14th June 2016

Falkland Islands Holdings plc

("FIH" or the "Group")

Final results for the year ended 31 March 2016

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

FIH, the AIM quoted international services group that owns essential services businesses in the Falkland Islands and the UK, is pleased to announce its final results for the year ended 31 March 2016.

Group Financial Highlights

- Group revenue increased 1.1% to £39.0 million (2015: £38.56 million)
- Underlying pre-tax profits in line with the Board's expectations at £3.1 million (2015: £3.56 million)
- Reported diluted earnings per share 19.2p (2015: 22p)
- Net cash flow from operating activities, before capital expenditure and after tax payment at £4.8 million (2015: £6.4 million)
- Cash balances increased to £14.0 million (2015: £7.4 million)
- Bank borrowings of £3.3 million (2015: £0.7 million)
- The Board is not recommending the payment of a final dividend, in line with the strategy to reinvest earnings and cash to accelerate the Group's growth

Operating Highlights

Falkland Islands Company ("FIC") - Strong profit performance, benefiting from oil exploration activities and record squid catch

- Record £1.94 million pre-tax profits, with FIC's property rental, vehicle hire and agency services attracting high demand from oil-support workers with the 2015-2016 oil exploration drilling campaign
- FIC's broader business portfolio benefited from strong consumer confidence as a result of a record squid catch, an increase in cruise ship tourists, and significant levels of Falkland Island government expenditure

Momart - Good revenue performance, with strategic investment in sales, marketing and management systems, amidst a highly competitive art market

- Increase in overall revenue to £16.3 million (2015: £15.8 million)
- Ongoing strategic investment into sales and marketing and the strengthening of finance and management systems, in addition to increased margin pressure, reduced underlying operating profit to £0.46 million (2015: £1.24 million)
- Slow H1 followed by recovery from Autumn 2015, with involvement in installation of high-profile exhibitions including: Jackson Pollock at Tate Liverpool; World Goes Pop and Alexander Calder at Tate Modern; Fabric of India at the V&A; Ai WeiWei and Painting the Modern Garden at the Royal Academy; and Audrey Hepburn at the National Portrait Gallery.

Portsmouth Harbour Ferry Company ("PHFC") - Steady performance with modest decline in passenger numbers offset by increases in ferry fares

- Revenues slightly down by 1.3% at £4.2 million with 3% fewer passengers due to competition from a subsidised Park & Ride service, low petrol prices, and interim disruption of the Portsmouth Harbour interchange redevelopment
- Several successful initiatives to promote ferry usage, including a "Bikes Go Free" promotion which paid back its cost within 12 months
- New modern ferry vessel: "Harbour Spirit" in service from July 2015; no further significant vessel expenditure expected for over 15 years

Outlook – Quieter trading in the Falklands, offset by growth potential from Momart and steady performance from PHFC

- For the year ahead, we anticipate a quieter period in the Falklands, with less oil exploration activity and much weaker illex squid catch in Spring 2016
- At PHFC, the emphasis in the coming year will be on tight cost control, in the face of short term pressures on passenger numbers caused by cheap petrol and physical disruption caused by the reconfiguration of the passenger interchange at the Portsmouth ferry terminal
- At Momart, we anticipate a stabilising of the core trading position as we see the benefit of investment feed through, underpinning margins and continued sales growth
- Continuing to seek out acquisition opportunities, using strong balance sheet and cash position to leverage earnings and increase critical mass

Non-Trading Items

- Successful sale of residual 5 million Falkland Oil & Gas shares at a profit of £0.4m offset by one-off restructuring costs and asset write downs in SAtCO

Edmund Rowland, Chairman of FIH, said:

"At Falkland Islands Holdings, our diverse trading subsidiaries have contributed to these satisfactory results overall.

"2015-16 was a good year for the Group and an exceptional one for our Falklands business, boosted by the offshore exploration drilling campaign in the Islands. This makes us optimistic about the potential growth during any future drilling campaigns, albeit we anticipate a return to 'pre-oil' trading levels at FIC in the interim.

"The performance of Momart was satisfactory in a highly competitive market; we have continued to invest in the business to ensure the company retains its market-leading position.

"At PHFC, careful cost management was successful in largely off-setting the headwinds of lower petrol prices and subsidised travel options. This prudent approach will remain vital to our ongoing success in the near-term, and looking ahead we are positive about the longer-term benefits of the redeveloped passenger interchange and the expanded naval base.

"Overall, despite specific challenges across the business, we are in a strong position, trading in line with the Board's expectations, with a healthy cash balance and significant borrowing capacity to facilitate investment and acquisition led growth when a suitable opportunity is identified."

- End –

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Chairman's Statement

I am pleased to report that the Group achieved a satisfactory trading result for the year to 31 March 2016, with all 3 trading subsidiaries contributing positively to the overall result. Group revenues were ahead by £0.4 million at £39.0 million, an increase of 1.1% on the prior year (2015: £38.6 million).

Underlying pre-tax profits for the Group (before amortisation and non-trading items) for the year to 31 March 2016 were in line with the Board's expectations, at £3.1 million, £0.5 million lower than in the prior year. After non-trading items (restructuring costs, and asset write downs in the Falklands, net of profits on the sale of shares in Falkland Oil & Gas) of £0.3 million, compared to non-trading profits of £0.3 million in the prior year, reported Profit Before Tax was £2.8 million (2015: £3.9 million).

Diluted earnings per share based upon underlying profits were 19.2p (2015: 22.0p). Reported earnings per share which reflect the impact of non-trading items were lower at 17.9p (2015: 25.3p).

In line with our policy of reinvesting earnings and cash to facilitate investment and acquisition led growth, the Board is not recommending the payment of a final dividend.

At 31 March 2016, the Group's financial position was strong. Cash balances at the end of the year had increased to £14.0 million (2015: £7.4 million) with bank borrowings of £3.3 million (2015: £0.7 million). In addition to its strong liquidity position, the Group's healthy operating cash flow (2016: £4.6 million) leaves FIH with significant additional borrowing capacity to enable expansion through selective earnings enhancing acquisitions without recourse to funding from shareholders.

Operations

Performance from the Group's 3 trading subsidiaries was satisfactory, with record trading in the Falklands being offset by weaker trading in the UK at Momart and Portsmouth Harbour Ferry Company.

In the Falklands, the offshore exploration drilling programme continued almost to the end of the Group's financial year and this, together with a record squid catch in early 2015 and further growth in cruise ship passengers over the Austral summer, created buoyant trading conditions which helped the Falkland Islands Company to deliver a record trading performance. Revenue in the Falklands was flat at £18.5 million and Operating Profits, before non-trading items, boosted by buoyant property and vehicle rental income, increased from £1.3 million to £1.6 million.

At Momart, the Group's Fine Art handling business, profits were depressed by the costs of further investment to develop the company's sales and marketing infrastructure and financial reporting systems, coupled with a fiercely competitive art market which saw a squeeze on margins. Overall revenue increased by 3% to £16.3 million (2015: £15.8 million) but Operating Profits, before non-trading items, fell back to £0.5 million (2015: £1.2 million).

At PHFC, a decrease in passenger numbers of 3.3% was largely offset by a tight control of costs and modest fare increases in June 2015. However, increased interest costs from the 10 year boat loan taken out to finance the company's latest ferry, "Harbour Spirit" saw pre-tax profits from the Ferry fall from £0.8 million to £0.7 million.

Non Trading Items

In May 2015, the Group's residual holding of 5 million FOGL shares was sold at a profit of £0.4 million.

In the Falklands, falling oil prices saw the prospects of an early move towards oil production recede and with much quieter trading conditions in prospect for the foreseeable future, restructuring costs were incurred to reduce the company's ongoing cost base. The Group's total restructuring costs, including £0.1 million at Momart, amounted to £0.3 million (2015: £0.2 million). At the same time the carrying values of specialist plant and machinery owned by the Group's construction Joint Venture "SAtCO" were reviewed, resulting in write downs to the Group's investment of £0.3 million.

Outlook
The current suspension of exploration drilling in Falklands' waters and the continued uncertainty over oil prices means that the outlook for FIC in the near term is much quieter with a return to the more modest trading levels seen prior to the start of oil exploration activity over 10 years ago. However, following recent modernisation, our Falklands' business is well invested and no further significant capital expenditure is anticipated in the foreseeable future.

Increased tourism in the Falklands will be a long term positive factor in the growth of the Islands' economy but the development of oil production in the Falklands is the key to unlocking dramatic returns and this in turn will depend on a sustained recovery in the oil price and an appetite by the oil & gas industry to take advantage of the lowering cost environment for offshore developments. Although the timing of any oil development remains uncertain, in the interim FIC will remain a profitable and cash generative business.

At Momart, the expansion of commercial art storage facilities at Leyton is now imminent with opening expected in summer 2016. The 33% increase in storage space, with enhanced climate control and client viewing facilities, will be a key driver of long term growth. In the short term, this will lead to an increase in the company's fixed cost base, but all efforts will be made to ensure the new storage facility achieves breakeven within the first year with subsequent growth seeing an immediate contribution to bottom line profitability.

Development of a more proactive sales and marketing approach continues, aimed at creating a platform from which to leverage Momart's established reputation into the commercial and private client market. This should see a steady recovery in profitability in what remains a highly competitive market.

For PHFC, cheap petrol prices and disruption caused by the redevelopment of the public transport hub at Portsmouth Harbour will continue to make journeys by car an attractive alternative to crossing by ferry. In the near term therefore, tight cost control will be essential in defending profitability but the expansion of the Naval Dockyard to support the arrival of the Royal Navy's Queen Elizabeth class aircraft carriers from 2017 and plans for redeveloping the waterfront in Gosport should create more benign trading conditions in the medium term.

With the return to "pre-oil" trading levels in the Falklands next year and broadly stable albeit challenging trading conditions for the Group's UK businesses, overall profitability is expected to be subdued in the near term.

Future Group Strategy
The low price of oil means that the development of proven oil reserves in the Falklands will now be delayed and although the board of FIH remains confident that oil production and dramatic economic growth will ensue in the Falklands in due course, the timing of this remains uncertain. However, following the substantial capital and human investment in FIC seen in the past few years, the company is well placed to take full advantage of the growth that will ultimately emerge.

With further growth in the Falklands now delayed, the Group's focus in the near term has shifted to developing its UK operations through further investment in its existing businesses and through the pursuit of high quality acquisitions. This will be facilitated by the Group's record cash reserves of £14 million (£1.13 per share) and solid existing earnings base which provides untapped borrowing capacity. This strategy, to create a platform for sustainable long term growth, is aimed at creating a larger quoted entity with a wider appeal to investors that will in turn enhance shareholder liquidity and the Group's rating. A number of opportunities were reviewed during the year and none were progressed to completion as the Board has been prudent in evaluating asking prices and in targeting only high quality, low risk prospects. The Board's focus in the coming year will be to continue to develop its existing businesses whilst seeking a high quality acquisition that will significantly enhance the long term prospects for a sustained growth in shareholder value.

Edmund Rowland
June 14 2016

Managing Director's Strategic Review

Group Overview

I am pleased to report on another satisfactory year of trading for the Group, with revenues ahead by £0.4 million at £39.0 million (2015: £38.6 million) and underlying pre-tax profits, as expected, a little lower at £3.1 million (2015: £3.6 million). Reported profits before tax after non trading items (net expenses of £0.28 million) were £2.80 million (2015: £3.89 million). Operating cash flow was strong and the Group ended the year with record levels of cash of £14.0 million (2015: £7.4 million).

In the Falklands, FIC had a record year, taking full advantage of the boost to the Falklands' economy from the exploration drilling programme which ran throughout the year, and another exceptional squid catch in early 2015. In contrast, Momart, the Group's fine art handling and logistics company, experienced challenging market conditions and further strategic investment in sales and marketing and management information systems saw a reduction in profitability. At PHFC despite reduced passenger volumes, revenues remained broadly stable but increased operating and finance costs, linked to the company's new ferry Harbour Spirit, also saw profits lower than the prior year.

Review of operations

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

Group revenue

Year ended 31 March	**2016** £m	2015 £m	*Change* %
Falkland Islands Company	**18.50**	18.51	*-0.1*
Portsmouth Harbour Ferry	**4.24**	4.30	*-1.3*
Momart	**16.26**	15.75	*3.2*
Total Revenue	**39.00**	**38.56**	***1.1***

Group Underlying Pre Tax profit*

Year ended 31 March	**2016** £m	2015 £m	*Change* %
Falkland Islands Company	**1.94**	1.56	*24.5*
Portsmouth Harbour Ferry	**0.68**	0.79	*-14.1*
Momart	**0.46**	1.21	*-62.1*
Total Underlying Pre Tax Profit *	**3.08**	**3.56**	***-13.5***
Non trading items (see notes below)	-0.28	0.33	
Reported Profit Before Tax	**2.80**	**3.89**	***-28.1***

* Pre-tax profit before amortisation of intangibles and non–trading items, but including the Group's share of the contribution from SAtCO, the Group's Joint Venture with Trant Construction in the Falkland Islands.

Non trading items include profits on the sale of the FOGL shares, restructuring costs, write downs on assets in SAtCO, profit on the sale of a vessel and amortisation of intangibles acquired on the purchase of Momart in 2008.

Falkland Islands Company
In the year to 31 March 2016, the Falklands benefited from the stimulus to the local economy from the offshore drilling campaign which commenced in early 2015 and ran on until February 2016 when the planned 6 well programme was curtailed after the drilling of 4 wells due to operational issues and the sharp fall in the price of oil. Trading profitability in FIC had already increased by 39% in the prior year and ratcheted up by a further 25% to a record £1.94 million in the year to 31 March 2016 as demand for the company's local services was stimulated by the presence onshore of oil support workers for the whole of the financial year. FIC benefited in particular from increased corporate demand for rented houses, hire vehicles and agency services for oil exploration. In the wider economy, confidence was boosted by another record squid catch in Spring 2015 and a further increase in cruise ship activity over the austral summer (November 2015 to March 2016). With a strong fiscal revenue base, Falkland Island government expenditure was maintained at record levels and this benign backdrop saw consumer demand continue at the high levels seen in the prior year, benefiting FIC's broad spread of retail and support service businesses. As a result, the pre-tax contribution of the Group's Falklands' business moved to record levels, with pre-tax profits increasing by £0.38 million (+24.5%) to £1.94 million (2015: £1.56 million).

Oil developments
During the year, oil companies led by Premier Oil ("PMO") and Noble Energy commenced the long-awaited third phase of exploration drilling, with 3 wells drilled in the Northern Basin and a 4th deep water well ("Humpback") in the geologically separate basin to the South East of the Islands.

Results from the 3 Northern wells were particularly encouraging, leading to increased resource estimates for Premier's Sea Lion field (increased to 520 mbbls) and the nearby independent Isobel complex. In the South East basin, results from drilling the large Humpback prospect by Noble Energy and Falkland Oil & Gas in August 2015, were less encouraging with no indication of commercially exploitable hydrocarbons discovered. Following on from this there was a further consolidation of the smaller oil exploration companies in the Falklands with the absorption of Falkland Oil and Gas (which had in turn recently merged with Desire Petroleum) by Rockhopper Exploration plc. In February 2016 "Operational issues" with the Eirik Raude rig, led to the curtailment of the planned drilling programme with only 4 wells completed; a further 2 wells had been originally planned. Continued weakness in the oil price, saw Noble Energy withdraw its operational team from the Falklands in March 2016 and in May Premier Oil reported it was "progressing cautiously" with detailed plans to develop its Sea Lion and Isobel fields.

Although the very positive results from the Northern wells have made the prospect of commercial oil production in the Falklands ultimately more attractive and hence more likely, the continued weakness of the oil price remains a major stumbling block to moving towards commercial oil production in the near term. On a positive note, related downward pressure on the oil industry supply chain has seen a continuing fall in field development costs and in May 2016, Premier Oil reported it was targeting further savings in order to make a development of the Sea Lion field viable at $55 per barrel, (In May 2016, PMO estimate project viability at $65 bbl). With a recovery in oil prices since the sub-$30 lows in January 2016, the "project viability gap" for Sea Lion has narrowed considerably but further increases in the price of oil and the reliable prospect of a sustained recovery in such prices will be essential before commercial development of oil proceeds in the Falklands.

Despite the uncertainty over oil, with a further £1.2 million invested in FIC in 2015-16 (and over £9 million invested by the Group in the Falklands in the last 6 years) the business infrastructure of FIC has been fully modernised and the company is now well placed to take full advantage of an eventual move to oil production in the medium term.

Trading
Overall revenue in FIC was unchanged at £18.5 million (2015: £18.5 million).

FIC Operating results

Year ended 31 March	**2016 £m**	2015 £m	*Change %*
Revenues			
Retail	**9.66**	9.54	*1.3*
Falklands 4x4	**3.93**	3.07	*28.1*
Freight & Port Services	**0.90**	1.24	*-27.6*
Support services	**1.63**	1.66	*-1.8*
FBS (property and construction)	**1.81**	2.64	*-31.5*
Property rental	**0.57**	0.36	*59.2*
Total FIC revenue	**18.50**	18.51	*-0.1*
FIC underlying operating profit	**1.62**	**1.31**	*22.9*
Share of results of SAtCO JV	**0.20**	**0.18**	*11.1*
Net interest income	**0.12**	**0.07**	*93.8*
FIC underlying Profit Before Tax	**1.94**	**1.56**	*24.5*
FIC underlying operating profit margin	**8.7%**	**7.1%**	*23.0*

Total retail sales in FIC increased by 1.3% to a record £9.66 million (2015: £9.54 million).

FIC Retail sales achieved record levels with a particularly encouraging 4.5% increase at the company's flagship West Store which accounts for over 60% of total retail sales and has grown over 10% in the past 2 years. This was achieved despite staff retention problems caused by the availability of short term oil contracts for unskilled workers. Clothing and Electrical sales were broadly flat but Grocery / Household sales in the **Foodhall** increased by 6% as customers responded to continuing improvements in the fresh food and delicatessen offers.

Warehouse sales to local retailers and pubs (10% of West Store sales) continued to come under pressure as direct sourcing from the UK increased and sales declined by 8% albeit much less than the 22% decline seen in 2014-15.

Sales at the **Capstan** gift shop increased by 8% as cruise ship numbers rose to near pre-Crash levels of c.56,500 (2015: 50,000) and spend from transiting oil workers continued to boost revenue. After a slow start to the year, sales at FIC's general store at the Mount Pleasant military base ("**West Store MPA"**) picked up as refurbishment activity at the military base commenced in late 2015 supported by an increased establishment of civilian workers from the UK; annual revenues at West Store MPA grew by 3.2%.

At **Home Living**, timing differences in government housing completions saw demand for home furnishings decline and sales fall back 31% to 2014 levels of £0.5 million. At FIC's Builder's Merchant **"Home Builder",** muted demand and further disruption caused by the completion of a new customer car park at the Crozier Place site, which prevented vehicular access for 3 weeks, saw revenue decline by 4.1%. The new car park at Crozier Place, offering much improved access and off street parking for both Home Living and Home Builder customers, was completed in February 2016. The attractions of the site were further enhanced by construction of a new in-store family café in Home Living in November 2015.

With a quieter year at Home Living and Home Builder largely offsetting growth at the West Store, overall retail performance was satisfactory with a similar contribution to the prior year. Retail remains FIC's most important business unit accounting for 50% of revenue, 40% of the total workforce and around a third of FIC's overall contribution.

In FIC's automotive business, **Falklands 4x4**, strong growth in vehicle sales saw revenues increase by 28.1% to £3.93 million, eclipsing the former record set last year. Despite the absence in recent years of sales to MoD which had previously supported c 50 units pa, sales to local consumers picked up strongly and in 2015-16, FIC's vehicle sales increased from 76 units in the prior year to 110, as revenue from used vehicles increased and “new” sales were bolstered by demand for the outgoing Defender for which FIC secured its final factory delivery stock from Land Rover late in the year. Strong corporate demand linked to oil exploration saw the contribution from vehicle hire more than triple income in the year, to record levels.

Revenues from **third party freight and port services** dropped by 27.6% to £0.9 million (2015: £1.24 million) as the exceptional volumes shipped in prior years to help prepare the infrastructure for oil exploration reverted to more normal levels.

Support Services income held up well at £1.63 million (2015: £1.66 million) with revenues from Penguin Travel rising strongly to over £0.5 million linked to the increase in cruise ship visitors. Penguin Travel’s performance helped offset lower revenues from the Fishing Agency where better weather conditions on the high seas enabled foreign squid fishing fleets to operate without calling on onshore Agency support from Stanley. As in previous years there was steady progress at FIC’s insurance agency.

The level of corporate demand for **rental property**, which had risen sharply in late 2014 continued throughout 2015-16 as the exploration drilling programme commenced and total property rental revenue increased to a record level of £0.57 million (2015: £0.36 million) across FIC’s estate of 50 rental properties (which include 10 mobile homes rented to staff).

Revenue from **Falkland Building Services** (FBS), which focuses on building kit homes and small local construction projects, fell back by 31.5% to £1.81 million (2015: £2.64 million) as the number of new houses completed for local residents reduced from 16 last year to 12. There was also a decrease in oil related construction activity with preparatory infrastructure works being completed prior to the start of drilling in Spring 2015. With the completion of the Temporary Dock Facility for Noble Energy in the prior year, the level of subcontracted labour provided by FIC reduced.

FBS also completed FIC’s new retail warehouse at Airport road on the outskirts of Stanley. The project involved the construction of 5,000sq ft of new chiller/freezer facilities and a new ambient warehouse of 8,000sq ft; 6 metres in height to the eaves. The facility was completed in November 2015 and will reduce ongoing operating costs, improve stock control and free up the old warehouse and transit shed sites in central Stanley for future redevelopment.

In its third year of operation, FIC’s joint venture, the **South Atlantic Construction Company**, (“SAtCO”) saw construction activity reduce sharply with the completion of the Temporary Dock Facility (TDF) in December 2014. Despite the lower level of construction activity, SAtCO’s trading profitability improved with income from the renting out of its 250 tonne crawler crane to Premier Oil which facilitated the loading of rig support vessels operating from the TDF. Crane rental produced income for SAtCO of £0.58 million in the year and a further £0.03 million of income was generated from maintenance work for FIG. In the year to 31 March 2016 total SAtCO revenues were comparable to the prior year at £0.61 million and its profit before tax increased by 5% to £0.51 million (2015: £0.49 million). The Group’s share of the after tax profits of SAtCO was £0.2 million (2015: £0.18 million).

At the end of the financial year, the premature cessation of drilling and the completion of the current phase of oil activity in the Falklands has necessitated a review of, and provision against the carrying value of SAtCO’s operating assets which comprise large construction machinery. With the completion of exploration drilling and uncertainty over the move towards oil production these large items of plant and machinery are considered to have limited commercial value in their current location in the Falklands and options for transporting these assets back to the UK for early sale are currently being explored. With the downturn in the global oil industry the realisable value of these assets has fallen sharply and accordingly a provision of £0.6 million has been made in SAtCO’s accounts against the carrying value of these assets. The Group’s share of the after tax cost of this exceptional write down is £0.3 million.

FIC Key Performance Indicators and Operational Drivers

Year ended 31 March	2016	2015	2014	2013	2012
Staff Numbers (FTE 31 March)	**172**	184	165	129	119
Capital Expenditure £'000	**1,229**	2,598	2,715	1,594	632
Retail Sales growth %	***1.3%***	3.0%	*-4.8%*	*3.0%*	*-2.8%*
Number of FIC rental properties	**50***	50*	36	32	33
Average occupancy during the year	***93%***	93%	*82%*	*88%*	*83%*
Number of vehicles sold	**110**	76	79	48	50
Number of 3rd party houses sold	**12**	16	8	3	0
illex squid catch in tonnes (000's)	***235.2***	364.0	*188.0*	*58.2*	*67.3*
Cruise ship passengers (000's)	**56.5**	50.0	39.5	29.6	35.2

*Includes ten mobile homes rented to staff.

FIC ended the year with a headcount of 172, 12 lower than in March 2015. FIC's total establishment has grown by 53 since March 2012 due to a significant expansion in FBS (+25), an increase in Falklands 4x4's garage services repairs team (+10), a further 10 staff in Retail to provide additional in-store services and the balance of 8 in administration.

While the timing of oil development remains uncertain, the Falklands' economy will be sustained (albeit at lower levels) by the traditional areas of squid fishing and tourism ensuring a healthy base level of profitability is maintained at FIC.

Portsmouth Harbour Ferry Company ("PHFC")

2015-16 saw another steady performance from PHFC with total revenue decreasing by 1.3% reflecting a modest decline in passenger numbers which more than offset increases in ferry fares. Profit Before Tax after pontoon lease and boat loan interest charges from the new ferry vessel Harbour Spirit, was 14.1% lower at £0.68 million (2015: £0.79 million).

PHFC Operating results

Year ended 31 March	**2016 £m**	2015 £m	*Change %*
Revenues			
Ferry fares	**4.09**	4.13	*-0.8*
Cruising and Other revenue	**0.15**	0.17	*-13.1*
Total PHFC revenue	**4.24**	4.30	*-1.3*
PHFC underlying operating profit	**1.03**	1.03	*-0.4*
Boat loan & Pontoon finance lease interest	**-0.35**	-0.24	*45.8*
PHFC underlying Profit Before Tax	**0.68**	0.79	*-14.1*
PHFC underlying operating profit margin	**24.2%**	24.0%	*1.0*
Passengers carried (000s)	***2,826***	*2,923*	***-3.3***

There was a continued decline in ferry passenger numbers, which reduced 3.3% over the year to 2.826 million (an average of 7,800 passengers per day), from 2.923 million in the prior year. After the effects of normal volatility caused by weather there was a broad consistency in the rate of decline between the first and second half of the year at -3.3%, albeit the reduction was a little higher than in the previous 2 years. (2015: 2.1%, 2014: 1.6%).

Ferry fares were increased by an average of 3% in June 2015, bringing the total cost of an adult return to £3.30, although the price of Adult 10 Trip tickets for regular customers was maintained (£1.45 per ferry journey), and lower tariffs were also left unchanged for seniors and children (£2.20/£2.10 return).

During the summer months a special “Bikes Go Free” promotion (normal tariff £1.20 return) was run from 1st June to 1st September to encourage long term cycle use and this saw a welcome 2.5% increase in ferry travel by cyclists in the 7 months after the promotion period ended, paying-back the cost of the promotion in under 12 months. Cyclists now account for over 10% of all ferry users.

Take up of the unlimited monthly ferry and car parking joint ticket “Park & Float” ticket at £89 remained modest at less than 1% of passenger traffic, whereas the discounted ticket for military personnel was more popular accounting for 3.6% of passenger journeys in the year, a similar level to 2014-15. Demand for the “new” Solent Go electronic travel card increased following its introduction in August 2014 with this “Oyster card” for South Hampshire now accounting for 2.4% of passenger journeys, up 7 fold on the prior year.

In overall terms at under £1.50 per crossing for adults, (83p for seniors and children) the ferry service still represents excellent value compared to any alternative mode of transport other than for groups travelling by car with free or subsidised parking.

In travelling to and from Gosport to Portsmouth, the car continues to be the only serious transport alternative to the ferry. Car travel to Portsmouth, utilising the subsidised Park & Ride scheme operated by Portsmouth City Council, with dedicated buses departing every 10 minutes to Portsmouth town centre, the Naval Dockyard and the Gunwharf Quays shopping centre, continued to present a competitive challenge during the year. With low prices being bolstered by the introduction of £2.60 per vehicle tariff for regular users and low petrol prices enhancing the economics of car travel, the scheme was particularly attractive to families in school holidays and at weekends and this had a direct, adverse impact on ferry passenger volumes. Although lower diesel prices saw a reduction in ferry fuel costs, the savings were modest at less than 0.6% of revenue and did not offset the negative effects of cheaper petrol/diesel for cars.

In addition to the increased relative attraction of car travel, the convenience of the ferry service was disrupted in the year by commencement of the redevelopment of the passenger interchange at Portsmouth Harbour (the “Hard”). This will ultimately lead to improved connectivity between ferry, bus, rail and taxi services at the interchange, however, in the interim the relocation of bus stops and pedestrian walkways during construction work (which commenced in autumn 2015 and is scheduled to finish by the end of 2016), had an undoubted adverse effect on the overall convenience and appeal of ferry travel.

In the year to 31 March 2016, weekday traffic was affected more noticeably than at the weekends with an overall decline of -3.6% compared to -2.5% at weekends. Core commuter traffic held up well with a reduction of only -2.2%, whereas weekday off peak passenger traffic, which tends to be more discretionary in nature, declined by 5.7%.

Cruising income from corporate vessel hire was boosted by the Americas Cup event in Portsmouth in July 2015 and in February 2016 PHFC benefited from the sale of one of its two older vessels, Portsmouth Queen which was sold to a Thames river cruise operator for a nominal sum.

During the year PHFC’s third modern ferry vessel “Harbour Spirit” with its improved passenger seating, increased space for cycles and better facilities for the disabled, was fully commissioned and came into service in July 2015. With Harbour Spirit now in operation, PHFC has 3 modern vessels and retains a fourth boat, the 1966 vintage, Gosport Queen, as a back- up. With three new ferry vessels built since 2001 and an estimated service life of over 30 years, no further significant vessel expenditure is anticipated for over 15 years.

Key Operating Metrics

Average fares per passenger journey increased by 2.8% to £1.45 (2015 £1.41).

Ferry reliability was again outstanding with on-time departures running at 99.8% (2015: 99.8%).

Looking ahead the outlook for passenger growth is more positive with arrival of the Royal Navy's new aircraft carriers and expansion of the Naval Base expected to commence in 2017. In addition in Spring 2016, Gosport Council announced plans to redevelop the bus station complex at the waterfront adjacent to the ferry terminal. The Council has invited private sector tenders to bid for a mixed use development with increased retail and leisure facilities which increase the appeal of the Gosport waterfront / ferry terminal area as a destination and thus enhance the medium term outlook for passenger numbers.

PHFC Key Performance Indicators and Operational Drivers

Year ended 31 March	**2016**	**2015**	**2014**	**2013**	**2012**
Staff Numbers (FTE at 31 March)	38	39	37	35	35
Capital Expenditure £'000's	**223**	**1,483**	**1,958**	**223**	**5,080**
Ferry Reliability (on time departures)	99.8%	99.8%	99.7%	99.5%	99.9%
Number of weekday passengers '000	2,046	2,123	2,169	2,230	2,497
% change on prior year	*-3.6%*	*-2.1%*	*-2.7%*	*-10.7%*	*-1.6%*
Number of weekend passengers '000	780	800	817	803	831
% change on prior year	*-2.5%*	*-2.1%*	*1.8%*	*-3.4%*	*-4.1%*
Total number of passengers '000's	**2,826**	**2,923**	**2,986**	**3,033**	**3,328**
% change on prior year	*-3.3%*	*-2.1%*	*-1.6%*	*-8.9%*	*-2.1%*
Revenue growth %	*-1.3%*	*4.3%*	*1.2%*	*-1.9%*	*11.5%*
Average yield per passenger journey	£1.45	£1.41	£1.32	£1.28	£1.19

Momart

Momart, the Group's art handling and logistics business, had a challenging year and despite overall revenue increasing by 3.2% to £16.3 million (2015: £15.8 million), increased overheads linked to investment in sales and marketing and strengthening of finance and management information systems, coupled with increased pressure on margins saw underlying operating profit reduce by 62.9% to £0.46 million from £1.24 million in 2015.

Net finance costs in the year were negligible as borrowings were repaid.

Underlying Profit Before Tax before amortisation of intangibles was £0.46 million (2015: £1.21 million)

Momart Operating results

Year ended 31 March	**2016** **£m**	2015 £m	*Change* *%*
Revenues			
Museums and public			
Exhibitions	**8.39**	8.68	*-3.4*
Galleries & Private Clients	**5.82**	5.21	*11.8*
Storage	**2.05**	1.86	*10.1*
Total Momart revenue	**16.26**	15.75	*3.2*
Momart underlying operating profit	**0.46**	1.24	*-62.9*
Net Interest expense	**-**	-0.03	
Momart underlying Profit Before Tax	**0.46**	1.21	*-62.1*
Momart underlying operating profit margin	**2.8%**	7.9%	*-64.0*

Museum Exhibitions
After a slow start with Q1 sales down 19% on the prior year, Exhibitions activity recovered strongly throughout the remainder of the year. Revenue from large UK museum exhibitions, which form the bedrock of Momart's market-leading reputation, accounted for more than half of total Exhibition activity, and increased by 22% compared to the prior year. During 2015-16 in the UK, Momart was involved in the installation of a number of prestigious and popular exhibitions including Jackson Pollock at Tate Liverpool, World Goes Pop and Alexander Calder at Tate Modern, Delacroix and Modernity at the National Gallery, Fabric of India at the V&A, Egypt: Faith After the Pharaohs at the British Museum, Ai WeiWei and Painting the Modern Garden at the Royal Academy and Audrey Hepburn at the National Portrait Gallery.

Activity linked to smaller private and regional exhibitions was less buoyant with sales flat year on year but UK margins overall held up well compared to 2014-15. In contrast, overseas contracts (revenue from overseas clients) which typically involve high added value / high margin work (specialist packing etc.) fell back from the high levels seen in the previous 2 years, declining by 23% (£1.7 million) from £7.5 million to £5.8 million (see KPI table below). This reduction in the level of overseas contracts was a key factor in the overall decline in Momart's profitability during the year.

By 31 March 2016, Momart's order-bank of large UK Exhibitions had increased to £4.47 million, an increase of 37% compared to the prior year (2015: £3.26 million), (see KPI table below). This healthy order book provides a stronger platform for the coming year albeit the headline revenue figure for Museum contracts provides only a general guide to added value and margins with Museum work vary considerably depending on the mix of jobs and in particular the level of services that need to be outsourced to overseas agents.

Galleries & Private Client Services
Gallery Services revenues, which include revenues from private and corporate clients, increased by an encouraging 11.8% to £5.82 million (2015: £5.21 million), reflecting an increased emphasis on proactive sales and marketing and on business development. Revenue from galleries remained the largest element and increased by 25% compared to 2014-15 as new relationships were developed with leading international galleries especially those expanding their presence in the growing London market. Activity with private and corporate clients also increased although once again, as with Exhibitions, the level of lucrative work from overseas clients reduced. The mix of sales was also less profitable with more work outsourced to overseas agents and contractors compared to the previous year and this together with competitive pressure on margins meant that despite the 11.8% increase in revenue, overall gross profitability from Galleries and Private Clients was essentially unchanged compared to the prior year.

During the year, significant additional resources were invested in sales and marketing and business development, increasing overheads by £0.5 million compared to the prior year. The benefits of this increased investment and focus will flow through more fully in the coming year but in the year ended 31 March 2016 this increase in costs, together with the fall in income from overseas contracts noted above, were the prime factors responsible for the £0.8 million decrease in Operating Profits.

Storage
Storage revenues increased by 10.1% to £2.05 million (2015: £1.86 million), as 450 cubic metres of additional space was taken on in response to market demand. The buoyancy of demand for secure art storage is the key driver of the decision to progress the expansion of Momart's core storage facilities at Leyton where a 33% increase in space will be completed by August 2016. The additional space will offer improved client visitor facilities, discrete dedicated space for specific collections and enhanced viewing areas. The facility will be rented from the current landlord on a long lease coterminous with existing units on the Leyton site. Fit out costs for racking, air conditioning and lifts totalling c £1.5 million of capital expenditure will be incurred in the year to March 2017. The new facility will add c £0.5 million to annual operating costs and is targeted to reach break-even within 8 months of opening.

Although the decline in profitability seen in the year to 31 March 2016 is disappointing, the increased focus and structured approach to the market now being undertaken has laid the foundations for a more sustainable platform for long term growth in profitability which will enable the company to take full advantage of its market leading reputation and unmatched level of technical skill and customer service.

Momart Key Performance Indicators and Operational Drivers

Year ended 31 March	**2016**	**2015**	**2014**	**2013**	**2012**
Staff Numbers (FTE 31 March)	**130.2**	128.6	124.6	119.0	115.9
Capital Expenditure £'000's	**402**	648	260	598	524
Warehouse % fill vs capacity	**90.6%**	91.2%	92.9%	94.2%	95.1%
Exhibition Order Book 31 March	**£4.47m**	£3.26m	£3.89m	£3.83m	£4.16m
Own labour charged out	**£9.18m**	£9.07m	£11.67m	£9.02m	£8.58m
Revenues from overseas clients	**£5.8m**	£7.5m	£8.3m	£4.6m	£5.7m
Exhibitions sales growth	**-3.4%**	-20.0%	20.4%	27.8%	5.7%
Gallery Services sales growth	**11.8%**	-6.5%	1.3%	-12.7%	26%
Storage sales growth	**10.1%**	1.3%	2.6%	10.5%	6.6%
Total Sales growth	**3.2%**	**-13.7%**	**12.0%**	**8.9%**	**13.5%**

Non Trading Items –Total Cost £0.28 million (2015: Profit £0.33 million)

- **Profit on sale of FOGL shares - £0.39 million (2015: £0.7 million)**
  In April 2015, the Group disposed of its remaining 5 million shares in Falkland Oil and Gas for £1.40 million, an average share price of 28 pence generating a profit on disposal of £0.39 million.

- **Write Down of SATCO assets - £0.33 million (2015: nil)**
  With the early conclusion of exploration activity in the Falklands and the uncertainty over the future demand for heavy duty construction plant and machinery in the Islands, the carrying value of the assets owned by SAtCO has been reviewed and options for disposal explored. FIH's after tax share of the provision against these assets amounts to £0.3 million. The level of contribution from SAtCO over the past 3 years and the amount of ancillary work secured as a result of the Group's investment in this construction joint venture far outweighs the costs of these write downs.

- **Restructuring Costs - £0.26 million (2015: £0.23 million)**
  During the year the Group incurred £0.26 million of restructuring costs in relation to slimming down the senior management teams in FIC and at Momart. These changes will reduce ongoing costs without any adverse effect on operational efficiency.

- **Amortisation of Intangibles £0.14 million (2015: £0.14 million)**

Trading outlook
For the year ahead, we anticipate a quieter period in the Falklands. The squid catch in Spring 2016 dropped back from the exceptional levels seen in the previous two years and in retailing, FIC's principal competitor has pushed ahead with a 33% expansion of its own supermarket which will open in July 2016. Given these factors and the conclusion of exploration drilling with a lack of any indication of when oil activities will resume, FIC will face significant headwinds in the coming year and profits at FIC are expected to revert to the more normal "pre-oil" levels seen in prior years.

At PHFC, in the coming year the emphasis will be on tight cost control, in the face of short term pressures on passenger numbers caused by cheap petrol and physical disruption caused by the reconfiguration of the passenger interchange at the Portsmouth ferry terminal. In the longer term, plans to expand the Portsmouth naval base and new proposals to redevelop the harbour at Gosport should help to reverse the decline seen in recent years.

At Momart, we anticipate a stabilising of the core trading position as we see the benefit of the recent investment in sales and marketing feed through to underpin continued sales growth and shore up margins. Initially though, the warehouse expansion will be a drag on profits, with an increase in fixed costs not fully covered by new storage revenue in the first year. Over the medium term however, as Momart's new facilities reach capacity, prospects for a steady and sustained recovery in profitability are good.

John Foster
Managing Director
14 June 2016

Managing Director's Strategic Report *(continued)*

Financial Review

Revenue and underlying operating profit

Group revenue rose 1.1% to £39.0 million, however underlying operating profit decreased 12.3% to £3.30 million in the year ended 31 March 2016 as the benefits of the oil activity in the Falkland Islands was offset by a reduction in profit at Momart. These variances are discussed in more detail above in the Review of Operations.

Non-trading items

Non-trading items amounted to a net cost of £0.28 million (2015: profit of £0.33 million), and comprise a £0.39 million gain on the sale of 5,000,000 Falkland Oil and Gas shares (2015: £0.71 million), and a £0.06 million profit on the sale of "Portsmouth Queen", which had been purchased by Portsmouth Harbour Ferry Company in 1966. These non-trading gains have been offset against:

- A £0.33 million impairment to the carrying value of plant & machinery owned by SAtCO;
- £0.26 million of restructuring costs in relation to slimming down the senior management teams in FIC and Momart; and
- £0.14 million amortisation charge of intangible assets, in relation to the net book value of Customer relationships acquired within Momart in March 2008.

Net financing costs

The Group's net financing costs remain relatively little changed to the prior year at £0.2 million, with an increase in bank interest payable from the bank loans drawn down by the Ferry business following the acquisition of the £3.3 million vessel "Harbour Spirit" offset against the reduction in the interest expense on the unfunded defined benefit scheme in the Falklands and as the interest and amortised loan fees ceased on the loan to acquire Momart, which was fully repaid in the year to 31 March 2015.

Underlying pre-tax profit

As expected, the Group reported underlying pre-tax profits of £3.08 million, 13.5% down on the prior year, (2015: £3.56 million).

Reported pre-tax profit

After the non- trading items noted above, reported Profit Before Tax for the Group decreased by 28.1% to £2.80 million (2015: £3.89 million).

Taxation

The Group pays corporation tax on its UK earnings at 20% and on earnings in the Falkland Islands at 26%. The Falkland Islands Company Limited, which is resident in both jurisdictions, has been granted a foreign branch exemption, and as a result no longer pays UK corporation tax. As a result FIC enjoys the full benefit of the tax deductibility in the Falkland Islands of expenditure on commercial and industrial buildings. The effective blended tax rate on underlying profits is 22.7% (2015: 23.2%).

Managing Director's Strategic Report *(continued)*

Earnings per share

Year ended 31 March	2016 £m	2015 £m	*Change %*
Underlying profit before tax	3.08	3.56	*-13.5*
Taxation on underlying profit	(0.70)	(0.83)	*-15.3*
Underlying profit after tax	2.38	2.73	*-13.0*
Diluted average number of shares in issue (thousands)	12,384	12,446	*-0.5*
Effective underlying tax rate	22.7%	23.2%	*-2.0*
Diluted EPS on underlying profit	19.2p	22.0p	*-12.7*
Diluted EPS on reported profit	17.9p	25.3p	*-29.2*

Fully diluted Earnings per Share ("EPS") derived from underlying profits, fell to 19.2 pence (2015: 22.0 pence), due to the fall in the underlying profit before tax.

Balance sheet

The Group's Balance Sheet remains strong. Total net assets increased to £38.6 million from £36.7 million in the prior year.

Retained earnings, after corporation tax, increased by £2.5 million to £18.8 million (2015: £16.3 million). Bank borrowings increased to £3.3 million (2015: £0.7 million), due to the drawdowns of loans in the Ferry business to cover the cost of new vessel, which had been purchased in the prior year, but because of the strong underlying cash flows, the Group's cash balances increased by £6.6 million to £14.0 million (2015: £7.4 million).

The carrying value of intangible assets at £12.0 million has reduced from the £12.2 million at 31 March 2015, due to the amortisation charge.

The net book value of property, plant and equipment increased by £0.3 million to £19.9 million (2015: £19.6 million) after capital investment of £1.8 million, including £1.2 million in the Falkland Islands. This has been offset against a £1.3 million depreciation charge in the year, a £0.1 million disposal of a JCB in the Falklands, and £0.1 million of the hire fleet transferred to stock and sold through Falklands 4x4.

The Group owns investment properties, comprising commercial and residential properties in the Falkland Islands held for rental, together with approximately 400 acres of land in and around Stanley. This includes 18 acres for industrial development and 25 acres of prime mixed-use land. The Group owns 50 properties for rental, including 40 investment properties, which are mainly houses, in Stanley and ten mobile homes, which are rented to staff. The number of properties, which all are held at depreciated cost, is unchanged from the prior year. The net book value of the investment properties and undeveloped land of £3.6 million (2015: £3.7 million) has been reviewed by the Directors resident in the Falkland Islands and at 31 March 2016 the fair value of this property portfolio was estimated at £7.0 million (2015: £7.3 million), an uplift of £3.4 million on net book value.

The Group's residual 1.0% shareholding in FOGL was sold in April 2015 for proceeds of £1.4 million, resulting in a profit of £0.4 million.

Deferred tax assets relating to future pension liabilities decreased to £0.7 million (2015: £0.8 million). These assets now only include the deferred tax on the FIC unfunded scheme calculated by applying the 26% Falklands' tax rate to the pension liability.

Inventories, which largely represent stock held for resale in the Falkland Islands, increased by £0.8 million to £6.2 million at 31 March 2016 (2015: £5.4 million). The increase largely relates to stock held in the Falkland Islands.

Managing Director's Strategic Report *(continued)*

Trade and Other Receivables decreased by £0.5 million to £4.9 million at 31 March 2016, due to the decreased activity and improved debtor collection at Momart. Average debtor days outstanding were 33.0 (2015: 36.0).

The Group's cash balances increased to £14.0 million (2015: £7.4 million).

Bank borrowings increased from £0.7 million to £3.3 million as long term loans were drawn down to fund the acquisition of Harbour Spirit.

Outstanding finance lease liabilities totalled £5.1 million (2015: £5.1 million). £4.9 million (2015: £4.9 million) of the finance lease balance is in respect of the 50 year lease from Gosport Borough Council for the Gosport Pontoon.

Corporation tax due for payment within the next 12 months is £0.2 million (2015: £0.03 million).

Trade and other payables increased to £11.2 million from £10.2 million at 31 March 2015, reflecting increased trading activity.

At 31 March 2016, the liability due in respect of the Group's defined benefit pension scheme in the Falkland Islands was £2.6 million (2015: £2.9 million). The decreased liability is due principally to lower medium term interest rates used to discount the scheme's future liabilities. The pension scheme in the Falklands, which was closed to new entrants in 1988 and to further accrual in 2007, is unfunded and liabilities are met from operating cash flow.

The Group's deferred tax liabilities, excluding the pension asset at 31 March 2016, were £2.1 million and increased by £0.1 million from the prior year (2015: £2.0 million). £1.9 million of this balance arises on property, plant and equipment, and is principally due to accelerated capital allowances on the new vessel in PHFC and also to properties in the Falklands, where capital allowances of 10% are available on the majority of the FIC properties. With such assets depreciated over 20-50 years, a temporary difference arises, on which deferred tax is provided.

Net assets per share were 310 pence at 31 March 2016 (2015: 295 pence).

Managing Director's Strategic Report *(continued)*

Cash flows

Operating cash flow

Net cash flow from operating activities was £4.8 million (2015: £6.4 million); a small decrease due to the lower level of reductions in working capital in the current year.

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

Year ended 31 March	2016 £m	2015 £m	Change £m
Underlying profit before tax	**3.1**	3.6	(0.5)
Depreciation	**1.4**	1.4	-
Amortisation of computer software	**0.1**	-	0.1
Net Interest payable	**0.2**	0.2	-
EBITDA	**4.8**	5.2	(0.4)
Share based payments	**0.1**	0.1	-
Decrease in working capital	**0.5**	2.1	(1.6)
Tax paid	**(0.3)**	(0.8)	0.5
Other	**(0.3)**	(0.2)	(0.1)
Net cash inflow from operating activities	**4.8**	6.4	(1.6)
Financing and Investing Activities			
Sale of FOGL shares	**1.4**	2.3	(0.9)
Less:			
Dividends paid	**-**	(1.4)	1.4
Capital expenditure	**(1.9)**	(4.9)	3.0
Net bank interest paid	**(0.1)**	-	(0.1)
Proceeds on sale of fixed assets	**0.1**	-	0.1
Net cash in from Treasury share movements	**0.1**	-	0.1
Loan repayments from joint venture	**0.4**	0.2	0.2
Bank and other loan repayments	**(0.8)**	(1.4)	0.6
Bank and Hire purchase loan draw down	**3.1**	0.8	2.3
Increase in hire purchase debtors	**(0.5)**	(0.3)	(0.2)
Net cash outflow from financing and investing activities	**1.8**	(4.7)	6.5
Net cash inflow	**6.6**	1.7	4.9
Cash balance b/fwd.	**7.4**	5.7	1.7
Cash balance c/fwd.	**14.0**	7.4	**6.6**

Financing outflows

During the year the Group incurred £1.9 million of capital expenditure (2015: £4.9 million); £1.2 million was invested in Stanley, including £0.5 million on racking and general preparation of the new warehouse and freezer facilities at Airport Road, £0.3 million spend on tarmacking the new car park at Crozier Place, which includes FIC's newly expanded Builders Merchant, Home Builder, and £0.1 million spend on a new café, with a soft play area within Home Living. In addition, £0.1 million was spent on replacement vehicles for the hire vehicle fleet. At PHFC, £0.1 million was spent on the Portsea pontoon, and £0.1 million was incurred to complete and commission Harbour Spirit. At Momart, £0.2 million was spent on expanding the storage areas, including the initial spend on the Unit 14 expansion at Leyton, and £0.2 million was spent on the vehicle fleet.

Two further loans totalling £2.9 million, repayable over 10 years, were drawn down by PHFC to finance Harbour Spirit, which had been purchased in the prior year. Scheduled loan repayments of £0.8 million (2015: £1.4 million) were made during the year, including £0.3 million of repayments to Gosport Council on the 50 year pontoon finance lease, £0.1 million of repayments on hire purchase leases for trucks at Momart and £0.5 million of repayments on the three PHFC loans.

John Foster
Managing Director
14 June 2016

Board of Directors and Company Secretary

Edmund Rowland, Chairman

Edmund was appointed to the Board on 16 April 2013, and became Chairman on 9 February 2015. He currently serves as a Director of Blackfish Capital Management, a specialist asset manager based in London and as Chief Executive Officer of Banque Havilland S.A (London Branch), previously having gained experience in London and Hong Kong, as an analyst and investment manager with BNP Paribas S.A and Blackfish. He has broad experience of principal investing in both equity and credit capital markets, with a focus on special situations, and he sits on the board of Banque Havilland (Monaco) SAM.

Edmund is a member of the Remuneration Committee.

John Foster, Managing Director

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

Jeremy Brade, Non-executive Director

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

Carol Bishop, Company Secretary

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

Directors' Report

The Directors present their annual report and the financial statements for the Company and for the Group for the year ended 31 March 2016.

Results and dividend
The Group's result for the year is set out in the Group Income Statement. The Group profit for the year after taxation amounted to £2,222,000 (2015: £3,144,000). Basic earnings per share on underlying profits were 19.2 pence (2015: 22.1 pence).

It is the Board's considered view that the Group can best take full advantage of existing and emerging opportunities by maximising the reinvestment of profits and suspending dividend payments in order to accumulate resources to build a much more substantial group with greater critical mass in its respective markets. We believe this more focused long term approach will have greater appeal for existing and prospective investors and will significantly increase shareholder liquidity. The Board is confident that this new approach and focus will lead to more certain capital growth and greater overall returns for shareholders in the long term. Therefore, in line with the increased focus of investment and long term growth, dividend payments have been suspended and no dividend payments were made during the year. During the prior year, to 31 March 2015, an interim dividend of 4.0p per share was paid in January 2015.

Principal activities
The business of the Group during the year ended 31 March 2016 was general trading in the Falkland Islands, the operation of a ferry across Portsmouth Harbour and the provision of international arts logistics and storage services. The principal activities of the Group are discussed in more detail in the Managing Director's Strategic Report 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 13 April 2015, Mike Killingley, the Senior Non-Executive, retired from the Board after ten years' service.

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

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

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

Directors' Report *(continued)*

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

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

Share capital and substantial interests in shares
During the year no share capital was issued. Further information about the Company's share capital is given in note 26. Details of the Company's executive share option scheme and employee ownership plan can be found in note 25.

The Company has been notified of the following interests in 3% or more of the issued ordinary shares of the Company as at 31 March 2016.

	Number of shares	Percentage of shares in issue
Blackfish Capital Management	2,815,180	22.6
Fidelity investments	1,099,114	8.8
Argos Argonaut Fund	499,636	4.0
Jerry Zucker Revocable Trust	465,000	3.7
Hargreaves Lansdown (Nominees)	411,226	3.3

Payments to suppliers
The policy of the Company and each of its trading subsidiaries, in relation to all its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms, provided that it is satisfied that the supplier has provided the goods or services in accordance with agreed terms and conditions. The Group does not follow any code or standard payment practice. As a holding company, the Company had no trade creditors at either 31 March 2016 or 31 March 2015.

Charitable and political donations
Charitable donations made by the Group during the year amounted to £19,229 (2015: £28,030), largely to local community charities in Gosport and the Falkland Islands. There were no political donations in the year (2015: nil).

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

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

Directors' Report *(continued)*

Annual General Meeting
The Company's Annual General Meeting will be held at the London offices of FTI Consulting, 200 Aldersgate, London, EC1A 4HD at 10.00 a.m. on 1 September 2016. The Notice of the Annual General Meeting and a description of the special business to be put to the meeting are considered in a separate Circular to Shareholders which accompanies this document.

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

An analysis of the remuneration and taxable benefits in kind (excluding share options) provided for and received by each Director during the year to 31 March 2016 and in the preceding year is as follows:

	Salary £'000	Bonuses £'000	2016 Total £'000	2015 Total £'000
David Hudd	-	-	-	307
John Foster	203	*35	238	263
Mike Killingley	1	-	1	**35
Jeremy Brade	30	-	30	30
Edmund Rowland	65	-	65	28
Total	**299**	**35**	**334**	**663**

*The Managing Director's bonus for the year is split into an equal split of deferred shares and cash, with the shares requiring a service condition to remain in employment for up to three years. For the year ended 31 March 2016, John Foster has been awarded a cash bonus of £35,000 and a further £35,000 of deferred shares, to be issued on 17 June 2016. These deferred shares will be provided at no cost to him in three equal tranches over the next three years.

**Until date of resignation

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

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

Directors' interests in shares
As at 31 March 2016, the share options of executive Directors may be summarised as follows:

Date of grant	Number of options J L Foster	Exercise price	Exercisable from	Expiry date
7 Aug 2007	27,517	£3.30	7 Aug 2010	6 Aug 2017
15 Jul 2009	44,550	£2.90	15 Jul 2012	14 Jul 2019
13 Aug 2012	76,700	£4.04	13 Aug 2015	12 Aug 2022
10 June 2015	7,548	£0.00	10 Jun 2016	10 Jun 2019
10 June 2015	7,547	£0.00	10 Jun 2017	10 Jun 2019
10 June 2015	7,547	£0.00	10 Jun 2018	10 Jun 2019
Total	171,409			

The mid-market price of the Company's shares on 31 March 2016 was 201.00 pence and the range in the year was 201.00 pence to 282.50 pence.

Directors' Report *(continued)*

The Directors' options extant at 31 March 2016 totalled 171,409 and represented 1.4% of the Company's issued share capital. The 351,848 remaining options are held by 48 other employees of the Group including subsidiary directors and senior management. Under the Company's executive share option scheme, executive Directors and senior executives have been granted options to acquire ordinary shares in the Company after a period of three years from the date of the grant. All outstanding options have been granted at an option price of not less than market value at the date of the grant. The exercise of options is subject to various performance conditions, which have been determined by the remuneration committee after discussion with the Company's advisors.

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

	Ordinary shares as at 31 March 2016	Ordinary shares as at 31 March 2015
John Foster*	*72,830	*61,867
Jeremy Brade	15,000	15,000
Edmund Rowland	**2,815,180	**2,500,000

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

**Edmund Rowland is a Director of Blackfish Capital Management Limited, the fund manager of Blackfish Capital Alpha Fund SPC – Blackfish Talisman Fund which holds 2,815,180 shares. He does not hold any shares directly in the Company.

Share Incentive Plan
In November 2012, the Company implemented an HMRC approved Share Incentive Plan (SIP) available to employees of the Group, which enables UK and Falklands staff to acquire shares in the Company through monthly purchases of up to £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 2016 the Company purchased £600 of matching shares for Mr J Foster.

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

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law. As required by the AIM Rules of the London Stock Exchange, they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

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

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

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

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

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

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

Approved by the Board and signed on its behalf by:

Carol Bishop
Company Secretary
14 June 2016

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

Independent Auditor's Report To The Members Of Falkland Islands Holdings Plc

We have audited the financial statements of Falkland Islands Holdings PLC for the year ended 31 March 2016 set out on pages 27 to 74. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Craig Parkin (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ
14 June 2016

Consolidated Income Statement
FOR THE YEAR ENDED 31 MARCH 2016

Notes		**Before amortisation & non-trading items 2016 £'000**	**Amortisation & non-trading items 2016 £'000**	**Total 2016 £'000**	Before amortisation & non-trading items 2015 £'000	Amortisation & non-trading items 2015 £'000	Total 2015 £'000
4	**Revenue**	**38,996**	**-**	**38,996**	38,560	-	38,560
	Cost of sales	**(23,497)**	**-**	**(23,497)**	(22,927)	-	(22,927)
	Gross profit	**15,499**	**-**	**15,499**	15,633	-	15,633
	Other administrative expenses	**(12,398)**	**-**	**(12,398)**	(12,050)	-	(12,050)
	Restructuring costs	**-**	**(261)**	**(261)**	-	(234)	(234)
15	Gain on sale of FOGL shares	**-**	**388**	**388**	-	711	711
	Gain on sale of vessel	**-**	**60**	**60**	-	-	-
11	Amortisation of intangible assets	**-**	**(136)**	**(136)**	-	(142)	(142)
	Operating expenses	**(12,398)**	**51**	**(12,347)**	(12,050)	335	(11,715)
	Operating profit	**3,101**	**51**	**3,152**	3,583	335	3,918
	Share of results of Joint Venture	**200**	**(330)**	**(130)**	180	-	180
	Profit before net financing costs	**3,301**	**(279)**	**3,022**	3,763	335	4,098
	Finance income	**233**	**-**	**233**	187	-	187
	Finance expense	**(456)**	**-**	**(456)**	(391)	-	(391)
8	Net financing costs	**(223)**	**-**	**(223)**	(204)	-	(204)
	Profit / (loss) before tax from continuing operations	**3,078**	**(279)**	**2,799**	3,559	335	3,894
9	Taxation	**(699)**	**122**	**(577)**	(825)	75	(750)
	Profit / (loss) for the year attributable to equity holders of the company	**2,379**	**(157)**	**2,222**	2,734	410	3,144
10	Earnings per share						
	Basic	**19.2p**		**18.0p**	22.1p		25.4p
	Diluted	**19.2p**		**17.9p**	22.0p		25.3p

Consolidated Statement of Comprehensive Income
FOR THE YEAR ENDED 31 MARCH 2016

	2016 £'000	2015 £'000
Cash flow hedges - effective portion of changes in fair value	**(82)**	-
Unrealised profit on the revaluation of shares in Falkland Oil and Gas	**-**	225
Reclassification to profit or loss on sale of shares in Falkland Oil and Gas	**(492)**	(419)
Items that are or may be reclassified subsequently to profit or loss	**(574)**	(194)
Decrease / (Increase) in the FIC defined benefit pension liability	**215**	(412)
Movement on deferred tax asset relating to pension schemes	**(56)**	107
Items which will not ultimately be recycled to the income statement	**159**	(305)
Other comprehensive expense	**(415)**	(499)
Profit for the year	**2,222**	3,144
Total comprehensive income	**1,807**	2,645

Consolidated Balance Sheet
AT 31 MARCH 2016

Notes		2016 £'000	2015 £'000
	Non-current assets		
11	Intangible assets	**12,037**	12,226
12	Property, plant and equipment	**19,930**	19,621
13	Investment properties	**3,632**	3,693
15	Shares held in Falkland Oil and Gas Limited	**-**	1,500
16	Investment in Joint venture	**136**	266
	Loan to Joint venture	**-**	378
17	Finance leases receivable	**755**	458
18	Deferred tax assets	**687**	750
	Total non-current assets	**37,177**	38,892
	Current assets		
19	Inventories	**6,241**	5,391
20	Trade and other receivables	**4,853**	5,308
17	Finance leases receivable	**810**	647
21	Cash and cash equivalents	**14,037**	7,435
	Total current assets	**25,941**	18,781
	TOTAL ASSETS	**63,118**	57,673
	Current liabilities		
22	Interest-bearing loans and borrowings	**(546)**	(293)
	Income tax payable	**(191)**	(27)
23	Trade and other payables	**(11,244)**	(10,214)
	Total current liabilities	**(11,981)**	(10,534)
	Non-current liabilities		
22	Interest-bearing loans and borrowings	**(7,855)**	(5,580)
24	Employee benefits	**(2,644)**	(2,884)
18	Deferred tax liabilities	**(2,069)**	(1,987)
	Total non-current liabilities	**(12,568)**	(10,451)
	TOTAL LIABILITIES	**(24,549)**	(20,985)
	Net assets	**38,569**	36,688
26	**Capital and reserves**		
	Equity share capital	**1,243**	1,243
	Share premium account	**17,447**	17,447
	Other reserves	**1,162**	1,162
	Retained earnings	**18,799**	16,344
	Hedging reserve	**(82)**	-
	Financial assets fair value reserve	**-**	492
	Total equity	**38,569**	36,688

These financial statements were approved by the Board of Directors on 14 June 2016 and were signed on its behalf by:

J L Foster

Director

Company Balance Sheet
AT 31 MARCH 2016

Notes		2016 £'000	2015 £'000
	Non-current assets		
14	Investment in subsidiaries	**28,164**	28,249
20	Loans to subsidiaries	**3,465**	1,813
18	Deferred tax	**9**	6
	Total non-current assets	**31,638**	30,068
	Current assets		
20	Trade and other receivables	**15**	12
	Corporation tax receivable	**46**	27
21	Cash and cash equivalents	**11,761**	9,379
	Total current assets	**11,822**	9,418
	TOTAL ASSETS	**43,460**	39,486
	Current liabilities		
23	Trade and other payables	**(3,188)**	(562)
	Total current liabilities	**(3,188)**	(562)
	Net assets	**40,272**	38,924
26	**Capital and reserves**		
	Equity share capital	**1,243**	1,243
	Share premium account	**17,447**	17,447
	Other reserves	**6,910**	6,910
	Hedging reserve	**(82)**	-
	Retained earnings	**14,754**	13,324
	Total equity	**40,272**	38,924

These financial statements were approved by the Board of Directors on 14 June 2016 and were signed on its behalf by:

J L Foster
Director
Registered company number: 03416346

Consolidated Cash Flow Statement
FOR THE YEAR ENDED 31 MARCH 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Profit for the year	**2,222**	3,144
Adjusted for:		
(i) Non-cash items:		
Depreciation	**1,406**	1,387
Depreciation of computer software	**53**	39
Amortisation	**136**	142
Gain on disposal of fixed assets	**(49)**	-
Share of Joint Venture loss, after impairment provision	**130**	(180)
Amortisation of loan fees	**-**	15
Interest cost on pension scheme liabilities	**90**	107
Equity-settled share-based payment expenses	**61**	90
Non-cash items adjustment	**1,827**	1,600
(ii) Other items:		
Bank interest receivable	**(27)**	(15)
Bank interest payable	**117**	17
Finance lease interest payable	**240**	246
Gain on disposal of FOGL shares	**(388)**	(711)
Corporation and deferred tax expense	**577**	750
Other adjustments	**519**	287
Operating cash flow before changes in working capital and provisions	**4,568**	5,031
Decrease in trade and other receivables	**455**	1,733
(Increase) / decrease in inventories	**(742)**	1,406
Increase / (decrease) in trade and other payables	**909**	(879)
Decrease in provisions and employee benefits	**(115)**	(115)
Changes in working capital and provisions	**507**	2,145
Cash generated from operations	**5,075**	7,176
Corporation taxes paid	**(324)**	(792)
Net cash flow from operating activities	**4,751**	6,384
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,854)**	(4,597)
Purchase of computer software	**-**	(132)
Proceeds from the disposal of property, plant & equipment	**141**	86
Proceeds received from the sale of FOGL shares	**1,396**	2,287
Acquisition of a business	**-**	(215)
Loans to Joint Venture	**378**	151
Interest received	**27**	15
Net cash flow from investing activities	**88**	(2,405)

Consolidated Cash Flow Statement *(continued)*
FOR THE YEAR ENDED 31 MARCH 2016

	2016 **£'000**	2015 £'000
Cash flow from financing activities		
Increase in finance leases receivable	**(460)**	(260)
Repayment of secured loan	**(760)**	(1,391)
Bank loan drawn down	**2,890**	701
Interest paid	**(117)**	(17)
Hire purchase loan drawn down	**158**	132
Cash outflow on purchase of Treasury shares	**(681)**	-
Proceeds from sale of Treasury shares	**733**	-
Dividends paid	**-**	(1,424)
Net cash flow from financing activities	**1,763**	(2,259)
Net increase in cash and cash equivalents	**6,602**	1,720
Cash and cash equivalents at start of year	**7,435**	5,715
Cash and cash equivalents at end of year	**14,037**	7,435

Company Cash Flow Statement
FOR THE YEAR ENDED 31 MARCH 2016

Notes		2016 £'000	2015 £'000
	Cash flows from operating activities		
	Profit for the year	**1,356**	1,410
	Adjusted for:		
	Bank interest receivable	**(25)**	(12)
	Bank interest payable	**5**	10
	Amortisation of loan fees	**-**	15
	Equity-settled share-based payment expenses	**44**	55
14	Impairment of investment in Erebus	**102**	790
	Reversal of loan impairment due to loan repayment in the year by Erebus	**-**	(1,309)
	Corporation and deferred tax expense	**41**	(1)
	Operating cash flow before changes in working capital and provisions	**1,523**	958
	(Increase) / decrease in trade and other receivables	**(3)**	7
	Decrease in trade and other payables	**(4)**	(16)
	Changes in working capital and provisions	**(7)**	(9)
	Cash generated from operations	**1,516**	949
	Corporation taxes paid	**(59)**	(76)
	Net cash flow from operating activities	**1,457**	873
	Cash flow from financing activities		
	Repayment of inter-company borrowing	**848**	1,448
	Repayment of secured loan	**-**	(800)
	Interest received	**25**	12
	Interest paid	**-**	(10)
	Cash outflow on purchase of Treasury shares	**(681)**	-
	Proceeds from sale of Treasury shares	**733**	-
	Dividends paid	**-**	(1,424)
	Net cash flow from financing activities	**925**	(774)
	Net increase in cash and cash equivalents	**2,382**	99
	Cash and cash equivalents at start of year	**9,379**	9,280
	Cash and cash equivalents at end of year	**11,761**	9,379

Consolidated Statement of Changes in Shareholders' Equity
FOR THE YEAR ENDED 31 MARCH 2016

	Equity share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Financial assets fair value reserve £'000	Hedge reserve £'000	**Total equity £'000**
Balance at 1 April 2014	1,243	17,447	1,162	14,839	686	-	35,377
Profit for the year	-	-	-	3,144	-	-	3,144
Share based payments	-	-	-	90	-	-	90
Dividends	-	-	-	(1,424)	-	-	(1,424)
Transfer to the income statement on sale of shares in FOGL	-	-	-	-	(419)	-	(419)
Change in fair value of shares in FOGL	-	-	-	-	225	-	225
Re-measurement of the defined benefit pension liability, net of tax	-	-	-	(305)	-	-	(305)
Balance at 31 March 2015	**1,243**	**17,447**	**1,162**	**16,344**	**492**	**-**	**36,688**
Profit for the year	-	-	-	2,222	-	-	**2,222**
Share based payments	-	-	-	61	-	-	**61**
Cash flow hedges - effective portion of changes in fair value	-	-	-	-	-	(82)	**(82)**
Transfer to the income statement on sale of shares in FOGL	-	-	-	-	(492)	-	**(492)**
Re-measurement of the defined benefit pension liability, net of tax	-	-	-	159	-	-	**159**
Purchase of Treasury shares	-	-	-	(720)	-	-	**(720)**
Sale of Treasury shares	-	-	-	733	-	-	**733**
Balance at 31 March 2016	**1,243**	**17,447**	**1,162**	**18,799**	**-**	**(82)**	**38,569**

Company Statement of Changes in Shareholders' Equity
FOR THE YEAR ENDED 31 MARCH 2016

	Equity share capital £'000	Share premium account £'000	Other reserves £'000	Hedge Reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2014	1,243	17,447	6,910	-	13,248	38,848
Profit for the year	-	-	-	-	1,410	1,410
Share-based payments	-	-	-	-	90	90
Dividends	-	-	-	-	(1,424)	(1,424)
Balance at 31 March 2015	**1,243**	**17,447**	**6,910**	**-**	**13,324**	**38,924**
Profit for the year	-	-	-	-	1,356	1,356
Share based payments	-	-	-	-	61	61
Cash flow hedges - effective portion of changes in fair value	-	-	-	(82)	-	(82)
Purchase of Treasury shares	-	-	-	-	(720)	(720)
Sale of Treasury shares	-	-	-	-	733	733
Balance at 31 March 2016	**1,243**	**17,447**	**6,910**	**(82)**	**14,754**	**40,272**

A profit of £1,356,000 (2015: £1,410,000) has been dealt with in the accounts of the Parent Company. As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

Notes to the Financial Statements

1. Accounting policies

General information

Falkland Islands Holdings plc (the “Company”) is a company incorporated and domiciled in the UK.

Reporting entity

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

Basis of preparation

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

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

Judgements made by the Directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment next year are discussed in note 31.

The financial statements are presented in pounds sterling, rounded to the nearest thousand. They are prepared on the historical cost basis, except for the investment in Falkland Oil and Gas Limited, which was stated at fair value.

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

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

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

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Falkland Islands Holdings plc and its subsidiaries (the “Group”). A subsidiary is any entity Falkland Islands Holdings plc has the power to control. Control is determined by Falkland Islands Holdings 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.

1. Accounting policies *(continued)*

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

Presentation of income statement

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

Operating profit is the pre-finance profit of continuing activities and acquisitions of the Group, and in order to achieve consistency and comparability, is analysed to show separately the results of normal trading performance ("underlying profit"), individually significant charges and credits, changes in the fair value of financial instruments and amortisation of intangible assets on acquisition. Such items arise because of their size or nature, and in 2016 comprise:

- The impairment provision made against certain plant and machinery owned by SAtCO
- Restructuring costs
- The £60,000 gain on the sale of the Portsmouth Queen ferry
- The gain on the sale of 5,000,000 Falkland Oil and Gas Limited shares; and
- the amortisation of intangible assets

In 2015 these comprised:

- Restructuring costs
- The gain on the sale of 7,825,000 Falkland Oil and Gas Limited shares; and
- the amortisation of intangible assets

Foreign currencies

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

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

Property, plant and equipment

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

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

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

1. Accounting policies *(continued)*

Investment properties

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

Joint Ventures

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

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

Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and businesses.

Acquisitions prior to 1 April 2006

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

Acquisitions on or after 1 April 2006

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

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

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

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

1. Accounting policies *(continued)*

Computer software

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

Impairment of non-financial assets

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

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

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

Finance income and expense

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

Financial instruments classified as available-for-sale

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

Employee share awards

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

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

1. Accounting policies *(continued)*

Inventories

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

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

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

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

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

Revenue

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

For fine art exhibition logistical work undertaken, where the costs incurred and the costs to complete the transaction can be measured reliably, the amount of profit attributable to the stage of completion of a contract is recognised on the basis of the incurred percentage of anticipated cost, which in the opinion of the Directors, is the most appropriate proxy for the stage of completion. This is applied only to significant long term projects spanning the year end, however there were no such contracts at the current or prior year end. Provision is made for losses as soon as they are foreseeable.

Pensions

Defined contribution pension schemes

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

Defined benefit pension schemes

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

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

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

1. Accounting policies *(continued)*

Trade and other receivables

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

Trade and other payables

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

Dividends

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Income tax

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

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

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

- Goodwill not deductible for tax purposes; and

- Initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits.

- Temporary differences related to investments in subsidiaries, to the extent that it is probable that they will not reverse in the foreseeable future.

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

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

1. Accounting policies *(continued)*

Leased assets

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

As lessee

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

As lessor

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

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

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

Finance lease payments

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

Cash-flow hedges

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

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

The following IFRSs and amendments and revisions to IFRSs which were effective for the first time in the year ended 31 March 2016 did not have any material impact on the consolidated financial statements:

Amendments and revisions to IFRSs	*Effective date Periods beginning on or after:*
Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38	1 January 2016
Equity Method in Separate Financial Statements – Amendments to IAS	1 January 2016
Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12	1 January 2017
IFRS 9 Financial Instruments and additions to IFRS 9 (issued October 2010)	Not yet endorsed
Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11	1 January 2016

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

Amendments and revisions to IFRSs	*Effective date Periods beginning on or after:*
IAS 19 *Defined Benefit Plans: Employee Contributions*	1 February 2015

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

2. Segmental Information Analysis

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

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

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

2. Segmental Information Analysis *(continued)*

	General trading (Falklands) £'000	Ferry Services (Portsmouth) £'000	2016 Art logistics and storage (UK) £'000	Unallocated £'000	Total £'000
Revenue	18,495	4,244	16,257	-	38,996
Segment operating profit before tax, amortisation & non-trading items	1,613	1,028	460	-	3,101
Restructuring costs	(178)	-	(83)	-	(261)
Gain on sale of vessel	-	60	-	-	60
Gain on the sale of 5,000,000 FOGL shares	-	-	-	388	388
Amortisation	-	-	(136)	-	(136)
Segment operating profit	1,435	1,088	241	388	3,152
Share of result of joint venture	200	-	-	-	200
Impairment of Joint Venture fixed assets	(330)	-	-	-	(330)
Profit before net financing costs	1,305	1,088	241	388	3,022
Interest income	223	3	7	-	233
Interest expense	(99)	(347)	(10)	-	(456)
Segment profit before tax	1,429	744	238	388	2,799
Assets and liabilities					
Segment assets	33,150	16,323	13,630	15	63,118
Segment liabilities	(10,821)	(9,632)	(3,463)	(633)	(24,549)
Segment net assets	22,329	6,691	10,167	(618)	38,569
Other segment information					
Capital expenditure:					
Property, plant and equipment	1,213	223	402	-	1,838
Investment properties	16	-	-	-	16
Total Capital Expenditure	1,229	223	402	-	1,854
Depreciation:					
Property, plant and equipment	581	440	314	-	1,335
Investment properties	71	-	-	-	71
Computer software	-	-	53	-	53
Total Depreciation	652	440	367	-	1,459
Amortisation of intangible assets on acquisition of Momart	-	-	136	-	136

Underlying profit before tax					
Segment operating profit	1,613	1,028	460	-	3,101
Share of results of joint venture	200	-	-	-	200
Underlying profit before net financing costs	1,813	1,028	460	-	3,301
Interest income	223	3	7	-	233
Interest expense	(99)	(347)	(10)	-	(456)
Underlying profit before tax	1,937	684	457	-	3,078

2. Segmental Information Analysis *(continued)*

	General trading (Falklands) £'000	Ferry Services (Portsmouth) £'000	2015 Art logistics and storage (UK) £'000	Unallocated £'000	Total £'000
Revenue	18,506	4,301	15,753	-	38,560
Segment operating profit before tax, amortisation & non-trading items	1,312	1,032	1,239	-	3,583
Board restructuring costs	-	-	-	(234)	(234)
Gain on the sale of 7,825,000 FOGL shares	-	-	-	711	711
Amortisation	-	-	(142)	-	(142)
Segment operating profit	1,312	1,032	1,097	477	3,918
Share of result of joint venture	180	-	-	-	180
Profit before net financing costs	1,492	1,032	1,097	477	4,098
Interest income	177	3	7	-	187
Interest expense	(113)	(239)	(39)	-	(391)
Segment profit before tax	1,556	796	1,065	477	3,894
Assets and liabilities					
Segment assets	26,439	15,937	13,785	1,512	57,673
Segment liabilities	(9,737)	(7,277)	(3,452)	(519)	(20,985)
Segment net assets	16,702	8,660	10,333	993	36,688
Other segment information					
Capital expenditure:					
Property, plant and equipment	2,090	1,483	516	-	4,089
Investment properties	508	-	-	-	508
Computer software	-	-	132	-	132
Total Capital Expenditure	2,598	1,483	648	-	4,729
Depreciation:					
Property, plant and equipment	541	349	286	-	1,176
Investment properties	211	-	-	-	211
Computer software	-	-	39	-	39
Total Depreciation	752	349	325	-	1,426
Amortisation of intangible assets on acquisition of Momart	-	-	142	-	142

Underlying profit before tax					
Segment operating profit	1,312	1,032	1,239	-	3,583
Share of results of joint venture	180	-	-	-	180
Underlying profit before net financing costs	1,492	1,032	1,239	-	3,763
Interest income	177	3	7	-	187
Interest expense	(113)	(239)	(39)	-	(391)
Underlying profit before tax	1,556	796	1,207	-	3,559

2. Segmental Information Analysis *(continued)*

The £15,000 (2015: £1,512,000) unallocated assets above include £15,000 (2015: £12,000) of prepayments held in Falkland Islands Holdings plc. At 31 March 2015, the unallocated assets also included the Group's investment in Falkland Oil and Gas of £1,500,000.

The £633,000 (2015: £519,000) unallocated liabilities above consist of accruals and tax balances held in Falkland Islands Holdings plc.

3. Geographical analysis

The tables below analyse revenue and other information by geography:

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

	2015		
	United Kingdom £'000	Falkland Islands £'000	Total £'000
Revenue (by source)	20,054	18,506	38,560
Assets and Liabilities			
Non-current segment assets, excluding deferred tax and the investment in Falkland Oil and Gas Limited	24,692	11,950	36,642
Capital expenditure	2,131	2,598	4,729

4. Revenue

	2016 £'000	2015 £'000
Sale of goods	12,653	12,584
Rendering of services	26,343	25,976
Total revenue	38,996	38,560

5. Non-trading items and amortisation of intangible assets acquired on purchase of Momart

	2016 £'000	2015 £'000
Profit before tax as reported	2,799	3,894
Reverse non-trading items:		
Restructuring costs	261	234
Proceeds on the sale of Portsmouth Queen	(60)	-
Impairment of the joint venture fixed assets	330	-
Gain on the sale of 5,000,000 FOGL shares	(388)	(711)
Amortisation charge on Momart intangible assets acquired	136	142
Total non-trading items and amortisation	279	(335)
Underlying profit before tax	3,078	3,559

Tax on non-trading items

In the year ended 31 March 2016, a £122,000 tax credit has been included in the Group's income statement in respect of the £279,000 non-trading items, which includes a £71,000 deferred tax credit on the intangible assets purchased in Momart in 2008, and the £63,000 income tax deductible on the £261,000 restructuring costs, offset against the £12,000 income tax payable on the profit arising on the sale of Portsmouth Queen. No tax charge has arisen on the £388,000 (2015: £711,000) gain on the sale of shares in Falkland Oil and Gas Limited. In the year ended 31 March 2015 the £75,000 tax credit arose on the £28,000 credit on the amortisation of the intangible assets acquired on the purchase of Momart in 2008, and the tax deductibility Board restructuring costs.

6. Expenses and auditor's remuneration

The following expenses / (incomes) have been included in the profit and loss	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Direct operating expenses of rental properties	142	142	-	-
Depreciation	1,406	1,387	-	-
Depreciation of computer software	53	39	-	-
Amortisation of intangible assets	136	142	-	-
Foreign currency differences	(2)	(60)	-	-
Impairment loss on trade and other receivables	36	16	-	-
Cost of inventories recognised as an expense	9,884	9,853	-	-
Operating lease payments	921	864	-	-

Auditor's remuneration	2016 £'000	2015 £'000
Audit of these financial statements	30	30
Other taxation services	4	4
Audit of subsidiaries' financial statements pursuant to legislation	62	62
Other assurance services	20	-
Total auditor's remuneration	116	96

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	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Ferry services	38	40	-	-
Falkland Islands; in Stanley	172	180	-	-
in UK	5	5	-	-
Art logistics & storage	129	131	-	-
Head office	4	6	4	6
Total average staff numbers	348	362	4	6

The aggregate payroll cost of these persons was as follows:

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Wages and salaries	10,804	11,307	460	761
Share-based payments (see note 25)	61	90	44	55
Social security costs	916	901	49	72
Contributions to defined contribution plans	301	274	9	9
Total employment costs	12,082	12,572	562	897

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

8. Finance income and expense

	2016	2015
	£'000	£'000
Bank interest receivable	27	15
Finance lease interest receivable	206	172
Total financial income	233	187

	2016	2015
	£'000	£'000
Interest payable on bank loans	(117)	(17)
Net interest cost on the FIC defined benefit pension scheme liability	(90)	(107)
Amortisation of loan fees	-	(15)
Finance lease interest payable	(240)	(246)
Unwinding of deferred consideration payable	(9)	(6)
Total finance expense	(456)	(391)

9. Taxation

Recognised in the income statement

	2016 £'000	2015 £'000
Current tax expense		
Current year	370	323
Adjustments for prior years	118	77
Current tax expense	488	400
Deferred tax expense		
Origination and reversal of temporary differences	230	412
Reduction in tax rate	(119)	-
Adjustments for prior years	(22)	(62)
Deferred tax expense	89	350
Total tax expense	577	750

Reconciliation of the effective tax rate

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	2,799	3,894
Tax using the UK corporation tax rate of 20% *(2015: 21%)*	560	818
Expenses not deductible for tax purposes	58	124
Gain on disposal of investment	(78)	(149)
Marginal relief	-	(1)
Effect of higher tax rate overseas	23	13
Difference in the rate of deferred tax	(108)	(32)
Income from joint ventures	26	(38)
Adjustments to tax charge in respect of previous periods	96	15
Total tax expense	577	750

Tax recognised directly in other comprehensive income

	2016 £'000	2015 £'000
Deferred tax (expense) / credit recognised directly in other comprehensive income	(56)	107

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. These planned changes in the future rates of UK corporation tax will reduce the company's future current tax charge accordingly. The deferred tax assets and liabilities in the United Kingdom at 31 March 2016 have been calculated based on the rates substantively enacted at the balance sheet date.

An additional reduction to 17% (effective from 1 April 2020), was announced in the Budget on 16 March 2016. It has not yet been possible to quantify the full anticipated effect of the announced reductions, although this will further reduce the Group's deferred tax liabilities and the Company's deferred tax asset accordingly.

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

10. Earnings per share

The calculation of basic earnings per share is based on profits on ordinary activities after taxation, and the weighted average number of shares in issue in the period, excluding shares held in Treasury and under the Employee Share Ownership Plan ('ESOP') (see note 26).

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

	2016 £'000	2015 £'000
Profit on ordinary activities after taxation	2,222	3,144

	2016 Number	2015 Number
Weighted average number of shares in issue	12,431,623	12,431,623
Less: shares held in Treasury	(31,725)	(18,381)
Less: shares held under the ESOP	(28,016)	(28,016)
Average number of shares in issue excluding the ESOP and shares held in Treasury	12,371,882	12,385,226
Maximum dilution with regards to share options	11,830	60,871
Diluted weighted average number of shares	12,383,712	12,446,097

	2016	2015
Basic earnings per share	18.0p	25.4p
Diluted earnings per share	17.9p	25.3p

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

Earnings per share on underlying profit	2016 £'000	2015 £'000
Underlying profit before tax (see note 5)	3,078	3,559
Taxation	(699)	(825)
Underlying profit after tax	2,379	2,734
Effective tax rate	*22.7%*	*23.2%*
Weighted average number of shares in issue excluding Treasury shares and the ESOP (from above)	12,371,882	12,385,226
Diluted weighted average number of shares (from above)	12,383,712	12,446,097
Basic earnings per share on underlying profit	19.2p	22.1p
Diluted earnings per share on underlying profit	19.2p	22.0p

11. Intangible assets

	Computer Software £'000	Customer relation-ships £'000	Brand names £'000	Non-compete agreements £'000	Goodwill £'000	Total £'000
Cost:						
At 1 April 2014	347	1,882	2,823	72	11,539	16,663
Goodwill arising on acquisition of a business	-	-	-	-	37	37
Additions	132	-	-	-	-	132
Disposals	-	(608)	-	(72)	-	(680)
At 31 March 2015 and 2016	479	1,274	2,823	-	11,576	16,152
Accumulated amortisation:						
At 1 April 2014	117	1,468	785	72	1,983	4,425
Depreciation of computer software	39	-	-	-	-	39
Amortisation of other intangibles for the year	-	142	-	-	-	142
Disposals	-	(608)	-	(72)	-	(680)
At 31 March 2015	156	1,002	785	-	1,983	3,926
Depreciation of computer software	53	-	-	-	-	53
Amortisation of other intangibles for the year	-	136	-	-	-	136
At 31 March 2016	209	1,138	785	-	1,983	4,115
Net book value:						
At 1 April 2014	230	414	2,038	-	9,556	12,238
At 31 March 2015	323	272	2,038	-	9,593	12,226
At 31 March 2016	270	136	2,038	-	9,593	12,037

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

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

The Momart brand 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.

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

11. Intangible assets *(continued)*

Goodwill

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

	Art logistics and storage £'000	Ferry Services (Ports-mouth) £'000	Falkland Islands £'000	Total £'000
At 1 April 2014	5,577	3,979	-	9,556
At 31 March 2015	5,577	3,979	37	9,593
At 31 March 2016	5,577	3,979	37	9,593

Impairment

The Group tests material goodwill annually for impairment or more frequently if there are indications that goodwill and / or indefinite life assets might be impaired. An impairment test is a comparison of the carrying value of the assets of a CGU, based on a value-in-use calculation, to their recoverable amounts. Where the recoverable amount is less than the carrying value an impairment results. During the year the goodwill and indefinite life intangibles for each CGU was separately assessed and tested for impairment, with no impairment charges resulting (2015: nil). As part of testing goodwill and indefinite life intangibles for impairment, forecasts of operating cash flows for the next five years are used, which are based on approved budgets and plans by the Board of Falkland Islands Holdings plc. These forecasts represent the best estimate of future performance of the CGUs based on past performance and expectations for the market development of the CGU.

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

Discount rates

Within impairment testing models, the cash flows of the Art Logistics and Storage CGU have been discounted using a pre-tax discount rate of 13.5% (2015: 13.7%), and the cash flows of the Ferry Services have been discounted using a pre-tax discount rate of 12.4% (2015: 12.4%). Management have determined that each rate is appropriate as the risk adjustment applied within the discount rate reflects the risks and rewards inherent to each CGU, based on the industry and geographical location it is based within.

Long term growth rates

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

Other assumptions

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

11. Intangible assets *(continued)*

Sensitivity to changes in assumptions

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

Assumptions specific to ferry services (Portsmouth)

Value in use was determined by discounting future cash flows in line with the other assumptions discussed above. Management have forecast consistent growth in cash flows of 2% in both the short and long term. The value in use was determined to exceed the carrying amount and no impairment has been recognised (2015: £nil). It is not considered that a reasonably possible change in any of these assumptions would generate a different impairment test outcome to the one included in this annual report. The key assumptions made in the estimation of future cash flows are the passenger numbers and the average revenue per passenger.

Assumptions specific to arts logistics and storage (UK)

Value in use was determined by discounting future cash flows in line with the other assumptions as discussed above. Cash flows were projected based on approved budgets and plans over the forecast period, with a long term growth rate of 2%. The carrying value of the unit was determined to not be higher than its recoverable amount and no impairment was recognised (2015: nil). The key assumptions made in the estimation of future cash flows are in relation to revenue. Sensitivity analysis as at 31 March 2016 has indicated that should the discount rate move by 0.3% this would result in an impairment charge being recognised in the financial statements in respect of the investment in Momart International Limited.

12. Property, plant and equipment

	Group				
	Freehold Land & buildings £'000	Long leasehold Land and buildings £'000	Ships £'000	Vehicles, plant and equipment £'000	Total £'000
Cost:					
At 1 April 2014	5,540	6,615	5,358	8,161	25,674
Additions in year	1,243	480	1,344	1,022	4,089
Acquired on purchase of a business	170	-	-	15	185
Disposals	(9)	-	-	(585)	(594)
At 31 March 2015	6,944	7,095	6,702	8,613	29,354
Additions in year	948	161	109	620	1,838
Transfer to stock	-	-	-	(202)	(202)
Disposals	(50)	(19)	-	(1,225)	(1,294)
At 31 March 2016	7,842	7,237	6,811	7,806	29,696
Accumulated depreciation:					
At 1 April 2014	1,719	865	1,232	5,249	9,065
Charge for the year	119	202	146	709	1,176
Disposals	(9)	-	-	(499)	(508)
At 1 April 2015	1,829	1,067	1,378	5,459	9,733
Charge for the year	152	231	229	723	1,335
Transfer to stock	-	-	-	(94)	(94)
Disposals	(50)	(16)	-	(1,142)	(1,208)
At 31 March 2016	1,931	1,282	1,607	4,946	9,766
Net book value:					
At 1 April 2014	3,821	5,750	4,126	2,912	16,609
At 31 March 2015	5,115	6,028	5,324	3,154	19,621
At 31 March 2016	5,911	5,955	5,204	2,860	19,930

The Company has no tangible fixed assets.

At 31 March 2016 the net carrying amount of leased long leasehold land and buildings and vehicles, plant and equipment was £4,481,000 and £532,000 for the Gosport Pontoon and trucks at Momart respectively, (2015: £4,584,000 and £328,000). During the year ending 31 March 2016, Momart acquired two sprinter vans and a truck on hire purchase, which cost £177,000 and were funded by £158,000 of finance leases. During the year ending 31 March 2015 the Group acquired one truck for Momart, which was purchased for £175,000, and financed with a £132,000 finance lease, and ten mobile homes for staff rentals were purchased by FIC at a total cost of £366,000 and installed on land leased from the Falkland Islands government.

At 31 March 2016, the group had entered into contractual commitments of £412,000, including £345,000 for the Momart Storage facility expansion, £32,000 for a truck at Momart and £35,000 for the pontoon refurbishment at Portsea. At 31 March 2015, the Group had capital commitments totalling £141,000 for trucks at Momart.

At 31 March 2016, £79,000 has been included within long leasehold properties in respect of the construction of the storage facilities for Momart. At 31 March 2015, £1,273,000 was included within Freehold properties above in respect of the new warehouse under construction in the Falklands, and £79,000 was included within plant and machinery of assets under construction for ticket vending machines for the Ferry.

13. Investment properties

	Group		
	Residential and commercial property £'000	Freehold land £'000	Total £'000
Cost:			
At 1 April 2014	2,902	773	3,675
Additions in year	508	-	508
Transferred on development of land	50	(50)	-
At 31 March 2015	3,460	723	4,183
Additions in year	16	-	16
Disposals	(9)	-	(9)
At 31 March 2016	3,467	723	4,190
Accumulated depreciation:			
At 1 April 2014	279	-	279
Charge for the year	211	-	211
At 31 March 2015	490	-	490
Disposals	(3)		(3)
Charge for the year	71	-	71
At 31 March 2016	558	-	558
Net book value:			
At 1 April 2014	2,623	773	3,396
At 31 March 2015	2,970	723	3,693
At 31 March 2016	2,909	723	3,632

The investment properties comprise residential and commercial property held for rental in the Falkland Islands. Investment properties include 400 acres, including 70 acres of land in Stanley, 58 acres of which have planning permission. In addition, the Group has 300 acres of land at Fairy Cove. These investment properties held by FIC have been reviewed by a Director of FIC who is resident in the Falkland Islands and is considered to have the relevant knowledge and experience to undertake the valuation. At 31 March 2016 the fair value of this property portfolio was estimated at £7.0 million (31 March 2015: £7.3 million) including development land valued at £2.2 million (2015: £2.2 million).

During the year to 31 March 2016, the Group received rental income of £565,000 (2015: £355,000) on these properties and from the ten mobile homes rented to staff, which are held in long leasehold property.

At 31 March 2016 and 2015 no investment properties were under construction.

The Company does not own any investment properties.

14. Investment in subsidiaries

	Country of incorporation	Class of shares held	Ownership at 31 March 2016	Ownership at 31 March 2015
The Falkland Islands Company Limited	UK	Ordinary shares of £1	100%	100%
		Preference shares of £10	100%	100%
The Falkland Islands Trading Company Limited	UK	Ordinary shares of £1	100%	100%
Falkland Islands Shipping Limited*	Falkland Islands	Ordinary shares of £1	100%	100%
Erebus Limited*	Falkland Islands	Ordinary shares of £1	100%	100%
		Preference shares of £1	100%	100%
Paget Limited*	Falkland Islands	Ordinary shares of £1	100%	100%
The Portsmouth Harbour Ferry Company Limited	UK	Ordinary shares of £1	100%	100%
Portsea Harbour Company Limited*	UK	Ordinary shares of £1	100%	100%
Clarence Marine Engineering Limited*	UK	Ordinary shares of £1	100%	100%
Gosport Ferry Limited*	UK	Ordinary shares of £1	100%	100%
Momart International Limited	UK	Ordinary shares of £1	100%	100%
Momart Limited*	UK	Ordinary shares of £1	100%	100%
Dadart Limited*	UK	Ordinary shares of £1	100%	100%

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

	Company 2016 £'000	2015 £'000
At 1 April 2015	28,249	29,004
Impairment of investment in Erebus	(102)	(790)
Cost of share based payments capitalised into subsidiaries	17	35
At 31 March 2016	28,164	28,249

The Company's investment in Erebus Limited comprised the Group's shareholding in Falkland Oil and Gas Limited (see Note 15). The Company's investment in Erebus is held at impaired cost, and in the year to 31 March 2016, this investment has been impaired by £102,000 (2015: £790,000) due to the disposal of the 5,000,000 shares in Falkland Oil and Gas, and the resulting fall in the investment.

15. Shares held in Falkland Oil and Gas Limited

In April 2015, the Group's residual holding of 5,000,000 FOGL shares was sold for proceeds of £1.4 million, generating a profit of £0.4 million for the Group.

	2015
Fair value of shares held in Falkland Oil and Gas Limited £'000	1,500
Falkland Oil and Gas Limited share price at 31 March	30.0p
Shareholding at 31 March (number of shares)	5,000,000
Group interest in Falkland Oil and Gas Limited	0.9%
Historic cost of shareholding to the Group (£'000)	1,008

16. Investment in Joint Venture

The Group has one joint venture (South Atlantic Construction Company Limited, "SAtCO"), which was set up in June 2012, with Trant Construction to bid for the larger infrastructure contracts which were expected to be generated by oil activity. Both Trant Construction and the Falkland Islands Company contributed £50,000 of ordinary share capital. SAtCO is registered and operates in the Falkland Islands. During the year ended 31 March 2016, an impairment provision has been made against certain plant and machinery owned by SAtCO as noted in the Managing Director's Strategic Report. The net assets of SAtCO following the impairment are shown below:

Joint Venture's balance sheet	2016 £'000	2015 £'000
Fixed assets	-	962
Current assets	1,269	1,020
Liabilities due in less than one year	(470)	(390)
Liabilities due in greater than one year	(527)	(1,060)
Net assets of SAtCO	272	532
Group share of net assets	136	266

Joint Venture's results	2016 Before Impairment £'000	2016 Impairment £'000	2016 After Impairment £'000	2015 £'000
Revenue	616	-	616	591
Cost of sales	(95)	-	(95)	(95)
Administrative expenses	(11)	-	(11)	(10)
Operating profit for the year	510	-	510	486
Impairment	-	(866)	(866)	-
Profit before taxation	510	(866)	(356)	486
Taxation	(110)	206	96	(126)
Joint Venture retained profit / (loss) for the year	400	(660)	(260)	360
Group share of retained profit / (loss) for the year	200	(330)	(130)	180

There were no recognised gains or losses, other than the profits disclosed above for the year ended 31 March 2016 (2015: none). £95,000 of depreciation was charged in the year ended 31 March 2016 (2015: £95.000).

The current assets balances above include £512,000 of cash (2015: £425,000). The liabilities due in less than one year are all trade payables. The liabilities due in greater than one year include loans to the parent companies of £527,000 (2015: £907,000).

SAtCO had no contingent liabilities or capital commitments as at 31 March 2016 or 31 March 2015 and the Group had no contingent liabilities or commitments in respect of its joint venture at 31 March 2016 or 31 March 2015.

17. Finance leases receivable

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

	Group	
	2016	2015
	£'000	£'000
Non-Current : Finance Lease debtors due after more than one year	755	458
Current : Finance lease debtors due within one year	810	647
Total Finance Lease debtors	1,565	1,105

The difference between the gross investment in the hire purchase leases and the present value of future lease payments due represents unearned finance income of £133,000 (2015: £110,000).

The cost of assets acquired for the purpose of letting under hire purchase agreements by the Group during the year amounted to £1,316,000 (2015: £881,000).

The aggregate rentals receivable during the year in respect of hire purchase agreements were £1,029,000 (2015: £793,000).

	Group	
	2016	2015
	£'000	£'000
Gross investment in hire purchase leases	1,698	1,215
Present value of future lease payments due:		
Within one year	810	647
Within two to five years	755	458
Total present value of future lease payments	1,565	1,105

18. Deferred tax assets and liabilities

Recognised deferred tax assets and (liabilities)	Group	
	2016	2015
	£'000	£'000
Property, plant & equipment	(1,865)	(1,669)
Intangible assets	(391)	(462)
Inventories	28	15
Other financial liabilities	39	50
Share-based payments	-	10
Tax losses	120	69
Total net deferred tax liabilities	(2,069)	(1,987)
Deferred tax asset arising on the defined benefit pension liabilities	687	750
Net tax liabilities	(1,382)	(1,237)

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

The deferred tax asset on the defined benefit pension scheme (see note 24) 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	
	2016	2015
	£'000	£'000
Other temporary differences	9	6
Net tax asset	9	6

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

Unrecognised deferred tax assets

Deferred tax assets of £113,000 (2015: £113,000) in respect of capital losses have not been recognised as it is not considered probable that there will be suitable chargeable gains in the foreseeable future from which the underlying capital losses will reverse.

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

Movement in deferred tax assets / (liabilities) in the prior year:	Group			
	1 April 2014 £'000	Recognised in income £'000	Recognised in equity £'000	31 March 2015 £'000
Property, plant & equipment	(1,373)	(296)	-	(1,669)
Intangible assets	(490)	28	-	(462)
Inventories	62	(47)	-	15
Other financial liabilities	75	(25)	-	50
Share-based payments	27	(17)	-	10
Tax losses	60	9	-	69
Pension	645	(2)	107	750
Deferred tax movements	(994)	(350)	107	(1,237)

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

Movement in deferred tax asset in the prior year:	Company			
	1 April 2014 £'000	Recognised in income £'000	Recognised in equity £'000	31 March 2015 £'000
Other temporary difference	4	2	-	6
Deferred tax asset movements	4	2	-	6

19. Inventories

	Group	
	2016 £'000	2015 £'000
Work in progress	912	715
Goods in transit	606	556
Goods for resale	4,723	4,120
Total Inventories	6,241	5,391

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

The Company has no inventories.

20. Trade and other receivables

	Company	
	2016 £'000	2015 £'000
Non-current		
Amount owed by subsidiary undertakings	3,465	1,813

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Current				
Trade and other receivables	3,920	4,512	-	-
Prepayments and accrued income	933	796	15	12
Total trade and other receivables	4,853	5,308	15	12

21. Cash and cash equivalents

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Cash and other cash equivalents in the balance sheet	14,037	7,435	11,761	9,379

22. Interest-bearing loans and borrowings

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

	Group	
	2016	2015
	£'000	£'000
Non-current liabilities		
Secured bank loans	2,863	598
Lease liabilities	4,992	4,982
Total non-current interest bearing loans and lease liabilities	7,855	5,580
Current liabilities		
Secured bank loans	401	137
Lease liabilities	145	156
Total current interest bearing loans and lease liabilities	546	293
Total liabilities		
Secured bank loans	3,264	735
Lease liabilities	*5,137	5,138
Total interest bearing loans and lease liabilities	8,401	5,873

Lease liabilities

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2016	2015	2016	2015	2016	2015
	£'000	£'000	£'000	£'000	£'000	£'000
Less than one year	384	395	239	239	145	156
Between one and two years	333	350	233	233	100	117
Between two and five years	914	852	678	680	236	172
More than five years	10,465	10,725	5,809	6,032	4,656	4,693
Total	12,096	12,322	6,959	7,184	*5,137	5,138

Net cash

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Cash balances (see note 21)	14,037	7,435	11,761	9,379
less: Total interest-bearing loans and borrowings	*(8,401)	(5,873)	-	-
Net cash	5,636	1,562	11,761	9,379

*Included within lease liabilities is £4,828,000 (2015: £4,858,000) in respect of the long term lease liability for the Gosport pontoon, with quarterly payments of £65,000 payable to Gosport Borough Council over the next forty-five years until 2061.

23. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Current				
Trade payables	6,612	5,398	-	-
Amounts owed to subsidiary undertakings	-	-	2,500	-
Other creditors, including taxation and social security	1,482	1,368	134	109
Interest rate swap liability	87	-	87	-
Accruals and deferred income	3,063	3,448	467	453
Total trade and other payables	11,244	10,214	3,188	562

24. Employee benefits: pension plans

The Group operates three defined contribution pension schemes. In addition, it also operates one unfunded defined benefit pension scheme in the Falkland Islands, which has been closed to new members and to future accrual. During the year ended 31 March 2016, 18 pensioners (2015: 19) received benefits from this scheme, and there are three deferred members at 31 March 2016 (2015: three). The weighted average duration of the expected benefit payments from the Scheme is around 16 years (2015: 16 years).

Defined contribution schemes

The pension cost charge for the year represents contributions payable by the Group to the schemes and amounted to £301,000 (2015: £274,000). The Group anticipates paying contributions amounting to £284,000 during the year ending 31 March 2016. There were outstanding contributions of £33,000 (2015: £75,000) due to pension schemes at 31 March 2016.

Defined benefit pension schemes

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

	Group	
	2016	2015
	£'000	£'000
Pension scheme deficit:		
The Falkland Islands Company Limited Scheme	(2,644)	(2,884)
Deferred tax asset	687	750
Net pension scheme deficit	(1,957)	(2,134)

The Falkland Islands Company Limited Scheme

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

Actuarial reports for IAS 19 purposes as at 31 March 2016, 2015, 2014, 2013, and 2012 were prepared by a qualified independent actuary, Lane Clark and Peacock LLP. The major assumptions used in the valuation were:

	2016	2015
Rate of increase in salaries	2.3%	2.3%
Rate of increase in pensions in payment and deferred pensions	3.0%	3.0%
Discount rate applied to scheme liabilities	3.4%	3.2%
Inflation assumption	3.1%	3.0%
Average longevity at age 65 for male current and deferred pensioners (years) at accounting date	22.4	22.6
Average longevity at age 65 for male current and deferred pensioners (years) 20 years after accounting date	24.6	24.7

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

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

Sensitivity Analysis

The calculation of the defined benefit liability is sensitive to the assumptions set out above. The following table summarises how the impact of the defined benefit liability at 31 March 2016 would have increased / (decreased) as a result of a change in the respective assumptions by 0.1%

	Effect on obligation	
	2016	2015
	£’000	£’000
Discount rate +/- 0.1%	41	46
Inflation assumption +/- 0.1%	(17)	(9)
Life expectancy +/- one year	(111)	(126)

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

Scheme liabilities

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

			Value at		
	2016	2015	2014	2013	2012
	£'000	£'000	£'000	£'000	£'000
Present value of scheme liabilities	(2,644)	(2,884)	(2,480)	(2,584)	(2,411)
Related deferred tax assets	687	750	645	671	579
Net pension liability	(1,957)	(2,134)	(1,835)	(1,913)	(1,832)

Movement in deficit during the year:

	2016	2015
	£’000	£’000
Deficit in scheme at beginning of the year	(2,884)	(2,480)
Pensions paid	115	115
Other finance cost	(90)	(107)
Re-measurement of the defined benefit pension liability	215	(412)
Deficit in scheme at the end of the year	(2,644)	(2,884)

Analysis of amounts included in other finance costs	2016	2015
	£’000	£’000
Interest on pension scheme liabilities	(90)	(107)

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

Analysis of amounts recognised in statement of comprehensive income:

	2016 £'000	2015 £'000
Experience gains arising on scheme liabilities	26	76
Changes in assumptions underlying the present value of scheme liabilities	189	(488)
Re-measurement of the defined benefit pension liability	215	(412)

History of experience gains and losses:

	2016	2015	2014	2013	2012
Experience gains / (losses) arising on scheme liabilities:					
Amount (£'000)	26	76	20	(34)	(30)
Percentage of year end present value of scheme liabilities	(1.0%)	(2.6%)	(0.8%)	1.3%	1.2%
Total amount recognised in statement of comprehensive income:					
Amount (£'000)	215	(412)	135	(173)	(289)
Percentage of year end present value of scheme liabilities	(8.1%)	14.3%	(5.4%)	6.7%	12.0%
Payment to pensioners	115	115	122	111	98

25. Employee benefits: share based payments

The following options were outstanding at 31 March 2016:

Date of Issue	Number	Exercise Price pence	Share price at grant date pence	Fair value per share pence	Total fair value £	Earliest Exercise date	Latest Exercise date
7 Aug 07	27,517	330.0	332.5	73.0	20,087	7 Aug 10	6 Aug 17
4 Dec 07	12,500	319.0	340.0	119.0	14,875	4 Dec 10	3 Dec 17
3 Apr 08	3,781	365.0	375.0	131.0	4,953	3 Apr 11	2 Apr 18
8 Apr 09	57,719	207.5	207.5	56.0	32,323	8 Apr 12	7 Apr 19
15 Jul 09	44,550	290.0	290.0	72.0	32,076	15 Jul 12	14 Jul 19
15 Jul 09	10,000	290.0	290.0	72.0	7,200	15 Jul 12	31 Jan 17
9 Dec 09	15,500	390.0	397.5	145.0	22,475	9 Dec 12	8 Dec 19
21 Dec 10	33,500	342.5	337.5	124.0	41,540	21 Dec 13	20 Dec 20
28 Apr 11	6,390	313.0	313.0	106.0	6,773	28 Apr 14	27 Apr 21
27 Jun 11	10,017	302.5	303.5	94.0	9,416	27 Jun 14	30 Apr 16
27 Jun 11	8,264	302.5	303.5	94.0	7,768	27 Jun 14	26 Jun 21
16 Dec 11	125,363	267.5	261.5	68.0	85,247	16 Dec 14	15 Dec 21
16 Dec 11	11,327	267.5	261.5	68.0	7,702	16 Dec 14	30 Apr 16
13 Aug 12	76,700	404.0	404.0	92.0	70,564	13 Aug 15	12 Aug 22
27 Nov 13	29,810	369.0	369.0	109.0	32,493	27 Nov 16	26 Nov 23
02 Dec 13	9,523	367.5	367.5	109.0	10,380	31 Jan 16	31 Jul 16
03 Sep 14	13,154	353.5	353.5	100.0	13,154	03 Sep 17	02 Sep 24
19 Jan 15	5,000	272.5	272.5	63.0	3,150	19 Jan 18	18 Jan 25
	500,615				422,176		

The total number of options outstanding at 31 March 2016, excluding nil cost options, was 500,615 (2015: 727,198). A reconciliation of the movement in options is shown below. The fair values of the options are estimated at the date of grant using appropriate option pricing models and are charged to the profit and loss account over the expected life of the options. The following table gives the assumptions made in determining the fair value of the unvested options.

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

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

	27 Nov 13	2 Dec 13	3 Sep 14	19 Jan 15
Expected Volatility (%)	39	39	38	37
Risk free interest rate (%)	2.09	2.19	2.07	1.23
Expected life of options (years)	6.5	6.5	6.5	6.5
Dividend yield (%)	3.12	3.13	3.25	4.22
Share price at grant date (pence)	369.0	367.5	353.5	272.5

All share options are equity settled. Share options issued without share price conditions attached have been valued using the Black-Scholes model. Share price options issued with share price conditions attached have been valued using a Monte Carlo simulation model making explicit allowance for share price targets. During the years ending 31 March 2016 and 31 March 2015 no options were exercised over ordinary shares. The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price (£) 2016	Number of options 2016	Weighted average exercise price (£) 2015	Number of options 2015
Outstanding at the beginning of the year	3.35	727,198	3.49	774,896
Forfeited during the year	3.82	(25,000)	3.66	(8,160)
Granted during the year	-	-	3.31	18,154
Lapsed during the year	3.89	(201,583)	5.20	(57,692)
Outstanding at the year end	3.10	500,615	3.35	727,198
Vested options exercisable at the year end	3.06	452,651	3.24	593,011
Weighted average life of outstanding options (years)	4.6		4.3	

The range of exercise prices of outstanding options at 31 March 2016 is from £2.075 (2015: £2.075) to £4.040 (2015: £4.250).
In addition to the options above, 22,642 nil cost options were granted to John Foster on 10 June 2015. These outstanding options are noted below:

Date of Issue	Number	Exercise Price pence	Share price at grant date pence	Fair value per share pence	Total fair value £	Earliest Exercise date	Latest Exercise Date
10 Jun 15	7,548	-	265.0	265.0	20,002	10 Jun 16	10 Jun 19
10 Jun 15	7,547	-	265.0	265.0	20,000	10 Jun 17	10 Jun 19
10 Jun 15	7,547	-	265.0	265.0	20,000	10 Jun 18	10 Jun 19
	22,642				60,002		

	2016 £'000	2015 £'000
Total share based payment expense recognised in the year	61	90

26. Capital and reserves

Share capital

	Ordinary Shares	
	2016	2015
In issue at the start and end of the year	12,431,623	12,431,623

	2016	2015
	£'000	£'000
Allotted, called up and fully paid Ordinary shares of 10p each	1,243	1,243

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

On 31 March 2000, an Employee Share Ownership Plan was established. At 31 March 2016 the plan held 28,016 (2015: 28,016) ordinary shares at a cost of £55,005 (2015: £55,005). The market value of the shares at 31 March 2016 was £56,312 (2015: £77,464). Shares held in the ESOP are entitled to receive a nominal 0.01p per share in each dividend payment.

Treasury shares

Following shareholder approval, received on 12 January 2016, the Company's share capital underwent a reorganisation, as a result of which the number of shareholders was reduced from 2,136 to 758. The existing ordinary shares were consolidated into ordinary shares of £100 each ("Consolidated Shares"), and the Company purchased the fractional entitlements of Small Shareholders (being those with less than 1 Consolidated Share) created by this consolidation. Following this purchase by the Company, the Consolidated Shares (including those purchased by the Company) were sub-divided into new ordinary shares of 10p each which were admitted to trading on 13 January 2016. The 297,505 new ordinary shares representing the fractional entitlements purchased by the Company were taken into Treasury.

On 2 February 2016, these 297,505 shares held in Treasury along with the 18,381 shares held in Treasury since August 2013, were sold for 231.95 pence each. 315,180 shares were sold to Blackfish Capital Management Limited, who now holds 2,815,180 shares in the Company. Edmund Rowland, the Chairman of the Company, is also a director of Blackfish Capital Management Limited. Following this sale, there are now no shares held in Treasury.

For more information on share options please see note 25.

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

Dividends

The following dividends were recognised in the period	2016	2015
	£'000	£'000
Final: None (2015: 7.5p) per qualifying ordinary share	-	929
Interim: None (2015: 4.0p) per qualifying ordinary share	-	495
	-	1,424

27. Financial instruments

(i) Fair values of financial instruments

Investments in equity securities

The fair value of the investment in Falkland Oil and Gas Limited was determined by reference to its quoted bid price at the balance sheet date.

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Interest- bearing borrowings

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

IAS 39 categories and fair values

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

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

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Investment in Falkland Oil and Gas Limited	-	1,500	-	-
Cash and cash equivalents	14,037	7,435	11,761	9,379
Hire purchase debtors	1,565	1,105	-	-
Trade and other receivables	3,920	4,512	15	12
Total assets exposed to credit risk	19,522	13,052	11,776	9,391
Interest rate swap liability	(87)	-	(87)	-
Financial liabilities at amortised cost	(11,157)	(10,214)	(3,188)	(562)
Interest-bearing borrowings at amortised cost	(8,401)	(5,873)	-	-

Available for sale financial assets are valued using a level 1 methodology. The interest rate swap has been valued using a level 2 methodology. All other financial instruments are based on level 3 methodology.

27. Financial instruments *(continued)*

(ii) Credit Risk

Financial risk management

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

Group

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

Company

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

Exposure to credit risk

The carrying amount of financial assets, other than available for sale financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £19,522,000 (2015: £13,052,000) being the total trade receivables, hire purchase debtors and cash and cash equivalents in the balance sheet. The credit risk on cash balances and the interest rate swap is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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

	Group	
	2016 £'000	2015 £'000
Falkland Islands	980	1,488
Europe	401	414
North America	345	433
United Kingdom	1,687	1,696
Other	507	481
Total trade receivables	3,920	4,512

The Company has no trade debtors

Credit quality of financial assets and impairment losses

Group	Gross 2016 £'000	Impairment 2016 £'000	Net 2016 £'000	Gross 2015 £'000	Impairment 2015 £'000	Net 2015 £'000
Not past due	2,932	-	2,932	3,473	-	3,473
Past due 0-30 days	619	-	619	633	-	633
Past due 31-120 days	133	-	133	228	-	228
More than 120 days	445	(209)	236	399	(221)	178
	4,129	(209)	3,920	4,733	(221)	4,512

27. Financial instruments *(continued)*

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

	Group 2016 £'000	2015 £'000
Balance at 1 April 2015	221	257
Impairment loss recognised	69	44
Impairment loss reversed	(33)	(28)
Cash received	(30)	(14)
Utilisation of provision (debts written off)	(18)	(38)
Balance at 31 March 2016	209	221

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

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

(iii) Liquidity risk

Financial risk management

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

At the beginning of the period the Group had outstanding bank loans of £0.7 million. In April 2015, a further loan of £2.4 million was drawn down, to be repaid over ten years, which has been secured against Harbour Spirit, the new vessel. In June 2015, the Group drew down a further £0.5 million to be repaid over ten years, which has been secured against the net assets of Falkland Islands Holdings plc and the net assets of all its UK subsidiaries. All payments due during the year with respect to these agreements were met as they fell due.

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

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

Liquidity risk – Group

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

2016	Carrying amount £'000	Contract-ual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Non-derivative financial liabilities						
Secured bank loans	3,264	3,684	494	494	2,696	-
Finance leases	5,137	12,096	384	333	914	10,465
Interest rate swap liability	87	146	43	37	66	-
Trade and other payables	11,157	11,157	11,157	-	-	-
Trade and other payables	19,645	27,083	12,078	864	3,676	10,465

27. Financial instruments *(continued)*

2015	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Non-derivative financial liabilities						
Secured bank loans	735	799	160	160	479	-
Finance leases	5,138	12,322	395	350	852	10,725
Trade and other payables	10,214	10,214	10,214	-	-	-
	16,087	23,335	10,769	510	1,331	10,725

The contractual cash flows for finance leases in the years ended 31 March 2016 and 31 March 2015 are significantly higher than the liability at the year end, as the finance lease for the Gosport pontoon with Gosport Borough Council is a 50 year finance lease with quarterly payments of £65,000 until 2061.

Liquidity risk – Company

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

2016	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Non-derivative financial liabilities						
Interest rate swap liability	87	146	43	37	66	-
Trade and other payables	601	601	601	-	-	-
	688	747	644	37	66	-

2015	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Non-derivative financial liabilities						
Trade and other payables	562	562	562	-	-	-
	562	562	562	-	-	-

(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.

27. Financial instruments *(continued)*

Group

31 March 2016	EUR £'000	USD £'000	Other £'000	Total Balance sheet exposure £'000	GBP £'000	Total £'000
Cash and cash equivalents	74	204	4	282	13,755	14,037
Trade and other receivables	-	-	-	-	4,853	4,853
Trade payables and other payables	(173)	(62)	(69)	(304)	(10,940)	(11,244)
Balance sheet exposure	(99)	142	(65)	(22)	7,668	7,646

31 March 2015	EUR £'000	USD £'000	Other £'000	Total Balance sheet exposure £'000	GBP £'000	Total £'000
Cash and cash equivalents	15	102	4	121	7,314	7,435
Trade and other receivables	-	38	-	38	5,270	5,308
Trade payables and other payables	(315)	(197)	(48)	(560)	(9,654)	(10,214)
Balance sheet exposure	(300)	(57)	(44)	(401)	2,930	2,529

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 2015.

	Equity		Profit or Loss	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
EUR	10	30	10	30
USD	(14)	6	(14)	6

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

Market risk – interest rate risk

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

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Fixed rate financial instruments				
Finance lease receivable	1,565	1,105	-	-
Lease liabilities	(5,137)	(5,138)	-	-
	(3,572)	(4,033)	-	-
Variable rate financial instruments				
Effect of Interest rate swap liability	(87)	-	(87)	-
Financial liabilities	(3,264)	(735)	-	-
	(3,351)	(735)	(87)	-

27. Financial instruments *(continued)*

At 31 March 2016, the group had three bank loans:

(i) £0.6 million repayable over five years, which has been secured against two vessels in Portsmouth. Interest is payable on this loan at 2.8% over the Bank of England base rate;
(ii) £2.2 million repayable over ten years, with interest charged at 2.6% above the bank of England base rate; and
(iii) £0.5 million repayable over ten years, with interest charged at 1.75% above the Bank of England base rate.

The interest payable on these loans has been hedged by one interest swap, taken out in October 2015 with a notional value of £3.6 million, with interest payable at the difference between 1.325% and the Bank of England Base rate. This interest rate swap notional value will decrease at £36,250 per month over five years until September 2020 when it will expire.

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 2015.

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Equity				
Interest rate swap liability	34	-	34	-
Variable rate financial liabilities	(33)	(7)	-	-
Profit or Loss				
Interest rate swap liability	34	-	34	-
Variable rate financial liabilities	(33)	(7)	-	-

Market risk – equity price risk

The Group no longer has an exposure to equity price risk since the sale of the shares in Falkland Oil and Gas Limited in April 2015 (see note 15).

(v) Capital Management

The Group's objectives when managing capital, which comprises equity and reserves at 31 March 2016 of £38,569,000 (2015: £36,688,000) 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.

28. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2016	2015
	£'000	£'000
Less than one year	910	841
Between one and five years	3,785	3,104
More than five years	8,895	7,402
	13,590	11,347

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

During the year £921,000 was recognised as an expense in the income statement of operating leases (2015: £864,000).

The Company had no operating lease commitments.

29. Capital commitments

At 31 March 2016, the group had entered into contractual commitments of £412,000, including £345,000 for the Momart Storage facility expansion at Unit 14 in Leyton, £32,000 for a truck at Momart and £35,000 for the pontoon refurbishment at Portsea. At 31 March 2015, the Group had capital commitments of £141,000 for trucks at Momart.

30. Related parties

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

Directors of the Company and their immediate relatives controlled 23.4% (2015: 21.0%) of the voting shares of the Company at 31 March 2016.

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

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Key management emoluments including social security costs	1,194	1,504	382	480
Termination payments, including social security costs	146	217	-	217
Company contributions to defined contribution pension plans	82	81	-	-
Share-related awards	52	69	39	52
Total key management personnel compensation	1,474	1,871	421	749

In the year ended 31 March 2016, the £378,000 loan due from the Group's joint venture, SAtCO, was repaid. This loan had arisen in December 2013, when the Group made a loan of £529,000 to SAtCO for the purchase of a 250 tonne crawler crane and heavy duty forklift to service the needs of the oil industry in the Falklands. £151,000 of this loan had already been repaid in the year ended 31 March 2015.

All staff involved in construction activities were contracted directly from parent companies FIC and Trant Construction and at 31 March 2016 and 2015 SAtCO had no permanent employees.

31. Accounting estimates and judgements

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

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

Actuarial assumptions have been used to value the defined benefit pension liability (see note 24). Management have selected these assumptions from a range of possible options following consultations with independent actuarial advisors.

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

Directors and Corporate Information

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