FIH GROUP PLC

ANNUAL REPORT 2021

Contents

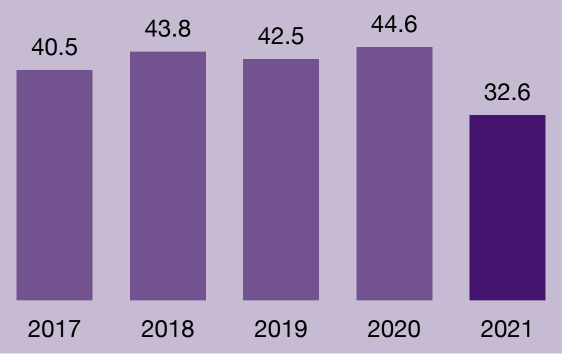
Financial Highlights

FOR THE YEAR ENDED 31 MARCH 2021

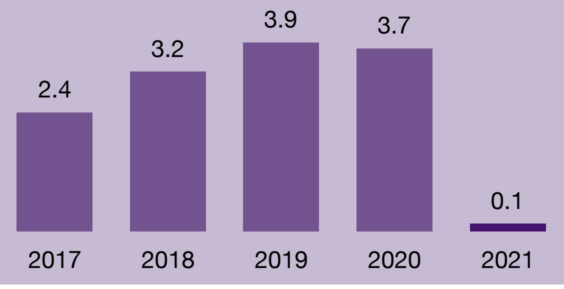
	2021 £'m	2020 £'m	Change %
Turnover from continuing operations	**32.6**	44.6	-26.9
Profit before tax	**0.2**	(3.8)	105.3
Underlying profit before tax*	**0.1**	3.7	-97.3
Diluted earnings per share before Non-trading items	**0.0p**	21.7p	-100
Diluted earnings per share	**0.1**	-37.8p	100.3
Cash flow from operations	**3.7**	4.7	-21.3

* Defined as profit before tax and non-trading items

Turover (£'m)

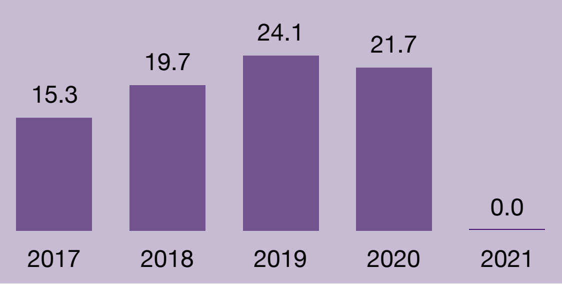


Underlying profit before tax* (£'m)

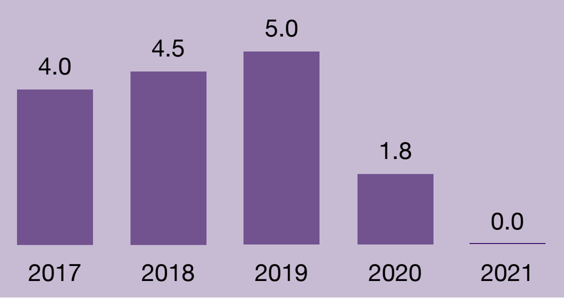


Diluted earnings per share* (pence)

before non-trading items



Dividends per share (pence)



Chairman's Statement 2021

This has been an extraordinary trading period, especially given our financial year to 31 March 2021 encompassed seven months of lockdowns where trading in the UK was severely restricted or halted.

Nevertheless, despite some extreme challenges to the UK businesses, the Falkland Islands Company ("FIC") traded well, resulting in the Group being able to report a small underlying profit at the pre-tax level of £0.1 million (2020: £3.7 million) as well as a strong cash position. This was therefore a resilient performance by the Group, benefiting from the diversity of its operations, and showing that when trading was periodically allowed in the UK, the businesses responded positively, boding well for the future.

The adverse effects of COVID-19 on Group operations can be most clearly seen in the turnover, with Group revenue falling from £44.6 million in 2019-20 to £32.6 million in the year to 31 March 2021. The effects were most severe in the UK with activity reduced by over 90% at the height of the first lockdown in Spring 2020. However, the Group was fortunate that, in the Falkland Islands, business activity suffered only minor disruption from the pandemic and the continuing profitability of FIC provided an effective balance to the losses incurred in the UK.

At Momart, after losses in the first half of the year, trading improved in the traditionally stronger autumn and winter periods with the business recording a small operating contribution before restructuring costs for the full year. At the Portsmouth Harbour Ferry Company ("PHFC") however, the effects of the second and third lockdowns saw passenger movements severely restricted, resulting in continuing losses in the second half of the year.

Despite these significant adverse effects, I am pleased to report that the solid profits generated by FIC, early action to control costs, and the full utilisation of the grants available under the UK Government's furlough scheme, enabled the Group successfully to mitigate the worst financial effects of COVID-19 and return a pre-tax profit of £0.2 million after non-trading items in the year (2020: pre-tax loss of £3.8 million as a result of the £7.5 million charge to write-down intangible assets). No further write-downs of intangible assets have arisen in the current year.

As for many pandemic-affected businesses, the year was a difficult one for the Group's employees and I would like to express my appreciation for the sacrifices made by staff in accepting pay cuts as we navigated the darkest days of the first lockdown in the spring and early summer of last year. We are very fortunate to have such committed colleagues.

The Board has shared in these sacrifices and monitored developments closely, seeking to protect the underlying strength and capacity of the Group's businesses, whilst ensuring initial losses were kept within manageable limits. However, as reported in our Interim Statement in November, with the tapering down of the UK Government's furlough scheme in the autumn of 2020, the difficult decision was taken to reduce staff levels in the Group's UK businesses. This painful but necessary restructuring yielded annual savings of £1.6 million and will ease the path to financial recovery in the current year.

The balance sheet remains strong with underlying cash at £9.6 million (2020: £9.1 million) and we drew down two UK Government backed loans totalling some £5 million, which took year end cash to £14.6 million. We repaid these loans subsequent to the year end, so the underlying cash figure better represents our short-term available funds.

The Chief Executive's Strategic Review provides a more detailed review of developments across the Group in the past year.

Given the severe effect of the pandemic on the Group's profits, the sacrifices made by staff, the use of UK Government assistance and the still challenging trading conditions, after careful consideration the Board has decided not to recommend the payment of a dividend in respect of the year ended 31 March 2021. However, the Board is hopeful that if the conditions that have dislocated the Group's performance continue to be eased in both the UK and overseas, the Group will be able to resume the payment of dividends when profitability is once again clearly established.

BOARD AND GOVERNANCE

To further strengthen the executive Board and to provide additional impetus to the Group's strategic development, we were delighted to appoint Stuart Munro as Chief Financial Officer on 28 April 2021. Stuart will work closely with CEO John Foster to add value to the Group's existing companies and to provide focus in the search for strategic acquisitions to enhance returns to shareholders.

OUTLOOK

As the UK's vaccination programme progresses, we are seeing signs of a slow return to normality and we are hopeful that absent any further setbacks, the underlying strengths of the Group's diverse and well positioned businesses will reassert themselves as the economic recovery gathers pace.

Robin Williams
Chairman
6 July 2021

Chief Executive's Strategic Review

BUSINESS REVIEW

Overview

In a year of unprecedented challenge, where at times the impact of COVID-19 saw revenues in the Group's UK businesses shrink to less than 10% of normal levels, I am pleased to report that the Group produced an underlying pre-tax profit of £0.1 million (2020: £3.7 million). After taking account of non-trading items, the reported profit before tax was £0.2 million. This compares to a £3.7 million loss before tax in the prior year following a £7.5 million write down in intangible assets.

The consistent profitability of the Group's Falkland Islands operations was a source of strength and was a key factor in helping to offset trading losses suffered by our businesses in the UK. This, together with an improving position at Momart in the second half of the year, saw the Group move from the small pre-tax loss reported at the half year to a modest pre-tax profit for the year as a whole.

Despite the sharp reduction in underlying profitability compared to pre-Covid trading, the Group's liquidity position was strengthened over the year with positive cash generation of £1.1 million before the draw-down of CBILS loans and repayment of bank loans.

At 31 March 2021, cash balances amounted to £14.6 million (2020: £9.1 million). This year-end balance was reached after making scheduled bank loan repayments of £0.6 million and includes £5.0 million allocated to the repayment of the CBILS loans which were settled in June 2021, effectively leaving £9.6 million of unencumbered "free" cash (2020: £9.1 million) an increase of £0.5 million over the year.

The Group owns the freehold of Momart's art storage warehouses in East London which was acquired in December 2018 at a cost of £19.6 million. It is pleasing to note that with recently increased investor interest in properties of this type, its value is now higher.

Group Trading Results for the Year Ended 31 March 2021

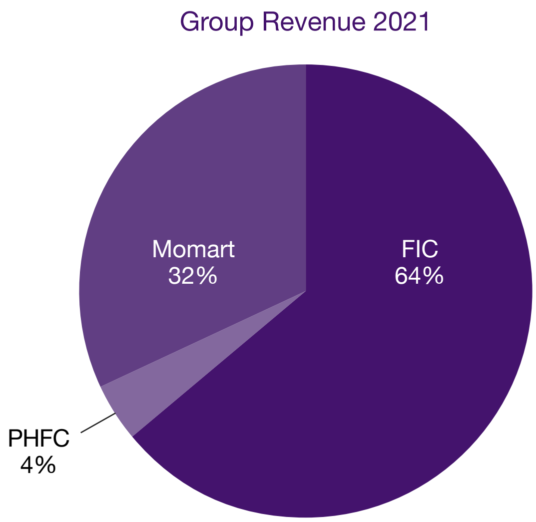
A summary of the trading performance of the Group is given in the table below.

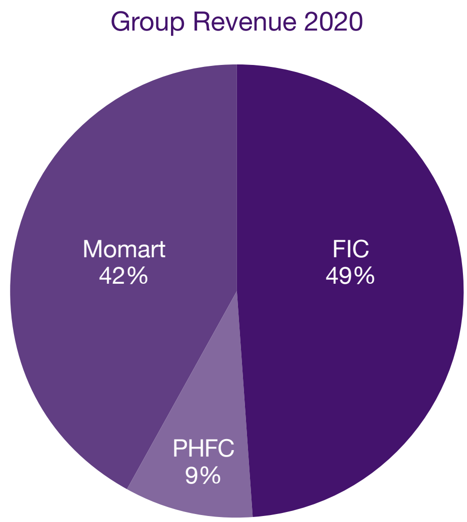
Group revenue Year ended 31 March	**2021** **£m**	2020 £ m	Change %
Falkland Islands Company ("FIC")	**20.9**	21.7	-3.7%
Portsmouth Harbour Ferry ("PHFC")	**1.4**	4.1	-65.9
Momart	**10.3**	18.8	-45.2
Total revenue	**32.6**	44.6	-26.9
Group underlying pre-tax profit*			
Falkland Islands Company**	**1.8**	2.1	-14.3
Portsmouth Harbour Ferry**	**(1.2)**	0.6	-300.0
Momart**	**(0.5)**	1.0	-150.0
Total underlying pre-tax profit *	**0.1**	3.7	-97.3
Non-trading items (see notes below)***	**0.1**	(7.5)	101.3
Reported profit before tax	**0.2**	(3.8)	105.3

* Underlying pre-tax profit is defined as, profit before tax, before non–trading items.

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

*** In the current year, non-trading items include £0.4 million of restructuring costs and £0.5 million of income relating to the release of accruals where it is now probable that no future economic outflow will arise. The net position produced a non-trading profit of £0.1 million. In the prior year there were impairment charges of £7.5 million. Management consider that separate presentation of these items is appropriate to facilitate year on year comparison of performance of the Group.





Trading results were significantly affected by COVID-19 and government restrictions on movement which effectively saw a full lockdown for 7 months of the financial year. The effects were felt hardest at the Group's ferry operations where UK Government "stay at home" instructions saw revenue for the 12 months to 31 March 2021 fall to only 35% of prior year levels. At Momart, helped by resilient storage revenues, the decrease in overall turnover was less severe at 45% and in the Falkland Islands where domestic activity was much less heavily affected, revenue declined by only 4% compared to the prior year.

At PHFC with its essentially fixed cost base and limited UK Government support, despite a restructuring of the workforce and headcount reduction of 26% in the autumn, the extension of UK Government travel restrictions for four months in the second half saw losses worsen, producing a full year underlying pre-tax loss of £1.2 million. At Momart, a partial recovery of the commercial art market saw a return to profitability in the second half to deliver an underlying break-even operating profit for the full year. FIC saw the least disruption and was able to maintain healthy levels of profit, despite the absence of tourist revenue.

As noted in the Chairman's report, after careful reflection the Board has decided not to recommend a dividend in respect of the year but we will reassess this as the Group returns to consistent profitability.

Group Operating Company Performance

Falkland Islands Company

In the year to 31 March 2021 trading at FIC was largely unaffected by the impact of COVID-19 and substantial profitability was maintained, despite an inevitable impact from the loss of tourist-related income as the Islands protected themselves by maintaining an embargo on foreign visitors.

The resulting decline in visitor revenues saw a small reduction in FIC's operating profit to £1.9m (2020: £2.1 million), a 9.5% drop from the record levels seen in the prior year.

With net interest costs of £0.1m in respect of an historic pension scheme closed to further accrual in 2007, FIC returned an underlying profit before tax of £1.8 million (2020: £2.1 million).

FIC Operating results Year ended 31 March	**2021** **£m**	2020 £m	Change %
Revenues			
Retail	**9.7**	10.0	-3.0
Falklands 4x4	**2.8**	3.2	-12.5
FBS (housing and construction)	**5.3**	5.0	6.0
Support services	**2.3**	2.8	-17.9
Property rental	**0.8**	0.7	14.3
Total FIC revenue	**20.9**	21.7	-3.7
FIC underlying operating profit	**1.9**	2.1	-9.5
Net interest expense	**(0.1)**	-	-
FIC underlying profit before tax	**1.8**	2.1	-14.3
FIC underlying operating profit margin	**9.1%**	9.7%	-6.2

Chief Executive's Strategic Review

BUSINESS REVIEW

Despite the loss of tourist related income due to COVID-19, the Group's core operations in the Falkland Islands performed well in the period with encouraging growth seen at FBS and additional income from FIC's expanded property rental portfolio.

FIC Divisional Activity

Retail sales held up well in the first half of the year but were adversely affected in the second due to the absence of tourist-related spend and dropped back by 3.0% for the year as whole to £9.7 million. Despite some progress at Home Builder and Home Living, tighter margins and higher levels of stock provisions saw the overall contribution from Retail fall back from the record levels seen in the prior year.

At **Falklands 4x4** new car sales and servicing revenues declined reflecting cautious domestic spending patterns, and this together with reduced tourist and corporate hire income, saw 4x4's overall revenues drop back with a commensurate reduction in contribution.

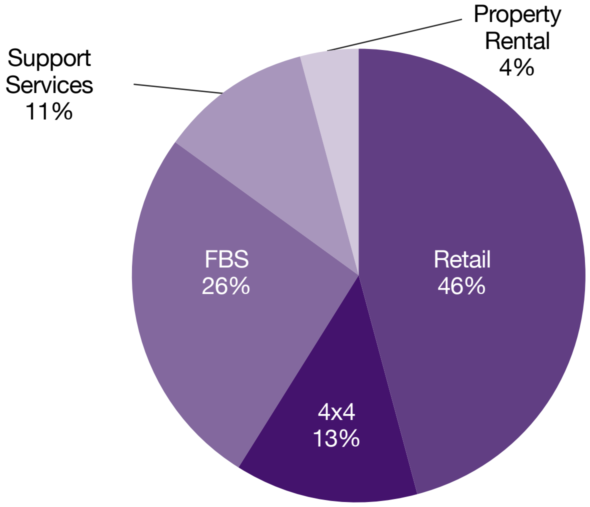
FBS was successful in securing an additional 8 flats in its first FIG housing contract, taking the total contract to 26 units, and good progress was made towards completing this contract by the end of the financial year. With more focus on the FIG housing contract, kit home completions reduced to 15 units from 22 in the prior year, but helped by a new income stream from a FIG road maintenance contract, FBS's overall revenue increased by 6% to £5.3 million (2020: £5.0 million) producing an increased contribution from this increasingly important division.

Rental Properties Further additions at a cost of £0.7 million were made during the year to FIC's portfolio of domestic rental properties taking the total number of rented properties to 75 (2020: 65) with a further 7 under construction. With strong demand and a continuing shortage of housing supply in Stanley, overall occupancy was very high at 93% with double-digit gross rental yields being achieved. As a result, FIC's property rental income increased 14% in the year to £0.8 million (2020: £0.7 million).

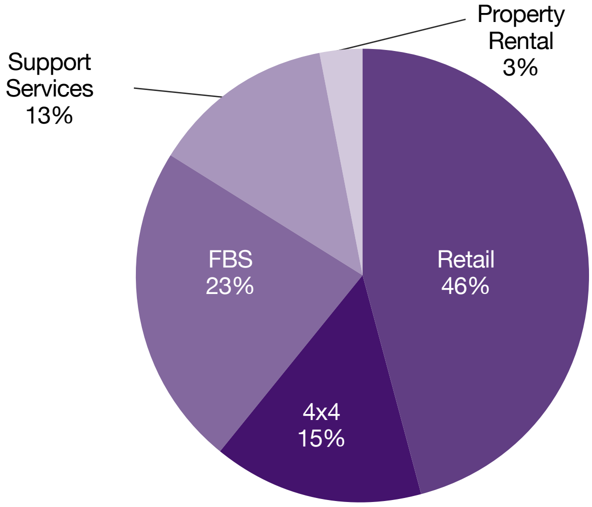
At 31 March 2021 the total net book value of the portfolio excluding assets under construction (with buildings being fully depreciated over 50 years) was £5.8 million (2020: £5.1 million). The estimated market value of FIC's rental portfolio at 31 March 2021 was £8.5 million (2020: £7.3 million) an uplift of £2.7 million on book value giving an average value per property of £113,000 (2020: £112,000)

Support Services income decreased by 17.9% to £2.3 million (2020: £2.8 million) principally due to the absence of tourists, which produced a sharp fall in income at Penguin Travel. In addition, less activity from Asian fishing fleets during the initial stages of COVID-19 in the spring of 2020 saw a reduction in Agency revenues.

FIC revenues 2021



FIC revenues 2020



FIC Key Performance Indicators and Operational Drivers

Year ended 31 March	2017	2018	2019	2020	2021
Staff Numbers (FTE 31 March)	151	146	169	208	**198**
Capital Expenditure £'000	578	389	2,348	2,685	**1,060**
Retail Sales growth %	-5.4	0.6	5.7	3.1	**-3.0**
Number of FIC rental properties	51*	49*	54*	65*	**75***
Average occupancy during the year %	81	89	84	89	**93**
Number of vehicles sold	77	77	76	71	**71**
Number of 3rd party houses sold	17	22	6	22	**15****
illex squid catch in tonnes (000's)	30.1	75.5	57.4	57.6	**106.1**
Cruise ship passengers (000's)	55.6	59.3	62.5	72.1	**Nil**

*Includes ten mobile homes rented to staff.
**The 15 houses sold in the year ended 31 March 2021 relate to kit home sales to third parties and excludes houses built under contract for FIG.

FIC ended the year with a headcount of 198 staff, 10 less than in March 2020. Of the 198 headcount Retail accounted for 74 (2020: 74), Falklands 4x4 accounted for 14 (2020: 17) and FBS 57 (2020: 52), with 53 (2020: 65) in Support Services and administration.

Portsmouth Harbour Ferry Company

Of all the Group's businesses, PHFC was the most badly affected by the impact of COVID-19 and total revenues fell by £2.7 million (66%) to £1.4 million in the year to 31 March 2021 (2020: £4.1 million). This fall in revenue was a direct result of the UK Government restrictions on travel, with passenger numbers for the year as whole 66% down on the prior year at only 808,000. In addition, all summer leisure cruising was cancelled. As a result, the company suffered an underlying pre-tax loss of £1.2m in the current year compared to the pre-tax profits of £0.6 million seen in 2019-20.

PHFC Operating results

Year ended 31 March	2021 £m	2020 £m	Change %
Revenues			
Ferry fares	**1.4**	3.9	**-64.1**
Cruising and other revenue	**-**	0.2	**-100.0**
Total PHFC revenue	**1.4**	4.1	**-65.9**
PHFC underlying operating (loss)/profit	**(0.9)**	1.0	**-190.0**
Pontoon lease liability & Boat loan finance expense	**(0.3)**	(0.4)	**25.0**
PHFC underlying (loss)/profit before tax	**(1.2)**	0.6	**-300.0**
Passengers carried (000s)	**808**	2,365	**-65.8**

Since the commencement of the initial lockdown in Spring 2020, a regular 15 minute ferry service has been maintained with operating hours reduced by one hour to provide a 17 ½ hour per day service (5.30am to 11.00pm). However, due to lack of demand and to save costs, the two vessel, peak hours service has been discontinued until volumes recover. Faced with these unprecedented circumstances, all ferry staff including directors voluntarily accepted a 20% cut in pay for a period of 5 months and this sacrifice was instrumental in helping the company weather the storm.

Newly constructed culverts built for the Falklands Islands Government

Chief Executive's Strategic Review

BUSINESS REVIEW

At the height of the lockdown in April 2020, passenger volumes fell to less than 10% of the prior year as the number of passenger journeys reduced to below 2,000 per week. Numbers recovered steadily as lockdown measures were reduced over the summer of 2020 and passengers returned to using the ferry for travelling to work and leisure activities. By September 2020, passenger numbers had risen to 64% of pre-Covid levels and with support from the furlough scheme, the ferry operation was returning to profitability.

However, with the arrival of subsequent lockdowns in November and January through March, passenger numbers fell back once again and despite a restructuring programme which reduced headcount by 9 staff (26%) and full use of the UK Government's furlough scheme, trading losses increased. By March 2021, passenger volumes had recovered a little but were still over 60% below pre-Covid levels. As a result of these further lockdowns, ferry losses in the second half increased well beyond the £0.4 million incurred in the first half and for the year as whole, PHFC saw underlying losses before tax of £1.2 million (2020: £0.6 million profit) before restructuring costs of £0.1 million (2020: £nil).

With the phased relaxation of travel restrictions and the re-opening of non-essential UK shops in April 2021, some improvement is being seen in passenger numbers and we are hopeful that as more normal working leisure and travel patterns are re-established, the ferry will return to profitability over the course of the year. In the meantime, initiatives have been progressed with local councils and major local employers to encourage the use of the ferry as a "green" public transport solution in the battle against climate change and local air pollution. We are particularly encouraged that following extensive engagement with Gosport, Portsmouth and Hampshire Councils, an exciting new Park & Float scheme was launched in June 2021 utilising Gosport Council car parks, to encourage commuters to travel to Gosport, park their vehicles and use the ferry to complete their journey rather than make the longer car journey around Portsmouth harbour on already heavily congested roads.

Key Operating Metrics

Average fare yield per passenger journey (including cycle fares) increased by 4.1% to £1.76 (2020: £1.69).

Despite the pandemic, ferry reliability was maintained at exemplary levels with on-time departures running at 99.9% (2020: 99.8%).

PHFC Key Performance Indicators and Operational Drivers

Year ended 31 March	2017	2018	2019	2020	**2021**
Staff Numbers (FTE at 31 March)	38	38	37	36	**25**
Capital Expenditure £'000's	241	186	50	65	**-**
Ferry Reliability % (on time departures)	99.9	99.8	99.8	99.8	**99.9**
Number of weekday passengers '000's	1,967	1,878	1,834	1,706	**613**
% change on prior year	-3.9	-4.5	-2.3	-7.0	**-64.1**
Number of weekend passengers '000's	744	734	722	659	**195**
% change on prior year	-4.6	-1.3	-1.6	-8.7	**-70.4**
Total number of passengers '000's	2,710	2,612	2,556	2,365	**808**
% change on prior year	-4.1	-3.6	-2.1	-7.5	**-65.8**
Revenue growth %	1.0	1.5	0.4	-5.5	**-65.9**
Average yield per passenger journey*	£1.52	£1.58	£1.62	£1.69	**£1.76**

*Total ferry fares divided by the total number of passengers

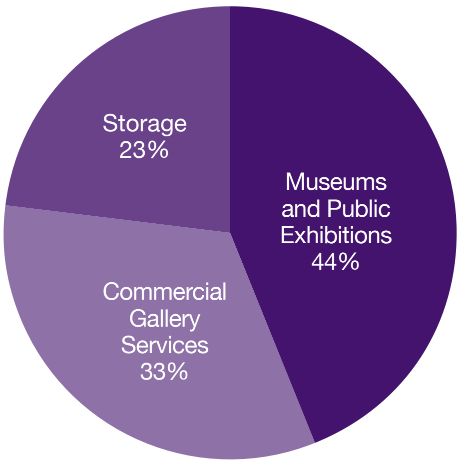
The Gosport Ferry

Momart

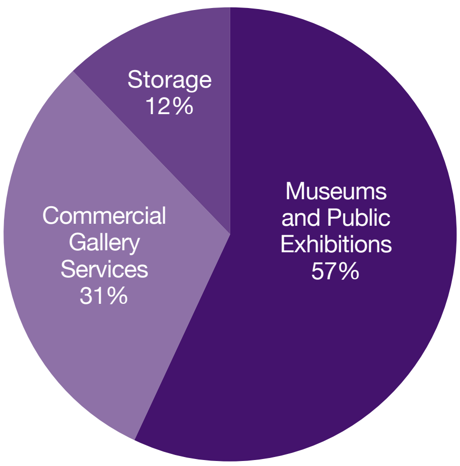
As noted in my Interim Report on the half year results issued in November 2020, Momart was initially hit hard by COVID-19. 108 of Momart's staff were placed on furlough and all staff, including those working, accepted a voluntary 20% reduction in pay.

The situation improved over the summer of 2020 as confidence returned and art galleries and museums reopened and by the early autumn, Momart had returned to profitability. However, further setbacks arose, particularly with the closure of museums following the unexpected announcement of a national lockdown in November and subsequent national restrictions in January through March 2021. Despite this, overall activity in the traditionally stronger second half of the year did improve and this together with the cost savings from the restructuring actioned in October and furlough grants received from the UK Government of £1.4 million over the full year, enabled Momart to return a small operating profit in the second half.

Momart revenues 2021



Momart revenues 2020



Notwithstanding the improvement in activity in the second half of the year, Momart's revenue for the year to 31 March 2021 fell by 45% from £18.8 million to £10.3 million, with operating profits declining by £1.5 million to produce an underlying operating break-even result, before restructuring costs of £0.2 million.

Momart Operating results

Year ended 31 March	**2021 £m**	2020 £m	Change %
Revenues			
Museum Exhibitions	**4.5**	10.8	-58.3
Gallery Services	**3.4**	5.8	-41.4
Storage	**2.4**	2.2	9.1
Total Momart revenue	**10.3**	18.8	-45.2
Momart underlying operating profit	**-**	1.5	-100.0
Net Interest expense	**(0.5)**	(0.5)	-
Momart underlying (loss)/profit before tax	**(0.5)**	1.0	-150.0
Momart underlying operating profit margin	**-**	7.8%	-100.0

Museum Exhibitions activity was hardest hit by the crisis due to the longer lead times involved in planning and installing new shows and the greater dependence on the physical presence of visiting patrons. However, Momart was successful in installing a number of high-profile exhibitions during the short periods of calm between lockdowns, including "Rodin" at Tate Modern, "Arctic" at the British Museum, "Lynette Yiadom-Boakye" at Tate Britain, "David Hockney" at the National Portrait Gallery, and "Jean Dubuffet" at the Barbican. With the benefit of income from these successful installations Momart's overall revenue from Museum Exhibitions avoided complete collapse but was still 58% below the level seen in the prior year at £4.5 million (2020: £10.8 million).

Revenue from commercial galleries, auction houses and private clients was less dramatically affected as more use was made by clients of online technology for the buying and selling of art, although the sector did suffer with all major art fairs being cancelled during the year. As a result, Gallery Services revenue fell by 41% to £3.4 million (2020: £5.8 million).

On a positive note, art storage income rose 9.1% to £2.4 million (2020: £2.2 million) as Momart secured important new corporate storage contracts during the year which gave a welcome boost to storage revenue. However, the movement back out of temporary storage of other client artworks later in 2020, saw a small overall decline in volumes in storage by the year-end. At 31 March 2021, the company's storage facilities at Leyton were at 83% of capacity (2020: 87%).

Chief Executive's Strategic Review

BUSINESS REVIEW

With this welcome increase in storage and despite the sharp falls seen in Museum Exhibitions and Gallery Services activity, Momart was able to record an underlying operating break-even result for the year (2020: £1.5 million profit).

Finance costs linked to vehicle leases, office rental and long-term mortgage finance were at similar levels to the prior year.

After finance charges and an allocation of central costs Momart recorded an underlying loss before tax of £0.5 million (2020: profit £1.0 million). In addition, Momart incurred restructuring costs of £0.2 million in the year (2020: nil).

During the year, Momart's Managing Director, Alan Sloan retired and was succeeded on 1 January 2021 by Steve Lane who was recruited in April 2020 to take on this role. The Board would like to thank both Alan and his Momart board colleague, Kenneth Burgon, who also stepped down in 2020, for their commitment over the years and for their valuable contribution towards securing the company's future during the coronavirus pandemic.

Momart Key Performance Indicators and Operational Drivers

Year ended 31 March	2017	2018	2019	2020	2021
Staff Numbers (FTE 31 March)	131	136	140	133	**107**
Capital Expenditure £'000's	971	228	20,034	638	**471**
Warehouse % fill vs capacity	90.4%	72.8%	81.1%	86.9%	**82.9%**
Exhibition Order Book 31 March	£4.8m	£4.2m	£4.6m	Note*	**Note***
Momart services charged out	£9.8m	£10.9m	£11.5m	£10.8m	**£6.5m**
Revenues from overseas clients	£6.1m	£7.1m	£7.5m	£6.2m	**£2.7m**
Exhibitions sales growth	19.9%	17.0%	-6.5%	-2.1%	**-58.3%**
Gallery Services sales growth	8.1%	15.2%	4.0%	-22.4%	**-41.4%**
Storage sales growth	-0.8%	8.5%	-6.3%	5.8%	**9.1%**
Total Sales growth	13.0%	15.5%	-2.9%	-8.7%	**-45.5%**

Note*: Due to the impact of COVID-19 meaningful data for secure forward orders are not currently available.

Impact of Brexit

In late December 2020, the UK's successful negotiation of tariff free access to the EU prevented the serious potential disruption to trade that might otherwise have resulted as the transition period following the UK's departure from the EU came to an end. Accordingly, the Group has experienced little in the way of direct adverse effects from Brexit to date, although the new and evolving documentation for exports and imports has seen a modest increase in costs and small delays at channel crossings for Momart.

In the Falkland Islands, tariff free access to the EU markets has removed any threat of disruption to the export of squid which had been of concern for the wider Falkland Islands' economy and at PHFC the new trading arrangements with the EU have seen a continuation of the smooth pre-Brexit supply of EU sourced, ferry components.

In summary, to date there has been little direct impact on the Group's businesses arising from Brexit and although the position has been heavily clouded by the effects of the coronavirus pandemic, it seems unlikely that any material adverse effects will subsequently emerge.

Trading Outlook

The outlook for the current year remains inevitably uncertain but provided no serious reversals are experienced linked to the pandemic, we are cautiously optimistic that we will see a slow but steady recovery over the remainder of the year as confidence slowly returns and more normal patterns of business activity are re-established. Progress is expected to be slow in the first half with momentum gradually increasing as we progress through the year.

Momart installing artworks

FIC

Although the Falkland Islands vaccination programme has progressed well, there is great caution over the timing of re-opening tourist links and the resumption of cruise ship visits and commercial flights for non-residents is not expected in the current calendar year. However, robust local demand should ensure the continuation of solid, profitable trading and we are hopeful of seeing further growth in FIC's construction activity linked to a planned increase in FIG capital programmes.

In addition, in the past year, the steady recovery in oil prices to over $70 per barrel and the merger of Premier Oil with Chrysaor to create the much larger Harbour Energy creates a more positive outlook for the much-delayed development of the Sea Lion oil field, although the Board does not anticipate any imminent FIC activity around this potential. More tangibly, as tourist activity resumes and full economic activity is re-established, the prospects for steady growth in FIC's core business, will be enhanced by the potential for the development of land-based tourism and the continued expansion of FIC's construction and infrastructure capabilities.

PHFC

At PHFC, where COVID-19 related losses have been most acute, encouraging increases have been seen in passenger numbers following the phased relaxation of lockdown measures in April and May 2021. If this momentum continues as expected, a return to consistent profitability is anticipated by the end of the year. This recovery should be aided by the launch in June 2021 of the new Park & Float scheme in Gosport which it is hoped will provide a real boost to ferry patronage. This initiative together with an increased focus by both central and local government on supporting "green" public transport solutions to help address air pollution and climate change concerns, should provide an effective counterweight to the increase in hybrid / home working that may result from changes in work patterns linked to COVID-19. However, a return to pre-Covid levels of activity at PHFC is not anticipated before 2022 at the earliest.

Momart

At Momart the re-opening of museums and art galleries in April and May 2021 has been a welcome positive step but the postponement of major European art fairs until later in the year and the slow recovery in tourist footfall in London and other major cities means that the art market is still some distance from returning to pre-Covid levels. Museum activity in particular is expected to be muted and with visitor revenues reduced, the number of new exhibitions is likely to remain pared back until full confidence is restored. Momart's naturally stronger seasonality in the second half should help to re-establish consistently profitable trading but the achievement of pre-Covid levels of activity is not anticipated until well into 2022.

Summary

Although uncertainty exists as to the rate of recovery, the fundamental strengths of the Group's three business units remain and this coupled with the Group's financial resources in the form of cash, marketable freehold property and supportive shareholders, gives the Group an enviable platform for sustainable growth when the significant disruption caused by COVID-19 has been consigned to history.

Group Strategy

As we cautiously move through a year of material recovery, the Group's focus will increasingly shift from reactive protective measures to a more expansive growth-oriented strategy built around further investment in our core activities and a search for strategic acquisitions. Our ultimate objective is to build a Group of greater scale, able to sustain the consistent earnings growth and cash generation that will provide shareholders with both predictable capital growth and regular income. To assist with the execution of this strategy, in April 2021 the Board was further strengthened by the recruitment of Stuart Munro, an experienced CFO. With Stuart's help we will seek to add a new business stream with embedded potential for sustainable growth, leveraging the Group's existing skills, experience and financial strength.

Chief Executive's Strategic Review

RISK MANAGEMENT

Risk Management and Principal risks and impact

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

COVID-19		
Issue	**Comment**	**Impact**
The lockdown measures introduced by the UK Government to suppress COVID-19 have had an unprecedented impact on the fundamental conditions of supply and demand in the Group's UK businesses.	The impact was immediate and severe but with the gradual relaxation of the lockdown activity is reviving. The economic costs were mitigated in both businesses by the use of the UK Government's furlough grant scheme.	Very high but reducing as the lockdown is relaxed.
At Momart, demand from the company's museum and gallery clients fell away as the prohibition on public gatherings effectively closed client operations completely, with the consequent cessation of Momart's art handling activities.	Activity is reviving as lockdown measures are relaxed.	Very high but reducing as lockdown measures are relaxed.
Revised staff safety protocols and the need to use PPE for staff slowed down installations at Momart and increased the cost of operations. The impact on FIC and PHFC was minimal.	Safe working practices were reviewed and updated in great detail with reference to UK Government guidance and in consultation with staff. Wherever possible, the additional costs of operating have been passed on to clients. (All competitors face a similar challenge).	Low and reducing as lockdown restrictions ease.
At PHFC, the lockdown saw ferry customers cease their normal daily travel to work and leisure activities, causing a 90% fall in ferry traffic.	The impact was immediate and severe but with the gradual relaxation of the lockdown activity at PHFC is slowly reviving.	Very high but reducing in intensity as the lockdown is eased.
Social distancing requirements set limits on the full utilisation of ferry capacity.	PHFC is better placed than many public transport businesses and can maintain 40% capacity while enforcing social distancing. As passenger volumes recover the use of the second vessel to cover peak demand at rush hour will help limit any effective constraints on effective carrying capacity.	Low
PHFC's programme of Solent leisure cruises was affected by lockdown restrictions and concerns over social distancing on cruises where passenger volumes need to be higher to generate a return.	PHFC's programme of summer cruises for 2020 was cancelled. However, with the success of the vaccine roll-out, a scaled back programme of cruises has been re-introduced for Summer 2021.	Low
Longer term changes in customer behaviour may result from the pandemic: an increased reluctance to use public transport and more hybrid/working from home.	Council initiatives to encourage green public transport and discourage car use will help mitigate the potential reduction in passenger numbers.	Low
Despite a successful vaccination programme, the Falkland Islands remain closed to overseas visitors which removes an important source of income for the economy.	As global vaccination proceeds, the Falkland Islands are expected to re-open their borders.	Moderate impact on tourism income but not expected to extend beyond the current financial year.

POLITICAL RISKS		
Risk	**Comment**	**Potential Impact**
Historically, Argentina has maintained a claim to the Falkland Islands, and this dispute has never been officially resolved.	Relations with Argentina have become more strained in recent years. However, the security afforded by the UK Government's commitment to the Islands provides a guarantee of the freedom and livelihood of the people of the Falkland Islands and thereby to FIC. Provided UK Government support is maintained the security of the people of the Falkland Islands is not in doubt.	Low – Unchanged
Uncertainty caused by the UK's decision to leave the European Union.	To date, there has been little direct impact on the Group's businesses arising from Brexit and although the position has been heavily clouded by the effects of the coronavirus pandemic it seems unlikely that any material adverse effects will subsequently emerge.	Low – Decreased
ECONOMIC CONDITIONS		
Risk	**Comment**	**Potential Impact**
Although the impact of COVID-19 has been unprecedented, this has been matched by equally unprecedented government interventions on a global scale which has sustained economic confidence and activity.	The trading performance of both the Group's UK companies has been severely affected by the effects of COVID-19 but UK Government economic support and the success of the vaccination programme mean that the adverse effects are being steadily reduced as the Group's businesses return to more normal levels of activity.	High but steadily reducing impact on UK operations.
International travel continues to be badly affected by COVID-19, with no overseas visitors expected in the Falkland Islands in the current financial year.	Despite this, FIC saw its revenue and profitability largely maintained in 2021. In any event, travel restrictions are unlikely to extend beyond the current financial year.	Moderate but reducing.
Economic activity in the Falkland Islands has been subject to fluctuation, dependent upon Oil sector activity.	Oil-related activity in recent years has been minimal and the success of the Falkland Islands' economy is not predicated on the development of oil reserves.	Low impact
Budgets available to museums for exhibitions can fluctuate with government spending and the commercial art market exhibits cyclicality; both have a direct impact on Momart. Both these effects have been exacerbated by COVID-19.	Reduced museum budgets and visitor footfall are likely to lead to a reduction in the number of exhibitions with a consequent reduction in demand for Momart's services until government finances and public confidence recovers.	Moderate but reducing as public confidence returns. Impact mitigated by reduction in Momart's cost base.
CREDIT RISK		
Risk	**Comment**	**Potential Impact**
Credit risk is the risk of financial loss if a customer fails to meet its contractual obligations.	Effective processes are in place to monitor and recover amounts due from customers. Even with COVID-19, bad debt experience has been minimal.	Low
COMPETITION		
Risk	**Comment**	**Potential Impact**
FIC is considered by the senior management to be a market leader in a number of business activities but faces competition from local entrepreneurs in many of the sectors in which it operates. Momart sits in a highly competitive market with both UK and International competitors investing for growth.	Local competition is healthy for FIC and stimulates continuing business improvement in FIC . Largely unchanged.	Low - Unchanged Moderate - Unchanged

Chief Executive's Strategic Review

RISK MANAGEMENT

FOREIGN CURRENCY AND INTEREST RATE RISK		
Risk	**Comment**	**Potential Impact**
Momart is exposed to foreign currency risk arising from trading and other payables denominated in foreign currencies. The Group is exposed to interest rate risks on large loans. FIC retail outlets accept foreign currency and are exposed to fluctuations in the value of the dollar and euro.	Forward exchange contracts are used to mitigate this risk, with the exchange rate fixed for all significant contracts. Interest rate risk on large loans is mitigated by the use of interest rate swaps.	Low - Unchanged
INVENTORY		
Risk	**Comment**	**Potential Impact**
Inventory risk relates to losses on realising the carrying value on ultimate sale. Losses include obsolescence, shrinkage or changes in market demand such that products are only saleable at prices that produce a loss. FIC is the only Group business that holds significant inventories and does face such risk in the Falkland Islands, where it is very expensive to return excess or obsolete stock back to the UK.	Reviews of old and slow-moving stock in Stanley are regularly undertaken by senior management and appropriate action taken.	Moderate - Unchanged
PEOPLE		
Risk	**Comment**	**Potential Impact**
Loss of one or more key members of the senior management team or failure to attract and retain experienced and skilled people at all levels across the business could have an adverse impact on the business.	None of the Group's businesses is reliant on the skills of any one person. The wide spread of the Group's operations further dilutes the risk.	Low - Unchanged
FIC has a reliance on being able to attract staff from overseas including many from St Helena. Development of those locations might reduce the pool of available staff.	The development of tourism on St Helena has been slow and the Falkland Islands remain an attractive location for St Helenian people to work.	Low - Unchanged
FIC has a reliance on being able to attract staff from overseas generally.	Immigration procedures in the Falkland Islands are bureaucratic and slow, although FIG is aware and seeking to streamline the process.	Moderate - Unchanged

LAWS AND REGULATION		
Risk	**Comment**	**Potential Impact**
Failure to comply with the frequently changing regulatory environment could result in reputational damage or financial penalty.	The regulatory environment continues to become increasingly complex. The Group uses specialist advisers to help evolve appropriate policies and practices. Close monitoring of regulatory and legislation changes is maintained to ensure our policies and practices continue to comply with relevant legislation. Staff training is provided where required.	Low - Unchanged
GENERAL HEALTH AND SAFETY The Group is required to comply with laws and regulation governing occupational health and safety matters. Furthermore, accidents could happen which might result in injury to an individual, claims against the Group and damage to our reputation.	Health & Safety (“HSE”) matters are considered a key priority for the Board of FIH and all its operating companies. Particular attention has been paid to updating risk assessments and safe working practices in the light of COVID-19. All staff receive relevant HSE training when joining the Group and receive refresher and additional training as is necessary. Training courses cover maritime safety, lifting and manual handling, asbestos awareness and fire extinguisher training. External HSE audits are conducted on a regular basis.	Low

John Foster
Chief Executive
6 July 2021

Chief Financial Officer's Review

Financial Review

Revenue

Group revenue decreased by £12 million (26.9%) to £32.6 million due mainly to the effects of COVID-19. This was felt most severely at Momart and PHFC, where revenues fell by £8.5 million and £2.7 million respectively. FIC suffered more minor disruption and an overall £0.8 million reduction in revenue.

Underlying Operating Profit

Underlying operating profit before non-trading items and net finance costs decreased by 78.2% to £1.0 million (2020: £4.6 million) reflecting the revenue reductions noted above, which were partially mitigated by actions taken to control cost and the utilisation of £1.8 million of grants available under the UK Government and FIG furlough schemes.

Net Financing Costs

The Group's net financing costs remained flat at £0.9 million. Two UK Government-backed CBILS loans totalling £5.0 million were drawn down in June 2020 but as the first 12 months of interest payments are covered by the UK Government, these loans had no impact on net financing costs in the year.

Reported Pre-tax Profit

The reported pre-tax result for the year ended 31 March 2021 was a profit of £0.2 million (2020: £3.8 million loss). Non-trading items in the current year included £0.4 million of restructuring costs and £0.5 million income from the derecognition of historic liabilities, which were previously included within accruals but are no longer enforceable. The prior year result included a non-trading impairment charge of £7.5 million to write down goodwill which had previously arisen on the acquisition of PHFC and Momart. The Group's underlying profit before tax before these non-trading items was £0.1 million (2020: £3.7 million).

Taxation

The Group pays corporation tax on its UK earnings at 19% and on earnings in the Falkland Islands at 26%. FIC, which is resident in both jurisdictions, has been granted a foreign branch exemption, and now pays all its corporation tax in the Falkland Islands and no longer pays UK corporation tax. As a result, FIC enjoys the full benefit of the tax deductibility in the Falkland Islands of expenditure on commercial and industrial buildings.

Tax on current year profits in the Falkland Islands was broadly offset by recoverable tax on current year losses in the UK with the overall tax charge for the year of £0.2m relating mainly to deferred tax in respect of capital allowances in advance of depreciation in FIC.

Earnings per Share

Diluted Earnings per Share ("EPS") derived from reported profits was 0.1 pence (2021: -37.8 pence). As noted above, the current year was impacted by reduced activity due to COVID-19 and the prior year by a £7.5 million impairment of goodwill. Diluted EPS derived from underlying profits was 0.0 pence (2020: 21.7 pence).

Balance Sheet

The Group's balance sheet remained strong, with total net assets remaining broadly in line with last year at £38.9 million (2020: £38.8 million). Retained earnings decreased by £0.2m to £19.6 million (2020: £19.8 million) which was offset by a £0.3 million improvement in the hedging reserve, reflecting an increase in the fair value of hedges taken through other comprehensive income in accordance with IFRS 9.

Net Debt Year ended 31 March	**2021** **£m**	2020 £m	Change £m
Bank loans	**(20.1)**	(15.7)	(4.4)
Cash and cash equivalents	**14.6**	9.1	5.5
Bank loans net of cash and cash equivalents	**(5.5)**	(6.6)	1.1
Lease liabilities	**(8.1)**	(8.4)	0.3
Net debt	**(13.6)**	(15.0)	1.4

Bank loans increased to £20.1 million (2020: £15.7 million), as a result of the £5.0 million CBILS loans drawn down in June 2020, which were partially offset by scheduled loan repayments of £0.6 million. The Group's cash balances increased to £14.6 million (2020: £9.1 million) reflecting a £0.5 million improvement in the underlying cash balance of £9.6 million and the proceeds of the £5.0 million CBILS loans. Overall, net debt improved to £13.6 million (2020: £15.0 million).

The Group's outstanding lease liabilities totalled £8.1 million (2020: £8.4 million) with £5.7 million of the balance (2020: £5.8 million) relating to the 50-year leases from Gosport Borough Council for the Gosport Pontoon and associated ground rent, which run until June 2061.

The carrying value of intangible assets remains unchanged from the prior year at £4.2 million following annual impairment reviews which indicated that no further impairment was required at Momart or PHFC (2020: £7.5 million).

The net book value of property, plant and equipment decreased by £1.3 million to £40.4 million (2020: £41.7

million) with additions of £0.9 million being offset by depreciation charges of £2.2 million. The additions include two trucks purchased by Momart for £0.4 million funded by hire purchase agreements.

At 31 March 2021, the Group had 75 (2020: 65) completed investment properties, comprising commercial and residential properties in the Falkland Islands, which are held for rental. Seven properties were under construction at 31 March 2021 (2020: 10). In addition, FIC held 400 acres of land in and around Stanley, including 18 acres zoned for industrial development and 25 acres of prime mixed-use land, and a further 300 acres of undeveloped land outside Stanley.

The net book value of the investment properties and undeveloped land of £7.1 million (2020: £6.5 million) has been reviewed by the directors of FIC resident in the Falkland Islands. At 31 March 2021 the fair value of this property portfolio, including undeveloped land, was estimated at £11.1 million (2020: £10.0 million), an uplift of £4 million on net book value.

FIC's 75 houses and flats had an estimated fair value of £8.5 million (2020: £7.3 million), the seven properties under construction were valued at cost of £0.5 million (2020: £0.6 million) and the value of FIC's 700 acres of land was estimated at £2.1 million (2020: £2.1 million).

Deferred tax assets relating to future pension liabilities stood at £0.7 million (2020: £0.7 million). This balance relates to the deferred tax benefit of expected future pension payments in the FIC unfunded scheme calculated by applying the 26% Falkland Islands' tax rate to the pension liability.

Inventories, which largely represent stock held for resale and work in progress at FIC and Momart respectively increased by £0.5 million to £5.9 million at 31 March 2021 (2020: £5.4 million), due to a £0.5 million increase in housebuilding stocks at FIC mainly as a result of the timing of deliveries and the phasing of the related works.

Trade and other receivables decreased £2.8 million to £5.9 million at 31 March 2021 (2020: £8.7 million) due mainly to reduced sales activity in Momart and FIC.

Trade and other payables decreased by £1.8 million to £6.8 million at 31 March 2021 (2020: £8.6 million).

At 31 March 2021, the liability due in respect of the Group's only defined benefit pension scheme, in FIC, was £2.8 million (2020: £2.6 million). This pension scheme, which was closed to new entrants in 1988 and to further accrual in 2007, is unfunded and liabilities are met from operating cash flow. An increase in the liability arose as a result of a fall in medium term interest rates and has been fed through reserves in accordance with IAS 19. Eleven former employees receive a pension from the scheme at 31 March 2021 and there are three deferred members.

The Group's deferred tax liabilities, excluding the pension asset at 31 March 2021, were £3.1 million (2020: £2.8 million).

Cash Flows

Net cash inflow from operating activities of £3.7 million was £1.0 million less than the prior year inflow of £4.7 million. The reduction was principally due to a £3.3 million reduction in underlying EBITDA which was partly offset by a £2.4 million improvement in working capital movement in the current year.

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

Year ended 31 March	2021 £m	2020 £m	Change £m
Underlying profit before tax	**0.1**	3.7	(3.6)
Depreciation & amortisation	**2.3**	2.1	0.2
Net interest payable	**0.9**	0.8	0.1
Underlying EBITDA	**3.3**	6.6	(3.3)
Non-trading, cash items	**(0.4)**	-	(0.4)
Decrease in hire purchase debtors	**-**	0.1	(0.1)
Decrease/(increase) in working capital	**1.0**	(1.4)	2.4
Tax paid and other	**(0.2)**	(0.6)	0.4
Net cash inflow from operating activities	**3.7**	4.7	(1.0)
Financing and investing activities			
Capital expenditure	**(1.5)**	(3.4)	1.9
Net bank and lease liabilities interest paid	**(0.8)**	(0.8)	-
Bank and lease liability repayments	**(1.3)**	(11.4)	10.1
Dividends paid	**-**	(0.6)	0.6
Bank and lease liabilities draw down	**5.4**	14.4	(9.0)
Net cash inflow/ (outflow) from financing and investing activities	**1.8**	(1.8)	3.6
Net cash inflow	**5.5**	2.9	2.6
Cash balance b/fwd.	**9.1**	6.2	2.9
Cash balance c/fwd.	**14.6**	**9.1**	**5.5**

Financing and Investing Activities

During the year, the Group invested £1.5 million of capital expenditure, comprising £0.7 million of investment property and £0.8 million on property, plant and equipment.

The £5.4 million of bank and lease liabilities draw down in the year included the £5 million CBILS loans drawn down in June 2020 and the funding of vehicles in Momart of £0.4 million.

Stuart Munro
Chief Financial Officer
6 July 2021

Board of Directors and Secretary

Robin Williams, Non-executive Chairman

Robin joined the Board in September 2017. He has a wide breadth of corporate experience, gained at a range of quoted and private businesses as well as from an early career in investment banking. He is currently also Chairman at Keystone Law Group plc and a non-executive director at Xeinadin Group Limited. Robin qualified as an accountant in 1982 after graduating in engineering science from the University of Oxford. He worked in corporate finance for ten years at investment banks including Salomon Brothers and UBS before leaving the City in 1992 to co-found the packaging business, Britton Group plc. In 1998, he moved to Hepworth plc, the building materials group, and since 2004 he has focused on non-executive work in public, private and private equity backed businesses. His financial background provides the experience required as Chairman of the Group to review and challenge decisions and opportunities. Robin is a member of the Audit and Remuneration Committees and is Chairman of the Nominations Committee.

John Foster, Chief Executive

John joined the Board in 2005. He is a Chartered Accountant and previously served as Group Finance Director for Macro 4 plc (2000 - 2003) and Hamleys plc (1998 - 2000). Prior to joining Hamleys, he spent three years as Corporate Finance Director of Ascot plc, an industrial holding company with a turnover of £300 million and over 1,600 employees. Before becoming a plc director, John spent 11 years working in Private Equity for a leading UK investment bank following training and CA qualification with Arthur Andersen in 1983. John's finance background, together with his strong analytical skills developed during his nine years working as a venture capitalist with a leading investment bank is well fitted to his commitment to perform the Chief Executive role at FIH group plc.

Stuart Munro, Chief Financial Officer

Stuart joined the Board on 28 April 2021. He qualified as a chartered accountant with Ernst & Young and since 2000, has worked as a divisional finance director in number of UK companies including Balfour Beatty, Alfred McAlpine Infrastructure Services and FirstGroup, as well as Transport for London. From 2015 until joining the Board, Stuart provided strategic, financial and operational consultancy to a number of medium sized private equity backed services companies across a variety of sectors.

Jeremy Brade, Non-executive Director

Jeremy joined the Board in 2009, he is a Director of Harwood Capital Management where he is the senior private equity partner and has worked in UK private equity for over 20 years. He has led several successful acquisitions and public-to-private transactions. Previously, Jeremy was with the Foreign and Commonwealth Office (FCO) and prior to that, he was an army officer. Using his experience of acquisitions and various corporate transactions, Jeremy brings a wealth of knowledge and expertise on restructuring, funding and transforming companies. Jeremy is a member of the Nominations, Audit and Remuneration Committees and holds a number of other non-executive directorships including one at Fulcrum Utility Services Limited.

Robert Johnston, Non-executive Director

Robert joined the Board on 13 June 2017. He is an experienced non-executive director and investment professional and has served on the boards of several quoted companies in both North America and in UK, including Fyffes PLC and Supremex Inc. Robert has been the Chief Strategy Officer and Executive Vice President at The InterTech Group, Inc. and has over 20 years of experience in various financial and strategic roles. He is the principal representative of the Jerry Zucker Revocable Trust. Robert brings experience on many transactions at both the corporate and asset level, including debt and equity, and his experience in the banking sector will prove invaluable to developing the Group. Robert represents the Company's largest shareholder, "The Article 6 Marital Trust, created under the First Amended and Restated Jerry Zucker Revocable Trust dated 4-2-07", which has a beneficial holding of 3,596,553 ordinary Shares, representing 28.7% of the Company's issued share capital.

He is currently on the boards of Colabor Group Inc., Corning Natural Gas Holding Corp, Supremex Inc. (where he is Chairman), Circa Enterprises Inc. and Swiss Water Decaffeinated Coffee Inc. Robert is a member of the Nominations and Audit Committees and is Chairman of the Remuneration Committee.

Dominic Lavelle, Non-executive Director

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

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

Iain Harrison, Company Secretary

Iain Harrison joined the Company in April 2019. Iain has a BSc in Mathematics from Edinburgh University and qualified as a Chartered Accountant in Scotland in 1993. He has previously worked at RBS group and Heriot Watt University and was Company Secretary at Dawson International plc from 2003-2004.

Corporate Governance Statement

Dear Shareholder,

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

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

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

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

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

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

Business Model and Strategy

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

Risk Management

The Board has overall responsibility for the systems of risk management and internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. The key risks of the Group are presented in the Chief Executive's Strategic Report.

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

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

Director Independence

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

Whilst the Company is guided by the provisions of the QCA Code in respect of the independence of directors, it gives regard to the overall effectiveness and independence of the contribution made by directors to the Board in considering their independence, and does not consider a director's period of service in isolation to determine this independence. The Board acknowledges that Robert Johnston, who joined the Board on 13 June 2017, represents the Company's largest shareholder, "The Article 6 Marital Trust, created under the First Amended and Restated Jerry Zucker Revocable Trust dated 4-2-07", (the "Zucker Trust"), which has a beneficial holding of 3,596,553 ordinary Shares, representing nearly 29% of the Company's issued share capital. The Board has considered Mr Johnston's independence, given his representation of this shareholding and all Board members have satisfied themselves that they consider Mr Johnston to be independent. This is as a consequence of (i) the fact that Mr Johnston has considerable international investment expertise, and (ii) that the shareholding of his employer in FIH represents only a small part of its wider portfolio, but nonetheless aligns him with the interests of FIH shareholders generally.

Jeremy Brade's tenure, at over the suggested nine years for PLC directors, is not the determining factor in his independence, which the Board judges in relation to his contribution and depth of knowledge of the Group's operations and history. The Board has asked Jeremy to stand for re-election at the AGM this year and Jeremy has indicated that he is likely to step down from the Board at the AGM in 2022 in view of his long service. All directors retire by rotation and are subject to election by shareholders at least once every three years. Any non-executive directors who have served on the Board for at least nine years will be subject to annual re-election.

Time Commitment of Directors

John Foster, Chief Executive of the company and Stuart Munro, Chief Financial Officer, are the only full-time executive directors. Robin Williams, Jeremy Brade, Robert Johnston and Dominic Lavelle have all been appointed on service contracts for an initial term of three years. Overall, it is anticipated that non-executive directors spend 10-15 days a year on the Group's business after the initial induction, which includes a trip to the Group's subsidiary in the Falkland Islands. However, the non-executive directors and the Chairman in particular spend significantly more time than this on the business of the group.

All directors are expected to attend all Board meetings, the Annual General Meeting and any extraordinary general meetings. Non-executive directors are expected to devote additional time in respect of any ad hoc matters, such as significant investment opportunities, responding to market changes, such as the COVID-19 pandemic, consideration of any business acquisitions, and any significant recruitment or corporate governance changes.

Skills and Qualities of Each Director

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

Board Meetings

The Board meets frequently throughout the year to consider strategy, corporate governance matters, and performance. Prior to each meeting, all directors receive appropriate and timely information. Since the last annual report was published on 23 June 2020 there have been eleven Board meetings, Robin Williams, John Foster, Jeremy Brade, Robert Johnston and Dominic Lavelle have attended all meetings. Stuart Munro has attended all meetings since his appointment to the Board.

There have been no Remuneration Committee meetings since 23 June 2020. Instead, given the impact of the COVID-19 pandemic on Group trading and the need to take significant action to control costs, the Board as a whole deliberated on compensation decisions. There have been two Audit Committee meetings since 23 June 2020 which were attended by all members of the committee. The Nominations Committee meets on an ad hoc basis to consider Board composition and succession and was active during the year in the search for and recruitment of Stuart Munro, the Group's new Chief Financial Officer. An external recruitment company provided assistance to the Committee in the search and conducted a wide-ranging search for candidates.

Corporate Governance Statement

CONTINUED

Board Directors

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

Details of How Each Director Keeps Their Skill Set Up to Date

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

Any External Advice Sought by the Board

RSM Tenon, the Group's tax advisors ensure compliance with taxation law and transfer pricing and the Company's lawyers advised on a number of areas.

Internal Advisory Responsibilities

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

Board Performance Effectiveness

The directors have considered the effectiveness of the Board, committees and individual performance, and this was discussed by the Board in the April 2021 meeting. The Board meets formally five times a year with update Board meetings held in between these meetings as required. There is a strong flow of communication between the directors, in particular the relationship between the Chief Executive and Chairman, who have regular additional calls or meetings. The agenda for the formal meetings are set with the consultation of both the Chief Executive and Chairman, and papers are circulated a week in advance of the meetings, giving directors ample time to review the documentation and enabling an effective meeting. Resulting actions are tracked as matters arising and followed up at subsequent Board meetings to ensure that they have been addressed.

Board Performance Evaluation

In 2021, the Chairman conducted an effectiveness review by means of a questionnaire, with comment on the Chairman passed to Jeremy Brade as the Senior Independent Director at that time. The outcome of the appraisal is that the Board has been effective in discharging its duties during the year. The review was conducted in March 2021 and discussed at the April 2021 Board meeting, with useful conclusions in the areas of major shareholder representation on the Board, how the non-executive directors interact with only one executive on the Board, the development of strategy and the presentation of recommendations to the Board. In addition, the frequency of meetings will be reviewed once the recovery from the pandemic is more visible and the Board will put in place a more structured programme of interaction with operating management.

Robin Williams
Chairman
6 July 2021

Audit Committee Report

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

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

The current terms of reference of the Audit Committee were reviewed and updated in January 2018.

Effectiveness of the External Audit Process

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

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

External Auditor

The external auditor (KPMG LLP) was appointed in 1997. The current audit engagement partner has been in place since the audit for the current year and will step down after the audit for the year ended 31 March 2025. The analysis of the auditor's remuneration is shown in note 6. Tax advisory services are provided by RSM UK Tax and Accounting Limited.

Non-audit Services Provided by the External Auditor

The Audit Committee keeps the appointment of external auditors to perform non-audit services for the Group under continual review, receiving a report at each Audit Committee meeting. In the year ended 31 March 2021, there were no non-audit fees paid to KPMG LLP (2020: £nil).

Emerging Risks

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

Audit Committee Report

CONTINUED

Areas of Judgement and Estimation

In making its recommendation that the financial statements be approved by the Board, the Audit Committee has taken account of the following significant issues and judgements involving estimation:

Impairment Testing

The Group tests material goodwill annually for impairment, or more frequently if there are indications that goodwill and/or indefinite life assets might be impaired. An impairment test is a comparison of the carrying value of the assets of a CGU, based on a value-in-use calculation, to their recoverable amounts. Impairment is necessary when the recoverable amount is less than the carrying value.

Impairment tests have been undertaken with respect to intangible assets using commercial judgement and a number of assumptions and estimates have been made to support the carrying values.

In the prior year, all goodwill in relation to PHFC was written off. Impairment testing of the remaining tangible assets of PHFC has been carried out in the current year and no further impairment is considered necessary.

With respect to Momart, following an impairment charge of £3.5 million in the prior year, remaining intangible assets including goodwill and Momart's brand name amounted to £4.1 million at 31 March 2020. Impairment testing has been performed in the current year but no further impairment is considered necessary and the carrying value of intangible assets at 31 March 2021 in respect of Momart remain unchanged at £4.1 million.

Further details of the impairment testing undertaken for PHFC and Momart are provided in note 11.

Inventory Provisions

An inventory provision is booked when the realisable value from sale of the inventory is estimated to be lower than the inventory carrying value, or where the stock is slow-moving, obsolete or damaged, and is therefore unlikely to be sold. The quantification of the inventory provision requires the use of estimates and judgements and if actual future demand were to be lower or higher than estimated, the potential amendments to the provisions could have a material effect on the results of the Group.

Defined Benefit Pension Liabilities

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

There are eleven pensioners currently receiving a monthly pension under the scheme and three deferred members.

Dominic Lavelle
Independent Non-executive Director
6 July 2021

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 2021.

Results and Dividend

As set out in the Group Income Statement, the Group profit for the year after taxation amounted to £9,000 (2020: Loss £4,728,000). Basic earnings per share on underlying profits were 0.0 pence (2020: 22.0 pence).

Given the impact of COVID-19 on the Group's profits and the continuing challenges for UK trading, after careful consideration, the Board has decided not to recommend the payment of a dividend in respect of the year ended 31 March 2021.

The suspension of dividends will be kept under close review and dividend payments will be resumed as soon as the directors consider it prudent to do so.

Principal Activities

The business of the Group during the year ended 31 March 2021 was general trading in the Falkland Islands, the operation of a passenger ferry across Portsmouth Harbour and the provision of international arts logistics and storage services. The principal activities of the Group are discussed in more detail in the Chief Executive's Strategic Report and should be considered as part of the Directors' Report for the purposes of the requirements of the enhanced Directors' Report guidance.

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

Directors

On 28 April 2021, an additional executive director, Stuart Munro, was appointed to the Board.

Directors' Interests

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

Health and Safety

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

Employees

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

Payments to suppliers

The policy of the Company and each of its trading subsidiaries, in relation to all its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms, provided that it is satisfied that the supplier has provided the goods or services in accordance with agreed terms and conditions. The Group does not follow

Directors' Report
CONTINUED

any code or standard payment practice. As a holding company, the Company had no trade creditors at either 31 March 2021 or 31 March 2020.

Share Capital and Substantial Interests in Shares

During the year, 10,466 shares were issued following the exercise of options. Further information about the Company's share capital is given in note 25. Details of the Company's executive share option scheme can be found in note 24.

The Company has been notified of the following interests in 3% or more of the issued ordinary shares of the Company as at 6 July 2021:

	Number of shares	Percentage of shares in issue
The Article 6 Marital Trust created under the First Amended and Restated Jerry Zucker Revocable Trust dated 2 April 2007	3,596,553	28.74
Quaero Capital Funds (Lux) – Argonaut	1,057,158	8.45
Martin Janser	897,324	7.17
J.F.C. Watts	797,214	6.37
Deep Blue Ventures Holdings SPC DBVF IV Segregated Portfolio	680,001	5.43
Christian Struck	380,000	3.04

Charitable and Political Donations

Charitable donations made by the Group during the year amounted to £7,654 (2020: £19,312), these were largely paid to local community charities in the Falkland Islands. There were no political donations in the year (2020: nil).

Disclosure of Information to the External Auditor

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

External Auditor

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

Greenhouse Gas Emissions

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

Statement by the Directors in Performance of their Statutory Duties in Accordance with s172(1) Companies Act 2006

As an experienced Board, our intention is to behave responsibly and we consider that we, both as individuals and as a collective Board, as representatives of FIH group plc and the Group as a whole, during the year ended 31 March 2021, have acted in good faith, to promote the success of the Company for the benefit of its members as a whole, having regard to the wider stakeholders as set out in s172 of the Companies Act. In the Falkland Islands and in Gosport/ Portsmouth (where PHFC provide the ferry service), the subsidiaries of the Group work closely with local government and local communities and Momart, is an active and founding member of several art communities and its employees give talks at conferences, sharing their experiences on the import and export of art work. The details of the Group's interaction with its wider stakeholders is as follows:

Customers:

Despite the collapse in passenger volumes brought on by COVID-19 which resulted in heavy losses throughout the year, the Group maintained the ferry service at PHFC which continued to operate between 5:30am and 11:00pm on every day except Christmas Day in recognition of the vital social importance of the service to the local community and keyworkers.

PHFC maintains close contact with its customer base via social media and regularly tweets and posts information on Facebook about local pantomimes, football matches, special events offered by local restaurants and other events of interest to the local community and visiting tourists. The crews and customers are encouraged to post their own photos of the ferries, and sightings of any HMS warships in the harbour.

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

Colleagues:

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

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

Suppliers:

Across the Group, we aim to build long-term relationships with our suppliers that help ensure the continued delivery of the high-quality services the Group provides. We are clear about our payment practices. We expect our suppliers to adopt similar practices throughout their supply chains to ensure fair and prompt treatment of all creditors. All suppliers are vetted to ensure compliance with the Group's zero tolerance approach to modern slavery.

Directors' Report
CONTINUED

Communities:

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

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

PHFC donates cruise tickets to charities and makes various donations and gifts to local charities as well as public organisations such as the Fire Service. PHFC staff conduct organised collections on the pontoons, for example for the Poppy Appeal, and permits local school children to collect charitable donations on board the vessels. The business has also been successful in lobbying local government to include a bike hub at Gosport in its development plans.

Environment:

The Group is committed to doing its part to protect the local and global environment, minimising the environmental impacts of its activities, products and services, and to the continual improvement of its environmental performance.

Steps already taken include:

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

Momart
- Conversion of vehicles to meet the Euro 6 emissions standard.
- LED lighting and movement sensors across all warehouse units and offices.
- Renewable energy from solar panels installed at the Leyton warehouse unit 14.
- Sourcing of materials for packing cases from sustainable European sources.
- Wood waste burnt for energy rather than going to landfill.

PHFC
- Installation of new exhaust cleaners on the vessels reducing NOx and CO2 emissions.
- Use of solar panels on the pontoons.
- LED lighting across the estate as well as movement sensors.
- Provision of coffee cup recycling on the ferries and the pontoons.

Governments and Regulatory Authorities

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

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

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

Media

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

Non-governmental Organisations:

PHFC is a Heritage Committee member.

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

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

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

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

Shareowners and Analysts:

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

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

Debt Providers:

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

The relationship with HSBC dates back to the Company's incorporation in 1997.

Capital Allocation and Dividend Policy:

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

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

The capital allocation priorities are to support continued investment in organic business growth, funded by a strong balance sheet, with the focus on long-term decisions to position the Group for success.

Annual General Meeting

The Company's Annual General Meeting will be held on 9 September 2021. 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.

Directors' Report

CONTINUED

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 2021 and in the preceding year is as follows:

	Salary / Fees £'000	Health insurance £'000	2021 Total £'000	2020 Total £'000
John Foster	196	1	197	224
Robin Williams	51	-	51	60
Jeremy Brade	26	-	26	30
Robert Johnston	26	-	26	30
Dominic Lavelle	26	-	26	*10
Stuart Munro**	-	-	-	-
Total	**325**	**1**	**326**	**354**

* From date of appointment ** Appointed 28 April 2021

The Chief Executive participates in an annual performance related bonus arrangement, with the potential during the year of earning up to 100% of his salary. The bonuses are subject to the achievements of specified corporate and personal objectives and are 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. Given the impact of COVID-19 on the Group's finances, no bonus will be payable for the year ended 31 March 2021 (2020: £nil).

Full details of historic awards of deferred shares to John Foster and other options issued to senior staff, including all grants and exercises are provided in note 24 Employee Benefits: share based payments. During the year ended 31 March 2021, 12,488 nil cost options (2020: 15,171) were exercised by the Chief Executive.

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

Share Incentive Plan

In November 2012, the Company implemented an HMRC approved Share Incentive Plan available to employees of the Group, which enables UK and FIC staff to acquire shares in the Company through monthly purchases of up to £150 per month or 10% of salary, whichever is lower. For every three shares purchased by the employee, the Company contributes one free matching share. These shares are placed in trust and if they are left in trust for at least five years, they can be removed free of UK income tax and national insurance contributions. During the year ended 31 March 2020 the Company purchased £600 of matching shares for John Foster. No matching shares were purchased for Directors in the year ended 31 March 2021 and the scheme is now closed to further issue.

Directors' Interests in Shares

As at 31 March 2021, the nil cost share options issued to the executive director which remained outstanding were as follows:

Date of grant	Number of options J L Foster	Exercisable from	Expiry date
15 Jun 2018	5,682	15 Jun 2021	15 Jun 2022
17 Jun 2019	3,591	17 Jun 2021	17 Jun 2023
17 Jun 2019	3,591	17 Jun 2022	17 Jun 2023
Total	12,864		

The mid-market price of the Company's shares on 31 March 2021 was 205 pence and the range in the year was 194 pence to 350 pence.

The directors' options extant at 31 March 2021 totalled 12,864 nil cost options. In total these options represented 0.1% of the Company's issued share capital.

There are also 268,626 options outstanding at 31 March 2021 which were granted to 15 other employees of the Group including subsidiary directors and senior management. These include 123,052 LTIP options granted in July 2020 and 87,422 LTIP options granted in July 2019 all at a 10 pence exercise price and 58,152 options granted under the Company's executive share option scheme between December 2010 and January 2015, with exercise prices of £2.675 to £2.725.

The 58,152 options granted under the Company's executive share option scheme, are options to acquire ordinary shares in the Company after a period of three years from the date of the grant and have been granted at an option price of not less than market value at the date of the grant. The 210,474 LTIP awards have been granted at an exercise price of 10 pence. The exercise of the LTIP awards is subject to various performance conditions, which have been determined by the remuneration committee after discussion with the Company's advisers. The 12,864 nil cost options granted to the Chief Executive are exercisable at no cost to him, and will vest provided he remains in employment for the required service periods.

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

	Ordinary shares as at 31 March 2021	**Ordinary shares as at 31 March 2020**
Robin Williams	5,625	1,935
John Foster*	*113,627	*107,009
Jeremy Brade	15,022	15,022
Robert Johnston	**3,647,853	**3,647,853
Dominic Lavelle	2,000	-

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

** Robert Johnston holds 51,300 shares in his own name, and as he is also the representative of the Company's largest shareholder, "The Article 6 Marital Trust, created under the First Amended and Restated Jerry Zucker Revocable Trust dated 4-2-07", which holds 3,596,553 Shares, Robert Johnston is interested in 3,647,853 Shares in total, representing 29.1 per cent of the Company's 12,514,985 total voting rights.

Approved by the Board and signed on its behalf by:

Iain Harrison
Company Secretary
6 July 2021

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

Directors' Report

CONTINUED

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

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

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law, they have elected to prepare both the Group and the Parent Company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

Housing built by Falklands Building Services

Stanley waterfront – Falkland Islands

Independent auditor's report

to the members of FIH Group plc

1. Our opinion is unmodified

We have audited the financial statements of FIH Group plc ("the Company") for the year ended 31 March 2021 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Company Cash Flow Statement, Consolidated Statement of Changes in Shareholders' Equity, Company Statement of Changes in Shareholders' Equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, and as applied in accordance with the provisions of, the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview	
Materiality: (Group financial statements as a whole)	£140,000 (2020: £150,000) 4.5% of normalised average profit before tax (2020: 4.0% of group profit before tax before goodwill impairment)
Coverage	100% (2020: 100%) of group profit before tax

Key audit matters		**vs 2020**
Recurring risks	Recoverability of Art Logistics and Storage Brand Name and Goodwill and Recoverability of Ferry Services Property, Plant and Equipment and Right of Use assets	▼
	Recoverability of Parent Company's investment in subsidiaries	▼

2. Key audit matters: our assessment of risks of material misstatement

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

	The risk	Our response
Recoverability of Art logistics and Storage Brand Name (£2.0 million; 2020: £2.0 million) and Goodwill (£2.1 million; 2020: £2.1 million) and Recoverability of Ferry Services Property, Plant and Equipment and Right of Use assets (included within Segment Assets of £11.4 million; 2020: £11.0 million). *Refer to page 23 (Audit Committee Report), page 52 (accounting policy) and page 68 (financial disclosures)*	**Forecast-based assessment:** The carrying amount of the Art Logistics and Storage CGU is significant and the recoverable amount of that CGU is at risk of fluctuation due primarily to the fluctuating future demand in the art logistics and storage markets along with the inherent uncertainty involved in forecasting and discounting future cash flows. In the prior year the Group has recognised an impairment loss of £3,500,000 on the goodwill on the Art Logistics CGU as a result of changes in the market resulting in significant changes in forecast cash flows. The remaining carrying amount of goodwill and intangible assets associated with the Art Logistics CGU is particularly sensitive to changes in key assumptions. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the value in use of the Art Logistics and Storage CGU had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 11) disclose the sensitivity estimated by the Group. The carrying amount of the Ferry Services CGU is significant and the recoverable amount is at risk due primarily to reductions in passenger numbers which has been exacerbated by the Covid-19 pandemic. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. In the prior year the Group has recognised an impairment loss of £3,979,000 on the goodwill on the Ferry Services CGU as a result of changes in the market resulting in significant changes in forecast cash flows. In the prior period goodwill was fully written down so this is no longer considered a risk. As a result, in the current year the carrying amount property, plant and equipment and right of use assets associated with the Ferry Services CGU is particularly sensitive to changes in key assumptions. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the value in use of the Ferry Services CGU had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we concluded that reasonably possible changes to the value in use of the Ferry Services CGU would not be expected to result in material impairment.	Our procedures included: — **Control re-performance:** We tested the controls over the forecasts prepared for the subsidiaries, including approval and challenge of those forecasts by the directors; — **Our sector experience:** we evaluated and challenged assumptions used in the forecasts, in particular those relating to revenue trends and profit margins, through enquiries with the divisional managers and those responsible for preparing and delivering the forecasts; — **Benchmarking assumptions:** we compared the group's assumptions in relation to key inputs such as, projected economic growth and, with the assistance of specialist valuation tools, the discount rate to historical information and externally derived data; — **Historical comparison:** we evaluated the adequacy of the budgets and forecasts used in the value in use calculations by assessing the historical accuracy of the Group's previous budgets; — **Sensitivity analysis:** we performed a sensitivity analysis on the key assumptions noted above; — **Comparing valuations:** we compared the net asset value of the Group with the market capitalisation of the Group and assessed whether any difference was an indicator of impairment with reference to why that difference has arisen; — **Assessing transparency:** we assessed whether the group's disclosure about sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the recoverable amounts of the Art Logistics and Storage CGU and Ferry Services CGU.

	The risk	Our response
Recoverability of Parent Company's investment in subsidiaries (£24 million investment in subsidiaries; 2020: £23.9 million) *Refer to page 52 (accounting policy) and page 74 (financial disclosures).*	**Forecast-based assessment:** The carrying amount of the parent company's investment in subsidiaries represents 40.6% (2020: 40.3%) of the parent company's total assets. They are significant and at risk of irrecoverability due to weak demand in the Art Logistics and Ferry Services businesses as a result of the Covid-19 pandemic and uncertainty in future profitability of the related CGUs. In the prior year the Group has recognised an impairment loss of £3,700,000 on the investment in the Art Logistics subsidiary as a result of changes in the market resulting in significant changes in forecast cash flows. The estimated recoverable amount of the remaining balance is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the value in use of the Company's investment in subsidiaries had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we concluded that reasonably possible changes to the value in use of the Company's investment in subsidiaries would not be expected to result in material impairment.	Our procedures included: — **Control re-performance:** We tested the controls over the forecasts prepared for the subsidiaries, including approval and challenge of those forecasts by the directors; — **Our sector experience:** we evaluated assumptions used in the relevant cash flow forecasts, in particular those relating to forecast revenue growth and profit margins, through enquiries with the divisional managers and those responsible for preparing and delivering the forecasts; — **Benchmarking assumptions:** we compared the group's assumptions in relation to key inputs such as, projected economic growth and, with the assistance of specialist valuation tools, compared the discount rate to historical information and externally derived data; — **Historical comparison:** we evaluated the adequacy of the budgets and forecasts used in the value in use calculation by assessing the historical accuracy of the Group's previous budgets; — **Sensitivity analysis:** we performed a sensitivity analysis on the key assumptions noted above; — **Comparing valuations:** we compared the carrying value of the parent Company's investments in subsidiaries and receivables due from group entities to value in use calculations for the relevant CGUs and to the market capitalisation of the Group; — **Assessing transparency:** we assessed the adequacy of the parent Company's disclosures in respect of investments in subsidiaries.

We continue to perform procedures over going concern. However, following an increased level of certainty over the resilience of the business, in particular in the Falkland Islands, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

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

Materiality for the Group financial statements as a whole was set at £140,000 (2020: £150,000), determined with reference to a benchmark of Group profit before tax (PBT), of which it represents 4.5% (2020: 2.0%). In 2021, we normalised PBT to exclude the non-trading items disclosed in note 5 and by averaging over the last five years due to the impact of the COVID-19 pandemic on the Group's financial results. In the prior year, we normalised PBT to exclude that year's goodwill impairment charge as disclosed in note 5.

Materiality for the parent company financial statements as a whole, as communicated by the group audit team, was set at £60,000 (2020: £80,000). This is lower than the materiality we would otherwise have determined with reference to a benchmark of the Company's net assets, of which it represents 0.20% (2020: 0.36%).

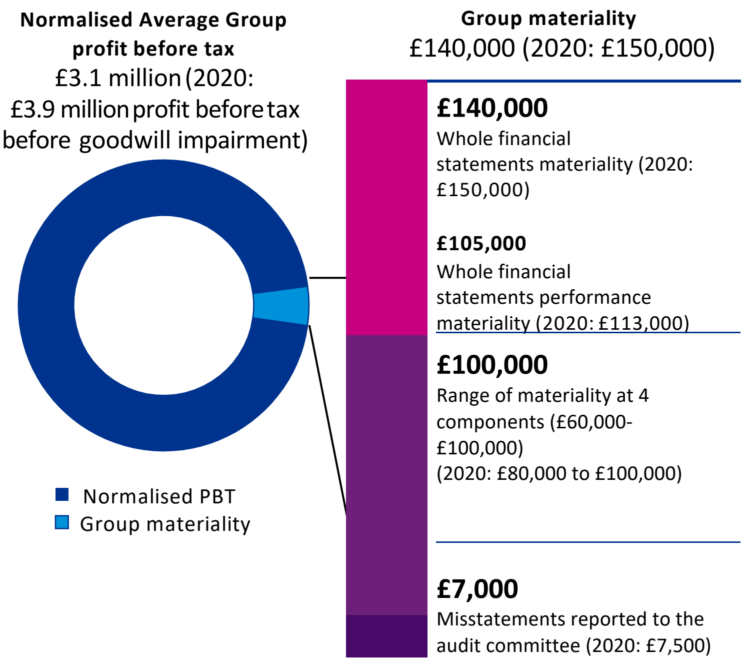
In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

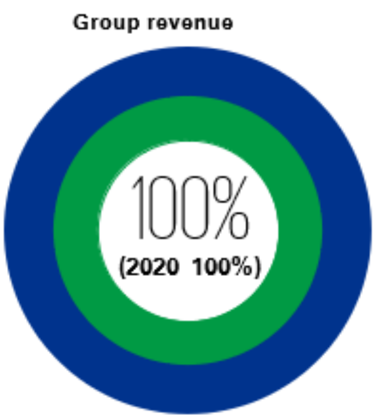
Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £105,000 (2020: £112,500) for the group and £45,000 (2020: £60,000) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

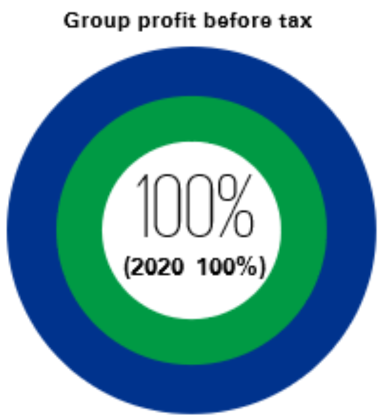
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £7,000 (2020: £7,500), in addition to other identified misstatements that warranted reporting on qualitative grounds.

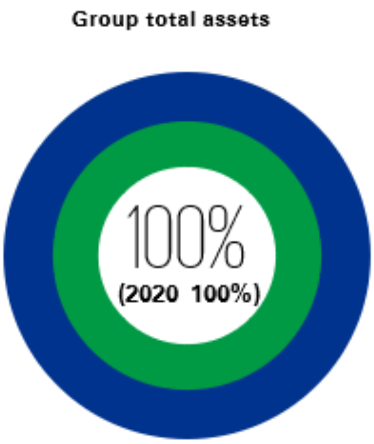
Of the Group's four (2020: four) components, we subjected all (2020: all) to full scope audits for group purposes. The group team performed the audits of each of the components. The audit was performed using the materiality levels set out opposite, having regard to the mix of size and risk profile of the Group across the components.

The components within the scope of our work accounted for the percentages illustrated opposite.









Full scope for group audit purposes 2021

Specified risk-focused audit procedures 2021 Residual

components

4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- additional UK lockdowns and restrictions on international travel will impact the business in FY22 in a similar way to that experienced in FY21 and in particular that there will be significant disruption to the Ferry Services and Art Logistics and Storage businesses.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and, dependencies, and related sensitivities.

Our conclusions based on this work:

— we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

— we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue asa going concern for the going concern period; and

— we found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board, audit committee and remuneration committee minutes.
- Considering remuneration incentive schemes and performance targets for directors and how these are impacted by separately disclosed items; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements.

On this audit we do not believe there is a fraud risk related to revenue recognition due to the simple recognition criteria for the majority of revenue steams which are recognised at the point of sale and the limited opportunity for management to manipulate the revenue recognised. In additions to this, there was a significant reduction in transportation and storage of art and long term construction contracts around the year end which are recognised with reference to percentage of completion.

- We also performed procedures including:
  - Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included: unusual revenue pairings; unusual journals with a credit or debit entry to cash; and, unusual journals in seldom used pairings.
  - Evaluated the business purpose of significant unusual transactions.
  - Assessing significant accounting estimates for bias.

We did not identify any additional fraud risks.

KPMG

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pensions legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Financial Statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

— we have not identified material misstatements in the strategic report and the directors' report;

— in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

— adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

— the parent Company financial statements are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 31, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Flanagan (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP

St Nicholas House 31

Park Row

Nottingham

NG1 6FQ

6 July 2021

Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2021

Notes		Before non-trading items 2021 £'000	Non-trading Items (Note 5) 2021 £'000	Total 2021 £'000	Before non-trading items 2020 £'000	Non-trading Items (Note 5) 2020 £'000	Total 2020 £'000
4	**Revenue**	**32,578**	**-**	**32,578**	44,600	-	44,600
	Cost of sales	**(19,437)**	**-**	**(19,437)**	(26,521)	-	(26,521)
	Gross profit	**13,141**	**-**	**13,141**	18,079	-	18,079
	Other administrative expenses	**(12,307)**	**57**	**(12,250)**	(13,745)	-	(13,745)
	Consumer Finance interest income	**192**	**-**	**192**	231	-	231
	Goodwill impairment	**-**	**-**	**-**	-	(7,479)	(7,479)
6	**Operating expenses**	**(12,115)**	**57**	**(12,058)**	(13,514)	(7,479)	(20,993)
	Operating profit / (loss)	**1,026**	**57**	**1,083**	4,565	(7,479)	(2,914)
	Finance income	**-**	**-**	**-**	13	-	13
	Finance expense	**(881)**	**-**	**(881)**	(869)	-	(869)
8	Net financing costs	**(881)**	**-**	**(881)**	(856)	-	(856)
	Profit / (loss) before tax	**145**	**57**	**202**	3,709	(7,479)	(3,770)
9	Taxation	**(147)**	**(46)**	**(193)**	(958)	-	(958)
	Profit / (loss) for the year attributable to equity holders of the company	**(2)**	**11**	**9**	2,751	(7,479)	(4,728)
10	Earnings per share						
	Basic	**0.0p**		**0.1p**	22.0p		-37.8p
	Diluted	**0.0p**		**0.1p**	21.7p		-37.8p

The accompanying notes form part of these Financial Statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2021

		2021 £'000	2020 £'000
	Profit / (loss) for the year	**9**	(4,728)
	Cash flow hedges: effective portion of changes in fair value	**303**	(521)
17	Deferred tax on other financial liabilities	**30**	-
17	Deferred tax on effective portion of changes in fair value	**(58)**	102
	Items that are or may be reclassified subsequently to profit or loss	**275**	(419)
23	Re-measurement of the FIC defined benefit pension scheme	**(272)**	136
17	Movement on deferred tax asset relating to the pension scheme	**71**	(35)
	Items which will not ultimately be recycled to the income statement	**(201)**	101
	Total other comprehensive income / (loss)	**74**	(318)
	Total comprehensive income / (loss)	**83**	(5,046)

The accompanying notes form part of these Financial Statements.

Consolidated Balance Sheet

AT 31 MARCH 2021

Notes		2021 £'000	2020 £'000
	Non-current assets		
11	Intangible assets	**4,183**	4,246
12	Property, plant and equipment	**40,361**	41,712
13	Investment properties	**7,123**	6,458
15	Investment in Joint venture	**259**	259
19	Debtors due in more than one year	**88**	88
16	Hire purchase lease receivables	**590**	519
17	Deferred tax assets	**739**	677
	Total non-current assets	**53,343**	53,959
	Current assets		
18	Inventories	**5,871**	5,374
19	Trade and other receivables	**5,868**	8,696
16	Hire purchase lease receivables	**558**	596
20	Cash and cash equivalents	**14,556**	9,108
	Total current assets	**26,853**	23,774
	TOTAL ASSETS	**80,196**	77,733
	Current liabilities		
22	Trade and other payables	**(6,775)**	(8,611)
21	Interest-bearing loans and borrowings	**(3,424)**	(1,165)
	Derivative financial instruments	**-**	(537)
	Corporation tax payable	**(113)**	(233)
	Total current liabilities	**(10,312)**	(10,546)
	Non-current liabilities		
21	Interest-bearing loans and borrowings	**(24,799)**	(22,942)
	Derivative financial instruments	**(234)**	-
23	Employee benefits	**(2,842)**	(2,604)
17	Deferred tax liabilities	**(3,113)**	(2,849)
	Total non-current liabilities	**(30,988)**	(28,395)
	TOTAL LIABILITIES	**(41,300)**	(38,941)
	Net assets	**38,896**	38,792
25	**Capital and reserves**		
	Equity share capital	**1,251**	1,250
	Share premium account	**17,590**	17,590
	Other reserves	**703**	703
	Retained earnings	**19,584**	19,784
	Hedging reserve	**(232)**	(535)
	Total equity	**38,896**	38,792

These financial statements, of which the accompanying notes form part, were approved by the Board of directors on 6 July 2021 and were signed on its behalf by:

J L Foster
Director

S I Munro
Director

Company Balance Sheet

AT 31 MARCH 2021

Notes		2021 £'000	2020 £'000
	Non-current assets		
13	Investment properties	**19,164**	19,373
14	Investment in subsidiaries	**23,970**	23,989
19	Loans to subsidiaries	**10,207**	10,207
17	Deferred tax	**44**	121
	Total non-current assets	**53,385**	53,690
	Current assets		
19	Trade and other receivables	**118**	30
	Corporation tax receivable	**54**	-
20	Cash and cash equivalents	**5,462**	5,766
	Total current assets	**5,634**	5,796
	TOTAL ASSETS	**59,019**	59,486
	Current liabilities		
22	Trade and other payables	**(6,391)**	(7,019)
21	Interest-bearing loans and borrowings	**(520)**	(243)
	Derivative financial instruments	**-**	(537)
	Corporation tax payable	**-**	(21)
	Total current liabilities	**(6,911)**	**(7,820)**
	Non-current liabilities		
21	Interest-bearing loans and borrowings	**(12,668)**	(13,207)
	Derivative financial instruments	**(234)**	-
	Total non-current liabilities	**(12,902)**	(13,207)
	TOTAL LIABILITIES	**(19,813)**	(21,027)
	Net assets	**39,206**	38,459
25	**Capital and reserves**		
	Equity share capital	**1,251**	1,250
	Share premium account	**17,590**	17,590
	Other reserves	**5,389**	5,389
	Retained earnings	**15,208**	14,765
	Hedging reserve	**(232)**	(535)
	Total equity	**39,206**	38,459

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account of the Parent Company has not been presented. The Parent Company's profit for the financial year is £500,000 (2020: £2,592,000 loss).

These financial statements, of which the accompanying notes form part, were approved by the Board of directors on 6 July 2021 and were signed on its behalf by:

J L Foster — Director

S I Munro — Director

Registered company number: 03416346

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2021

Notes		2021 £'000	2020 £'000
	Cash flows from operating activities		
	Profit/ (loss) for the year after taxation	**9**	(4,728)
	Adjusted for:		
	(i) Non-cash items:		
11	Amortisation	**63**	68
12	Depreciation: Property, plant and equipment	**2,193**	1,863
13	Depreciation: Investment properties	**37**	132
11	Goodwill impairment	**-**	7,479
	Loss on disposal of fixed assets	**53**	78
23	Interest cost on pension scheme liabilities	**64**	65
24	Equity-settled share-based payment expenses	**1**	97
	Non-cash items adjustment	**2,411**	9,782
	(ii) Other items:		
	Exchange losses / (gains)	**3**	(54)
	Bank interest receivable	**-**	(13)
	Bank interest payable	**469**	464
	Lease liability finance expense	**348**	340
	(Increase)/decrease in hire purchase leases receivable	**(33)**	128
	Corporation and deferred tax expense	**193**	958
	Other adjustments	**980**	1,823
	Operating cash flow before changes in working capital	**3,400**	6,877
	Decrease/(increase) in trade and other receivables	**2,828**	(935)
	(Increase)/decrease in inventories	**(497)**	471
	Decrease in trade and other payables	**(1,836)**	(980)
	Changes in working capital	**495**	(1,444)
	Cash generated from operations	**3,895**	5,433
	Payments to pensioners	**(98)**	(97)
	Corporation taxes paid	**(64)**	(659)
	Net cash flow from operating activities	**3,733**	4,677
	Cash flows from investing activities		
	Purchase of property, plant and equipment	**(898)**	(2,010)
	Purchase of investment properties	**(702)**	(1,351)
	Purchase of software	**-**	(27)
	Interest received	**-**	13
	Net cash flow from investing activities	**(1,600)**	(3,375)

Continued on next page.

Consolidated Cash Flow Statement Continued

FOR THE YEAR ENDED 31 MARCH 2021

Notes		2021 £'000	2020 £'000
	Cash flow from financing activities		
	Bank loan drawn down	**5,000**	13,875
	Repayment of bank loans	**(624)**	(10,955)
	Bank interest paid	**(469)**	(478)
	Hire purchase loan drawn down	**389**	534
	Repayment of lease liabilities principal	**(649)**	(395)
	Lease liabilities interest paid	**(348)**	(340)
	Cash inflow on option exercises	**19**	-
	Cash outflow on nil cost option exercise	**-**	(29)
	Dividends paid	**-**	(644)
	Net cash flow from financing activities	**3,318**	1,568
	Net increase in cash and cash equivalents	**5,451**	2,870
	Cash and cash equivalents at start of year	**9,108**	6,184
	Exchange (losses) / gains on cash balances	**(3)**	54
	Cash and cash equivalents at end of year	**14,556**	9,108

The accompanying notes form part of these Financial Statements.

Company Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2021

Notes		2021 £'000	2020 £'000
	Cash flows from operating activities		
	Holding Company profit / (loss) for the year	**500**	(2,592)
	Adjusted for:		
	Bank interest receivable	**-**	(13)
	Bank interest payable	**395**	372
	Equity-settled share-based payment expenses	**2**	48
14	Impairment of subsidiary	**-**	3,713
13	Depreciation	**209**	209
	Corporation and deferred tax expense	**8**	72
	Non-cash and other items adjustment	**614**	4,401
	Operating cash flow before changes in working capital	**1,114**	1,809
	Increase in trade and other receivables	**(88)**	-
	(Decrease) / increase in trade and other payables	**(292)**	9
	Changes in working capital and provisions	**(380)**	9
	Cash generated from operations	**734**	1,818
	Corporation taxes paid	**(64)**	(17)
	Net cash flow from operating activities	**670**	1,801
	Cash generated from investing activities		
	Interest received	**-**	13
	Purchase of property, plant and equipment	**-**	-
	Net cash flow from investing activities	**-**	13
	Cash flow from financing activities		
	Bank loan drawn down	**-**	13,875
	Bank loan repaid	**(262)**	(10,425)
	Interest paid	**(381)**	(358)
	Cash outflows in inter-company borrowing	**(2,569)**	(1,515)
	Cash inflows in inter-company borrowing	**2,219**	1,280
	Cash inflow on option exercise	**19**	-
	Cash outflow on nil cost option exercise	**-**	(29)
	Dividends paid	**-**	(644)
	Net cash (out)/ in flow from financing activities	**(974)**	2,184
	Net (decrease)/ increase in cash and cash equivalents	**(304)**	3,998
	Cash and cash equivalents at start of year	**5,766**	1,768
	Cash and cash equivalents at end of year	**5,462**	5,766

The accompanying notes form part of these Financial Statements.

Consolidated Statement of Changes in Shareholders' Equity

FOR THE YEAR ENDED 31 MARCH 2021

	Equity share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Hedge reserve £'000	Total equity £'000
Balance 1 April 2019	**1,250**	**17,590**	**1,162**	**24,426**	**(14)**	**44,414**
Loss for the year	-	-	-	(4,728)	-	(4,728)
Reserves transfer	-	-	(459)	459	-	-
Cash flow hedges: effective portion of changes in fair value	-	-	-	102	(521)	(419)
Re-measurement of the defined benefit pension liability, net of tax	-	-	-	101	-	101
Total comprehensive income	-	-	(459)	(4,066)	(521)	(5,046)
Transactions with owners in their capacity as owners:						
Share option exercise	-	-	-	(29)	-	(29)
Share based payments	-	-	-	97	-	97
Dividends paid	-	-	-	(644)	-	(644)
Total transactions with owners	-	-	-	(576)	-	(576)
Balance at 31 March 2020	**1,250**	**17,590**	**703**	**19,784**	**(535)**	**38,792**
Profit for the year	**-**	**-**	**-**	**9**	**-**	**9**
Cash flow hedges: effective portion of changes in fair value	**-**	**-**	**-**	**-**	**303**	**303**
Deferred tax on cash flow hedges	**-**	**-**	**-**	**(58)**	**-**	**(58)**
Deferred tax on other financial liabilities	**-**	**-**	**-**	**30**	**-**	**30**
Re-measurement of the defined benefit pension liability, net of tax	**-**	**-**	**-**	**(201)**	**-**	**(201)**
Total comprehensive income	**-**	**-**	**-**	**(220)**	**303**	**83**
Transactions with owners in their capacity as owners:						
Share option exercise	**1**	**-**	**-**	**19**	**-**	**20**
Share based payments	**-**	**-**	**-**	**1**	**-**	**1**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**
Total transactions with owners	**1**	**-**	**-**	**20**	**-**	**21**
Balance at 31 March 2021	**1,251**	**17,590**	**703**	**19,584**	**(232)**	**38,896**

The accompanying notes form part of these Financial Statements.

Company Statement of Changes in Shareholders' Equity

FOR THE YEAR ENDED 31 MARCH 2021

	Equity share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Hedge reserve £'000	Total equity £'000
Balance 1 April 2019	**1,250**	**17,590**	**6,910**	**16,310**	**(14)**	**42,046**
Loss for the year	-	-	-	(2,592)	-	(2,592)
Reserves transfer	-	-	(1,521)	1,521	-	-
Cash flow hedges: effective portion of changes in fair value	-	-	-	102	(521)	(419)
Total comprehensive loss	-	-	(1,521)	(969)	(521)	(3,011)
Transactions with owners in their capacity as owners:						
Share option exercise	-	-	-	(29)	-	(29)
Share based payments	-	-	-	97	-	97
Dividends paid	-	-	-	(644)	-	(644)
Total transactions with owners	-	-	-	(576)	-	(576)
Balance at 31 March 2020	**1,250**	**17,590**	**5,389**	**14,765**	**(535)**	**38,459**
Profit for the year	**-**	**-**	**-**	**500**	**-**	**500**
Cash flow hedges: effective portion of changes in fair value	**-**	**-**	**-**	**-**	**303**	**303**
Deferred tax on cash flow hedges	**-**	**-**	**-**	**(58)**	**-**	**(58)**
Total comprehensive income	**-**	**-**	**-**	**442**	**303**	**745**
Transactions with owners in their capacity as owners:						
Share option exercise	**1**	**-**	**-**	**-**	**-**	**1**
Share based payments	**-**	**-**	**-**	**1**	**-**	**1**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**
Total transactions with owners	**1**	**-**	**-**	**1**	**-**	**2**
Balance at 31 March 2021	**1,251**	**17,590**	**5,389**	**15,208**	**(232)**	**39,206**

The accompanying notes form part of these Financial Statements.

Notes to the Financial Statements

1. Accounting policies

General information

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

Reporting entity

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

Basis of preparation

Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"). 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.

Going concern

The directors are responsible for preparing a going concern assessment covering a period of at least 12 months from the date of approval of these financial statements (the going concern period). The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

As at 31 March 2021 the Group had net current assets of £16.5 million and cash balances of £14.6 million. Following the repayment of the CBILS loans in June 2021 the Group had cash balances of approximately £9.7 million as at 30 June 2021 and net debt of approximately £13.3 million.

Base case and sensitised cash flow forecasts have been prepared covering the going concern period. The base case forecasts for the Group indicate that the business will be cash generative over this period. The sensitised forecasts reflect a severe but plausible downside that may emerge as a result of the ongoing Covid-19 pandemic. This severe but plausible scenario assumes that additional UK lockdowns and restrictions on international travel will impact the business in FY22 in a similar way to that experienced in FY21 and in particular that there will be significant disruption to the Ferry Services and Art Logistics and Storage businesses. This scenario indicates that the Group will comply with its covenants and have sufficient funds to meet its liabilities as they fall due throughout the going concern period.

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

Basis of consolidation

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

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

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

Presentation of income statement

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

Operating profit is the pre-finance profit of continuing activities and acquisitions of the Group, and in order to achieve consistency and comparability, is analysed to show separately the results of normal trading performance ("underlying profit"), individually significant charges and credits, changes in the fair value of financial instruments and non-trading items. Such items arise because of their size or nature.

In the year ended 31 March 2021, non-trading items were made up of £433,000 of restructuring costs which were offset by £500,0000 of income from the release of provisions from prior years. In the year ended 31 March 2020, there were two non-trading items, the impairment of the £3,979,000 which arose on the 2005 PHFC acquisition and the impairment of £3,500,000 of the goodwill which arose on the 2008 acquisition of Momart.

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:

Right to use assets	5 – 50 years
Freehold buildings	20 – 50 years
Long leasehold land and buildings	50 years
Vehicles, plant and equipment	4 – 10 years
Ships	15 – 30 years

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

Notes to the Financial Statements

CONTINUED

Investment properties - Group

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost less accumulated depreciation and impairment losses. Cost comprises purchase price and directly attributable expenses. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each property. The investment property portfolio in the Falkland Islands consists mainly of properties built by FIC, and these and the few properties purchased are depreciated over an estimated useful life of 50 years.

Investment properties - Company

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

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

Joint Ventures

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

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

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. Goodwill is not amortised but reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. At 31 March 2021, all goodwill arising on acquisitions prior to 1 April 2006 has either been offset against other reserves on acquisition, or written off through the income statement as an impairment in prior years.

Acquisitions on or after 1 April 2006

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired business. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use. In the year ended 31 March 2014, the directors reviewed the life of the brand name at Momart and after considerations of its strong reputation in a niche market and its history of stable earnings and cash flow, which is expected to continue into the foreseeable future, determined that its useful life is indefinite, and amortisation ceased from 1 October 2013.

Computer software

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

Impairment of non-financial assets

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

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

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

Finance income and expense

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

Notes to the Financial Statements
CONTINUED

Employee share awards

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. The cost of raw materials, consumables and goods for resale comprises purchase cost, on a weighted average basis and where applicable includes expenditure incurred in transportation to the Falkland Islands. Work-in-progress and finished goods cost includes direct materials and labour plus attributable overheads based on a normal level of activity. Construction-in-progress is stated at the lower of cost and net realisable value. Net realisable value is estimated at selling price in the ordinary course of business less costs of disposal.

Consumer Finance interest income

Consumer Finance interest income consists of interest receivable on the hire purchase debtors, which is calculated on a sum of digits basis, which allocates more interest on the earlier periods, when the debt is higher, and interest receivable from charge cards, which are FIC credit cards issued to customers including staff.

Pensions

Defined contribution pension schemes

The Group operates defined contribution schemes at PHFC and Momart, and at FIC, employees are enrolled in the Falkland Islands Pension Scheme ("FIPS"). The assets of all these schemes are held separately from those of the Group in independently administered funds. The amount charged to the income statement represents the contributions payable to the schemes in respect to the accounting period.

Defined benefit pension schemes

The Group has one pension scheme providing benefits based on final pensionable pay, which is unfunded and closed to further accrual. The Group's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to its present value. The liability discount rate is the yield at the balance sheet date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

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

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.

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.

Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Current tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

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

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

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.

Notes to the Financial Statements

CONTINUED

Revenue recognition

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

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

In accordance with the standard, revenue is recognised, net of discounts, VAT, Insurance Premium Tax and other sales related taxes, either at the point in time a performance obligation has been satisfied or over time as control of the asset associated with the performance obligation is transferred to the customer.

For all contracts identified, the Group determines if the arrangement with the customer creates enforceable rights and obligations. For contracts with multiple components to be delivered, such as the inbound and outbound leg of moving art exhibitions as well as delivering, handling and administration services, management applies judgement to consider whether those promised goods and services are:

- distinct – to be accounted for as separate performance obligations;
- not distinct – to be combined with other promised goods or services until a bundle is identified that is distinct; or
- part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and to which it has present enforceable rights under the contract. Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative standalone selling prices and revenue is then recognised when (or as) those performance obligations are satisfied.

Discounts are allocated proportionally across all performance obligations in the contract unless directly observable evidence exists that the discount relates to one or more, but not all, performance obligations.

For each performance obligation, the Group determines if revenue will be recognised over time or at a point in time. For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring control of the goods or services to the customer. This decision requires assessment of the nature of the goods or services that the Group has promised to transfer to the customer. The Group applies an appropriate methodology, typically based on the expected profile of the deferral event (for example claims cost through the policy term or time elapsed).

Revenue streams of the Group

The revenues streams of the Group have been analysed and considered in turn.

Retail revenues arising from the sale of goods and recognised at the point of sale

The retail revenues in the Falkland Islands arise from the sale of goods in the retail outlets and the sale of vehicles and parts at Falklands 4x4, are recognised at the point of sale, which is usually at the till, when the goods are paid for by cash or credit or debit card.

Housing revenue is generally recognised on completion of the single performance obligation of supplying a house, once the keys are handed over on legal completion. However, larger, multi-house contracts such as the construction of houses for FIG are treated as long term construction contracts as detailed below.

Revenue from cars sold is recognised in full when the asset is physically transferred and the benefits and risks of ownership pass to the customer.

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

Transportation and storage of art

In the UK, Momart earns revenue from moving or installations or de-installations of artwork. The revenue is invoiced when the installation or de-installation is complete, however at each month end accrued revenue is recognised for fine art exhibition logistical work undertaken, where the costs incurred and the costs to complete the transaction can be measured reliably, and the amount of revenue attributable to the stage of completion of a performance obligation is recognised on the basis of the incurred percentage of anticipated cost. This, in the opinion of the directors, is the most appropriate proxy for the stage of completion. Momart classifies this income into either Exhibitions revenue, which includes the income from UK and International museums, or Gallery Services revenue, which includes revenue earned from art galleries and auction houses such as Sothebys, where the inbound and outbound exhibitions installations and dispersal are provided as one quote to customers, but are fulfilled up to several months apart. The allocation of revenue in the inbound installations and outbound dispersals has been reviewed. Momart operates a very transparent method of setting out prices in both quotes and invoices, allocating revenues per trips, as these are considered separate obligations.

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

Long term construction contracts

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

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

Other revenues recognised over time

Other revenues recognised over time, include rental income from the rental property portfolio at FIC, which is recognised monthly as the properties are occupied, and car hire income, which is recognised over the hire period.

Revenues arising from the rendering of services and recognised immediately

The majority of revenues recognised immediately from the rendering of services arise from the ferry fare income, which is taken on a daily basis for daily tickets. Season tickets are available, however the revenue earned from these is negligible as most passengers purchase daily tickets. Quarterly and monthly season tickets are recognised over the life of the ticket with a balance held in deferred income.

Other revenues arising from the rendering of services and recognised immediately include:

- Agency services provided to cruise or fishing vessels for supplying provisions, trips to and from the airport and medical evacuations;
- Third party port services;
- Car maintenance revenue, which generally arises on short term jobs;
- Penguin travel income earned from tourist tours and airport trips, which is recognised on the day of the tour or airport trip;
- Third party freight revenue, which is recognised when the ship arrives in the Falkland Islands;
- Insurance commission earned by FIC for providing insurance services in the Falkland Islands under the terms of an agency agreement with Caribbean Alliance. The insurance commission is recognised in full on inception of each policy, offset by a refund liability held within accruals, for the expected refunds over the next year calculated from a review of the historic refunded premiums.

Notes to the Financial Statements

CONTINUED

IFRS 9 Financial instruments

Impairment

Loans and receivables, which include trade debtors and hire purchase receivables, are held initially at cost. IFRS 9 mandates the use of an expected credit loss model to calculate impairment losses rather than an incurred loss model, and therefore it is not necessary for a credit event to have occurred before credit losses are recognised. The Group has elected to measure loss allowances utilising probability-weighted estimates of credit losses for trade receivables at an amount equal to lifetime expected credit losses. A detailed review has been conducted of the five year history of impairment of the Group's financial assets, which primarily comprise its portfolio of current trade receivables at Momart and FIC, and the hire purchase debtors in FIC, these assets all have a consistent history of low levels of impairment, the inclusion of specific expected credit loss considerations did not have a material impact on transition.

Hedging

The Group has one open hedging relationships at 31 March 2021, an interest swap taken out in July 2019 to hedge the £13,875,000 mortgage. This swap had an initial notional value of £13,875,000, with interest payable at the difference between 1.1766% and the LIBOR rate. This interest rate swap notional value decreases at £125,000 per quarter over ten years until June 2029 when it will expire. The notional value of the swap at 31 March 2021 was £13,000,000 (2020: £13,500,000). The accrual held in respect of this swap at the year-end was £234,000 (2020: £526,000). A second swap was taken out in October 2015 to hedge the bank loans drawn down to fund the Harbour Spirit ferry purchase. The swap had an initial notional value of £3.6 million, with interest payable at the difference between 1.325% and the Bank of England Base rate. This interest rate swap notional value decreased at £36,250 per month over five years until September 2020 when it expired.

IFRS 9 introduces three hedge effectiveness requirements:

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

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

IFRS 16 Leases

The Group has applied IFRS 16 in accounting for leases as follows.

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

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

(a) As a lessee

The Group:

a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

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

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

Right-of-use assets are tested for impairment in accordance with IAS 36 as specified by IFRS16.

(b) As a lessor

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

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

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

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

Standards and revisions not yet adopted in the year to 31 March 2021

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

2. Segmental information analysis

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

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

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

Notes to the Financial Statements
CONTINUED

2. Segmental information analysis CONTINUED

2021	General Trading (Falkland Islands) £'000	Ferry Services (Portsmouth) £'000	Art Logistics and Storage (UK) £'000	Unallocated £'000	Total £'000
Revenue	20,874	1,445	10,259	-	32,578
Segment operating profit before tax & non-trading items	1,852	(856)	30	-	1,026
Non-trading items	500	(140)	(221)	(82)	57
Profit / (loss) before net financing costs	2,352	(996)	(191)	(82)	1,083
Finance income	-	-	-	-	-
Finance expense	(68)	(329)	(484)	-	(881)
Net finance expense	(68)	(329)	(484)	-	(881)
Segment profit / (loss) before tax	2,284	(1,325)	(675)	(82)	202
Assets and liabilities					
Segment assets	29,498	11,411	33,648	5,639	80,196
Segment liabilities	(8,687)	(10,266)	(22,062)	(285)	(41,300)
Segment net assets	20,811	1,145	11,586	5,354	38,896
Other segment information					
Capital expenditure:					
Property, plant and equipment	358	-	540	-	898
Investment properties	702	-	-	-	702
Computer software	-	-	-	-	-
Total Capital expenditure	**1,060**	**-**	**540**	**-**	**1,600**
Capital expenditure: cash	1,060	-	151	-	1,211
Capital expenditure: non-cash	-	-	389	-	389
Total Capital expenditure	**1,060**	**-**	**540**	**-**	**1,600**
Depreciation and amortisation:					
Property, plant and equipment	787	327	461	-	1,575
Investment properties	37	-	-	-	37
Computer software	-	-	63	-	63
Right of use assets	29	124	465	-	618
Total Depreciation and Amortisation	853	451	989	-	2,293
Underlying profit / (loss)					
Segment operating profit / (loss) before non-trading items	**1,852**	**(856)**	**30**	**-**	**1,026**
Interest income	-	-	-	-	-
Interest expense	(68)	(329)	(484)	-	(881)
Underlying profit / (loss) before tax	**1,784**	**(1,185)**	**(454)**	**-**	**145**

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

Notes to the Financial Statements
CONTINUED

2. Segmental information analysis CONTINUED

The £5,639,000 (2020: £5,796,000) unallocated assets above include £5,462,000 (2020: £5,766,000) of cash and £177,000 (2020: £30,000) of prepayments and other debtors held in FIH group plc.

The £285,000 (2020: £568,000) unallocated liabilities above consist of accruals and tax balances held within FIH group plc.

3. Geographical analysis

The tables below analyse revenue and other information by geography:

2021	United Kingdom £'000	Falkland Islands £'000	Total £'000
Revenue (by source)	11,704	20,874	32,578
Assets and Liabilities:			
Non-current segment assets, excluding deferred tax	36,852	15,752	52,604
Capital expenditure: cash	151	1,060	1,211

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

4. Revenue

2021	Sale of goods, recognised immediately on sale £'000	Rendering of services: recognised immediately £'000	Rendering of services, provided over a period of time £'000	Total Revenue £'000
Falkland Islands				
Retail sales	9,701	-	-	9,701
Automotive sales	2,016	419	321	2,756
Construction	2,069	-	3,276	5,345
Support Services	-	1,414	839	2,253
Rental property income	-	-	819	819
FIC (Falkland Islands)	13,786	1,833	5,255	20,874
PHFC (Portsmouth)	-	1,445	-	1,445
Art logistics and storage	-	-	10,259	10,259
Total Revenue	**13,786**	**3,278**	**15,514**	**32,578**

2020	Sale of goods, recognised immediately on sale £'000	Rendering of services: recognised immediately £'000	Rendering of services, provided over a period of time £'000	Total Revenue £'000
Falkland Islands				
Retail sales	10,014	-	-	10,014
Automotive sales	2,187	631	369	3,187
Construction	3,141	-	1,874	5,015
Support Services	-	2,755	31	2,786
Rental property income	-	-	669	669
FIC (Falkland Islands)	15,342	3,386	2,943	21,671
PHFC (Portsmouth)	-	4,125	-	4,125
Art logistics and storage	-	-	18,804	18,804
Total Revenue	**15,342**	**7,511**	**21,747**	**44,600**

Notes to the Financial Statements

CONTINUED

5. Non-trading items

	2021 £'000	2020 £'000
Profit/ (loss) before tax as reported	**202**	**(3,770)**
Non-trading items:		
Restructuring costs	**443**	**-**
Other credits	**(500)**	**-**
Impairment of goodwill	**-**	**7,479**
Underlying profit before tax	**145**	**3,709**

Restructuring costs comprise people related costs including redundancy. Other credits relate to derecognition of historic liabilities, which were previously included within accruals, on the basis that the amounts are no longer enforceable.

Tax on non-trading items

There has not been any tax impact from the impairment of goodwill in the prior year.

6. Expenses and auditor's remuneration

The following expenses / (income) have been included in the profit and loss.

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Direct operating expenses of rental properties	393	380	-	-
Depreciation	2,230	1,995	204	204
Amortisation of computer software	63	68	-	-
Foreign currency loss / (gain)	3	(5)	-	-
Impairment of goodwill	-	7,479	-	-
Expected credit loss on trade and other receivables	39	31	-	-
Cost of inventories recognised as an expense	10,226	12,608	-	-
COVID-19 government funding	(1,760)	-	-	-

Auditor's remuneration

	2021 £'000	2020 £'000
Audit of these financial statements	41	40
Audit of subsidiaries' financial statements pursuant to legislation	129	110
Tax advisory services	-	-
Other assurance services	5	-
Total auditor's remuneration	**175**	150

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	
		2021	2020	2021	2020
PHFC		31	35	-	-
Falkland Islands:	in Stanley	189	180	-	-
	in UK	7	7	-	-
Art logistics & storage		99	140	-	-
Head office		7	6	7	6
Total average staff numbers		**333**	**368**	**7**	**6**

The aggregate payroll cost of these persons was as follows:

	Group		Company	
	2021	2020	2021	2020
Wages and salaries	11,752	12,771	471	571
Share-based payments (see note 24)	1	97	1	48
Social security costs	821	939	59	76
Contributions to defined contribution plans (see note 23)	498	527	10	19
Total employment costs	**13,072**	**14,334**	**541**	**714**

During the year, the Group made use of support schemes from the UK Government and FIG to partially mitigate the loss of profit caused by the impact of COVID-19. The Coronavirus Job Retention Scheme ("CJRS"), the UK Government's support measure relating to employment, and FIG's equivalent, the Job Retention (Furlough) Scheme ("JRFS") provided grants to cover the cost of employees who were furloughed, with payments available of up to 80% of wages, subject to a maximum of £2,500 per employee per month. Amounts received under these schemes are classified as government grants and are accounted for in accordance with IAS 20 Government Grants. Such grants totalling £1,760,000 for the year ended 31 March 2021 (2020: £nil), are recognised in the Income Statement in the period in which the associated costs for which the grants are intended to compensate are incurred, and are presented as an offset against those associated costs.

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

Notes to the Financial Statements

CONTINUED

8. Finance income and expense

	2021	2020
Bank interest receivable	-	13
Total financial income	**-**	**13**

	2021 £'000	2020 £'000
Interest payable on bank loans	(469)	(464)
Net interest cost on the FIC defined benefit pension scheme liability	(64)	(65)
Lease liabilities finance charge	(348)	(340)
Total finance expense	**(881)**	**(869)**

9. Taxation

Recognised in the income statement

	2021 £'000	2020 £'000
Current tax (credit)/expense		
Current year	(52)	480
Adjustments for prior years	-	13
Current (credit)/expense	(52)	493
Deferred tax expense		
Origination and reversal of temporary differences	258	376
Change in UK tax rate to 19%	(12)	144
Adjustments for prior years	(1)	(55)
Deferred tax expense (see note 17)	**245**	**465**
Total tax expense	**193**	**958**

Reconciliation of the effective tax rate

	2021 £'000	2020 £'000
Profit / (loss) on ordinary activities before tax	202	(3,770)
Tax using the UK corporation tax rate of 19% (2020: 19%)	39	(716)
Expenses not deductible for tax purposes	56	85
Impairment of goodwill not deductible for tax purposes	-	1,421
Effect of increase in rate of deferred tax	-	199
Effect of higher tax rate overseas	99	11
Adjustments to tax charge in respect of previous periods	(1)	(42)
Total tax expense	**193**	**958**

Tax recognised directly in equity and other comprehensive income

	2021 £'000	2020 £'000
Deferred tax on effective portion of changes in fair value	58	102
Movement on deferred tax asset relating to the pension scheme	(71)	(35)
Deferred tax on other financial liabilities	(30)	-
Deferred tax (credit) / expense recognised directly in other comprehensive income	(43)	67
Deferred tax on IFRS 16 transitional adjustment	-	34
Deferred tax (credit) / expense recognised directly in equity	(43)	101

In the UK, deferred tax has been calculated at 19% (2020: 19%). The deferred tax assets and liabilities in FIC have been calculated at the Falkland Islands' tax rate of 26%.

10. Earnings per share

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

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

	2021 £'000	2020 £'000
Profit/ (loss) on ordinary activities after taxation	9	(4,728)

	2021 Number	2020 Number
Weighted average number of shares in issue	12,470,827	12,504,000
Less: shares held under the ESOP	-	(1,633)
Average number of shares in issue excluding the ESOP	12,470,827	12,502,367
Maximum dilution with regards to share options	281,490	181,663
Diluted weighted average number of shares	**12,752,317**	**12,684,030**

	2021	2020
Basic earnings per share	0.1p	-37.8p
Diluted earnings per share	0.1p	-37.8p

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

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

Notes to the Financial Statements
CONTINUED

10. Earnings per share CONTINUED

Earnings per share on underlying profit

	2021 £'000	2020 £'000
Underlying profit before tax (see note 5)	145	3,709
Underlying taxation	(147)	(958)
Underlying (loss)/profit after tax	(2)	2,751
Effective tax rate	-101.4%	25.8%
Weighted average number of shares in issue excluding the ESOP (from above)	12,470,827	12,502,367
Diluted weighted average number of shares (from above)	12,752,317	12,684,030
Basic earnings per share on underlying profit	0.0p	22.0p
Diluted earnings per share on underlying profit	0.0p	21.7p

11. Intangible assets

	Computer Software £'000	Brand name £'000	Goodwill £'000	Total £'000
Cost:				
At 1 Apr 2019	537	2,823	11,576	14,936
Additions	27	-	-	27
At 31 March 2020	564	2,823	11,576	14,963
Additions	-	-	-	-
At 31 March 2021	**564**	**2,823**	**11,576**	**14,963**
Accumulated amortisation:				
At 1 Apr 2019	402	785	1,983	3,170
Amortisation	68	-	-	68
Impairment	-	-	7,479	7,479
At 31 March 2020	470	785	9,462	10,717
Amortisation	63	-	-	63
Impairment	-	-	-	-
At 31 March 2021	**533**	**785**	**9,462**	**10,780**
Net book value:				
At 1 April 2019	135	2,038	9,593	11,766
At 31 March 2020	94	2,038	2,114	4,246
At 31 March 2021	**31**	**2,038**	**2,114**	**4,183**

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

Goodwill

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

	Art Logistics and Storage £'000	Ferry Services £'000	Falkland Islands £'000	Total £'000
Goodwill at 1 April 2019	5,577	3,979	37	9,593
Goodwill at 31 March 2020	2,077	-	37	2,114
Goodwill at 31 March 2021	**2,077**	**-**	**37**	**2,114**

Impairment

The Group tests material goodwill annually for impairment or more frequently if there are indications that goodwill and/or indefinite life assets might be impaired. An impairment test is a comparison of the carrying value of the assets of a CGU, based on a value-in-use calculation, to their recoverable amounts. Goodwill is impaired when the recoverable amount is less than the carrying value.

During the year ended 31 March 2020, following the review for impairment, the goodwill of the Ferry Services CGU was deemed to be fully impaired as passenger numbers had fallen significantly due to COVID-19 and working practices, and therefore commuter transport services, were likely to be affected beyond the short term. The Art Logistics and Storage CGU also impaired its goodwill by £3.5 million as revenue had fallen significantly due to COVID-19 and art logistics services were likely to be affected beyond the short term. Following these impairments in the prior year, the only material goodwill and indefinite life assets remaining at 31 March 2021 relate to the Art Logistics and Storage CGU. No further impairment charge was deemed necessary following the review for impairment in the year ended 31 March 2021.

Given the continued uncertainty as a result of COVID-19 and the possible longer-term impact on passenger numbers impacting the Ferry Services CGU, the directors consider that there is a potential indicator of impairment of right to use assets and ships associated with this CGU (see note 12). An impairment review has therefore been performed for the Ferry Services CGU in addition to the Art Logistics and Storage CGU and no impairment charge was deemed necessary.

As part of testing goodwill and indefinite life intangibles for impairment, forecast operating cash flows for the five years ending 31 March 2022-2026 and then to perpetuity have been used to assess the value-in-use of the Art Logistics and Storage CGU. For testing right to use assets and ships associated with the Ferry Services CGU, a forty-year model has been used, including forecast operating cash flows for the four years ending 31 March 2022-2025, with high level assumptions applied after the fourth year. These forecasts represent the best estimate of future performance of the CGUs based on past performance and expectations for the market development of the CGU. A forty-year model has been considered to be appropriate for the Ferry Services CGU, as this is the life of the lease associated with the right to use asset.

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

Discount rates

Within impairment testing models, the cash flows of the Art Logistics and Storage CGU have been discounted using a pre-tax discount rate of 14.2% (2020: 12.9%), and the cash flows of the Ferry Services CGU have been discounted using a pre-tax discount rate of 9.7% (2020: 8.5%). Management have determined that each rate is appropriate as the risk adjustment applied within the discount rate reflects the risks inherent to each CGU, based on the industry and geographical location it is based within.

Notes to the Financial Statements
CONTINUED

11. Intangible assets CONTINUED

Long term growth rates

Long term growth rates of 2% (2020: 2%) have been used for the Art Logistics and Storage CGU as part of the impairment testing model. As noted above, a forty-year model has been used to assess the Ferry Services CGU. For the period following the five year forecast, high level assumptions based on historic experience have been applied, including a gradual decline in passenger numbers which is mitigated by fare increases.

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 materially impact the forecast cash flows. However, for the Ferry Services CGU, the directors do not consider that there are different reasonably possible outcomes that would lead to a material impairment.

Assumptions specific to Ferry Services CGU

As a result of the expected impact on commuter services arising from the current COVID-19 pandemic, in the medium to long term, a slight decrease has been forecast in cash flows year on year compared to pre-pandemic levels, in line with expected declines in passenger numbers. A slow recovery is expected in the medium term, but the impact of COVID-19 is likely to continue in the long-term, with increased numbers of employees working from home, reducing the number of commuters using the ferry which is the most significant factor affecting future cash flows.

While the directors believe in the assumptions used in this impairment test, there remains some uncertainty around the timescale of recovery from the current COVID-19 pandemic, and accordingly a scenario was performed which assessed a 10% reduction in business cash flows as a result of suppressed passenger numbers in years 3 to 5 as there is a risk that the impact of COVID-19 may continue in the medium to long-term, with higher than expected numbers of employees working from home, reducing the number of commuters using the ferry. This scenario has been combined with a reduction in forecast fare increases of 1.5% per annum. Should these circumstances materialise, no impairment would be required. An additional scenario was performed which increased the pre-tax discount rate by 1.0% and should this materialise, no further impairment would be required.

The key assumptions made in the estimation of future cash flows of the Ferry Services CGU relate to passenger numbers, the average fare yield per passenger and operating costs.

Assumptions specific to Arts Logistics and Storage CGU

Cash flows were projected based on approved budgets and plans over the forecast period, with a long-term growth rate of 2%. The key assumptions made in the estimation of future cash flows are in relation to future revenue and the extent to which income will recover from the effects of the pandemic, and the timing of that recovery. The base case forecasts assume that the business will recover to pre-pandemic levels within two years.

While the directors believe in the assumptions used in this impairment test, there remains some uncertainty around the timescale of recovery from the current COVID-19 pandemic, and accordingly a scenario was performed which assessed a 10% reduction in profits in years 3 to 5 as it is possible that revenues of the CGU could be impacted into the medium-term by higher than anticipated cuts in government spending, resulting in less frequent, less complex exhibitions. Should this materialise, no impairment would be required. An additional scenario was performed which increased the pre-tax discount rate by 0.5% and should this materialise, no impairment would be required. A sensitivity has also been modelled which assumes a reduction in profits over the five year forecast period to reflect the scenario that the business does not return to pre-pandemic levels of trading until the end of this period, combined with a reduction in forecast margins of 1% to reflect the fact that cost savings currently achieved may not be sustainable. Whilst the directors consider this combined sensitivity to be unlikely, in the event of this scenario an impairment of goodwill of £300,000 would result.

12. Property, plant and equipment

	Group					
	Right to use assets £'000	Freehold Land & buildings £'000	Long leasehold Land and buildings £'000	Ships £'000	Vehicles, plant and equipment £'000	Total £'000
Cost:						
At 1 April 2019	-	27,574	7,831	6,859	9,654	51,918
IFRS 16 transition	3,537	-	-	-	-	3,537
Additions in year	1,217	124	81	18	1,331	2,771
Transfer to stock	-	-	-	-	(196)	(196)
Reclassification of leased assets	5,661	-	(5,089)	-	(572)	-
Disposals	-	-	(112)	-	(106)	(218)
At 31 March 2020	10,415	27,698	2,711	6,877	10,111	57,812
Additions in year	389	-	204	-	305	898
Disposals	(28)	(50)	-	-	(830)	(908)
At 31 March 2021	**10,776**	**27,648**	**2,915**	**6,877**	**9,586**	**57,802**
Accumulated depreciation:						
At 1 April 2019	-	2,826	1,703	2,304	6,421	13,254
IFRS 16 transition	1,230	-	-	-	-	1,230
Charge for the year	527	506	71	244	515	1,863
Transfer to stock	-	-	-	-	(107)	(107)
Reclassification of leased assets	1,075	-	(906)	-	(169)	-
Disposals	-	-	(51)	-	(89)	(140)
At 31 March 2020	2,832	3,332	817	2,548	6,571	16,100
Charge for the year	618	388	236	242	709	2,193
Disposals	(22)	-	-	-	(830)	(852)
At 31 March 2021	**3,428**	**3,720**	**1,053**	**2,790**	**6,450**	**17,441**
Net book value:						
At 1 April 2019	-	24,748	6,128	4,555	3,233	38,664
At 31 March 2020	7,583	24,366	1,894	4,329	3,540	41,712
At 31 March 2021	**7,348**	**23,928**	**1,862**	**4,087**	**3,136**	**40,361**

Notes to the Financial Statements

CONTINUED

12. Property, plant and equipment CONTINUED

Right to use assets

	Group				
	Short leasehold lease £'000	Long leasehold Pontoon lease £'000	Momart Trucks £'000	Office Equipment £'000	Total £'000
Cost:					
At 1 April 2019	-	-	-	-	-
IFRS 16 transition	2,384	1,144	-	9	3,537
Additions in year	752	-	456	9	1,217
Reclassification from property, plant and equipment	-	5,089	572	-	5,661
At 31 March 2020	3,136	6,233	1,028	18	10,415
Additions in year	-	-	389	-	389
Disposals	-	-	(28)	-	(28)
At 31 March 2021	**3,136**	**6,233**	**1,389**	**18**	**10,776**
Accumulated depreciation:					
At 1 April 2019	-	-	-	-	-
IFRS 16 transition	1,067	161	-	2	1,230
Charge for the year	299	124	100	4	527
Reclassification from property, plant and equipment	-	906	169	-	1,075
At 31 March 2020	1,366	1,191	269	6	2,832
Charge for the year	303	124	182	9	618
Disposals	-	-	(22)	-	(22)
At 31 March 2021	**1,669**	**1,315**	**429**	**15**	**3,428**
Net book value					
At 31 March 2020	1,770	5,042	759	12	7,583
At 31 March 2021	**1,467**	**4,918**	**960**	**3**	**7,348**

During the year to 31 March 2021, Momart acquired two trucks financed by two hire purchase loans totalling £389,000.

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

13. Investment properties

	Group		
	Residential and commercial property £'000	Freehold land £'000	Total £'000
Cost:			
At 1 April 2019	5,345	761	6,106
Additions in year	1,330	21	1,351
At 31 March 2020	6,675	782	7,457
Additions in year	653	49	702
At 31 March 2021	**7,328**	**831**	**8,159**
Accumulated depreciation:			
At 1 April 2019	867	-	867
Charge for the year	132	-	132
At 31 March 2020	999	-	999
Charge for the year	37	-	37
At 31 March 2021	**1,036**	**-**	**1,036**
Net book value:			
At 1 April 2019	4,478	761	5,239
At 31 March 2020	5,676	782	6,458
At 31 March 2021	**6,292**	**831**	**7,123**

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

Notes to the Financial Statements
CONTINUED

13. Investment properties CONTINUED

Estimated Fair Value

	Group	
	2021 £'000	2020 £'000
Estimated fair value:		
Freehold land	2,177	2,128
Properties available for rent	8,470	7,251
Properties under construction	472	624
At 31 March	**11,119**	**10,003**
Uplift on net book value:		
Freehold land	1,346	1,346
Properties available for rent	2,650	2,199
Properties under construction	-	-
At 31 March	**3,996**	**3,545**
Number of rental properties		
Available for rent	75	65
Under construction	7	10
Undeveloped freehold land (acres)	700	700

At 31 March 2021, the fair value of this property portfolio was estimated at £11.1 million (2020: £10.0 million) and included £2.2 million of land, £8.5 million of properties available for rent and £0.5 million of properties under construction. A level 3 valuation technique has been applied, using a market approach to value these properties; the properties have been valued based on their expected market value after review by the directors of FIC who are resident in the Falkland Islands and who are considered to have the relevant knowledge and experience to undertake the valuation after consideration of current market prices in the Falkland Islands.

Rental income

During the year to 31 March 2021, the Group received rental income of £819,000 (2020: £669,000) from its investment properties.

Assets under construction

At 31 March 2021, 7 investment properties were under construction (2020: 10) with a total cost to date of £472,000 (2020: £624,000).

Company	Commercial property
Cost:	£'000
At 1 April 2019 and 31 March 20	19,642
Additions in year	-
At 31 March 2020 and 31 March 2021	**19,642**
Accumulated depreciation:	
At 1 April 2019	60
Charge for the year	209
At 31 March 2020	269
Charge for the year	209
At 31 March 2021	**478**
Net book value:	
At 1 April 2019	19,582
At 31 March 2020	19,373
At 31 March 2021	**19,164**

The investment property in the Company consists of the five warehouses leased to Momart, the Group's art handling subsidiary which were purchased in December 2018. The directors have reviewed the market value of the Leyton warehouses. Recent approaches from potential acquirors indicate that the market value of the site has increased and the directors are therefore satisfied that there is no indication of impairment.

14. Investment in subsidiaries

	Country of incorporation	Class of shares held	Ownership at 31 March 2021	Ownership at 31 March 2020
The Falkland Islands Company Limited (1)	UK	Ordinary shares of £1	100%	100%
		Preference shares of £10	100%	100%
The Falkland Islands Trading Company Limited (1)	UK	Ordinary shares of £1	100%	100%
Falkland Islands Shipping Limited (2) (6)	Falkland Islands	Ordinary shares of £1	100%	100%
Erebus Limited (2)(6)(7)	Falkland Islands	Ordinary shares of £1	100%	100%
		Preference shares of £1	100%	100%
South Atlantic Support Services Limited (3) (6) (7)	Falkland Islands	Ordinary shares of £1	100%	100%
Paget Limited (2) (6) (7)	Falkland Islands	Ordinary shares of £1	100%	100%
The Portsmouth Harbour Ferry Company Limited (4)	UK	Ordinary shares of £1	100%	100%
Portsea Harbour Company Limited (4) (6)	UK	Ordinary shares of £1	100%	100%
Clarence Marine Engineering Limited (4) (6)	UK	Ordinary shares of £1	100%	100%
Gosport Ferry Limited (4) (6)	UK	Ordinary shares of £1	100%	100%
Momart International Limited (5)	UK	Ordinary shares of £1	100%	100%
Momart Limited (5) (6)	UK	Ordinary shares of £1	100%	100%
Dadart Limited (5) (6) (7)	UK	Ordinary shares of £1	100%	100%

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

	Company	
	2021 £'000	2020 £'000
At 1 April	23,989	27,653
Impairment	-	(3,713)
Share based payments charge capitalised into subsidiaries	(19)	49
At 31 March	**23,970**	**23,989**

The directors note that the net assets of the Company balance sheet of £39.2 million exceed the market capitalisation of the Group which was circa £25.7 million at the balance sheet date and that this is a potential indicator of impairment of the investments in subsidiaries. An impairment review has therefore been performed as at 31 March 2021 using assumptions consistent with those used for testing impairment of goodwill, indefinite life assets, right to use assets and ships as described in note 11. In making their assessment of impairment of investments in subsidiaries, the directors have also considered the cash flows associated with the Falkland Islands CGU, using forecast operating cash flows for the two years ending 31 March 2022-2023 and then to perpetuity with a growth rate of 2%. No scenarios have been identified

Notes to the Financial Statements

CONTINUED

14. Investment in subsidiaries CONTINUED

in the current year leading to reasonably possible changes in estimates that would lead to a material impairment of the Company's investments in subsidiaries at 31 March 2021. In the prior year, the Company's investment in Momart was impaired by £3,713,000.

15. Investment in Joint Ventures

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

Joint Venture's balance sheet

	2021 £'000	2020 £'000
Current assets	519	519
Liabilities due in less than one year	(1)	(1)
Net assets of SAtCO	518	518
Group share of net assets	**259**	**259**

There were no recognised gains or losses for the year ended 31 March 2021 (2020: none).

The current assets balances above include £17,000 of cash (2020: £17,000), £4,000 of other debtors (2020: £4,000) and £498,000 (2020: £498,000) of loans due from SAtCO's parent companies.

SAtCO had no contingent liabilities or capital commitments as at 31 March 2021 or 31 March 2020 and the Group had no contingent liabilities or commitments in respect of its joint venture at 31 March 2021 or 31 March 2020.

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

16. Leases receivable

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

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

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

	Group	
	2021 £'000	2020 £'000
Non-Current: Lease debtors due after more than one year	590	519
Current: Lease debtors due within one year	558	596
Total lease debtors	**1,148**	**1,115**

The difference between the gross investment in the hire purchase leases and the present value of future lease payments due represents unearned lease income of £147,000 (2020: £176,000). The cost of assets acquired for the purpose of renting out under hire purchase agreements by the Group during the year amounted to £825,000 (2020: £786,000).

The total cash received during the year in respect of hire purchase agreements was £1,163,000 (2020: £1,115,000).

	Group	
	2021 £'000	2020 £'000
Gross investment in hire purchase leases	1,319	1,318
Unearned lease income	(147)	(176)
Bad debt provision against hire purchase leases	(24)	(27)
Present value of future lease receipts	**1,148**	**1,115**
Present value of future lease payments due:		
Within one year	558	596
Within two to five years	590	519
Present value of future lease receipts	**1,148**	**1,115**

17. Deferred tax assets and liabilities

Recognised deferred tax assets and (liabilities)

	Group	
	2021 £'000	2020 £'000
Property, plant & equipment	(2,938)	(2,713)
Intangible assets	(387)	(387)
Inventories (unrealised intragroup profits)	62	32
Other financial liabilities	66	48
Derivative financial liabilities	44	102
Share-based payments	40	41
Tax losses	-	28
Total net deferred tax liabilities	(3,113)	(2,849)
Deferred tax asset arising on the defined benefit pension liabilities	739	677
Net tax liabilities	**(2,374)**	**(2,172)**

Notes to the Financial Statements

CONTINUED

17. Deferred tax assets and liabilities CONTINUED

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

	Company	
	2021 £'000	2020 £'000
Other temporary differences	44	121
Net tax asset	**44**	**121**

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

	Group			
	1 April 2020 £'000	Recognised in income £'000	Recognised in equity £'000	31 March 2021 £'000
Property, plant & equipment	(2,713)	(225)	-	(2,938)
Intangible assets	(387)	-	-	(387)
Inventories (unrealised intragroup profits)	32	30	-	62
Other financial liabilities	48	(12)	30	66
Derivative financial liabilities	102	-	(58)	44
Share-based payments	41	(1)	-	40
Tax losses	28	(28)	-	-
Pension	677	(9)	71	739
Deferred tax movements	**(2,172)**	**(245)**	**43**	**(2,374)**

Unrecognised deferred tax assets

Deferred tax assets of £44,000 (2020: £121,000) in respect of capital losses have not been recognised as it is not considered probable that there will be suitable chargeable gains in the foreseeable future from which the underlying capital losses will reverse.

Movement in deferred tax asset in the year:

	Company			
	1 April 2020 £'000	Recognised in income £'000	Recognised in equity £'000	31 March 2021 £'000
Derivative financial liabilities	102	-	(58)	44
Other temporary differences	19	(19)	-	-
Deferred tax asset movements	**121**	**(19)**	**(58)**	**44**

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

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

Movement in deferred tax asset in the prior year:

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

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax liability as at 31 March 2021 was calculated at 19%.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the future current tax charge for the Group and the Company accordingly and increase the deferred tax liability of the Group by £983,000 and the deferred tax asset of the Company by £14,000.

18. Inventories

	Group	
	2021 £'000	2020 £'000
Work in progress	691	697
Goods in transit	972	1,228
Goods held for resale	4,208	3,449
Total Inventories	**5,871**	**5,374**

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

Notes to the Financial Statements

CONTINUED

19. Trade and other receivables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Non-Current				
Rental deposits	88	88	-	-
Amount owed by subsidiary undertakings	-	-	10,207	10,207
Total trade and other receivables	**88**	**88**	**10,207**	**10,207**

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current				
Trade and other receivables	3,472	6,284	-	3
Contract asset, long term housing project	-	73	-	-
Prepayments	1,087	1,123	118	27
Accrued income	1,309	1,216	-	-
Total trade and other receivables	**5,868**	**8,696**	**118**	**30**

Amounts owed by subsidiary undertakings to the company are interest free with no fixed repayment date.

The accrued income primarily relates to construction contracts where the work has been completed but had not been billed at the balance sheet date. The accrued income is transferred to receivables when the right to consideration becomes unconditional. This usually occurs when final customer acceptance is received and the amounts are invoiced by the Group. No allowance for expected credit losses was recognised in respect of accrued income as the impact was assessed as being immaterial. The only significant changes in the accrued income balance during the year related to the recognition of revenue for work performed and the transfer of billed amounts to trade receivables.

20. Cash and cash equivalents

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash and other cash equivalents in the balance sheet	**14,556**	9,108	**5,462**	5,766

Year ended 31 March	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Net increase / (decrease) in cash and cash equivalents	**5,451**	2,870	**(304)**	3,998
Exchange (losses) / gains	**(3)**	54	**-**	-
Net increase / (decrease) in cash and cash equivalents after exchange gains	**5,448**	2,924	**(304)**	3,998
Bank loan draw downs	**(5,000)**	(13,875)	**-**	(13,875)
Bank loan repayments	**624**	10,955	**262**	10,425
1 April 2019: lease liabilities on IFRS16 application	**-**	(2,494)	**-**	-
Lease liabilities drawdown: non-cash	**-**	(761)	**-**	-
Lease liabilities drawdown: cash	**(389)**	(534)	**-**	-
Lease liabilities repayments	**649**	395	**-**	-
Increase in interesting bearing loans and borrowings	**(4,116)**	(6,314)	**262**	(3,450)
Net increase / (decrease) in debt	**1,332**	(3,390)	**(42)**	548
Net debt brought forward	**(14,999)**	(11,609)	**(7,684)**	(8,232)
Net debt at 31 March	**(13,667)**	**(14,999)**	**(7,726)**	**(7,684)**

Net debt

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash balances	14,556	9,108	5,462	5,766
less: Total interest-bearing loans and borrowings	(28,223)	(24,107)	(13,188)	(13,450)
Net debt	**(13,667)**	**(14,999)**	**(7,726)**	**(7,684)**

21. Interest-bearing loans and borrowings

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

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Non-current liabilities				
Secured bank loans	17,313	15,127	12,668	13,207
Lease liabilities	7,486	7,815	-	-
Total non-current interest-bearing loans and lease liabilities	**24,799**	**22,942**	**12,668**	**13,207**
Current liabilities				
Secured bank loans	2,797	607	520	243
Lease liabilities	627	558	-	-
Total current interest-bearing loans and lease liabilities	**3,424**	**1,165**	**520**	**243**
Total liabilities				
Secured bank loans	20,110	15,734	13,188	13,450
Lease liabilities	8,113	8,373	-	-
Total interest-bearing loans and lease liabilities	**28,223**	**24,107**	**13,188**	**13,450**

Notes to the Financial Statements

CONTINUED

21. Interest-bearing loans and borrowings CONTINUED

Lease liabilities

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Less than one year	955	902	337	344	618	558
Between one and two years	853	871	317	329	536	542
Between two and five years	1,952	2,057	869	854	1,083	1,203
More than five years	11,727	12,246	5,851	6,176	5,876	6,070
Total	**15,487**	**16,076**	**7,374**	**7,703**	**8,113**	**8,373**

22. Trade and other payables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current:				
Trade payables	3,025	4,304	-	-
Amounts owed to subsidiary undertakings	-	-	5,960	6,310
Loan from joint venture	249	249	-	-
Other creditors, including taxation and social security	1,435	1,364	231	184
Accruals	1,843	2,544	200	525
Deferred income	223	150	-	-
Total trade and other payables	**6,775**	**8,611**	**6,391**	**7,019**

Amounts owed to subsidiary undertakings by the company are interest free with no fixed repayment date.

23. Employee benefits: pension plans

Defined contribution schemes

The Group operates defined contribution schemes at PHFC and Momart and current FIC employees are enrolled in the Falkland Islands Pension Scheme ("FIPS"). The assets of all these schemes are held separately from those of the Group in independently administered funds.

The pension cost charge for the year represents contributions payable by the Group to the schemes and amounted to £498,000 (2020: £527,000). The Group anticipates paying contributions amounting to £513,000 during the year ending 31 March 2022. There were outstanding contributions of £39,000 (2020: £34,000) due to pension schemes at 31 March 2021.

The Falkland Islands Company Limited Scheme

FIC operates a defined benefit pension scheme for certain former employees. This scheme was closed to new members in 1988 and to further accrual on 31 March 2007. The scheme has no assets and payments to pensioners are made out of operating cash flows. The expected contributions for the year ended 31 March 2022 are £120,000. During the year ended 31 March 2021, 11 pensioners (2020: 11) received benefits from this scheme, and there are three deferred members at 31 March 2021 (2020: three). Benefits are payable on retirement at the normal retirement age. The weighted average duration of the expected benefit payments from the Scheme is around 15 years (2020: 15 years).

Actuarial reports for IAS 19 purposes as at 31 March 2021, 2020, 2019, 2018, 2017 and 2016 were prepared by a qualified independent actuary, Lane Clark and Peacock LLP. The major assumptions used in the valuation were:

	2021	2020
Rate of increase in pensions in payment and deferred pensions	2.5%	2.2%
Discount rate applied to scheme liabilities	2.0%	2.5%
Inflation assumption	3.4%	2.8%
Average longevity at age 65 for male current and deferred pensioners (years) at accounting date	21.9	21.7
Average longevity at age 65 for male current and deferred pensioners (years) 20 years after accounting date	23.3	23.6

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. Assumptions relating to life expectancy have been based on UK mortality data on the basis that this is the best available data for the Falklands.

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 2021 would have increased / (decreased) as a result of a change in the respective assumptions by 0.1%.

	Effect on obligation	
	2021 £'000	2020 £'000
Discount rate +/- 0.1%	42	40
Inflation assumption +/- 0.1%	(11)	(10)
Life expectancy +/- one year	(140)	(120)

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

Notes to the Financial Statements
CONTINUED

23. Employee benefits: pension plans CONTINUED

Scheme liabilities

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

			Value at		
	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000
Present value of scheme liabilities	(2,985)	(2,839)	(2,772)	(2,604)	(2,842)
Related deferred tax assets	776	738	721	677	677
Net pension liability	**(2,209)**	**(2,101)**	**(2,051)**	**(1,927)**	**(2,165)**

Movement in deficit during the year:

	2021 £'000	2020 £'000
Deficit in scheme at beginning of the year	(2,604)	(2,772)
Pensions paid	98	97
Other finance cost	(64)	(65)
Re-measurement of the defined benefit pension liability	(272)	136
Deficit in scheme at the end of the year	**(2,842)**	**(2,604)**

Analysis of amounts included in other finance costs:

	2021 £'000	2020 £'000
Interest on pension scheme liabilities	**64**	**65**

Analysis of amounts recognised in statement of comprehensive income:

	2021 £'000	2020 £'000
Experience gains arising on scheme liabilities	(21)	(23)
Changes in assumptions underlying the present value of scheme liabilities	(251)	159
Re-measurement of the defined benefit pension liability	**(272)**	**136**

24. Employee benefits: share based payments

The total number of options outstanding at 31 March 2021 is 281,490 including (i) 12,864 nil cost options (2020: 25,352), (ii) 210,474 options (2020: 234,734) granted under the Long Term Incentive Plan and (iii) 58,152 (2020: 96,914) Share options granted with an exercise price equal to the market price on the date of grant.

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

Date of Issue	Number	Share price at grant date pence	Fair value per share pence	Total fair value £	Earliest Exercise Date	Latest Exercise date
15 Jun 18	5,682	352.0	338.5	19,234	15 Jun 21	15 Jun 22
17 Jun 19	3,591	316.0	306.0	10,988	17 Jun 21	17 Jun 23
17 Jun 19	3,591	316.0	301.0	10,809	17 Jun 22	17 Jun 23
Total	**12,864**			**41,031**		

Reconciliation of nil cost options:

	Number of options 2021	Number of options 2020
Outstanding at the beginning of the year	25,352	29,751
Options exercised during the year	(12,488)	(15,171)
Options granted during the year	-	10,772
Outstanding at the year end	**12,864**	**25,352**
Vested options exercisable at the year end	-	-
Weighted average life of outstanding options (years)	1.8	2.5

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

133,052 Long term Incentive Plan grants were issued on 15 July 2020 at an exercise price of ten pence to local directors and executives, and expire in five years on 4 July 2025. During the year 10,000 of these options were forfeited and 123,052 options remain outstanding at 31 March 2021. None of these grants are exercisable at 31 March 2021.

135,535 Long term Incentive Plan grants were issued on 4 July 2019 at an exercise price of ten pence to local directors and executives, and expire in five years on 4 July 2024. During the year 48,113 of these options were forfeited and 87,422 options remain outstanding at 31 March 2021. None of these grants are exercisable at 31 March 2021.

There are various performance conditions attached to the Long term Incentive Plan grants. All have a primary performance condition of the Group share price exceeding a target threshold at the vesting date, and secondary financial performance conditions specific to the relevant operating segment.

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
4 Jul 19	87,422	10.0	314.0	96.8	84,624	4 Jul 22	3 Jul 23
14 Jul 20	123,052	10.0	350.0	75.0	92,289	15 Jul 23	14 Jul 24
Total	**210,474**				**176,913**		

Notes to the Financial Statements
CONTINUED

24. Employee benefits: share based payments CONTINUED

Reconciliation of LTIPs:	Number of options 2021	Number of options 2020
Outstanding at the beginning of the year	234,734	104,689
Options granted during the year	133,052	135,535
Options forfeited during the year	(102,651)	(5,490)
Options lapsed in year	(54,661)	-
Outstanding at the year end	**210,474**	**234,734**
Vested options exercisable at the year end	-	-
Weighted average life of outstanding options (years)	3.9	3.7

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

Date of Issue	Number	Exercise Price pence	Share price at grant date pence	Fair value per share pence	Total fair value £	Earliest Exercise Date	Latest Exercise date
16 Dec 11	53,152	267.5	261.5	68.0	36,143	16 Dec 14	15 Dec 21
19 Jan 15	5,000	272.5	272.5	63.0	3,150	19 Jan 18	18 Jan 25
Total	**58,152**				**39,293**		

The range of exercise prices of outstanding options at 31 March 2021 is from £2.675 (2020: £2.675) to £2.725 (2020: £3.535).

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

	Weighted average exercise price (£) 2021	Number of options 2021	Weighted average exercise price (£) 2020	Number of options 2020
Outstanding at the beginning of the year	2.85	96,914	2.94	163,254
Options exercised during the year	2.68	(3,848)	2.90	(44,550)
Forfeited during the year	3.09	(27,172)	2.84	(10,790)
Lapsed during the year	3.43	(7,742)	3.90	(11,000)
Outstanding at the year end	**2.68**	**58,152**	**2.85**	**96,914**
Vested options exercisable at the year end	2.68	58,152	2.85	96,914
Weighted average life of outstanding options (years)	1.0		2.2	

The fair values of the options are estimated at the date of grant using appropriate option pricing models and are charged to the profit and loss account over the vesting period of the options. All options, other than certain nil cost options granted to the Chief Executive, are granted with the condition that the employee remains in employment for three years.

All share options are equity settled. Share options issued without share price conditions attached have been valued using the Black-Scholes model. Share price options issued with share price conditions attached have been valued using a Monte Carlo simulation model making explicit allowance for share price targets. Inputs into the valuation models include the estimated time to maturity, the risk-free rate, expected volatility, and dividend yield. During the year ended 31 March 2021, 12,488 nil cost options were exercised over ordinary shares by the Chief Executive at a gain of £40,586. In the prior year, 15,171 nil cost options and 44,550 other share options were exercised by the Chief Executive at a gain of £59,523. Employees around the Group exercised 3,848 other share options in the year (2020: nil) at a gain of £2,375 (2020: £nil).

	2021 £'000	2020 £'000
Total share-based payment expense recognised in the year	1	97

25. Capital and reserves

Share capital

	Ordinary Shares	
	2021	2020
In issue at the start of the year	12,504,519	12,502,137
Share capital issued during the year	10,466	2,382
In issue at the end of the year	**12,514,985**	**12,504,519**

	2021 £'000	2020 £'000
Allotted, called up and fully paid Ordinary shares of 10p each	**1,251**	**1,250**

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

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

During the year 10,466 shares were issued following the exercise of share options.

On 1 July 2020, the Chief Executive exercised 12,488 nil cost options, 5,870 options were cancelled to settle the employee tax liabilities and 6,618 shares were issued as new share capital for which the nominal value was paid in full. A total cash outflow of £19,000 was paid on the exercise of these options to settle the tax obligations arising.

Also, during the year 3,848 share options issued on 16 December 2011 were exercised by an employee.

For more information on share options see note 24.

Other reserves

The other reserves in the Group of £703,000 at 31 March 2021 comprise £5,389,000 of merger relief which arose on the 1998 Scheme of Arrangement, when the Company issued 1 share for every 300 shares that shareholders had previously held in Anglo United plc. Immediately following this Scheme of Arrangement, the Company acquired the Falkland Islands' businesses for £8.0 million and the £4,686,000 of goodwill on this acquisition was written off against this merger relief in other reserves. In the prior year £459,000 and £1,521,000 was transferred from this reserve to retained earnings as a result of the impairments booked against goodwill and investments.

Notes to the Financial Statements

CONTINUED

25. Capital and reserves CONTINUED

Dividends

The following dividends were recognised and paid in the period:

	2021 £'000	2020 £'000
Final: nil pence (2020: 3.35 pence) per qualifying ordinary share	-	419
Interim: nil pence (2020: 1.80 pence) per qualifying ordinary share	-	225
Total dividends recognised in the period	**-**	**644**

26. Financial instruments

(i) Fair values of financial instruments

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Financial Instruments categories and fair values

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

The following table shows the carrying value, which management consider to be materially equal to fair value for each category of financial instrument:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash and cash equivalents	14,556	9,108	5,462	5,766
Hire purchase debtors	1,148	1,115	-	-
Trade and other receivables	3,472	6,284	60	3
Total assets exposed to credit risk	**19,176**	**16,507**	**5,522**	**5,769**
Interest rate swap liability	(234)	(537)	(234)	(537)
Total trade and other payables	(6,775)	(8,611)	(6,391)	(7,019)
Interest-bearing borrowings at amortised cost	(28,223)	(24,107)	(13,188)	(13,450)

The interest rate swaps have 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 expected credit losses. Expected credit loss provisions are based on previous experience and other evidence, including forward-looking macroeconomic information, indicative of the recoverability of future cash flows. There have been no significant changes in the estimation techniques or significant assumptions made during the reporting period. 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 represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £19,176,000 (2020: £16,507,000) 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.

Notes to the Financial Statements
CONTINUED

26. Financial instruments CONTINUED

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

Group	2021 £'000	2020 £'000
Falkland Islands	712	1,824
Europe	237	786
North America	166	952
United Kingdom	2,184	2,472
Other	173	250
Total trade receivables	**3,472**	**6,284**

The Company has no trade debtors.

Credit quality of financial assets and expected credit losses

Group	Gross 2021 £'000	Impairment 2021 £'000	Net 2021 £'000	Gross 2020 £'000	Impairment 2020 £'000	Net 2020 £'000
Not past due	2,880	(6)	2,874	4,946	-	4,946
Past due 0-30 days	447	(8)	439	922	-	922
Past due 31-120 days	184	(36)	148	406	(58)	348
More than 120 days	64	(53)	11	166	(98)	68
Total trade receivables	**3,575**	**(103)**	**3,472**	**6,440**	**(156)**	**6,284**
Hire purchase debtors	**1,172**	**(24)**	**1,148**	**1,142**	**(27)**	**1,115**

The amount of hire purchase debt that is past due is immaterial.

The movement in the allowances for impairment in respect of trade receivables and hire purchase debtors during the year was:

Group	2021 £'000	2020 £'000
Balance at 1 April	183	196
Impairment loss recognised	39	31
Cash received	-	-
Utilisation of provision (debts written off)	(95)	(44)
Balance at 31 March	**127**	**183**
Provided against hire purchase debtors	24	27
Provided against trade and other receivables	103	156
Balance at 31 March	**127**	**183**

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 expected credit losses are assessed as immaterial.

(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 £15.7 million. All payments due during the year with respect to these agreements were met as they fell due.

At the start of the year, the Company had one bank loan of £13.5 million. All payments due during the year with respect to these agreements were met as they fell due.

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

Liquidity risk – Group

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

2021	Carrying amount £'000	Contractual cash flows Total £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Financial liabilities						
Secured bank loans	20,110	23,141	3,355	3,926	4,430	11,430
Lease liabilities	8,113	15,487	955	853	1,952	11,727
Trade payables	3,025	3,025	3,025	-	-	-
Interest rate swap liability	234	1,044	147	141	391	365
Other creditors	1,076	1,076	1,076	-	-	-
Accruals	1,843	1,843	1,843	-	-	-
Total financial liabilities	**34,401**	**45,616**	**10,401**	**4,920**	**6,773**	**23,522**

2020	Carrying amount £'000	Contractual cash flows Total £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Financial liabilities						
Secured bank loans	15,734	18,363	1,021	1,322	3,913	12,107
Lease liabilities	8,373	16,076	902	871	2,057	12,246
Trade payables	4,304	4,304	4,304	-	-	-
Interest rate swap liability	537	612	89	76	207	240
Other creditors, including taxation	1,364	1,364	1,364	-	-	-
Accruals	2,544	2,544	2,544	-	-	-
Deferred income	150	150	150	-	-	-
Total financial liabilities	**33,006**	**43,413**	**10,374**	**2,269**	**6,177**	**24,593**

Notes to the Financial Statements

CONTINUED

26. Financial instruments CONTINUED

Liquidity risk – Company

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

2021	Carrying amount £'000	Contractual cash flows Total £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Financial liabilities						
Secured bank loans	13,188	15,934	914	899	2,777	11,344
Amounts owed to subsidiary undertakings	5,960	5,960	5,960	-	-	-
Interest rate swap liability	234	1,044	147	141	391	365
Other creditors	207	207	207	-	-	-
Accruals	200	200	200	-	-	-
Total financial liabilities	**19,789**	**23,345**	**7,428**	**1,040**	**3,168**	**11,709**

2020	Carrying amount £'000	Contractual cash flows Total £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Financial liabilities						
Secured bank loans	13,450	15,901	595	869	2,552	11,885
Amounts owed to subsidiary undertakings	6,310	6,310	6,310	-	-	-
Interest rate swap liability	537	612	89	76	207	240
Other creditors, including taxation	184	184	184	-	-	-
Accruals	525	525	525	-	-	-
Total financial liabilities	**21,006**	**23,532**	**7,703**	**945**	**2,759**	**12,125**

The 2020 comparative information has been restated to include amounts owed to subsidiary undertakings.

(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.

Group 2021	EUR £'000	USD £'000	Other £'000	Total Balance sheet exposure £'000	GBP £'000	Total £'000
Cash and cash equivalents	59	40	10	109	14,447	14,556
Trade payables and other payables	(280)	(144)	(31)	(455)	(6,320)	(6,775)
Balance sheet exposure	**(221)**	**(104)**	**(21)**	**(346)**	**8,127**	**7,781**

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

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 2020.

	Equity		Profit or Loss	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
EUR	22	17	22	17
USD	10	1	10	1

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.

Notes to the Financial Statements

CONTINUED

26. Financial instruments CONTINUED

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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Fixed rate financial instruments				
Leases receivable	1,148	1,115	-	-
Bank loans	(607)	(701)	-	-
Lease liabilities	(8,113)	(8,373)	-	-
Total Fixed rate financial instruments	**(7,572)**	**(7,959)**	**-**	**-**
Variable rate financial instruments				
Effect of Interest rate swap liability	(234)	(537)	(234)	(537)
Bank loans	(19,503)	(15,032)	(13,188)	(13,450)
Total Variable rate financial instruments	**(19,737)**	**(15,569)**	**(13,422)**	**(13,987)**

At 31 March 2021, the Group had six bank loans:

(i) £13.2 million (2020: £13.4 million) ten-year loan, which was drawn down on 28 June 2019, with interest charged at LIBOR plus 1.75%;
(ii) £1.1 million (2020: £1.3 million) repayable over ten years until May 2025, secured against the newest vessel in PHFC, with interest charged at 2.6% above the bank of England base rate;
(iii) £0.2 million (2020: £0.3 million) repayable over ten years until May 2025, secured against freehold property held in PHFC, with interest charged at 1.75% above the Bank of England base rate;
(iv) £0.6 million (2020: £0.7 million) drawn down by Momart, interest has been fixed on this loan at 2.73% for the full ten years until December 2026.
(v) £3.5 million three-year CBILS loan, which was drawn down by Momart on 29 June 2020, with interest charged at the Bank of England base rate plus 3.49%.
(vi) £1.5 million three-year CBILS loan, which was drawn down by PHFC 29 June 2020, with interest charged at the Bank of England base rate plus 3.49%.

The interest payable on the £13.2 million ten-year loan has been hedged by one interest swap, taken out on 4 July 2019 with an initial notional value of £13.875 million, with interest payable at the difference between 1.1766% and the three-month LIBOR rate. This interest rate swap notional value decreases at £125,000 per quarter over five years until June 2024, and then at £150,000 per quarter for a further five years until June 2029 when the outstanding bullet payment of £8,525,000 is likely to be refinanced. The notional value of the swap at 31 March 2021 is £13.0 million (2020: £13.5 million)

The interest payable on the loans regarding the vessel and the freehold property in PHFC noted above was hedged by one interest swap, taken out in October 2015 with an initial notional value of £3.6 million, with interest payable at the difference between 1.325% and the Bank of England Base rate. This interest rate swap notional value decreased at £36,250 per month over five years until September 2020 when it expired. The notional value of the swap at 31 March 2021 is £nil (2020: £1.7 million). Including the swaps, the blended average interest rates on the Group's bank borrowings is 2.28% (2020: 3.0%) per annum. During the year, an amount of £76,000 has been reclassified to the profit and loss account from the hedging reserve in relation to the interest swap (2020: £17,000).

The directors consider the CBILS loan to be a financial instrument in scope of IFRS 9. The UK Government guarantees a portion of the loan and makes a payment to cover the first 12 months of interest payments. The directors consider these elements to be government grants. However, the Group has elected to present these government grant elements as an integral part of the financial liability such that the government grant elements are not shown separately either on the balance sheet or in the income statement.

Lease liabilities

At 31 March 2021, the Group had the following lease liabilities:

(i) £5.8 million lease liabilities payable to Gosport Borough Council; £4.7 million for the Gosport pontoon and £1.1 million for the ground rent on the pontoon. Both of these leases run until June 2061 and finance charges accrue on these liabilities at a fixed 4.75%.
(ii) £1.4 million of property rental leases, including two warehouses rented by Momart, and the Momart and Bishops Stortford head offices, which run for between four to seven years as at 31 March 2021. The weighted average interest rate of these rental liabilities is 3.25%.
(iii) £0.9 million of lease liabilities taken out to finance trucks by hire purchase leases at Momart, £0.4 million of this balance arises on two leases drawn down towards the end of the year ended 31 March 2021. The weighted average interest rate of these truck liabilities is 3.0%.

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

Interest rate 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 2020.

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Equity:				
Interest rate swap liability	130	152	130	152
Variable rate financial liabilities	(195)	(150)	(132)	(135)
Profit or Loss:				
Interest rate swap liability	130	152	130	152
Variable rate financial liabilities	(195)	(150)	(132)	(135)

IBOR reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as "IBOR reform"). The Group has exposures to IBORs on its interest rate swap and LIBOR based loan (as outlined above) and these will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition and the Group anticipates that IBOR reform could impact its risk management and hedge accounting.

The Group's sterling LIBOR cash flow hedging relationships extend beyond the anticipated cessation date for sterling LIBOR. The Group expects that sterling LIBOR will be discontinued before the end of 2021. The preferred alternative reference rate is the Sterling Overnight Index Average (SONIA). However, there is uncertainty about when and how replacement may occur with respect to both the interest rate swap (notional amount: £13.0 million) and LIBOR based loan (carrying amount: £13.2 million). Such uncertainty may impact the hedging relationship. The Group applies the amendments to IFRS9 issued in September 2019 to those hedging relationships directly affected by IBOR reform.

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark rate will occur. This transition may occur at different times for the hedged item and the hedging instrument, which may lead to hedge ineffectiveness. The directors do not currently expect this transition process to have a material impact on the

Notes to the Financial Statements
CONTINUED

26. Financial instruments CONTINUED

financial statements. The Group has not yet adopted the Phase 2 amendments, which address issues (such as the modification of loan contracts) that may arise at the point of transition. The adoption of these amendments is not expected to have a material impact.

(v) Capital Management

The Group's objectives when managing capital, which comprises equity and reserves at 31 March 2021 of £38,896,000 (2020: £38,792,000) 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

Leases as lessor

The Group leases out its investment properties, which consist of 65 houses and flats and ten mobile homes in the Falkland Islands, that are leased to staff, fishing agency representatives and other short-term visitors to the Islands. These lease agreements generally have an initial notice period of six months, and beyond the six months initial tenancy, one month's notice can be given by either party. Therefore future minimum lease payments under non-cancellable leases receivable are not material.

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

Company	2021 £'000	2020 £'000
Less than one year	919	918
Between one and five years	3,675	3,672
More than five years	16,753	17,672
	21,347	**22,262**

28. Capital commitments

At 31 March 2021, the Group had entered into contractual commitments of £21,000 for a spray booth and vehicle exhaust systems at Momart.

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

29. Related parties

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

Directors of the Company and their immediate relatives controlled 30.2% (2020: 30.2%) of the voting shares of the Company at 31 March 2021.

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

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Key management emoluments including social security costs	1,610	1,325	366	401
Company contributions to defined contribution pension plans	74	74	-	-
Share-related awards	1	85	20	41
Total key management personnel compensation	**1,685**	**1,484**	**386**	**442**

At 31 March 2021, the Group's joint venture, SAtCO, has debtors of £249,000 due from each of its parent companies.

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

During the year FIC paid £104,430 (2020: £6,005) to JK Contracting in respect of work performed at arm's length for the company. The proprietor of JK Contracting is the son-in-law of R Smith who is a Director of FIC.

30. Accounting estimates

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

Defined benefit pension liabilities

At 31 March 2021, 11 pensioners were receiving payments from the FIC defined benefit pension scheme, and there are three deferred members. A significant degree of estimation is involved in predicting the ultimate benefits payment to these pensioners using actuarial assumptions to value the defined benefit pension liability (see note 23). Management have selected these assumptions from a range of possible options following consultations with independent actuarial advisers. There is a range of assumptions that may be appropriate, particularly when considering the projection of life expectancy post-retirement, which is a key demographic assumption, and has been based on UK mortality data. If the life expectancy assumption was one more year than the assumptions used, this would result in an increase of £143,000 in the liability. Selecting a different assumption could significantly increase or decrease the IAS19 value of the Scheme's liabilities. The projections of life expectancy make no explicit allowance for specific individual risks, such as the possible impact of climate change or a major medical breakthrough and the projections used reflect the aggregate impact of the many possible factors driving changes in future mortality rates.

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

Impairment testing

Impairment tests have been undertaken with respect to intangible assets (see note 11 for further details), with detailed reviews of probable medium to long-term detailed forecasts of each of the businesses in the Group. No impairment of goodwill was deemed necessary in the current year. In the prior year, goodwill at Momart was written down by £3.5 million to £2.1 million and the goodwill held in respect of PHFC was reduced by £4.0 million, eliminating all the previously recorded balance in relation to the ferry company.

Notes to the Financial Statements
CONTINUED

30. Accounting estimates CONTINUED

Inventory provisions

The Group makes provisions in relation to inventory value, where the net realisable value of an item is expected to be lower than its cost, due to obsolescence. Historically, the calculation of inventory provisions has entailed the use of estimates and judgements combined with mechanistic calculations and extrapolations reflecting inventory ageing and stock turn. Due to the effects of the COVID-19 pandemic, the element of judgement/estimation applied in the calculation of the provisions for the year ended 31 March 2021 has increased and inventory provisions have increased to £999,000 (2020: £778,000). Inventory greater than 12 months old and with no sales in the twelve months before 31 March 2021 is provided against in full. If this provision was reduced to 50% of the gross inventory value, the provision would reduce by circa £150,000. If this provision was extended to cover all inventory greater than six months old with no sales in the twelve months before 31 March 2021, the provision would increase by £74,000.

Directors and Corporate Information

Directors
Robin Williams,
Non-executive Chairman

John Foster, Chief Executive

Stuart Munro, Chief Financial Officer

Jeremy Brade,
Non-executive Director

Robert Johnston,
Non-executive Director

Dominic Lavelle,
Non-executive Director

Company Secretary
Iain Harrison

Corporate Information

Stockbroker and Nominated Adviser
W.H. Ireland Limited, 24 Martin Lane,
London EC4R 0DR

Solicitors
BDB Pitmans LLP
50 Broadway,
Westminster,
London SW1H 0BL

Auditor
KPMG LLP
St. Nicholas House,
Park Row,
Nottingham NG1 6FQ

Registrar
Link Group
The Registry, 34 Beckenham Road,
Beckenham, Kent BR3 4TU

Financial PR
Novella Communications,
South Wing, Somerset House,
London WC2R 1LA

Registered Office
Kenburgh Court
133-137 South Street
Bishop's Stortford
Hertfordshire CM23 3HX
T: 01279 461630
E: admin@fihplc.com
W: www.fihplc.com
Registered number 03416346

The Falkland Islands Company
Kevin Ironside, Director
T: 00 500 27600
E: info@fic.co.fk
W: www.falklandislandscompany.com

The Portsmouth Harbour Ferry Company
Clive Lane, Director
T: 02392 524551
E: admin@gosportferry.co.uk
W: www.gosportferry.co.uk

Momart Limited
Steve Lane, Director
T: 020 7426 3000
E: enquiries@momart.com
W: www.momart.com

FIH GROUP PLC

KENBURGH COURT
133-137 SOUTH STREET
BISHOP'S STORTFORD
HERTS, CM23 3HX
Tel: 01279 461630