengers (000's)	29.6	39.5	50.0	56.5	55.6

\*Includes ten mobile homes rented to staff.

FIC ended the year with a headcount of 151, 21 lower than in March 2016. Year on year savings of c £0.2 million were effected in early 2016 by a reduction in administrative overheads and further headcount cuts were made in retail operations during the year in anticipation of the return to more normalised trading. Of the 151 headcount, Retail accounted for 56, Falklands 4x4 for 19 and FBS for 38, with the balance of 38 in Support Services and administration.

In overall terms profitability in the Group's Falkland operations fell back from the record levels of £1.9 million seen in 2015-16 to a similar level to that seen in the year to 31 March 2014, (£1.0 million PBTa) when there was little oil exploration activity in the Islands.

While oil development remains subject to continuing uncertainty, the Falklands' economy is expected to stabilise around current levels sustained by the traditional areas of squid fishing and tourism ensuring a healthy base level of profitability is maintained at FIC.

## Portsmouth Harbour Ferry Company ("PHFC")

2016-17 saw another steady performance from PHFC, with total revenue increasing by 1.0% after a 4.1% decline in passenger numbers, was more than offset by increases in the yield from ferry fares. Profit Before Tax after pontoon lease and boat loan interest charges, was 4.2% ahead of the prior year at £0.71 million (2016: £0.68 million).

### PHFC Operating results

Year ended 31 March	2017 £m	2016 £m	Change %
<i>Revenues</i>			
Ferry fares	4.13	4.09	0.8
Cruising and Other revenue	0.16	0.15	7.2
<b>Total PHFC revenue</b>	<b>4.29</b>	<b>4.24</b>	<b>1.0</b>
PHFC underlying operating profit	1.06	1.03	2.9
Boat loan & Pontoon finance lease interest	-0.35	-0.35	0.3
<b>PHFC underlying Profit Before Tax</b>	<b>0.71</b>	<b>0.68</b>	<b>4.2</b>
<b>PHFC underlying operating profit margin</b>	<b>24.7%</b>	<b>24.2%</b>	<b>1.9</b>
<b>Passengers carried (000s)</b>	<b>2,710</b>	<b>2,826</b>	<b>-4.1</b>

2016-17 saw a continued decline in ferry passenger numbers, which reduced 4.1% over the year to 2.710 million (an average of 7,400 passengers per day), from 2.826 million in the prior year. The rate of decline was exacerbated by the impact of the redevelopment by Portsmouth City Council of the passenger interchange at the Portsmouth terminal which continued throughout the entire year. The overall rate of decline slowed in the second half down from the -4.7% reported in H1 to -3.6% in H2.

Ferry fares were increased by an average of 3% in June 2016, bringing the total cost of a standard adult return to £3.40, and the price of Adult 10 Trip tickets for regular customers was increased to £15.00 (£1.50 per ferry journey). Discounted tariffs for seniors and children were also increased by 10p (£2.30/£2.20 return). Monthly and quarterly season tickets which offer the best value for money for very frequent users allowing unlimited ferry travel continued to be available priced at £61 and £170 respectively.

During the summer months the annual "Bikes Go Free" promotion (normal tariff £1.20 return) was offered once more from 1st June to 1st September to encourage long term cycle use. Cyclists now account for over 10% of all ferry users.

# Chief Executive's Strategic Review

BUSINESS REVIEW - CONTINUED



The Spirit of Gosport

Customer interest in the unlimited monthly ferry and car parking joint ticket "Park & Float" ticket at £89 increased by 58% over the year but despite its outstanding value for money, total take up remained modest at just over 1% of passenger traffic. In contrast the discounted ticket for military personnel was more popular accounting for 3.8% of passenger journeys in the year, up 0.2% on the prior year. Demand for the Solent Go regional "Oyster" travel card continued to increase further to 3.6% of ferry users, up 50% on the prior year.

In overall terms at under £1.60 per crossing for adults, (£1.05 for seniors and children) the ferry service still represents excellent value compared to any alternative mode of transport other than for groups travelling by car with free or subsidised parking.

As in prior years, the car continues to be the only serious transport alternative to the ferry for travelling between Gosport and Portsmouth. The subsidised Park & Ride scheme operated by Portsmouth City Council remained a major factor in increasing the appeal of car travel with dedicated buses departing every 10 minutes to Portsmouth town centre, the Naval Dockyard and the Gunwharf Quays shopping centre. With keen Park & Ride pricing including new 10 trip tickets at £3 per car, low petrol prices (20% cheaper than in 2014) and increasingly efficient cars, the economics of car travel under the scheme are attractive for family leisure travel and daily commuting when there are more than 2 passengers per vehicle. As such the scheme continues to have a direct, adverse impact on ferry passenger volumes.

In the year to 31 March 2017, in contrast to the prior year, weekday traffic was marginally less affected than traffic at weekends with an overall decline of -3.9% compared to -4.6% at weekends although peak time commuter traffic experienced slightly greater declines of 4.3% compared to only 2.8% for weekday off peak passengers.

Cruising income continued to make a modest but profitable contribution to the business with 38 leisure cruises in the Solent area over the summer and together with ferry advertising income other revenues increased by 7.2% from £0.15 million to £0.16 million. In early 2017 PHFC benefited from the sale of the last of its 1966 vintage vessels, Gosport Queen, which was sold to a Thames river cruise operator. The profit on sale of £0.08 million is included in non-trading income.

With the sale of the last of the "Queens", PHFC has 3 reliable modern vessels to support its passenger service (2 on daily operations and one on stand-by) and with an estimated service life of over 30 years, no further significant vessel expenditure is anticipated for over 15 years.

## Key Operating Metrics

Average fare yield per passenger journey increased by 4.8% to £1.52 (2016: £1.45).

Ferry reliability was again outstanding with on-time departures running at 99.9% (2016: 99.8%).

## Outlook

Looking ahead for 2017-18 completion of the passenger interchange at the Portsmouth Hard is scheduled for June

2017 and with its wider pedestrian walkways and more comfortable and efficient links between ferry buses and taxis the modernised passenger terminus should provide a more attractive and seamless interchange for public transport users and help boost ferry numbers.

The arrival of the Royal Navy's new aircraft carriers has been subject to delay but HMS Queen Elizabeth, the largest ship ever built for the Royal Navy, is finally due to arrive in Portsmouth Harbour in late 2017, after completion of sea trials. The significant maintenance regime to keep her fully operational is expected to boost employment at the naval dockyard and be a positive factor for passenger volumes.

Plans for the redevelopment of the Gosport bus station adjacent to the ferry terminal are developing slowly although there is now firm private sector interest in creating new retail and leisure facilities which should increase the appeal of the Gosport waterfront / ferry terminal area as a destination and thus enhance the medium term outlook for passenger numbers.

## PHFC Key Performance Indicators and Operational Drivers

Year ended 31 March	2013	2014	2015	2016	2017
Staff Numbers (FTE at 31 March)	35	37	39	38	<b>38</b>
Capital Expenditure £'000's	223	1,958	1,483	223	<b>241</b>
Ferry Reliability (on time departures)	99.5%	99.7%	99.8%	99.8%	<b>99.9%</b>
Number of weekday passengers '000	2,230	2,169	2,123	2,046	<b>1,967</b>
% change on prior year	-10.7%	-2.7%	-2.1%	-3.6%	<b>-3.9%</b>
Number of weekend passengers '000	803	817	800	780	<b>744</b>
% change on prior year	-3.4%	1.8%	-2.1%	-2.5%	<b>-4.6%</b>
Total number of passengers '000's	3,033	2,986	2,923	2,826	<b>2,710</b>
% change on prior year	-8.9%	-1.6%	-2.1%	-3.3%	<b>-4.1%</b>
Revenue growth %	-1.9%	1.2%	4.3%	-1.3%	<b>1.0%</b>
Average yield per passenger journey*	£1.28	£1.32	£1.41	£1.45	<b>£1.52</b>

\*Total ferry fares divided by the total number of passengers

# Chief Executive's Strategic Review

BUSINESS REVIEW - CONTINUED



Installation of artwork at the National Maritime Museum, London

## Momart

Momart, the Group's art handling and logistics business, delivered a modest increase in Operating Profit, despite challenging market conditions. Overall revenues increased by 13.0% to £18.4 million (2016: £16.3 million) led by exceptionally strong growth in the value of work done for leading museums (+19.9%). Despite a less lucrative sales mix, and pressure on margins, the strong growth in revenue meant that on a like for like basis, underlying profits increased by £0.25 million to £0.71 million, although start-up costs of £0.18 million from the newly expanded storage facilities at Leyton held back profit growth, so that underlying operating profits increased only marginally to £0.54 million from £0.46 million in 2016.

Net finance costs in the year were negligible as borrowings were repaid during the year, although a further £1.0 million bank loan was drawn down in December 2016 to finance the fit out of the new warehouse extension at Leyton.

Underlying Profit Before Tax before amortisation of intangibles was £0.52 million (2016: £0.46 million).

## Momart Operating results

Year ended 31 March	2017 £m	2016 £m	Change %
<i>Revenues</i>			
Museum Exhibitions	<b>10.06</b>	8.39	19.9
Galleries & Private Clients	<b>6.29</b>	5.82	8.1
Storage	<b>2.03</b>	2.05	-0.8
<b>Total Momart revenue</b>	<b>18.38</b>	16.26	13.0
Momart underlying operating profit	<b>0.54</b>	0.46	17.0
Net Interest expense	<b>-0.02</b>	-	-
<b>Momart underlying Profit Before Tax</b>	<b>0.52</b>	0.46	14.7
<b>Momart underlying operating profit margin</b>	<b>2.9%</b>	2.8%	1.4

## Museum Exhibitions

After an exceptionally strong start in H1 with revenue +30% compared to H1 in the prior year, the rate of Exhibition revenue growth slowed in H2 but still showed healthy growth with museum sales up by 11.4% on the prior year, leading to annual sales growth of 19.9% and record levels of activity with UK museums. Revenue from large UK museum exhibitions, continue to form the bedrock of Momart's market-leading reputation, and accounted for more than half of total Exhibition activity with sales to the top 10 UK museums representing 55% of Exhibitions revenue (2016: 51%). Work with overseas museums, either directly or through agents accounted for 28% of Exhibitions revenue (2016: 29%) with services to smaller UK museums accounting for 17% of Exhibitions revenue.

Although the increase in Exhibitions' Museum sales was encouraging, museum budgets in the UK and overseas are under intense and increasing pressure with ever more emphasis being placed on price in the tender process and this has led to pressure on margins and contract profitability becoming increasingly squeezed. In addition, fluctuations in sales mix, particularly the proportion of works provided by lenders located overseas, plays a major factor in determining gross margin, as work that requires outsourcing to overseas partners commands only a modest mark up for the co-ordinating agent. In 2016-17 the proportion of low margin work that required outsourcing to overseas agents increased by 3.4% points on the prior year, and these lower margin sales accounted for £1.6 million (75%) of the total increase in Exhibitions revenues of £2.1 million. Revenue from Momart's own added value services to Exhibition clients increased by £0.5 million (+7.3%) helped by a £0.4 million increase (+16.6%) in work for international clients.

Notable museum exhibitions delivered for UK clients in the period included the installation of "Abstract Expressionism" at the Royal Academy, "Sunken Cities" at the British Museum, "Painters Paintings" and "Beyond Caravaggio" at the National Gallery, "Francis Bacon Invisible Rooms" at Tate Liverpool, "William Eggleston" and "Picasso" at the National Portrait Gallery, "You Say You Want a Revolution" at the V&A, and "The Radical Eye" at Tate Modern.

As at 31 March 2017, the value of Momart's 12 month order-book of large UK Exhibitions had increased by £0.3 million compared to the prior year-end, to a record level of £4.8 million (See KPI's below). This healthy order book provides a solid platform for Exhibition sales in the coming year.

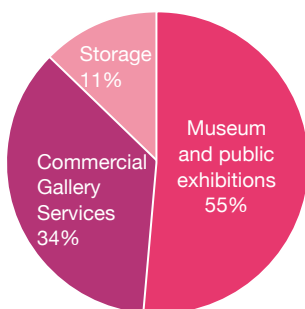
## Galleries & Private Client Services

Gallery Services had an encouraging year despite fierce competition at a period when there was a notable softening in the global art market. During 2016 international auction houses experienced weaker client demand and hammer prices fell below expectations particularly in the early part of the year. Despite this unpromising backdrop, Momart's Gallery Services team delivered sales growth of 8.1% achieving record revenues of £6.3 million (2016: £5.8 million) whilst still maintaining healthy margins.

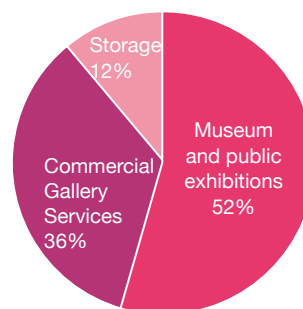
International galleries remain the most important client category and after strong sales growth in the prior year, revenue from galleries grew by a further 25% to reach record levels. Sales to auction houses fell back slightly (-1.4%) reflecting the slow-down in the commercial art market, although run rates picked up towards the end of the financial year as confidence returned at the start of 2017. Activity with private clients fell back by 11% mirroring market uncertainty but revenues from corporate clients increased by a welcome 3%. Momart's close connection with major artists, as an art handler able to meet the most demanding technical requirements and standards of care, was reinforced by encouraging sales growth of 17% with living artists. After commercial galleries and auction houses this key client group remains central to Momart's activities and reflects the company's core values of client service, attention to detail and respect for the works themselves.

During the year, further resources were invested in sales and marketing, business development, staff training and improved IT systems, increasing general overheads by £0.4 million compared to the prior year. This strengthening of the company's sales infrastructure will support further organic growth in the coming years.

Momart Revenues 2017



Momart Revenues 2016



# Chief Executive's Strategic Review

BUSINESS REVIEW - CONTINUED

## Storage

Storage revenues were essentially unchanged at £2.03 million (2016: £2.05 million), as existing facilities remained at full capacity. During the year the main strategic focus was to ensure the completion and client readiness of the new storage unit at Leyton although snagging issues and contractor insolvency meant final commissioning of the new facilities was delayed until March 2017. Storage revenues earned in the 2016-17 financial year from the new "Unit14" were negligible and start-up costs (rent & rates etc) of £0.18 million were incurred while the unit remained subject to final completion. Early reaction to the new facilities which offer improved client facilities, discrete dedicated space for specific collections and enhanced viewing areas, has been very positive and sales and promotional initiatives are underway to ensure the speediest possible fill of the new unit which will add 33% to storage capacity together with £0.5 million in annual operating costs. Depending on market conditions it is hoped to fill the new unit within 18 months, with cash break-even on a monthly basis achieved within 7 months. Given the profile of fixed property costs from the outset and a steady build-up of revenue, if the unit is 2/3rd full by March 2018, and at that point covering its cash costs and monthly depreciation, deficits in the early months will still lead to a further small loss of c £0.2 million in the first year of operation, after which once mature and fully let it will become a steady profit and cash flow generator.

## Momart Key Performance Indicators and Operational Drivers

Year ended 31 March	2013	2014	2015	2016	2017
Staff Numbers (FTE 31 March)	119	125	129	130	<b>131</b>
Capital Expenditure £'000's	598	260	648	402	<b>971</b>
Warehouse % fill vs capacity	94.2%	92.9%	91.2%	90.6%	<b>90.4%</b>
Exhibition Order Book 31 March	£3.8m	£3.9m	£3.3m	£4.5m	<b>£4.8m</b>
Momart services charged out	£9.0m	£11.7m	£9.1m	£9.2m	<b>£9.8m</b>
Revenues from overseas clients	£4.6m	£8.3m	£7.5m	£5.8m	<b>£6.1m</b>
Exhibitions sales growth	27.8%	20.4%	-20.0%	-3.4%	<b>19.9%</b>
Gallery Services sales growth	-12.7%	1.3%	-6.5%	11.8%	<b>8.1%</b>
Storage sales growth	10.5%	2.6%	1.3%	10.1%	<b>-0.8%</b>
Total Sales growth	8.9%	12.0%	-13.7%	3.2%	<b>13.0%</b>

## Trading outlook

### FIC

For the year ahead, we anticipate another quiet trading period in the Falklands. Local competition remains a significant factor, particularly in Retail, as the full effects of the Chandlery's expansion wash through in the first half. However property rental income has now stabilised and housebuilding remains buoyant on the back of continued government subsidies for first time local buyers. Further growth in FIC's consumer finance business is anticipated and a steady performance is also expected from insurance broking, 4x4 sales and vehicle maintenance.

In the near term, an improved squid catch should help general confidence and a further stimulus from government infrastructure projects may emerge following the quadrennial Legislative Assembly elections in November 2017. Further oil development awaits an improved outlook for the global oil price and the emergence of a financially strong "farm-in" partner to help develop Premier Oil's "Sea Lion" acreage. With respect to tourism, continued growth is expected from cruise ship activity but negotiations with Argentina concerning flight permissions for new scheduled flights from South America which have the potential to unlock land-based tourism, remain unresolved and no significant stimulus from new flights is expected in the coming year.

### PHFC

At PHFC, the emphasis in the coming year will continue to be on tight cost control and on maintaining the ferry's excellent safety and reliability record. The disruptive council construction works at the passenger interchange in Portsmouth are expected to be complete by June 2017; this and the arrival of the new carrier HMS Queen Elizabeth late in 2017, should provide some modest stimulus to passenger volumes over the year. With its core fleet of 3 modern passenger vessels, ongoing capital expenditure at the ferry will be modest and underlying cash flow from ferry operations will continue to be strong.

### Momart

At Momart, increased confidence in the global art market was reflected in more buoyant auction house sales, in spring 2017 and although competition remains intense, this should help drive further growth in Momart's services to private collectors, galleries and auction houses. Museum exhibitions work remains very price competitive and only limited growth is anticipated in this sector and the focus will be on higher added value contracts where Momart's unique expertise can come fully into play. In the coming year, the key priority will be to fill the company's newly opened storage facility at Leyton as quickly as possible to expand business with private collectors and galleries and to create a platform for further growth.

## Acquisitions

Following the abortive take-over bid from Staunton Holdings, the search for complementary value enhancing acquisitions has been resumed, with the aim of increasing the group's earnings base, market capitalisation and appeal for investors. This appeal will be further enhanced by the resumption of dividends set at a sensible level in order to provide a modest yield whilst preserving the Group's cash resources for meaningful and accretive acquisitions. To avoid dilution of management resources, the main geographic focus will be on businesses based in the UK. A number of discussions have been held with businesses in the field of art logistics which, if progressed, would complement and extend Momart. These opportunities will continue to be explored but only on the basis of sensible purchase prices, clear synergies and a pathway to sustainable growth. If these opportunities do not yield positive results, expansion and investment in other high value specialist services will be considered as an alternative. Strategic opportunities for expansion and further investment in the Falklands will also be considered working in partnership with other specialist service providers on any larger projects which may emerge.

The guiding principle of our strategy is to deliver long-term sustainable growth, through continued organic growth and enhancing value for shareholders through selective, well-priced acquisitions. The Board is taking active measures to search for opportunities.

John Foster  
Chief Executive  
13 June 2017

# Chief Executive's Strategic Review

## FINANCIAL REVIEW

### Financial Review

#### Revenue and underlying operating profit

Group revenue rose 3.8% to £40.5 million, however, underlying operating profit decreased 19.3% to £2.8 million in the year ended 31 March 2017 (2016: £3.5 million) as profits at FIC fell back as oil exploration activity in the Falklands ceased in early 2016, and underlying operating profits in the Falklands, including the joint venture result, which had benefited from crane hire to Premier in the prior year, fell £0.8 million to £1.2 million. On a more positive note, trading profits at PHFC and Momart were slightly ahead of the prior year.

#### Non-trading items

Non-trading items amounted to a net cost of £0.51 million (2016: £0.28 million), and comprised a £0.08 million profit on the sale of "Gosport Queen", which had been purchased by Portsmouth Harbour Ferry Company in 1966, and a £0.08 million profit incurred in the Joint Venture on the sale of the SATCO crawler crane, which had been returned to the UK following the end of the drilling contract in the Falklands. These non-trading gains have been offset against:

- £0.53 million of professional fees incurred from the failed Takeover Bid by Staunton Holdings Limited, and the further costs incurred in defending the Group against a possible bid by the Argentine controlled, Dolphin Fund.
- £0.14 million amortisation charge of intangible assets, in relation to the net book value of Customer relationships acquired within Momart in March 2008.

#### Net financing costs

The Group's net financing costs at £0.4 million are similar to the prior year, as the slight increase in bank interest payable from the new bank loan drawn down by Momart in December 2016, has been offset against the reduction in interest payable at the Ferry, as the loans have been repaid during the year.

#### Underlying pre-tax profit

As expected, the Group reported underlying pre-tax profits of £2.40 million, 22.2% down on the prior year, (2016: £3.08 million).

#### Reported pre-tax profit

After the non-trading items noted above, reported Profit Before Tax for the Group decreased by 32.6% to £1.89 million (2016: £2.80 million).

#### Taxation

The Group pays corporation tax on its UK earnings at 20% and on earnings in the Falkland Islands at 26%. The Falkland Islands Company Limited, which is resident in both jurisdictions, has been granted a foreign branch exemption, and as a result no longer pays UK corporation tax. As a result FIC enjoys the full benefit of the tax deductibility in

the Falkland Islands of expenditure on commercial and industrial buildings. The effective blended tax rate on underlying profits is 20.5% (2016: 22.7%).

### Earnings per share

Year ended 31 March	2017 £m	2016 £m	Change %
Underlying profit before tax	2.40	3.08	-22.2
Taxation on underlying profit	(0.49)	(0.70)	-29.9
Underlying profit after tax	1.91	2.38	-19.9
Diluted average number of shares in issue (thousands)	12,431	12,384	0.4
Effective underlying tax rate	20.5%	22.7%	-1.2
Basic EPS on underlying profit	15.4p	19.2p	-20.1
Diluted EPS on underlying profit	15.3p	19.2p	-20.2
Basic EPS on reported profit	11.5p	18.0p	-36.0
Diluted EPS on reported profit	11.5p	17.9p	-36.0

Fully diluted Earnings per Share ("EPS") derived from Underlying Profits, fell to 15.3 pence (2016: 19.2 pence), due to the fall in the underlying profit before tax.

### Dividend

As noted in the Chairman's Statement, the Board is also pleased to recommend the reinstatement of a dividend. By setting the dividend at an affordable level, the new dividend payment policy will allow the retention of the majority of profits to fund organic growth and to help finance acquisitions, whilst at the same time providing an attractive running yield for shareholders. Our new policy will be to pay a cash dividend which will be targeted to be three times covered by after tax profits. For the year ended 31 March 2017, subject to approval by shareholders at our AGM on 31 August 2017 the Company will declare a final dividend of 4 pence per share to be paid on 22 September 2017 to shareholders on the register at close of business on 1 September 2017.

### Balance sheet

The Group's Balance Sheet remains strong. Total net assets, including intangible assets of £11.8 million (2016: £12.0 million), increased to £39.7 million from £38.6 million in the prior year. The carrying value of intangible assets at £11.8 million has reduced from the £12.0 million at 31 March 2016, due to the amortisation charge.

Retained earnings, after providing for corporation tax, increased by £1.2 million to £20.0 million (2016: £18.8



million). Bank borrowings increased to £3.8 million (2016: £3.3 million), due to the drawdown of a £1.0 million loan at Momart to cover the storage facility development. The Group's cash balances increased by £1.1 million to £15.1 million (2016: £14.0 million).

The net book value of property, plant and equipment increased by £0.2 million to £20.1 million (2016: £19.9 million) after capital investment of £1.8 million, including £1.0 million at Momart, largely due to the new storage facilities in Leyton. This has been offset against a £1.3 million depreciation charge in the year and £0.1 million of the hire fleet transferred to stock and sold through Falklands 4x4.

The Group owns investment properties, comprising commercial and residential properties in the Falkland Islands held for rental, together with approximately 400 acres of land in and around Stanley. This includes 18 acres for industrial development and 25 acres of prime mixed-use land. The Group owns 51 properties for rental, including 41 investment properties, which are mainly houses, in Stanley and ten mobile homes, which are rented to staff. The number of properties, which all are held at depreciated cost, has increased by one compared to the prior year due to the rental of a former FIC warehouse to a third party. The net book value of the investment properties and undeveloped land of £3.7 million (2016: £3.6 million) has been reviewed by the Directors resident in the Falkland Islands and at 31 March 2017 the fair value of this property portfolio was estimated at £7.2 million (2016: £7.0 million), an uplift of £3.5 million on net book value. FIC's portfolio of 700 acres of freehold land has a net book value of £0.7 million and an estimated current value at 31 March 2017 of £2.2 million (2016: £2.2 million).

Deferred tax assets relating to future pension liabilities increased to £0.8 million (2016: £0.7 million). These assets now only include the deferred tax on the FIC unfunded scheme calculated by applying the 26% Falklands' tax rate to the pension liability. The deferred tax asset increased, as the pension liability rose due to a change in assumptions made at the year-end, principally due to the decrease in the discount rate.

Inventories, which largely represent stock held for resale in the Falkland Islands, were reduced by £0.8 million to £5.4 million at 31 March 2017 (2016: £6.2 million), as a result of focussed stock management implemented in the Falkland Islands.

Trade and Other Receivables increased by £1.6 million to £5.5 million at 31 March 2017, due to the completion of large sales contracts in March at Momart and an increase in debtors at FIC due to a better start to the Fishing season in March 2017. These timing differences are expected to reverse in the coming financial year. Due to the increased year end receivables at Momart, average debtor days outstanding were 52 (2016: 33).

The Group's cash balances increased to £15.1 million (2016: £14.0 million).

Bank borrowings rose to £3.8 million from £3.3 million due to the new loan drawn down in December 2016 by Momart to fund the storage expansion.

Outstanding finance lease liabilities totalled £5.0 million (2016: £5.1 million). £4.8 million (2016: £4.9 million) of the finance lease balance is in respect of the 50 year lease from Gosport Borough Council for the Gosport Pontoon, which runs until June 2061.

In common with most large UK companies, the Group pays the majority of its corporation tax by means of payments on account. Residual corporation tax due for payment within the next 12 months is £0.2 million (2016: £0.03 million).

Trade and other payables increased to £12.3 million from £11.2 million at 31 March 2016, reflecting increased trading activity.

At 31 March 2017, the liability due in respect of the Group's defined benefit pension scheme in the Falkland Islands was £3.0 million (2016: £2.6 million). The increased liability is due principally to lower medium term interest rates used to discount the scheme's future liabilities. The pension scheme in the Falklands, which was closed to new entrants in 1988 and to further accrual in 2007, is unfunded and liabilities are met from operating cash flow. The increase in liability has been fed through reserves in accordance with IAS 19.

The Group's deferred tax liabilities, excluding the pension asset at 31 March 2017, were £2.2 million and increased by £0.1 million from the prior year (2016: £2.1 million). £2.0 million of this balance arises on property, plant and equipment, and is principally due to accelerated capital allowances on the new vessel in PHFC and also to properties in the Falklands, where capital allowances of 10% are available on the majority of the FIC properties. With such assets depreciated over 20-50 years, a temporary difference arises, on which deferred tax is provided.

Net assets per share were 320 pence at 31 March 2017 (2016: 310 pence).

# Chief Executive's Strategic Review

FINANCIAL REVIEW - CONTINUED

## Cash flows

### Operating cash flow

Net cash flow from operating activities was £2.5 million (2016: £4.3 million); with the decrease due to the increased level of debtors in Momart at the end of the current year.

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

Year ended 31 March	2017 £m	2016 £m	Change £m
<b>Underlying profit before tax</b>	<b>2.4</b>	3.1	(0.7)
Depreciation & Amortisation	1.5	1.5	-
Net Interest payable	0.4	0.4	-
<b>EBITDA</b>	<b>4.3</b>	5.0	(0.7)
Share based payments	-	0.1	(0.1)
Increase in hire purchase debtors	-	(0.5)	0.5
Less share of joint venture results in underlying profit	-	(0.2)	0.2
Increase in working capital	(1.1)	0.5	(1.6)
Professional fees paid for the Takeover bid and defence	(0.4)	-	(0.4)
Tax paid	(0.3)	(0.3)	-
Restructuring costs paid	-	(0.3)	0.3
<b>Net cash inflow from operating activities</b>	<b>2.5</b>	4.3	(1.8)
<b>Financing and Investing Activities</b>			
Sale of FOGL shares	-	1.4	(1.4)
Less:			
Capital expenditure	(1.8)	(1.9)	0.1
Net bank interest paid	(0.1)	(0.1)	-
Proceeds on sale of fixed assets	0.1	0.1	-
Net cash in from Treasury share movements	-	0.1	(0.1)
Cash inflows from joint venture	0.2	0.4	(0.2)
Bank and other loan repayments	(0.8)	(0.8)	-
Bank and Hire purchase loan draw down	1.0	3.1	(2.1)
<b>Net cash outflow from financing and investing activities</b>	<b>(1.4)</b>	2.3	(3.7)
<b>Net cash inflow</b>	<b>1.1</b>	6.6	(5.5)
Cash balance b/fwd.	14.0	7.4	6.6
<b>Cash balance c/fwd.</b>	<b>15.1</b>	14.0	1.1

### Financing outflows

During the year the Group incurred £1.8 million of capital expenditure (2016: £1.9 million); which included £0.8 million of expenditure on the Unit 14 expansion at Leyton and an additional £0.2 million spent at Momart on the vehicle fleet. In the Falklands £0.3 million was spent on expanding the vehicle hire fleet, which at 31 March 2017 includes 50 vehicles, (2016: 42) with 43 vehicles leased out at the year end. £0.1 million has been spent on constructing a dedicated warehouse for third party freight, and a further £0.2 million was incurred on normal replacement expenditure. At PHFC, £0.2 million of expenditure has been incurred on restoring the Victorian Portsea pontoon, including remediating and replacing the cast iron girders underpinning the pontoon.

In addition to the three bank loans held by PHFC, a further loan of £1.0 million was drawn down by Momart in December 2016, to finance the storage expansion. Scheduled loan repayments of £0.8 million (2016: £0.8 million) were made during the year, including £0.3 million of repayments to Gosport Council on the 50 year pontoon finance lease, £0.1 million of repayments on hire purchase leases for trucks at Momart and £0.4 million of repayments on the four bank loans.

John Foster  
Chief Executive  
13 June 2017

## Board of Directors and Secretary

### **Jeremy Brade**, Interim Chairman and 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 and has been Interim Chairman of FIH group plc since 2 May 2017.

### **John Foster**, Chief Executive

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

### **Edmund Rowland**, Non-executive Director

Edmund was appointed to the Board on 16 April 2013, and became Chairman on 9 February 2015. He resigned as Chairman of FIH group plc on 2 May 2017, but will remain on the board until a new non-executive director is appointed.

### **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 2017.

## Results and dividend

The Group's result for the year is set out in the Group Income Statement. The Group profit for the year after taxation amounted to £1,427,000 (2016: £2,222,000). Basic earnings per share on underlying profits were 15.4 pence (2016: 19.2 pence).

The Directors recommend a dividend of 4.0 pence per share, which, if approved by shareholders at the forthcoming Annual General Meeting, will be paid on 22 September 2017 to shareholders on the register at close of business on 1 September 2017. The proposed final dividend has not been included in creditors as it was not approved before the year end.

## Principal activities

The business of the Group during the year ended 31 March 2017 was general trading in the Falkland Islands, the operation of a passenger ferry across Portsmouth Harbour and the provision of international arts logistics and storage services. The principal activities of the Group are discussed in more detail in the Chief Executive's Strategic Report and should be considered as part of the Directors' Report for the purposes of the requirements of the enhanced Directors' Report guidance.

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

## Directors

There have been no changes to the membership of the Board during the year. On 2 May 2017 Edmund Rowland stood down as Chairman of the Group and agreed to stay on the Board until a further board appointment has been made. On 2 May 2017 Non-Executive Director Jeremy Brade agreed to become interim Non-Executive Chairman pending the appointment of a new independent Non-Executive Chairman.

## Directors' interests

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

## Health and safety

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

## Employees

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

## Payments to suppliers

The policy of the Company and each of its trading subsidiaries, in relation to all its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms, provided that it is satisfied that the supplier has provided the goods or services in accordance with agreed terms and conditions. The Group does not follow any code or standard payment practice. As a holding company, the Company had no trade creditors at either 31 March 2017 or 31 March 2016.

## Corporate Governance

As an AIM company, FIH group plc is not required to comply with the UK Corporate Governance Code (the 'Code') which applies only to fully listed UK companies and adherence to which requires the commitment of significant resources and cost. However high standards of Corporate Governance are a key priority of the Board and details of how the Company addresses key governance issues are set out in the Corporate Governance section of its website by reference to the 12 principles of Corporate Governance developed by the Quoted Companies Alliance.

The Board has established Audit, Remuneration, Nominations, and AIM Rules Compliance Committees and the Company receives regular feedback from its external auditors on the state of its internal controls. The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position. Details of all shareholder communications are provided on the Group's website. The Board holds regular meetings with larger shareholders and regards the annual general meeting as a good opportunity to communicate directly with shareholders via an open question and answer session.

## Share capital and substantial interests in shares

During the year 2,795 shares were issued following the exercise of options by employees. Further information about the Company's share capital is given in note 25. Details of the Company's executive share option scheme and employee ownership plan can be found in note 24.

The Company was been notified of the following interests in 3% or more of the issued ordinary shares of the Company as at 31 May 2017:

	Number of shares	Percentage of shares in issue
The Article 6 Marital Trust created under the First Amended and Restated Jerry Zucker Revocable Trust dated 4 - 2 - 2007	3,596,553	28.92
Argos Argonaut Fund	1,228,736	9.88
J.F.C Watts	797,214	6.41
Martin Janser	756,818	6.09
Bonafide Global Fish Fund	671,000	5.40
Christian Struck	377,000	3.03

## Charitable and political donations

Charitable donations made by the Group during the year amounted to £14,771 (2016: £19,229), largely to local community charities in Gosport and the Falkland Islands. There were no political donations in the year (2016: nil).

## Disclosure of information to auditor

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

## Auditor

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

## 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 11.30 a.m. on 31 August 2017. The Notice of the Annual General Meeting and a description of the special business to be put to the meeting are considered in a separate Circular to Shareholders.

## Details of Directors' remuneration and emoluments

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

An analysis of the remuneration and taxable benefits in kind (excluding share options) provided for and received by each Director during the year to 31 March 2017 and in the preceding year is as follows:

	Salary £'000	Bonus £'000	2017 Total £'000	2016 Total £'000
John Foster	206	*-	206	238
Jeremy Brade	30	-	30	30
Edmund Rowland	65	-	65	65
Mike Killingley	-	-	-	**1
<b>Total</b>	<b>301</b>	<b>-</b>	<b>301</b>	<b>334</b>

\*The Chief Executive's bonus for the year is normally split into equal parts of deferred shares and cash, with the shares requiring a service condition to remain in employment for up to three years. For the year ended 31 March 2017, John Foster has waived his cash bonus and taken a reduced deferred shares award of £27,500, to be issued on 16 June 2017. These deferred shares will be provided at no cost to him in three equal tranches over the next three years.

\*\*Until date of resignation

# Directors' Report

CONTINUED

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

The Executive Directors participate in annual performance related bonus arrangements. The Chief Executive had the potential during the year of earning up to 100% of his salary. The bonuses are subject to the achievements of specified corporate and personal objectives.

## Directors' interests in shares

As at 31 March 2017, the share options of executive Directors may be summarised as follows:

Date of grant	Number of options J L Foster	Exercise price	Exercisable from	Expiry date
07 Aug 2007	27,517	£3.30	7 Aug 2010	6 Aug 2017
15 Jul 2009	44,550	£2.90	15 Jul 2012	14 Jul 2019
10 Jun 2015	7,547	£0.00	10 Jun 2017	10 Jun 2019
10 Jun 2015	7,547	£0.00	10 Jun 2018	10 Jun 2019
17 Jun 2016	6,272	£0.00	17 June 2017	17 Jun 2020
17 Jun 2016	6,272	£0.00	17 June 2018	17 Jun 2020
17 Jun 2016	6,273	£0.00	17 June 2019	17 Jun 2020
<b>Total</b>	<b>105,978</b>			

The mid-market price of the Company's shares on 31 March 2017 was 302.50 pence and the range in the year was 179.00 pence to 332.50 pence.

The Directors' options extant at 31 March 2017 totalled 105,978 and represented 0.85% of the Company's issued share capital. The 203,994 remaining options are held by 36 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 2017	Ordinary shares as at 31 March 2016
John Foster*	<b>*78,127</b>	*72,830
Jeremy Brade	<b>15,010</b>	15,010
Edmund Rowland	<b>**3,106,553</b>	**2,815,180

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

\*\* Blackfish Capital Alpha Fund SPC and Staunton Holdings Limited are companies connected with Edmund Rowland, a non-executive director of the Company, and through this relationship with both Staunton Holdings Limited and Blackfish Capital Management, at 31 March 2017, Edmund Rowland was interested in 3,106,553 shares in the Company, representing approximately 24.98 per cent of the issued share capital of the Company. These shareholdings were sold on 2 May 2017 to The Article 6 Marital Trust, therefore Edmund Rowland no longer has any beneficial interest in the shares of FIH group plc.

## Share Incentive Plan

In November 2012, the Company implemented an HMRC approved Share Incentive Plan (SIP) available to employees of the Group, which enables UK and Falklands staff to acquire shares in the Company through monthly purchases of up to £150 per month or 10% of salary, whichever is lower. For every three shares purchased by the employee, the Company contributes one free matching share. These shares are placed in trust and if they are left in trust for at least five years, they can be removed free of UK income tax and national insurance contributions. During the year ended 31 March 2017 the Company purchased £600 of matching shares for Mr J Foster.

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

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law. 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 EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable 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 Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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 Chief Executive'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  
13 June 2017

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

# Independent Auditor's Report

TO THE MEMBERS OF FIH GROUP PLC

We have audited the financial statements of FIH group plc for the year ended 31 March 2017 set out on pages 26 to 71. 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 auditor

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 website at [www.frc.org.uk/auditscopeukprivate](http://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 2017 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 matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

## 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.

Craig Parkin  
Senior Statutory Auditor  
13 June 2017

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



# Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2017

Notes	Before amortisation & non-trading items	Amortisation & non-trading items	Total	Before amortisation & non-trading items	Amortisation & non-trading items	Total	
	2017 £'000	2017 £'000	2017 £'000	2016 £'000	2016 £'000	2016 £'000	
4	<b>Revenue</b>	40,494	-	40,494	38,996	-	38,996
	Cost of sales	(24,861)	-	(24,861)	(23,497)	-	(23,497)
	<b>Gross profit</b>	<b>15,633</b>	<b>-</b>	<b>15,633</b>	<b>15,499</b>	<b>-</b>	<b>15,499</b>
	Other administrative expenses	(13,064)	-	(13,064)	(12,398)	-	(12,398)
	Takeover bid costs	-	(530)	(530)	-	-	-
	Restructuring costs	-	-	-	-	(261)	(261)
	Gain on sale of FOGI shares	-	-	-	-	388	388
	Consumer Finance interest income	236	-	236	206	-	206
	Gain on sale of vessel	-	76	76	-	60	60
11	Amortisation of intangible assets	-	(136)	(136)	-	(136)	(136)
	<b>Operating expenses</b>	<b>(12,828)</b>	<b>(590)</b>	<b>(13,418)</b>	<b>(12,192)</b>	<b>51</b>	<b>(12,141)</b>
	<b>Operating profit</b>	<b>2,805</b>	<b>(590)</b>	<b>2,215</b>	<b>3,307</b>	<b>51</b>	<b>3,358</b>
	Share of results of Joint Venture	24	81	105	200	(330)	(130)
	<b>Profit before net financing costs</b>	<b>2,829</b>	<b>(509)</b>	<b>2,320</b>	<b>3,507</b>	<b>(279)</b>	<b>3,228</b>
	Finance income	21	-	21	27	-	27
	Finance expense	(454)	-	(454)	(456)	-	(456)
8	Net financing costs	(433)	-	(433)	(429)	-	(429)
	<b>Profit / (loss) before tax from continuing operations</b>	<b>2,396</b>	<b>(509)</b>	<b>1,887</b>	<b>3,078</b>	<b>(279)</b>	<b>2,799</b>
9	Taxation	(490)	30	(460)	(699)	122	(577)
	<b>Profit / (loss) for the year attributable to equity holders of the company</b>	<b>1,906</b>	<b>(479)</b>	<b>1,427</b>	<b>2,379</b>	<b>(157)</b>	<b>2,222</b>
10	Earnings per share						
	Basic	15.4p		11.5p	19.2p		18.0p
	Diluted	15.3p		11.5p	19.2p		17.9p

# Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2017

	2017 £'000	2016 £'000
Cash flow hedges - effective portion of changes in fair value	15	(82)
Reclassification to profit or loss on sale of shares in Falkland Oil and Gas	-	(492)
Items that are or may be reclassified subsequently to profit or loss	15	(574)
(Increase) / decrease in the FIC defined benefit pension liability	(366)	215
Movement on deferred tax asset relating to pension schemes	95	(56)
Items which will not ultimately be recycled to the income statement	(271)	159
<b>Other comprehensive expense</b>	<b>(256)</b>	<b>(415)</b>
Profit for the year	1,427	2,222
<b>Total comprehensive income</b>	<b>1,171</b>	<b>1,807</b>

# Consolidated Balance Sheet

AT 31 MARCH 2017

Notes	2017 £'000	2016 £'000	
<b>Non-current assets</b>			
11	Intangible assets	11,846	12,037
12	Property, plant and equipment	20,147	19,930
13	Investment properties	3,723	3,632
15	Investment in Joint venture	241	136
16	Finance leases receivable	763	755
17	Deferred tax assets	776	687
	<b>Total non-current assets</b>	<b>37,496</b>	<b>37,177</b>
<b>Current assets</b>			
18	Inventories	5,356	6,241
19	Trade and other receivables	7,498	4,853
16	Finance leases receivable	799	810
20	Cash and cash equivalents	15,079	14,037
	<b>Total current assets</b>	<b>28,732</b>	<b>25,941</b>
	<b>TOTAL ASSETS</b>	<b>66,228</b>	<b>63,118</b>
<b>Current liabilities</b>			
21	Interest-bearing loans and borrowings	(615)	(546)
	Income tax payable	(182)	(191)
22	Trade and other payables	(12,286)	(11,244)
	<b>Total current liabilities</b>	<b>(13,083)</b>	<b>(11,981)</b>
<b>Non-current liabilities</b>			
21	Interest-bearing loans and borrowings	(8,224)	(7,855)
23	Employee benefits	(2,985)	(2,644)
17	Deferred tax liabilities	(2,191)	(2,069)
	<b>Total non-current liabilities</b>	<b>(13,400)</b>	<b>(12,568)</b>
	<b>TOTAL LIABILITIES</b>	<b>(26,483)</b>	<b>(24,549)</b>
	<b>Net assets</b>	<b>39,745</b>	<b>38,569</b>
25	<b>Capital and reserves</b>		
	Equity share capital	1,243	1,243
	Share premium account	17,447	17,447
	Other reserves	1,162	1,162
	Retained earnings	19,960	18,799
	Hedging reserve	(67)	(82)
	<b>Total equity</b>	<b>39,745</b>	<b>38,569</b>

These financial statements were approved by the Board of Directors on 13 June 2017 and were signed on its behalf by:

J L Foster  
Director

# Company Balance Sheet

AT 31 MARCH 2017

<i>Notes</i>	2017 £'000	2016 £'000
<b>Non-current assets</b>		
14 Investment in subsidiaries	27,629	28,164
19 Loans to subsidiaries	6,965	3,465
17 Deferred tax	17	9
<b>Total non-current assets</b>	<b>34,611</b>	<b>31,638</b>
<b>Current assets</b>		
19 Trade and other receivables	12	15
Corporation tax receivable	94	46
20 Cash and cash equivalents	8,780	11,761
<b>Total current assets</b>	<b>8,886</b>	<b>11,822</b>
<b>TOTAL ASSETS</b>	<b>43,497</b>	<b>43,460</b>
<b>Current liabilities</b>		
22 Trade and other payables	(3,387)	(3,188)
<b>Net assets</b>	<b>40,110</b>	<b>40,272</b>
25 <b>Capital and reserves</b>		
Equity share capital	1,243	1,243
Share premium account	17,447	17,447
Other reserves	6,910	6,910
Retained earnings	14,577	14,754
Hedging reserve	(67)	(82)
<b>Total equity</b>	<b>40,110</b>	<b>40,272</b>

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account of the Parent Company has not been presented. The Parent Company's loss for the financial year is £182,000 (2016: £1,356,000 profit).

These financial statements were approved by the Board of Directors on 13 June 2017 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 2017

	2017 £'000	2016 £'000
<b>Cash flows from operating activities</b>		
<b>Profit for the year after taxation</b>	<b>1,427</b>	<b>2,222</b>
<i>Adjusted for:</i>		
<i>(i) Non-cash items:</i>		
Depreciation and Amortisation	1,587	1,595
Professional fees incurred for Takeover bid and defence	530	-
Gain on disposal of fixed assets	(76)	(49)
Share of Joint Venture (profit) /loss, after impairment provision	(105)	130
Interest cost on pension scheme liabilities	88	90
Equity-settled share-based payment expenses	15	61
Non-cash items adjustment	<b>2,039</b>	<b>1,827</b>
<i>(ii) Other items:</i>		
Bank interest receivable	(21)	(27)
Bank interest payable	127	117
Finance lease interest payable	239	240
Decrease / (Increase) in finance leases receivable	3	(460)
Gain on disposal of FOGL shares	-	(388)
Corporation and deferred tax expense	460	577
<i>Other adjustments</i>	<b>808</b>	<b>59</b>
<b>Operating cash flow before changes in working capital and provisions</b>	<b>4,274</b>	<b>4,108</b>
(Increase) / decrease in trade and other receivables	(2,645)	455
Decrease / (increase) in inventories	971	(742)
Increase in trade and other payables	686	909
Decrease in provisions and employee benefits	(113)	(115)
Changes in working capital and provisions	<b>(1,101)</b>	<b>507</b>
<b>Cash generated from operations</b>	<b>3,173</b>	<b>4,615</b>
Cash outflow on option exercise	(10)	-
Professional fees paid for Takeover bid and defence	(365)	-
Corporation taxes paid	(336)	(324)
<b>Net cash flow from operating activities</b>	<b>2,462</b>	<b>4,291</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,790)	(1,854)
Proceeds from the disposal of property, plant & equipment	76	141
Proceeds received from the sale of FOGL shares	-	1,396
Loans received from joint venture	200	378
Interest received	21	27
<b>Net cash flow from investing activities</b>	<b>(1,493)</b>	<b>88</b>

# Consolidated Cash Flow Statement CONTINUED

FOR THE YEAR ENDED 31 MARCH 2017

	2017 £'000	2016 £'000
<b>Cash flow from financing activities</b>		
Repayment of secured loan	(829)	(760)
Bank loan drawn down	990	2,890
Bank and HP interest paid	(126)	(117)
Hire purchase loan drawn down	38	158
Cash outflow on purchase of Treasury shares	-	(681)
Proceeds from sale of Treasury shares	-	733
<b>Net cash flow from financing activities</b>	<b>73</b>	<b>2,223</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,042</b>	<b>6,602</b>
Cash and cash equivalents at start of year	14,037	7,435
<b>Cash and cash equivalents at end of year</b>	<b>15,079</b>	<b>14,037</b>

# Company Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2017

	2017 £'000	2016 £'000
<i>Notes</i> <b>Cash flows from operating activities</b>		
<b>Holding Company (Loss) / profit for the year</b>	<b>(182)</b>	1,356
<i>Adjusted for:</i>		
Bank interest receivable	(19)	(25)
Professional fees incurred on the failed Takeover	530	-
Ineffective portion of cash flow hedge	(1)	5
Equity-settled share-based payment expenses	39	44
14 Impairment of investment	511	102
Corporation and deferred tax expense	37	41
<b>Operating cash flow before changes in working capital and provisions</b>	<b>915</b>	1,523
Decrease / (increase) in trade and other receivables	3	(3)
Increase / (decrease) in trade and other payables	47	(4)
Changes in working capital and provisions	50	(7)
<b>Cash generated from operations</b>	<b>965</b>	1,516
Cash outflow on option exercise	(7)	-
Professional fees paid for Takeover bid and defence	(365)	-
Corporation taxes paid	(93)	(59)
<b>Net cash flow from operating activities</b>	<b>500</b>	1,457
<b>Cash flow from financing activities</b>		
Cash flows in inter-company borrowing	(3,500)	848
Interest received	19	25
Cash outflow on purchase of Treasury shares	-	(681)
Proceeds from sale of Treasury shares	-	733
<b>Net cash flow from financing activities</b>	<b>(3,481)</b>	925
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(2,981)</b>	2,382
Cash and cash equivalents at start of year	11,761	9,379
<b>Cash and cash equivalents at end of year</b>	<b>8,780</b>	11,761

# Consolidated Statement of Changes in Shareholders' Equity

FOR THE YEAR ENDED 31 MARCH 2017

	Equity share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Financial assets fair value reserve £'000	Hedge reserve £'000	Total equity £'000
Balance at 1 April 2015	1,243	17,447	1,162	16,344	492	-	<b>36,688</b>
Profit for the year	-	-	-	2,222	-	-	<b>2,222</b>
Share based payments	-	-	-	61	-	-	<b>61</b>
Cash flow hedges - effective portion of changes in fair value	-	-	-	-	-	(82)	<b>(82)</b>
Transfer to the income statement on sale of shares in FOGL	-	-	-	-	(492)	-	<b>(492)</b>
Re-measurement of the defined benefit pension liability, net of tax	-	-	-	159	-	-	<b>159</b>
Purchase of Treasury shares	-	-	-	(720)	-	-	<b>(720)</b>
Sale of Treasury shares	-	-	-	733	-	-	<b>733</b>
<b>Balance at 31 March 2016</b>	<b>1,243</b>	<b>17,447</b>	<b>1,162</b>	<b>18,799</b>	<b>-</b>	<b>(82)</b>	<b>38,569</b>
Profit for the year	-	-	-	1,427	-	-	<b>1,427</b>
Share based payments	-	-	-	15	-	-	<b>15</b>
Cash flow hedges - effective portion of changes in fair value	-	-	-	-	-	15	<b>15</b>
Share option exercise	-	-	-	(10)	-	-	<b>(10)</b>
Re-measurement of the defined benefit pension liability, net of tax	-	-	-	(271)	-	-	<b>(271)</b>
<b>Balance at 31 March 2017</b>	<b>1,243</b>	<b>17,447</b>	<b>1,162</b>	<b>19,960</b>	<b>-</b>	<b>(67)</b>	<b>39,745</b>



# Company Statement of Changes in Shareholders' Equity

FOR THE YEAR ENDED 31 MARCH 2017

	Equity share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Hedge Reserve £'000	Total equity £'000
Balance at 1 April 2015	1,243	17,447	6,910	13,324	-	38,924
Profit for the year	-	-	-	1,356	-	1,356
Share-based payments	-	-	-	61	-	61
Cash flow hedges - effective portion of changes in fair value	-	-	-	-	(82)	(82)
Purchase of Treasury shares	-	-	-	(720)	-	(720)
Sale of Treasury shares	-	-	-	733	-	733
<b>Balance at 31 March 2016</b>	<b>1,243</b>	<b>17,447</b>	<b>6,910</b>	<b>14,754</b>	<b>(82)</b>	<b>40,272</b>
Loss for the year	-	-	-	(182)	-	(182)
Share based payments	-	-	-	15	-	15
Option exercise	-	-	-	(10)	-	(10)
Cash flow hedges - effective portion of changes in fair value	-	-	-	-	15	15
<b>Balance at 31 March 2017</b>	<b>1,243</b>	<b>17,447</b>	<b>6,910</b>	<b>14,577</b>	<b>(67)</b>	<b>40,110</b>

A loss of £182,000 (2016: £1,356,000 profit) has been dealt with in the accounts of the Parent Company. As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

# Notes to the financial statements

## 1. Accounting policies

### *General information*

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

### *Reporting entity*

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

### *Basis of preparation*

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

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

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

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

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

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

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

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

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

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

### *Presentation of income statement*

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

Operating profit is the pre-finance profit of continuing activities and acquisitions of the Group, and in order to achieve consistency and comparability, is analysed to show separately the results of normal trading performance ("underlying profit"), individually significant charges and credits, changes in the fair value of financial instruments and amortisation of intangible assets on acquisition

## 1. Accounting Policies CONTINUED

("amortisation and non-trading items"). Such items arise because of their size or nature.

In 2017 these non- trading items comprise:

- Professional costs incurred in dealing with the failed bid by Staunton Holdings and the defence against a possible bid by the, Argentine controlled, Dolphin Fund - £530,000
- Profit on the sale of certain plant and machinery owned by SATCO, following an impairment in the previous year - £81,000
- Gain on vessel disposal in PHFC - £76,000
- Amortisation of intangible assets - £136,000

In 2016 these items comprised:

- The impairment provision made against certain plant and machinery owned by SATCO - £330,000
- Restructuring costs - £261,000
- Gain on the sale of the Portsmouth Queen ferry - £60,000
- Gain on the sale of Falkland Oil and Gas Limited shares - £388,000; and
- the amortisation of intangible assets - £136,000

### *Foreign currencies*

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

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

### *Property, plant and equipment*

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

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

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

### *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, as stated under property, plant and equipment above) and any impairment losses.

### *Joint Ventures*

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

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

# Notes to the financial statements

CONTINUED

## 1. Accounting Policies CONTINUED

### *Intangible assets*

#### *Goodwill*

Goodwill arises on the acquisition of subsidiaries and businesses.

#### *Acquisitions prior to 1 April 2006*

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

#### *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 life
Customer relationships	6 - 10 years

In the year ended 31 March 2014, the Directors reviewed the life of the brand name at Momart and after considerations of its strong reputation in a niche market and its history of stable earnings and cash flow, which is expected to continue into the foreseeable future, determined that its useful life is indefinite, and amortisation ceased from 1 October 2013.

#### *Computer software*

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

#### *Impairment of non-financial assets*

At each reporting date the Group assesses whether there is any indication that an asset may be impaired. Goodwill and intangible assets with indefinite lives are tested for impairment, at least annually. Where an indicator of impairment exists or the asset requires annual impairment testing, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

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

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

#### *Finance income and expense*

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

### *Financial instruments classified as available-for-sale*

The investment in Falkland Oil and Gas Limited was stated at fair value, with any resultant gain or loss recognised in other comprehensive income and presented in the fair value reserve in equity, except for impairment losses. When these items were derecognised, the cumulative gain or loss previously recognised directly in equity was recycled to the profit and loss. Financial instruments classified as available-for-sale are initially recognised at fair value less directly attributable transaction costs.

### *Employee share awards*

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

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

### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

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

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

Construction-in-progress is stated at the lower of cost and net realisable value.

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

### *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. This is applied only to significant long term projects spanning the year end, however there were no such contracts at the current or prior year end. 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*

The Group has one pension scheme providing benefits based on final pensionable pay, which is unfunded and closed to further accrual. The Group's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to its present value; and any unrecognised past service costs are deducted.

The liability discount rate is the yield at the balance sheet date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

# Notes to the financial statements

CONTINUED

## 1. Accounting Policies CONTINUED

When the calculation results in a benefit to the Group, the benefit recognised is limited to the present value of any 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. 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. Re-measurements of the defined benefit pension liability are recognised in full in the period in which they arise in the statement of comprehensive income.

### *Trade and other receivables*

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

### *Trade and other payables*

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

### *Dividends*

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

### *Cash and cash equivalents*

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

### *Interest-bearing borrowings*

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

### *Income tax*

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

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary timing differences are not recognised:

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

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

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

### *Leased assets*

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

### *As lessee*

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

### *As lessor*

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

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

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

### *Finance lease payments*

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

### *Cash-flow hedges*

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

### *New, amended and revised IFRSs and International Financial Reporting Interpretations Committee pronouncements ("IFRICs")*

The following IFRSs and amendments and revisions to IFRSs which were effective for the first time in the year ended 31 March 2017 did not have any material impact on the consolidated financial statements:

Amendments and revisions to IFRSs	Effective date Periods beginning on or after:
Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38	1 January 2016
Equity Method in Separate Financial Statements – Amendments to IAS 27	1 January 2016
Annual Improvements to IFRSs – 2012-2014 Cycle	1 January 2016
Disclosure Initiative – Amendments to IAS 1	1 January 2016

### *Future adoption of new standards*

The following standards, which have not yet been applied in the preparation of the consolidated financial statements were in issue, but were not yet effective, and in some cases, had not yet been adopted by the EU:

IFRS 9: Financial Instruments  
IFRS 15: Revenue from Contracts with Customers  
IFRS 16 : Leases

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

## 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.

# Notes to the financial statements

CONTINUED

## 2. Segmental Information Analysis CONTINUED

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

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

2017	General trading (Falklands) £'000	Ferry Services (Portsmouth) £'000	Art logistics and storage (UK) £'000	Unallocated £'000	Total £'000
Revenue	17,828	4,286	18,380	-	40,494
<b>Segment operating profit before tax, amortisation &amp; non-trading items</b>	1,209	1,058	538	-	2,805
Restructuring costs	-	-	-	(530)	(530)
Gain on sale of vessel	-	76	-	-	76
Amortisation	-	-	(136)	-	(136)
<b>Segment operating profit</b>	1,209	1,134	402	(530)	2,215
Share of result of joint venture	24	-	-	-	24
Reversal of Impairment	-	-	-	81	81
Profit before net financing costs	1,233	1,134	402	(449)	2,320
Interest income	14	4	3	-	21
Interest expense	(88)	(349)	(17)	-	(454)
Net finance expense	(74)	(345)	(14)	-	(433)
<b>Segment profit before tax</b>	1,159	789	388	(449)	1,887
<b>Assets and liabilities</b>					
Segment assets	33,381	16,556	16,279	12	66,228
Segment liabilities	(11,419)	(9,359)	(4,956)	(749)	(26,483)
<b>Segment net assets</b>	21,962	7,197	11,323	(737)	39,745
<b>Other segment information</b>					
Capital expenditure:					
Property, plant and equipment	578	241	971	-	1,790
Investment properties	-	-	-	-	-
Total Capital Expenditure	578	241	971	-	1,790
<b>Depreciation:</b>					
Property, plant and equipment	492	447	385	-	1,324
Investment properties	72	-	-	-	72
Computer software	-	-	55	-	55
Total Depreciation	564	447	440	-	1,451
Amortisation of intangible assets on acquisition of Momart	-	-	136	-	136
<b>Underlying profit before tax</b>					
Segment operating profit	1,209	1,058	538	-	2,805
Share of results of joint venture	24	-	-	-	24
<b>Underlying profit before net financing costs</b>	1,233	1,058	538	-	2,829
Interest income	14	4	3	-	21
Interest expense	(88)	(349)	(17)	-	(454)
<b>Underlying profit before tax</b>	1,159	713	524	-	2,396



2. Segmental Information Analysis CONTINUED

2016	General trading (Falklands) £'000	Ferry Services (Portsmouth) £'000	Art logistics and storage (UK) £'000	Unallocated £'000	Total £'000
Revenue	18,495	4,244	16,257	-	38,996
<b>Segment operating profit before tax, amortisation &amp; non-trading items</b>	1,819	1,028	460	-	3,307
Restructuring costs	(178)	-	(83)	-	(261)
Gain on sale of vessel	-	60	-	-	60
Gain on the sale of FOGL shares	-	-	-	388	388
Amortisation	-	-	(136)	-	(136)
<b>Segment operating profit</b>	1,641	1,088	241	388	3,358
Share of result of joint venture	200	-	-	-	200
Impairment of Joint Venture fixed assets	(330)	-	-	-	(330)
Profit before net financing costs	1,511	1,088	241	388	3,228
Interest income	17	3	7	-	27
Interest expense	(99)	(347)	(10)	-	(456)
Net finance expense	(82)	(344)	(3)	-	(429)
<b>Segment profit before tax</b>	1,429	744	238	388	2,799
<b>Assets and liabilities</b>					
Segment assets	33,150	16,323	13,630	15	63,118
Segment liabilities	(10,821)	(9,632)	(3,463)	(633)	(24,549)
<b>Segment net assets</b>	22,329	6,691	10,167	(618)	38,569
<b>Other segment information</b>					
Capital expenditure:					
Property, plant and equipment	1,213	223	402	-	1,838
Investment properties	16	-	-	-	16
Total Capital Expenditure	1,229	223	402	-	1,854
<b>Depreciation:</b>					
Property, plant and equipment	581	440	314	-	1,335
Investment properties	71	-	-	-	71
Computer software	-	-	53	-	53
Total Depreciation	652	440	367	-	1,459
Amortisation of intangible assets on acquisition of Momart	-	-	136	-	136
<b>Underlying profit before tax</b>					
Segment operating profit	1,819	1,028	460	-	3,307
Share of results of joint venture	200	-	-	-	200
<b>Underlying profit before net financing costs</b>	2,019	1,028	460	-	3,507
Interest income	17	3	7	-	27
Interest expense	(99)	(347)	(10)	-	(456)
<b>Underlying profit before tax</b>	1,937	684	457	-	3,078

# Notes to the financial statements

CONTINUED

## 2. Segmental Information Analysis CONTINUED

The £12,000 (2016: £15,000) unallocated assets above include £12,000 (2016: £15,000) of prepayments held in FIH group plc.

The £749,000 (2016: £633,000) unallocated liabilities above consist of accruals and tax balances held in FIH group plc.

## 3. Geographical analysis

The tables below analyse revenue and other information by geography:

2017	United Kingdom £'000	Falkland Islands £'000	Total £'000
Revenue (by source)	22,666	17,828	40,494
<i>Assets and Liabilities:</i>			
Non-current segment assets, excluding deferred tax	24,563	12,157	36,720
Capital expenditure	1,212	578	1,790

2016	United Kingdom £'000	Falkland Islands £'000	Total £'000
Revenue (by source)	20,501	18,495	38,996
<i>Assets and Liabilities:</i>			
Non-current segment assets, excluding deferred tax	24,374	12,116	36,490
Capital expenditure	625	1,229	1,854

## 4. Revenue

	2017 £'000	2016 £'000
Sale of goods	11,206	12,653
Rendering of services	29,288	26,343
<b>Total revenue</b>	<b>40,494</b>	<b>38,996</b>

## 5. Non-trading items and amortisation of intangible assets

	2017 £'000	2016 £'000
<b>Profit before tax as reported</b>	<b>1,887</b>	<b>2,799</b>
<i>Reverse non-trading items:</i>		
Costs incurred from the Takeover bid	530	-
Restructuring costs	-	261
Proceeds on the sale of vessels	(76)	(60)
(Reversal of impairment) / impairment of the joint venture fixed assets	(81)	330
Gain on the sale of 5,000,000 FOGL shares	-	(388)
Amortisation charge on Momart intangible assets acquired	136	136
<b>Total non-trading items and amortisation</b>	<b>509</b>	<b>279</b>
<b>Underlying profit before tax</b>	<b>2,396</b>	<b>3,078</b>

## Tax on non-trading items

In the year ended 31 March 2017, a £30,000 tax credit has been included in the Group's income statement in respect of the £509,000 non-trading items, which includes a £45,000 deferred tax credit on the intangible assets purchased in Momart in 2008, offset against the £15,000 income tax payable on the profit arising on the sale of fixed assets. The £530,000 of costs incurred from the aborted Takeover bid have not been treated as a tax deductible expense.

In the year ended 31 March 2016, a £122,000 tax credit has been included in the Group's income statement in respect of the £279,000 non-trading items, which includes a £71,000 deferred tax credit on the intangible assets purchased in Momart in 2008, and the £63,000 income tax deductible on the £261,000 restructuring costs, offset against the £12,000 income tax payable on the profit arising on the sale of fixed assets. No tax charge has arisen on the £388,000 gain on the sale of shares in Falkland Oil and Gas Limited.

## 6. Expenses and auditor's remuneration

The following expenses / (incomes) have been included in the profit and loss	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Direct operating expenses of rental properties	263	142	-	-
Depreciation	1,396	1,406	-	-
Depreciation of computer software	55	53	-	-
Amortisation of intangible assets	136	136	-	-
Foreign currency losses	6	(2)	-	-
Impairment loss on trade and other receivables	44	36	-	-
Cost of inventories recognised as an expense	9,552	9,884	-	-
Operating lease payments	1,050	921	-	-

	2017 £'000	2016 £'000
Auditor's remuneration		
Audit of these financial statements	33	30
Other taxation services	4	4
Audit of subsidiaries' financial statements pursuant to legislation	73	62
Other assurance services	-	20
<b>Total auditor's remuneration</b>	<b>110</b>	<b>116</b>

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

## 7. Staff numbers and cost

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

	Number of employees Group		Number of employees Company	
	2017	2016	2017	2016
Ferry services	38	38	-	-
Falkland Islands; in Stanley	159	172	-	-
in UK	6	5	-	-
Art logistics & storage	131	129	-	-
Head office	4	4	4	4
<b>Total average staff numbers</b>	<b>338</b>	<b>348</b>	<b>4</b>	<b>4</b>

# Notes to the financial statements

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## 7. Staff numbers and cost CONTINUED

The aggregate payroll cost of these persons was as follows:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Wages and salaries	10,914	10,804	457	460
Share-based payments (see note 24)	15	61	39	44
Social security costs	909	916	50	49
Contributions to defined contribution plans	298	301	9	9
<b>Total employment costs</b>	<b>12,136</b>	<b>12,082</b>	<b>555</b>	<b>562</b>

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

## 8. Finance income and expense

	2017 £'000	2016 £'000
Bank interest receivable	21	27
<b>Total financial income</b>	<b>21</b>	<b>27</b>

	2017 £'000	2016 £'000
Interest payable on bank loans	(127)	(117)
Net interest cost on the FIC defined benefit pension scheme liabilities	(88)	(90)
Finance lease interest payable	(239)	(240)
Unwinding of deferred consideration payable	-	(9)
<b>Total finance expense</b>	<b>(454)</b>	<b>(456)</b>

## 9. Taxation

### Recognised in the income statement

	2017 £'000	2016 £'000
<i>Current tax expense</i>		
Current year	357	370
Adjustments for prior years	(25)	118
Current tax expense	332	488
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	166	230
Reduction in tax rate	(65)	(119)
Adjustments for prior years	27	(22)
Deferred tax expense	128	89
Total tax expense	460	577

### Reconciliation of the effective tax rate

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	1,887	2,799
Tax using the UK corporation tax rate of 20% (2016: 20%)	377	560
Expenses not deductible for tax purposes	174	58
Gain on disposal of investment	-	(78)
Effect of higher tax rate overseas	-	23
Difference in the rate of deferred tax	(72)	(108)
Income from joint ventures	(21)	26
Adjustments to tax charge in respect of previous periods	2	96
Total tax expense	460	577

### Tax recognised directly in other comprehensive income

	2017 £'000	2016 £'000
Deferred tax credit / (expense) recognised directly in other comprehensive income	95	(56)

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

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

# Notes to the financial statements

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## 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 25).

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

	2017 £'000	2016 £'000
<b>Profit on ordinary activities after taxation</b>	<b>1,427</b>	<b>2,222</b>

	2017 Number	2016 Number
Weighted average number of shares in issue	12,431,715	12,431,623
Less: shares held in Treasury	-	(31,725)
Less: shares held under the ESOP	(24,849)	(28,016)
Average number of shares in issue excluding the ESOP and shares held in Treasury	12,406,866	12,371,882
Maximum dilution with regards to share options	23,639	11,830
<b>Diluted weighted average number of shares</b>	<b>12,430,505</b>	<b>12,383,712</b>

	2017	2016
Basic earnings per share	11.5p	18.0p
<b>Diluted earnings per share</b>	<b>11.5p</b>	<b>17.9p</b>

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.

	2017 £'000	2016 £'000
<i>Earnings per share on underlying profit</i>		
Underlying profit before tax (see note 5)	2,396	3,078
Taxation	(490)	(699)
<b>Underlying profit after tax</b>	<b>1,906</b>	<b>2,379</b>
Effective tax rate	20.5%	22.7%
Weighted average number of shares in issue excluding Treasury shares and the ESOP (from above)	12,406,866	12,371,882
Diluted weighted average number of shares (from above)	12,430,505	12,383,712
Basic earnings per share on underlying profit	15.4p	19.2p
<b>Diluted earnings per share on underlying profit</b>	<b>15.3p</b>	<b>19.2p</b>

## 11. Intangible assets

	Computer Software £'000	Customer relationships £'000	Brand name £'000	Goodwill £'000	Total £'000
<b>Cost:</b>					
At 31 March 2015 and 2016	479	1,274	2,823	11,576	<b>16,152</b>
Disposals	-	(1,274)	-	-	<b>(1,274)</b>
At 31 March 2017	479	-	2,823	11,576	<b>14,878</b>
<b>Accumulated amortisation:</b>					
At 1 April 2015	156	1,002	785	1,983	<b>3,926</b>
Depreciation of computer software	53	-	-	-	<b>53</b>
Amortisation of other intangibles for the year	-	136	-	-	<b>136</b>
At 31 March 2016	209	1,138	785	1,983	<b>4,115</b>
Depreciation of computer software	55	-	-	-	<b>55</b>
Disposals	-	(1,274)	-	-	<b>(1,274)</b>
Amortisation of other intangibles for the year	-	136	-	-	<b>136</b>
At 31 March 2017	264	-	785	1,983	<b>3,032</b>
<b>Net book value:</b>					
At 1 April 2015	323	272	2,038	9,593	<b>12,226</b>
At 31 March 2016	270	136	2,038	9,593	<b>12,037</b>
At 31 March 2017	215	-	2,038	9,593	<b>11,846</b>

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 economic benefit to the Group with estimated economic lives of 6 - 10 years.

As at 31 March 2017 these intangible assets were fully amortised. No further amortisation of these intangible assets will now arise.

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

### Goodwill

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

	Art logistics and storage £'000	Ferry Services (Portsmouth) £'000	Falklands Islands £'000	Total £'000
At 1 April 2015	5,577	3,979	37	<b>9,593</b>
At 31 March 2016	5,577	3,979	37	<b>9,593</b>
At 31 March 2017	5,577	3,979	37	<b>9,593</b>

# Notes to the financial statements

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## 11. Intangible assets CONTINUED

### *Impairment*

The Group tests material goodwill annually for impairment or more frequently if there are indications that goodwill and / or indefinite life assets might be impaired. An impairment test is a comparison of the carrying value of the assets of a CGU, based on a value-in-use calculation, to their recoverable amounts. Where the recoverable amount is less than the carrying value an impairment results. During the year the goodwill and indefinite life intangibles for each CGU was separately assessed and tested for impairment, with no impairment charges resulting (2016: nil). As part of testing goodwill and indefinite life intangibles for impairment, forecasts of operating cash flows for the next 50 years at PHFC and 25 years for Momart, have been used, which are based on approved budgets and plans by the Board of FIH group 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 as to future performance and relevant external sources of information.

### *Discount rates*

Within impairment testing models, the cash flows of the Art Logistics and Storage CGU have been discounted using a pre-tax discount rate of 13.0% (2016: 13.5%), and the cash flows of the Ferry Services have been discounted using a pre-tax discount rate of 12.4% (2016: 12.4%). 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% over up to fifty years have been used for all CGUs as part of the impairment testing models. This growth rate does not exceed the long term average growth rate for the UK, in which the CGUs operate. For both Ferry Services and Art Logistics and Storage, the future cash flows are based on the latest budgets and business plans, which take account of known business conditions, and are therefore consistent with past experience.

### *Other assumptions*

Other assumptions used within impairment testing models include an estimation of long term effective tax rate for the CGUs. The long-term effective rate of tax assumption is consistent with current tax rates. 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 (2016: £nil). It is not considered that a reasonably possible change in any of these assumptions would generate a different impairment test outcome to the one included in this annual report. The key assumptions made in the estimation of future cash flows are the passenger numbers and the average revenue per passenger.

### *Assumptions specific to arts logistics and storage (UK)*

Value in use was determined by discounting future cash flows in line with the other assumptions as discussed above. Cash flows were projected based on approved budgets and plans over the forecast period, with a long term growth rate of 2%. The carrying value of the unit was determined to not be higher than its recoverable amount and no impairment was recognised (2016: nil). The key assumptions made in the estimation of future cash flows are in relation to revenue. Sensitivity analysis as at 31 March 2017 indicated that should the discount rate increase by 1%, (existing assumption 13.0%) pre-tax cash flows decrease by 10% or the growth rate by 1% (existing assumption 2%) this would result in an impairment charge being recognised of between £0.8 million to £1.0 million in the financial statements in respect of the valuation of the goodwill and intangible in relation to Momart.



## 12. Property, plant and equipment

	Group				Total £'000
	Freehold Land & buildings £'000	Long leasehold Land and buildings £'000	Ships £'000	Vehicles, plant and equipment £'000	
<b>Cost:</b>					
At 1 April 2015	6,944	7,095	6,702	8,613	29,354
Additions in year	948	161	109	620	1,838
Transfer to stock	-	-	-	(202)	(202)
Disposals	(50)	(19)	-	(1,225)	(1,294)
At 31 March 2016	7,842	7,237	6,811	7,806	29,696
Additions in year	122	818	19	831	1,790
Transfer to investment properties	(170)	-	-	-	(170)
Transfer to stock	-	-	-	(221)	(221)
Disposals	-	-	-	(155)	(155)
At 31 March 2017	7,794	8,055	6,830	8,261	30,940
<b>Accumulated depreciation:</b>					
At 1 April 2015	1,829	1,067	1,378	5,459	9,733
Charge for the year	152	231	229	723	1,335
Transfer to stock	-	-	-	(94)	(94)
Disposals	(50)	(16)	-	(1,142)	(1,208)
At 1 April 2016	1,931	1,282	1,607	4,946	9,766
Charge for the year	280	142	247	655	1,324
Transfer to stock	-	-	-	(135)	(135)
Transfer to investment properties	(7)	-	-	-	(7)
Disposals	-	-	-	(155)	(155)
At 31 March 2017	2,204	1,424	1,854	5,311	10,793
<b>Net book value:</b>					
At 1 April 2015	5,115	6,028	5,324	3,154	19,621
At 31 March 2016	5,911	5,955	5,204	2,860	19,930
At 31 March 2017	5,590	6,631	4,976	2,950	20,147

At 31 March 2017 the net carrying amount of leased long leasehold land and buildings and vehicles, plant and equipment was £4,385,000 and £346,000 for the Gosport Pontoon and trucks at Momart respectively, (2016: £4,481,000 and £532,000). During the year to 31 March 2017, Momart acquired one van on hire purchase, which cost £38,000 and was funded by a £25,000 finance lease.

During the year ending 31 March 2016, Momart acquired two sprinter vans and a truck on hire purchase, which cost £177,000 and were funded by £158,000 of finance leases.

At 31 March 2016, £79,000 was included within long leasehold properties in respect of the construction of the storage facilities for Momart which have now been completed.

The Company has no tangible fixed assets.

# Notes to the financial statements

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## 13. Investment properties

	Group		
	Residential and commercial property £'000	Freehold land £'000	Total £'000
<b>Cost:</b>			
At 1 April 2015	3,460	723	4,183
Additions in year	16	-	16
Disposals	(9)	-	(9)
At 31 March 2016	3,467	723	4,190
Transfer from Freehold properties	132	38	170
At 31 March 2017	3,599	761	4,360
<b>Accumulated depreciation:</b>			
At 1 April 2015	490	-	490
Charge for the year	71	-	71
Disposals	(3)	-	(3)
At 31 March 2016	558	-	558
Transfer from Freehold properties	7	-	7
Charge for the year	72	-	72
At 31 March 2017	637	-	637
<b>Net book value:</b>			
At 1 April 2015	2,970	723	3,693
At 31 March 2016	2,909	723	3,632
<b>At 31 March 2017</b>	<b>2,962</b>	<b>761</b>	<b>3,723</b>

The investment properties comprise residential and commercial property held for rental in the Falkland Islands. Investment properties include 400 acres, including 70 acres of land in Stanley, 58 acres of which have planning permission. In addition, the Group has 300 acres of land on the North shore of Stanley Harbour at Fairy Cove. These investment properties held by FIC have been reviewed by a Directors of FIC who are resident in the Falkland Islands and who are considered to have the relevant knowledge and experience to undertake the valuation. Independent advice has also been taken from a local property expert. At 31 March 2017 the fair value of this property portfolio was estimated at £7.2 million (31 March 2016: £7.0 million) an uplift on book value of £4.2 million. Development land was valued at £2.2 million (2016: £2.2 million), an uplift on book value of £1.4 million.

During the year to 31 March 2017, the Group received rental income of £424,000 (2016: £565,000) from its investment properties and from the ten mobile homes rented to staff, which are held in long leasehold property.

At 31 March 2017 and 2016 no investment properties were under construction.

The Company does not own any investment properties.

## 14. Investment in subsidiaries

	Country of incorporation	Class of shares held	Ownership at 31 March 2017	Ownership at 31 March 2016
The Falkland Islands Company Limited <sup>(1)</sup>	UK	Ordinary shares of £1	100%	100%
		Preference shares of £10	100%	100%
The Falkland Islands Trading Company Limited <sup>(1)</sup>	UK	Ordinary shares of £1	100%	100%
Falkland Islands Shipping Limited <sup>(2) (6)</sup>	Falkland Islands	Ordinary shares of £1	100%	100%
Erebus Limited <sup>(2) (6)</sup>	Falkland Islands	Ordinary shares of £1	100%	100%
		Preference shares of £1	100%	100%
South Atlantic Support Services Limited <sup>(3) (6)</sup>	Falkland Islands	Ordinary shares of £1	100%	-
	Falkland Islands	Ordinary shares of £1	100%	100%
Paget Limited <sup>(4) (6)</sup>	Falkland Islands	Ordinary shares of £1	100%	100%
The Portsmouth Harbour Ferry Company Limited <sup>(4)</sup>	UK	Ordinary shares of £1	100%	100%
Portsea Harbour Company Limited <sup>(4) (6)</sup>	UK	Ordinary shares of £1	100%	100%
Clarence Marine Engineering Limited <sup>(4) (6)</sup>	UK	Ordinary shares of £1	100%	100%
Gosport Ferry Limited <sup>(4) (6)</sup>	UK	Ordinary shares of £1	100%	100%
Momart International Limited <sup>(5)</sup>	UK	Ordinary shares of £1	100%	100%
Momart Limited <sup>(5) (6)</sup>	UK	Ordinary shares of £1	100%	100%
Dadart Limited <sup>(5) (6)</sup>	UK	Ordinary shares of £1	100%	100%

(1) The registered office for these companies is Kenburgh Court, 133-137 South Street, Bishop's Stortford, Hertfordshire CM23 3HX.

(2) The registered office for these companies is 5 Crozier Place, Stanley, Falkland Islands FIQQ 1ZZ.

(3) South Atlantic Support Services Limited's registered office is 56 John Street, Stanley, Falkland Islands FIQQ 1ZZ

(4) The registered office for these companies is South Street, Gosport, Hampshire, PO12 1EP.

(5) The registered office for these companies is Exchange Tower, 6th Floor, 2 Harbour Exchange Square, London E14 9GE.

(6) These investments are not held by the Company but are indirect investments held through a subsidiary of the Company.

	Company	
	2017 £'000	2016 £'000
At 1 April 2016	<b>28,164</b>	28,249
Impairment of subsidiaries	<b>(511)</b>	(102)
Share based payments (credit) / charge capitalised into subsidiaries	<b>(24)</b>	17
At 31 March 2017	<b>27,629</b>	<b>28,164</b>

The Company's investment in Momart was impaired by £511,000 in the year to 31 March 2017, due to lower future expected levels of profitability. In the year to 31 March 2016, Erebus Limited was impaired by £102,000 following to the disposal of the final 5,000,000 shares in Falkland Oil and Gas.

# Notes to the financial statements

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## 15. Investment in Joint Ventures

The Group has one joint venture (South Atlantic Construction Company Limited, "SATCO"), which was set up in June 2012, with Trant Construction to bid for the larger infrastructure contracts which were expected to be generated by oil activity. Both Trant Construction and the Falkland Islands Company contributed £50,000 of ordinary share capital. SATCO is registered and operates in the Falkland Islands. During the year ended 31 March 2016, an impairment was made against certain plant and machinery owned by SATCO, which was partly reversed in the year ended 31 March 2017 due to a sale of these assets during the year. The net assets of SATCO are shown below:

<i>Joint Venture's balance sheet</i>	2017 £'000	2016 £'000
Current assets	744	1,269
Liabilities due in less than one year	(262)	(470)
Liabilities due in greater than one year	-	(527)
<b>Net assets of SATCO</b>	<b>482</b>	<b>272</b>
<b>Group share of net assets</b>	<b>241</b>	<b>136</b>

<i>Joint Venture's results</i>	2017 Before Impairment £'000	2017 Impairment £'000	2017 After Impairment £'000	2016 £'000
Revenue	64	-	64	616
Cost of sales	-	-	-	(95)
Administrative expenses	(4)	-	(4)	(11)
Operating profit for the year	60	-	60	510
Impairment reversal / (impairment)	-	206	206	(866)
Profit before taxation	60	206	266	(356)
Taxation	(12)	(44)	(56)	96
<b>Joint Venture retained profit / (loss) for the year</b>	<b>48</b>	<b>162</b>	<b>210</b>	<b>(260)</b>
<b>Group share of retained profit / (loss) for the year</b>	<b>24</b>	<b>81</b>	<b>105</b>	<b>(130)</b>

There were no recognised gains or losses, other than the profits disclosed above for the year ended 31 March 2017 (2016: none). There was no depreciation charged in the year ended 31 March 2017 (2016: £95,000).

The current assets balances above include £103,000 of cash (2016: £512,000). The liabilities due in less than one year are all trade payables and corporation tax payable. The liabilities due in greater than one year in the prior year, consisted of loans to the parent companies of £527,000.

SATCO had no contingent liabilities or capital commitments as at 31 March 2017 or 31 March 2016 and the Group had no contingent liabilities or commitments in respect of its joint venture at 31 March 2017 or 31 March 2016.

## 16. Finance leases receivable

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

	Group	
	2017 £'000	2016 £'000
<i>Non-Current:</i>		
Finance Lease debtors due after more than one year	763	755
<i>Current:</i>		
Finance lease debtors due within one year	799	810
<b>Total Finance Lease debtors</b>	<b>1,562</b>	<b>1,565</b>

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 £314,000 (2016: £133,000).

The cost of assets acquired for the purpose of renting out under hire purchase agreements by the Group during the year amounted to £962,000 (2016: £1,316,000).

The aggregate rentals receivable during the year in respect of hire purchase agreements were £1,167,000 (2016: £1,029,000).

	Group	
	2017 £'000	2016 £'000
Gross investment in hire purchase leases	1,876	1,698
Present value of future lease payments due:		
Within one year	799	810
Within two to five years	763	755
<b>Total present value of future lease payments</b>	<b>1,562</b>	<b>1,565</b>

# Notes to the financial statements

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## 17. Deferred tax assets and liabilities

<i>Recognised deferred tax assets and (liabilities)</i>	Group	
	2017 £'000	2016 £'000
Property, plant & equipment	(2,032)	(1,865)
Intangible assets	(346)	(391)
Inventories	9	28
Other financial liabilities	32	39
Share-based payments	26	-
Tax losses	120	120
<b>Total net deferred tax liabilities</b>	<b>(2,191)</b>	<b>(2,069)</b>
Deferred tax asset arising on the defined benefit pension liabilities	776	687
<b>Net tax liabilities</b>	<b>(1,415)</b>	<b>(1,382)</b>

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

<i>Recognised deferred tax asset</i>	Company	
	2017 £'000	2016 £'000
Other temporary differences	17	9
<b>Net tax asset</b>	<b>17</b>	<b>9</b>

<i>Movement in deferred tax assets / (liabilities) in the year:</i>	Group			<b>31 March 2017 £'000</b>
	1 April 2016 £'000	Recognised in income £'000	Recognised in equity £'000	
Property, plant & equipment	(1,865)	(167)	-	<b>(2,032)</b>
Intangible assets	(391)	45	-	<b>(346)</b>
Inventories	28	(19)	-	<b>9</b>
Other financial liabilities	39	(7)	-	<b>32</b>
Share-based payments	-	26	-	<b>26</b>
Tax losses	120	-	-	<b>120</b>
Pension	687	(6)	95	<b>776</b>
<b>Deferred tax movements</b>	<b>(1,382)</b>	<b>(128)</b>	<b>95</b>	<b>(1,415)</b>

*Unrecognised deferred tax assets*

Deferred tax assets of £113,000 (2016: £113,000) in respect of capital losses have not been recognised as it is not considered probable that there will be suitable chargeable gains in the foreseeable future from which the underlying capital losses will reverse.

<i>Movement in deferred tax in the year:</i>	Company			<b>31 March 2017</b> £'000
	1 April 2016 £'000	Recognised in income £'000	Recognised in equity £'000	
Other temporary difference	9	8	-	<b>17</b>
<b>Deferred tax asset movements</b>	<b>9</b>	<b>8</b>	<b>-</b>	<b>17</b>

<i>Movement in deferred tax assets / (liabilities) in the prior year:</i>	Group			<b>31 March 2016</b> £'000
	1 April 2015 £'000	Recognised in income £'000	Recognised in equity £'000	
Property, plant & equipment	(1,669)	(196)	-	<b>(1,865)</b>
Intangible assets	(462)	71	-	<b>(391)</b>
Inventories	15	13	-	<b>28</b>
Other financial liabilities	50	(11)	-	<b>39</b>
Share-based payments	10	(10)	-	<b>-</b>
Tax losses	69	51	-	<b>120</b>
Pension	750	(7)	(56)	<b>687</b>
<b>Deferred tax movements</b>	<b>(1,237)</b>	<b>(89)</b>	<b>(56)</b>	<b>(1,382)</b>

<i>Movement in deferred tax asset in the prior year:</i>	Company			<b>31 March 2016</b> £'000
	1 April 2015 £'000	Recognised in income £'000	Recognised in equity £'000	
Other temporary difference	6	3	-	<b>9</b>
<b>Deferred tax asset movements</b>	<b>6</b>	<b>3</b>	<b>-</b>	<b>9</b>

# Notes to the financial statements

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## 18. Inventories

	Group	
	2017 £'000	2016 £'000
Work in progress	1,295	912
Goods in transit	764	606
Goods for resale	3,297	4,723
<b>Total Inventories</b>	<b>5,356</b>	<b>6,241</b>

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

The Company has no inventories.

## 19. Trade and other receivables

<i>Non-current</i>	Company	
	2017 £'000	2016 £'000
Amount owed by subsidiary undertakings	6,965	3,465

<i>Current</i>	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade and other receivables	5,507	3,920	-	-
Prepayments and accrued income	1,991	933	12	15
<b>Total trade and other receivables</b>	<b>7,498</b>	<b>4,853</b>	<b>12</b>	<b>15</b>

Trade and other receivables increased substantially at 31 March 2017 due to the later timing of sales in the year. Carrying values have been reviewed to ensure the amounts shown are fully recoverable.

## 20. Cash and cash equivalents

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash and other cash equivalents in the balance sheet	15,079	14,037	8,780	11,761



## 21. Interest-bearing loans and borrowings

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

	Group	
	2017 £'000	2016 £'000
<i>Non-current liabilities</i>		
Secured bank loans	3,321	2,863
Lease liabilities	4,903	4,992
<b>Total non-current interest bearing loans and lease liabilities</b>	<b>8,224</b>	<b>7,855</b>
<i>Current liabilities</i>		
Secured bank loans	507	401
Lease liabilities	108	145
<b>Total current interest bearing loans and lease liabilities</b>	<b>615</b>	<b>546</b>
<i>Total liabilities</i>		
Secured bank loans	3,828	3,264
Lease liabilities	5,011	*5,137
<b>Total interest bearing loans and lease liabilities</b>	<b>8,839</b>	<b>8,401</b>

<i>Lease liabilities</i>	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Less than one year	341	384	233	239	108	145
Between one and two years	332	333	229	233	103	100
Between two and five years	853	914	670	678	183	236
More than five years	10,205	10,465	5,588	5,809	4,617	4,656
<b>Total</b>	<b>11,731</b>	<b>12,096</b>	<b>6,720</b>	<b>6,959</b>	<b>5,011</b>	<b>*5,137</b>

### Net cash

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash balances (see note 20)	15,079	14,037	8,780	11,761
less: Total interest-bearing loans and borrowings	*(8,839)	*(8,401)	-	-
<b>Net cash</b>	<b>6,240</b>	<b>5,636</b>	<b>8,780</b>	<b>11,761</b>

\*Included within lease liabilities is £4,797,000 (2016: £4,828,000) in respect of the long term lease liability for the Gosport pontoon, with quarterly payments of £65,000 payable to Gosport Borough Council over the next forty-four years until 2061.

# Notes to the financial statements

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## 22. Trade and other payables

<i>Current</i>	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade payables	6,861	6,612	-	-
Amounts owed to subsidiary undertakings	-	-	2,500	2,500
Loan from joint venture	200	-	-	-
Other creditors, including taxation and social security	1,257	1,482	129	134
Interest rate swap liability	71	87	71	87
Accruals and deferred income	3,897	3,063	687	467
<b>Total trade and other payables</b>	<b>12,286</b>	<b>11,244</b>	<b>3,387</b>	<b>3,188</b>

## 23. Employee benefits: pension plans

The Group operates three defined contribution pension schemes. In addition, it also operates one unfunded defined benefit pension scheme in the Falkland Islands, which has been closed to new members and to future accrual since 1 April 2007. During the year ended 31 March 2017, 17 pensioners (2016: 18) received benefits from this scheme, and there are three deferred members at 31 March 2017 (2016: three). Benefits are payable on retirement at the normal retirement age. The weighted average duration of the expected benefit payments from the Scheme is around 16 years (2016: 16 years).

### *Defined contribution schemes*

The pension cost charge for the year represents contributions payable by the Group to the schemes and amounted to £298,000 (2016: £301,000). The Group anticipates paying contributions amounting to £302,000 during the year ending 31 March 2018. There were outstanding contributions of £23,000 (2016: £33,000) due to pension schemes at 31 March 2017.

### *Defined benefit pension schemes*

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

	Group	
	2017 £'000	2016 £'000
Pension scheme deficit:		
The Falkland Islands Company Limited Scheme	(2,985)	(2,644)
Deferred tax asset	776	687
<b>Net pension scheme deficit</b>	<b>(2,209)</b>	<b>(1,957)</b>

### *The Falkland Islands Company Limited Scheme*

The Falkland Islands Company Limited operates a defined benefit pension scheme for certain former employees. This scheme was closed to new members in 1988 and to further accrual on 31 March 2007. The scheme has no assets and payments to pensioners are made out of operating cash flows. The expected contributions for the year ended 31 March 2018 are £113,000.

Actuarial reports for IAS 19 purposes as at 31 March 2017, 2016, 2015, 2014, and 2013 were prepared by a qualified independent actuary, Lane Clark and Peacock LLP. The major assumptions used in the valuation were:

	2017	2016
Rate of increase in salaries	2.5%	2.3%
Rate of increase in pensions in payment and deferred pensions	2.5%	3.0%
Discount rate applied to scheme liabilities	2.5%	3.4%
Inflation assumption	3.0%	3.1%
Average longevity at age 65 for male current and deferred pensioners (years) at accounting date	22.5	22.4
Average longevity at age 65 for male current and deferred pensioners (years) 20 years after accounting date	24.7	24.6

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 estimated liabilities of the scheme increased from £2.6 million at 31 March 2016 to £2.9 million at 31 March 2017 due principally to the use of lower discount rates to discount future liabilities.

### Sensitivity Analysis

The calculation of the defined benefit liability is sensitive to the assumptions set out above. The following table summarises how the impact of the defined benefit liability at 31 March 2017 would have increased / (decreased) as a result of a change in the respective assumptions by 0.1%

	Effect on obligation	
	2017 £'000	2016 £'000
Discount rate +/- 0.1%	49	41
Inflation assumption +/- 0.1%	(19)	(17)
Life expectancy +/- one year	(136)	(111)

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

### Scheme liabilities

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

	Value at				
	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Present value of scheme liabilities	(2,985)	(2,644)	(2,884)	(2,480)	(2,584)
Related deferred tax assets	776	687	750	645	671
Net pension liability	(2,209)	(1,957)	(2,134)	(1,835)	(1,913)

# Notes to the financial statements

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## 23. Employee benefits: pension plans CONTINUED

<i>Movement in deficit during the year:</i>	2017 £'000	2016 £'000
Deficit in scheme at beginning of the year	(2,644)	(2,884)
Pensions paid	113	115
Other finance cost	(88)	(90)
Re-measurement of the defined benefit pension liability	(366)	215
Deficit in scheme at the end of the year	<b>(2,985)</b>	(2,644)

<i>Analysis of amounts included in other finance costs:</i>	2017 £'000	2016 £'000
Interest on pension scheme liabilities	<b>88</b>	90

<i>Analysis of amounts recognised in statement of comprehensive income:</i>	2017 £'000	2016 £'000
Experience gains arising on scheme liabilities	<b>59</b>	26
Changes in assumptions underlying the present value of scheme liabilities	<b>(425)</b>	189
Re-measurement of the defined benefit pension liability	<b>(366)</b>	215

<i>History of experience gains and losses:</i>	2017	2016	2015	2014	2013
Experience gains / (losses) arising on scheme liabilities:					
Amount (£'000)	<b>59</b>	26	76	20	(34)
Percentage of year end present value of scheme liabilities	<b>(2.0%)</b>	(1.0%)	(2.6%)	(0.8%)	1.3%
Total amount recognised in statement of comprehensive income:					
Amount (£'000)	<b>(366)</b>	215	(412)	135	(173)
Percentage of year end present value of scheme liabilities	<b>12.3%</b>	(8.1%)	14.3%	(5.4%)	6.7%
Payment to pensioners	<b>113</b>	115	115	122	111

## 24. Employee benefits: share based payments

The following options were outstanding at 31 March 2017:

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
7 Aug 07	27,517	330.0	332.5	73.0	20,087	7 Aug 10	6 Aug 17
4 Dec 07	7,500	319.0	340.0	119.0	8,925	4 Dec 10	3 Dec 17
3 Apr 08	3,517	365.0	375.0	131.0	4,607	3 Apr 11	2 Apr 18
8 Apr 09	51,719	207.5	207.5	56.0	28,963	8 Apr 12	7 Apr 19
15 Jul 09	44,550	290.0	290.0	72.0	32,076	15 Jul 12	14 Jul 19
9 Dec 09	13,000	390.0	397.5	145.0	18,850	9 Dec 12	8 Dec 19
21 Dec 10	10,586	342.5	337.5	124.0	13,127	21 Dec 13	20 Dec 20
16 Dec 11	99,518	267.5	261.5	68.0	67,672	16 Dec 14	15 Dec 21
03 Sep 14	13,154	353.5	353.5	100.0	13,154	03 Sep 17	02 Sep 24
19 Jan 15	5,000	272.5	272.5	63.0	3,150	19 Jan 18	18 Jan 25
	<b>276,061</b>				<b>210,611</b>		

The total number of options outstanding at 31 March 2017, excluding the 33,911 nil cost options, was 276,061 (2016: 500,615). 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.

	19 Jan 15
Expected Volatility (%)	37
Risk free interest rate (%)	1.23
Expected life of options (years)	6.5
Dividend yield (%)	4.22
Share price at grant date (pence)	272.5

Expected volatility is determined by reference to past performance of the Company's share price. All options are granted with the condition that the employee remains in employment for three years. Certain option grants also have conditions attached in that increases in earnings per share on underlying profits over the vesting period must exceed the UK Retail price index increase, and options granted to directors of the Company have a condition that the Group's total shareholder return increase must exceed that of the FTSE AIM All-Share Index over the three year period.

# Notes to the financial statements

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

All share options are equity settled. Share options issued without share price conditions attached have been valued using the Black-Scholes model. Share price options issued with share price conditions attached have been valued using a Monte Carlo simulation model making explicit allowance for share price targets. During the year ending 31 March 2017, 24,761 options were exercised over ordinary shares (None were exercised in the year ending 31 March 2016). The number and weighted average exercise prices of share options are as follows:

	2017		2016	
	Weighted average exercise price (£)	Number of options	Weighted average exercise price (£)	Number of options
Outstanding at the beginning of the year	3.10	500,615	3.35	727,198
Options exercised during the year	2.75	(24,761)	-	-
Forfeited during the year	3.20	(90,677)	3.82	(25,000)
Lapsed during the year	3.83	(109,116)	3.89	(201,583)
Outstanding at the year end	2.82	276,061	3.10	500,615
Vested options exercisable at the year end	2.78	257,907	3.06	452,651
Weighted average life of outstanding options (years)	3.3		4.6	

The range of exercise prices of outstanding options at 31 March 2017 is from £2.075 (2016: £2.075) to £3.90 (2016: £4.250).

In addition to the options above, 18,817 nil cost options were granted to John Foster on 17 June 2016. On 10 June 2015, 22,642 nil cost options were granted to John Foster and 7,548 of these options were exercised in June 2016. These outstanding options are noted below:

Date of Issue	Number	Exercise Price pence	Share price at grant date pence	Fair value per share pence	Total fair value	Earliest Exercise	Latest Exercise
10 Jun 15	7,547	-	265.0	265.0	20,000	10 Jun 17	10 Jun 19
10 Jun 15	7,547	-	265.0	265.0	20,000	10 Jun 18	10 Jun 19
17 Jun 16	6,272	-	186.0	186.0	11,666	17 Jun 17	17 Jun 20
17 Jun 16	6,272	-	186.0	186.0	11,666	17 Jun 18	17 Jun 20
17 Jun 16	6,273	-	186.0	186.0	11,668	17 Jun 19	17 Jun 20
	33,911				75,000		

	2017 £'000	2016 £'000
Total share based payment expense recognised in the year	15	61

## 25. Capital and reserves

Share capital	Ordinary Shares	
	2017	2016
In issue at the start of the year	<b>12,431,623</b>	12,431,623
Share capital issued during the year	<b>2,795</b>	-
<b>In issue at the end of the year</b>	<b>12,434,418</b>	12,431,623

	2017 £'000	2016 £'000
<b>Allotted, called up and fully paid Ordinary shares of 10p each</b>	<b>1,243</b>	1,243

By special resolution at an Annual General Meeting on 9 September 2010 the Company adopted new articles of association principally to take account of the various changes in company law brought in by the Companies Act 2006. As a consequence the Company no longer has an authorised share capital. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

On 31 March 2000, an Employee Share Ownership Plan was established. At 31 March 2017 the plan held 24,016 (2016: 28,016) ordinary shares at a cost of £47,152 (2016: £55,005). The market value of the shares at 31 March 2017 was £72,648 (2016: £56,312). Shares held in the ESOP are entitled to receive a nominal 0.01p per share in each dividend payment.

For more information on share options please see note 24.

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

### *Dividends*

No dividends were recognised in the current or prior period

# Notes to the financial statements

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## 26. Financial instruments

### (i) Fair values of financial instruments

#### *Trade and other receivables*

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

#### *Trade and other payables*

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

#### *Cash and cash equivalents*

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

#### *Interest-bearing borrowings*

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

#### *IAS 39 categories and fair values*

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

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

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash and cash equivalents	15,079	14,037	8,780	11,761
Hire purchase debtors	1,562	1,565	-	-
Trade and other receivables	5,507	3,920	-	-
<b>Total assets exposed to credit risk</b>	<b>22,148</b>	<b>19,522</b>	<b>8,780</b>	<b>11,761</b>
Interest rate swap liability	(71)	(87)	(71)	(87)
Other Financial liabilities at amortised cost	(12,215)	(11,157)	(3,316)	(3,101)
<b>Total trade and other payables</b>	<b>(12,286)</b>	<b>(11,244)</b>	<b>(3,387)</b>	<b>(3,188)</b>
Interest-bearing borrowings at amortised cost	(8,839)	(8,401)	-	-

Available for sale financial assets are valued using a level 1 methodology. The interest rate swap has been valued using a level 2 methodology. All other financial instruments are based on 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.

#### *Group*

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

#### *Company*

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



### Exposure to credit risk

The carrying amount of financial assets, other than available for sale financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £22,148,000 (2016: £19,522,000) being the total trade receivables, hire purchase debtors and cash and cash equivalents in the balance sheet. The credit risk on cash balances and the interest rate swap is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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

	Group	
	2017 £'000	2016 £'000
Falkland Islands	1,853	980
Europe	887	401
North America	467	345
United Kingdom	1,942	1,687
Other	358	507
<b>Total trade receivables</b>	<b>5,507</b>	<b>3,920</b>

The Company has no trade debtors

### Credit quality of financial assets and impairment losses

Group	Gross 2017 £'000	Impairment 2017 £'000	Net 2017 £'000	Gross 2016 £'000	Impairment 2016 £'000	Net 2016 £'000
	Not past due	3,765	-	3,765	2,932	-
Past due 0-30 days	942	-	942	619	-	619
Past due 31-120 days	212	(28)	184	133	-	133
More than 120 days	790	(174)	616	445	(209)	236
	<b>5,709</b>	<b>(202)</b>	<b>5,507</b>	<b>4,129</b>	<b>(209)</b>	<b>3,920</b>

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

	Group	
	2017 £'000	2016 £'000
Balance at 1 April 2016	209	221
Impairment loss recognised	44	69
Impairment loss reversed	-	(33)
Cash received	(4)	(30)
Utilisation of provision (debts written off)	(47)	(18)
<b>Balance at 31 March 2017</b>	<b>202</b>	<b>209</b>

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.

# Notes to the financial statements

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## 26. Financial instruments (continued)

### (iii) Liquidity risk

#### Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

At the beginning of the period the Group had outstanding bank loans of £3.3 million. In December 2016, a further loan of £1.0 million was drawn down, to be repaid over ten years, which has been secured against the assets of Momart International and Momart Limited. All payments due during the year with respect to these agreements were met as they fell due.

The Company had no bank loans at the start or end of the year.

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

#### Liquidity risk – Group

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

2017	Carrying amount	Total	Contractual cash flows			
			1 year or less	1 to 2 years	2 to 5 years	5 years and over
			£'000	£'000	£'000	£'000
Non-derivative financial liabilities						
Secured bank loans	3,828	4,304	608	608	1,505	1,583
Finance leases	5,011	11,731	341	332	853	10,205
Trade payables	6,861	6,861	6,861	-	-	-
Interest rate swap liability	71	103	37	31	35	-
Other creditors, including taxation	1,257	1,257	1,257	-	-	-
Accruals and deferred income	3,897	3,897	3,897	-	-	-
<b>Total Non-derivative financial liabilities</b>	<b>20,925</b>	<b>28,153</b>	<b>13,001</b>	<b>971</b>	<b>2,393</b>	<b>11,788</b>

2016	Carrying amount	Total	Contractual cash flows			
			1 year or less	1 to 2 years	2 to 5 years	5 years and over
			£'000	£'000	£'000	£'000
Non-derivative financial liabilities						
Secured bank loans	3,264	3,684	494	494	1,322	1,374
Finance leases	5,137	12,096	384	333	914	10,465
Trade payables	6,612	6,612	6,612	-	-	-
Interest rate swap liability	87	146	43	37	66	-
Other creditors, including taxation	1,482	1,482	1,482	-	-	-
Accruals and deferred income	3,063	3,063	3,063	-	-	-
<b>Total non-derivative financial liabilities</b>	<b>19,645</b>	<b>27,083</b>	<b>12,078</b>	<b>864</b>	<b>2,302</b>	<b>11,839</b>

The contractual cash flows for finance leases in the years ended 31 March 2017 and 31 March 2016 are significantly higher than the liability at the year end, as the finance lease for the Gosport pontoon with Gosport Borough Council is a 50 year finance lease with quarterly payments of £65,000 until 2061.

### Liquidity risk – Company

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

2017	Carrying amount £'000	Total £'000	Contractual cash flows			
			1 year or less	1 to 2 years	2 to 5 years	5 years and over
			£'000	£'000	£'000	£'000
Non-derivative financial liabilities						
Interest rate swap liability	71	103	37	31	35	-
Other creditors, including taxation	129	129	129	-	-	-
Accruals and deferred income	687	687	687	-	-	-
	887	919	853	31	35	-

2016	Carrying amount £'000	Total £'000	Contractual cash flows			
			1 year or less	1 to 2 years	2 to 5 years	5 years and over
			£'000	£'000	£'000	£'000
Non-derivative financial liabilities						
Interest rate swap liability	87	146	43	37	66	-
Other creditors, including taxation	134	134	134	-	-	-
Accruals and deferred income	467	467	467	-	-	-
	688	747	644	37	66	-

### (iv) Market Risk

#### Financial risk management

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

#### Market risk – Foreign currency risk

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

31 March 2017	Group					
	EUR £'000	USD £'000	Other £'000	Total Balance sheet exposure £'000	GBP £'000	Total £'000
Cash and cash equivalents	264	163	25	452	14,627	15,079
Trade payables and other payables	(472)	(128)	(190)	(790)	(11,496)	(12,286)
<b>Balance sheet exposure</b>	<b>(208)</b>	<b>35</b>	<b>(165)</b>	<b>(338)</b>	<b>3,131</b>	<b>2,793</b>

# Notes to the financial statements

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## 26. Financial instruments CONTINUED

31 March 2016	Group					
	EUR £'000	USD £'000	Other £'000	Total Balance sheet exposure £'000	GBP £'000	Total £'000
Cash and cash equivalents	74	204	4	282	13,755	14,037
Trade payables and other payables	(173)	(62)	(69)	(304)	(10,940)	(11,244)
<b>Balance sheet exposure</b>	<b>(99)</b>	<b>142</b>	<b>(65)</b>	<b>(22)</b>	<b>2,815</b>	<b>2,793</b>

The Company has no exposure to foreign currency risk.

### Sensitivity analysis

#### Group

A 10% weakening of the following currencies against pound sterling at 31 March would have increased / (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates remain constant and is performed on the same basis for year ended 31 March 2016.

	Equity		Profit or Loss	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
EUR	21	10	21	10
USD	(4)	(14)	(4)	(14)

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

### Market risk – interest rate risk

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

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Fixed rate financial instruments				
Finance lease receivable	1,562	1,565	-	-
Financial liabilities	(969)	-	-	-
Lease liabilities	(5,011)	(5,137)	-	-
	<b>(4,418)</b>	<b>(3,572)</b>	<b>-</b>	<b>-</b>
Variable rate financial instruments				
Effect of Interest rate swap liability	(71)	(87)	(71)	(87)
Financial liabilities	(2,859)	(3,264)	-	-
	<b>(2,930)</b>	<b>(3,351)</b>	<b>(71)</b>	<b>(87)</b>

At 31 March 2017, the group had four bank loans:

- (i) £0.4 million (2016: £0.6 million) repayable over five years, which has been secured against two vessels in Portsmouth. Interest is payable on this loan at 2.8% over the Bank of England base rate
- (ii) £2.0 million (2016: £2.2 million) repayable over ten years, with interest charged at 2.6% above the Bank of England base rate
- (iii) £0.4 million (2016: £0.5 million) repayable over ten years, with interest charged at 1.75% above the Bank of England base rate
- (iv) £1.0 million drawn down in December 2016 by Momart Limited to fund the new storage facilities

The interest payable on the first three loans noted above has been hedged by one interest swap, taken out in October 2015 with a notional value of £3.6 million, with interest payable at the difference between 1.325% and the Bank of England Base rate. This interest rate swap notional value decreases at £36,250 per month over five years until September 2020 when it will expire. The notional value of the swap at 31 March 2017 is £3,008,750 (2016: £3,443,750). The Swap effectively fixes the blended average interest rates on the Group's bank borrowings at 3.6% per annum.

### Sensitivity analysis

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

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates and financial instruments at fair value through profit or loss or available-for-sale with fixed interest rates. The analysis is performed on the same basis for 31 March 2016.

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Equity				
Interest rate swap liability	30	34	30	34
Variable rate financial liabilities	(28)	(33)	-	-
Profit or Loss				
Interest rate swap liability	30	34	30	34
Variable rate financial liabilities	(28)	(33)	-	-

### Market risk – equity price risk

#### (v) Capital Management

The Group's objectives when managing capital, which comprises equity and reserves at 31 March 2017 of £39,745,000 (2016: £38,569,000) are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to our other stakeholders.

## 27. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2017 £'000	2016 £'000
Less than one year	1,036	910
Between one and five years	3,861	3,785
More than five years	8,311	8,895
	<b>13,208</b>	<b>13,590</b>

The Group leases three office premises and a number of storage warehouses under operating leases. Office leases typically run

# Notes to the financial statements

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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.

During the year £1,050,000 was recognised as an expense in the income statement of operating leases (2016: £921,000).

The Company had no operating lease commitments.

## 28. Capital commitments

At 31 March 2017, the group had had no outstanding contractual commitments for capital expenditure.

At 31 March 2016, the group had entered into contractual commitments of £412,000, including £345,000 for the Momart storage facility expansion at Unit 14 in Leyton, £32,000 for a truck at Momart and £35,000 for the pontoon refurbishment at Portsea.

## 29. Related parties

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

Directors of the Company and their immediate relatives controlled 25.73% (2016: 23.4%) of the voting shares of the Company at 31 March 2017. However on 2 May 2017, Blackfish Capital Alpha Fund SPC and Staunton Holdings Limited sold all their shareholdings to The Article 6 Marital Trust, therefore Edmund Rowland no longer has any beneficial interest in the shares of FIH group plc.

The compensation of key management personnel (including Directors) is as follows:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Key management emoluments including social security costs	1,147	1,194	370	382
Termination payments, including social security costs	-	146	-	-
Company contributions to defined contribution pension plans	76	82	-	-
Share-related awards	34	52	34	39
<b>Total key management personnel compensation</b>	<b>1,257</b>	<b>1,474</b>	<b>404</b>	<b>421</b>

During the year ended 31 March 2017, the Group's joint venture, SATCO, made a loan of £200,000 to each of its parent companies. This £200,000 loan was still payable by the Group at 31 March 2017.

All staff involved in construction activities were contracted directly from parent companies FIC and Trant Construction and at 31 March 2017 and 2016 SATCO had no permanent employees.

## 30. Accounting estimates and judgements

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

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

Actuarial assumptions have been used to value the defined benefit pension liability (see note 23). Management have selected these assumptions from a range of possible options following consultations with independent actuarial 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.

## Directors and Corporate Information

### Directors

John Foster, *Chief Executive*  
 Jeremy Brade, *Interim Chairman & Non-executive Director*  
 Edmund Rowland, *Non-executive Director*

### Company Secretary

Carol Bishop

### Registered Office

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Registered number 03416346

### Corporate Information

#### Stockbroker and Nominated Adviser

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#### Momart Limited

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The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every receipt, invoice, and bill should be properly filed and indexed for easy retrieval. This not only helps in tracking expenses but also ensures compliance with tax regulations.

Next, the document outlines the process of reconciling bank statements with the company's financial records. It stresses the need to identify and resolve any discrepancies as soon as possible to prevent errors from compounding over time.

The following section covers the preparation of financial statements, including the balance sheet, income statement, and cash flow statement. It provides a step-by-step guide on how to gather the necessary data and calculate the various components of these statements.

Finally, the document concludes with a summary of key points and a reminder to consult with a professional accountant for more detailed advice. It encourages a proactive approach to financial management to ensure the long-term success of the business.

