

Falkland Islands Holdings plc

Annual Report 2009



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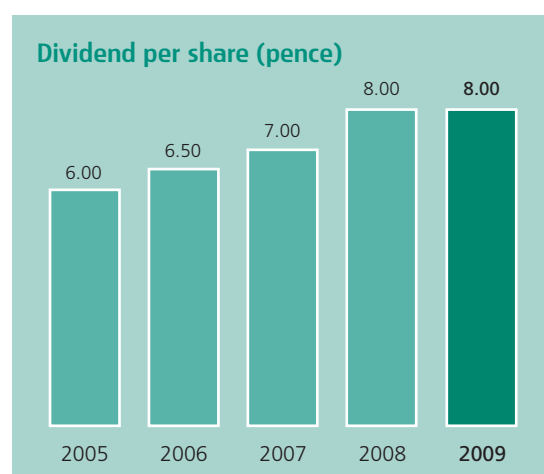
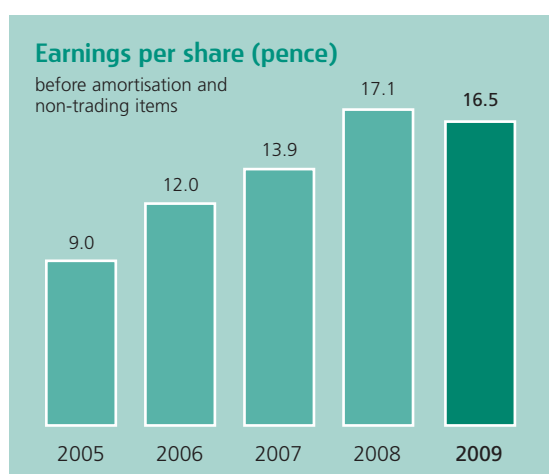
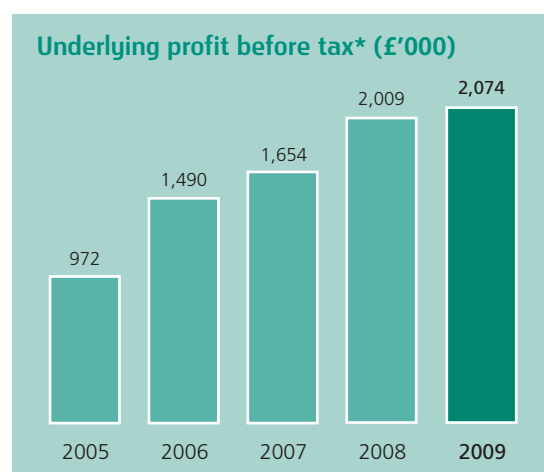
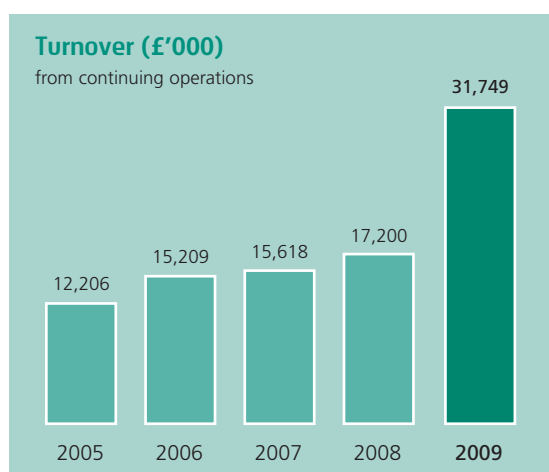
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Financial Highlights

FOR THE YEAR ENDED 31 MARCH 2009

	2009 £'000	2008 £'000	Change %
Turnover from continuing operations	31,749	17,200	84.6
(Loss)/profit before tax	(627)	1,909	(132.8)
Underlying profit before tax*	2,074	2,009	3.2
Earnings per share before amortisation and non-trading items	16.5p	17.1p	(3.5)
Dividend per share	8.0p	8.0p	–
Cash flow from operations	4,189	2,979	40.6
Net asset value per share	276p	376p	(26.5)

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



Chairman's Statement

David Hudd
Chairman



Against the severe economic downturn the Group has delivered a satisfactory result for the year ended 31 March 2009. Underlying profits before tax, defined as profit before tax, amortisation, and non-trading items, increased by 2% to £2.1 million (2008: £2.0 million) but the impact of non-recurring, non-cash items resulted in a loss after tax for the year of £1.2 million (2008 profit: £1.4 million). However, despite the reported loss the Group's finances remain robust and net debt was reduced by £1.9 million to £4.2 million. Earnings per share on underlying profits were 16.5p (2008: 17.1p) although basic loss per share was -12.8p as a result of the non-cash, non-trading items referred to above.

The Directors are pleased to be able to recommend the maintenance of the dividend at 8p per share.

The performances of our three trading businesses were mixed. The Portsmouth Harbour Ferry Company (PHFC) maintained profits with passenger numbers in line with last year, despite significant cost pressures early in the year. In the Falklands trading was difficult with lower profits resulting from reduced levels of economic activity and cost inflation.

Momart experienced a particularly challenging year where the decline in the commercial art market and a high reliance on overseas contractors resulted in profits falling significantly below earlier expectations. This led the Directors to review the carrying value of the Momart goodwill, and reduce it by £2.0 million. The fall in global interest rates meant that the revaluation of the Group's interest rate hedge resulted in a charge of £0.3 million. In addition to these non-trading, non-cash items, restructuring costs totalled £0.2 million and were offset by a profit on sale of investment properties of £0.2 million (2008: £nil).

Falkland Oil and Gas

The Group has retained its holding of 15 million shares in Falkland Oil and Gas Limited (FOGL) which at the year end had a market value of £10.9 million (2008: £18.5 million).

Further good progress was made towards drilling with the remaining site survey data collection work completed. This had three components: a site survey programme covering the four top ranked prospects, a geotechnical

boring programme and the deployment of wave and current meters. The objective is to be technically ready to drill by the end of the third quarter of 2009. Thereafter the timing of drilling is dependent upon rig availability.

Investor confidence in FOGL's prospects was confirmed in May 2009 when an institutional placing of 10.4 million new shares raised £7.2 million after expenses to cover costs in the pre-drilling phase. This issue of new shares reduced our shareholding to 14.6%.

Net assets

The Group's financial position remains strong after payment of £1.7 million of Momart deferred consideration and capital expenditure of £1.4 million. At the year end interest bearing obligations totalled £7.2 million and cash balances were £3.0 million. The Group retains a committed £2.0 million undrawn bank facility.

Outlook

Currently we do not anticipate any improvement in the trading performance of the Group this year although we expect good continuing cash flow which should demonstrate the resilience of our businesses.

In the Falklands the year has started slowly with the failure of the Illex squid season and increased retail competition. However, capital investment in the retail business and our property activities should improve performance late in the year.

In the UK activity in the commercial art market remains depressed with limited visibility, but the pipeline of exhibitions remains strong and the company's cost base has been reduced in line with current activity levels.

In Gosport the ferry business has remained resilient and we are working closely with the Borough Council on the provision of a new pontoon which will enhance the ferry experience and secure its future for the foreseeable future. Financing arrangements for the new pontoon are still under discussion.

Drilling for hydrocarbons in the South Atlantic by FOGL and others gets ever closer and remains a potentially transformational event for the Falkland Islands and your Company.

In what has been a difficult year we thank all our staff for their continued efforts and support.

David Hudd

Chairman

16 June 2009

Managing Director's Business Review

John Foster
Managing Director



Overview

The year to 31 March 2009 was a challenging year as the effects of the global economic downturn began to be felt, particularly in the second half of the year. Although none of the Group's operations were immune from the effects of recession, unlike many other companies the Group as a whole traded profitably, generating record levels of turnover and underlying pre-tax profits of £2.1 million.

Significant non-trading charges were incurred in the year although these were very largely non-cash in nature. All three of the Group's essential service businesses remained profitable throughout the year and most importantly the Group's net cash flow (net cash flow from operating activities, see page 25) after the payment of corporation tax rose by over 40% to £4.2 million.

Capital expenditure of £1.4 million was made during the year to strengthen the Group's operating infrastructure but despite this high level of investment, the Group was still able to pay an increased dividend and reduce its net borrowing from £9.1 million to £7.2 million retaining cash balances at 31 March 2009 of £3.0 million (2008: £3.0 million).

Turnover increased by 84% to £31.7 million

The year to 31 March 2009 saw Group turnover increase by over 84% to £31.7 million (2008: £17.2 million) as a result of the acquisition of Momart, the Group's fine art logistics business, in March 2008 which accounted for all the increase.

Underlying pre-tax profit ahead by 3% to £2.1 million

Before amortisation and non-trading items, after taking account of all normal operating expenditure and bank interest, the Group's underlying pre-tax profits showed a small increase over the prior year as shown above, rising to a record level of £2.1 million.

Underlying profit	2009 £m	2008 £m
Year ended 31 March		
(Loss)/profit before tax as reported	(0.63)	1.91
<i>Add back: amortisation and non-trading items</i>		
Amortisation of intangibles	0.40	0.03
Impairment of goodwill	1.98	–
Restructuring costs	0.23	–
Revaluation of interest rate collar	0.33	0.07
Less: profit on sale of investment properties	(0.24)	–
Underlying pre-tax profit	2.07	2.01

Underlying profit before tax excludes the amortisation of intangible assets, impairment of goodwill and non-trading items (profit on sale of investment properties, restructuring costs and fair-value movements on derivative financial instruments). See Segmental Analysis at note 3, page 39.

Impairment of goodwill and intangibles £2.0 million

Although Momart enjoyed record levels of activity in 2008/9, as a result of the downturn in the commercial art market in the second half of the year the Group reassessed the carrying value of the goodwill linked to the acquisition of Momart and as a result an impairment charge of £2.0 million was incurred, which together with the normal annual charge for the amortisation of intangibles of £0.4 million took the Group into loss during the year. Importantly these charges in relation to intangible assets had no cash impact on the Group and did not affect distributable reserves.

Non-trading items: Profit on sale of investment properties £0.2 million

The decision to upgrade the quality of the Group's property portfolio in the Falklands led to the sale of three older houses which generated these profits.

Restructuring costs £0.2 million

Restructuring costs relate both to redundancy costs at Momart where staff numbers were reduced by c.12% in March 2009 and costs in our Falklands operations incurred when the retail director retired after 32 years service to be replaced by an experienced executive recruited from the UK.

Revaluation of interest rate collar £0.3 million

To hedge the Group against increases in interest rates the Group has two interest rate collars which provide a cap on the maximum base rate payable by the Group and also

Managing Director's Business Review

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include a minimum figure payable. Approximately £5.1 million of the Group's loans are covered by such collars where the effective base rate paid by the Group is fixed at a floor rate of 4.25%. In addition to the increased bank interest charged in the profit and loss account as a result of having these effective floors to base rates, International Financial Reporting Standards require the revaluation of these financial instruments to market value at each balance sheet date. With the unprecedented fall in base rates to 0.5% in the second half of the year, the market value of the interest rate floors built in to these instruments, which represent a liability for the Group, increased sharply (for more details see notes 24 and 29). The provision made to reflect the market value of these instruments increased by £0.3 million in the year to £0.4 million (2008: £0.1 million) although there was no additional cash cost to the Group. This provision will reverse over the remaining life of the instruments and this charge has been disclosed as a non-trading item.

Reported pre-tax loss £0.6 million (2008: profit £1.9 million)

After the impairment of goodwill, normal amortisation charges and the other non-cash, non-trading items noted above, the Group reported a pre-tax loss of £0.6 million compared to a profit before tax of £1.9 million in the prior year.

Earnings per share

As noted above before amortisation and non-trading items, the Group's underlying profits increased by 3% during the year to £2.1 million from £2.0 million in 2008.

Underlying earnings per share derived from these underlying profits, decreased by 3.5% to 16.5p (2008: 17.1p). The Group's basic loss per share was 12.8p (2008: earnings per share of 16.3p).

Year ended 31 March	2009 £m	2008 £m	Change %
Underlying profit as above	2.07	2.01	3.0
Tax thereon	(0.58)	(0.56)	–
Underlying profit after tax	1.49	1.45	2.8
Average number of shares in issue (000's)	9,024	8,478	6.4
Basic underlying EPS	16.5p	17.1p	(3.5)
Basic EPS	(12.8)p	16.3p	(178.5)

Group performance

Revenue

Year ended 31 March	2009 £m	2008 £m	Change %
Falklands (FIC)	12.49	12.60	(1.0)
PHFC	3.72	3.53	5.4
	16.21	16.13	0.5
Momart	15.54	1.07	–
Total	31.75	17.20	84.6

In the Falklands, after adjusting for the closure of the Upland Goose Hotel, revenue from continuing activities increased by £0.3 million (+2.5%).

Portsmouth Harbour Ferry Company revenues continued to show a steady increase (+5.4%) with passenger numbers up 0.2% on the prior year and annual fare rises in June 2008 covering inflationary cost increases.

Falkland Islands Holdings plc

The Falkland Islands Company Limited

Percentage of shares held
100%

The Portsmouth Harbour Ferry Company Limited

Percentage of shares held
100%

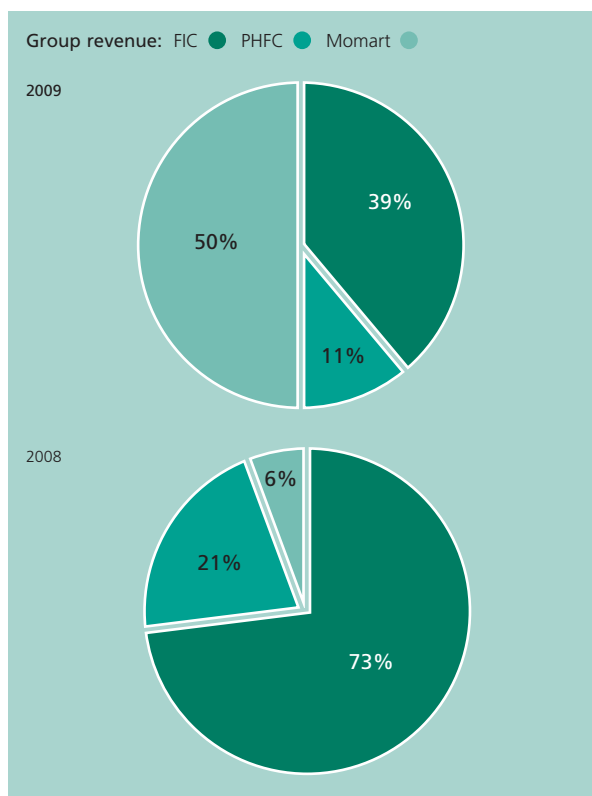
Momart International Limited

Percentage of shares held
100%

Falkland Oil and Gas Limited

Percentage of shares held *
14.6%

* Stated after the Falkland Oil and Gas Limited fund raising on 20 May 2009 (see page 10).



Momart revenues increased sharply as the Group benefited from a full 12 months contribution. Revenues reached record levels during the year although the deepening global recession saw activity fall back in the second half, particularly in Commercial Gallery Services.

Underlying operating profit

In the year to 31 March 2009 with a full year's contribution from Momart, underlying operating profits rose by 29.9% to £2.7 million.

Underlying operating profit			
Year ended 31 March	2009 £m	2008 £m	Change %
Falklands (FIC)	1.01	1.21	(16.5)
PHFC	0.78	0.72	8.3
Momart	0.86	0.11	–
Total	2.65	2.04	29.9

*Underlying operating profit = operating profit before amortisation and non-trading income and expense items (see Segmental Analysis, Note 3).

Finance costs

The Group's net financing cost rose sharply in the year to 31 March 2009 to £0.9 million (2008: £0.1 million)

although most of these relate to charges which did not involve cash outflows in the current year.

Year ended 31 March	2009 £m	2008 £m	(Increase) decrease
Net financing costs as shown in Income Statement	(912)	(101)	(811)
<i>Made up of:</i>			
Pension finance costs	(130)	(129)	(1)
Interest collar revaluation	(334)	(72)	(262)
Notional interest on deferred consideration	(104)	(4)	(100)
Amortisation of bank fees	(30)	–	(30)
Total non-cash items	(598)	(205)	(393)
Lease interest income	74	64	10
Net bank interest paid	(388)	40	(428)
Total net financing costs	(912)	(101)	(811)

As shown above net bank interest actually paid/received amounted to £388,000 (2008: Net income £40,000).

Managing Director's Business Review

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Bank interest cover

Year ended 31 March	2009 £m	2008 £m
Underlying operating profit as above	2.65	2.04
Net bank interest (paid)/received	(0.39)	0.04
Bank interest cover	6.8x	n/a

Net bank interest payable was covered more than 6 times by underlying operating profits.

Operations

Falkland Islands Company (FIC)

2008/9 was a satisfactory year, but local demand remained subdued and overall profitability fell back from the exceptional levels seen in the prior year.

Year ended 31 March	2009 £m	2008 £m
Revenue		
Retail	7.95	7.97
Automotive	1.95	2.07
Other services	2.59	2.18
	12.49	12.22
Upland Goose Hotel	–	0.38
Total FIC revenue	12.49	12.60
Underlying operating profit	1.01	1.21
Operating margin (%)	8.1	9.6

Retailing in Stanley remained competitive in 2008/9 with continued pressure on margins particularly in the West Store supermarket where overall sales fell by 1.0%. In contrast at the company's DIY Home Builder and Home Living outlets, which benefited from investment and rebranding in the prior year, revenues proved more resilient, increasing by 4.2% vs. 2007/8 (DIY revenues accounted for c.17% of overall retail sales). In overall terms total retail sales were flat at £8.0 million during the year (2008: £8.0 million).



In anticipation of an increase in selling space at FIC's principal retail competitor in Stanley, work commenced during the year on the expansion of the company's own West Store supermarket. Completion of the expansion is scheduled late in the new financial year and as a result selling space will increase by some 50% and a car park will be provided with trolley access to a new entrance at the rear of the store. In addition, FIC's management team was strengthened during the year by the recruitment of new Retail Director, Paul Lewis, who has over 20 years experience of UK supermarket and non-food retailing. These actions will help FIC retain its leading market position in Stanley.

Automotive revenues declined from the record levels seen in 2007/8 as sales of budget 4x4's slowed due to the adverse movement in the dollar exchange rate forcing up vehicle prices. At Darwin Shipping, the level of third party freight revenue remained satisfactory but was below levels seen in the prior year.

FIC's Fishing Agency profits fell back from the bumper levels seen in 2007/8 but a reasonable Illex squid catch in April/May 2008 helped deliver a satisfactory performance. As in prior years Insurance and Travel continued to make steady progress and rental income



Aerial view of central Stanley, the Group's Capstan Gift Store and West Store supermarket in the foreground.

from FIC's property portfolio increased helped by the construction of four new apartments in central Stanley. A particular highlight in the second half of the year was Penguin Travel which saw revenues from land-based excursions for cruise ship passengers landing in Stanley increase sharply as the result of a new contract with leading cruise operator Holland America Lines.

During the year work commenced on the conversion of the former Upland Goose Hotel into a unique development of 12 residential properties with a prime location on the waterfront in central Stanley. The conversion work is expected to be complete and the units available for sale in late 2009.

Operating profits in the Falklands were squeezed during the year by competitive pressure on gross margins in retailing and a general increase in costs (local RPI rose by 5.3%). As a result, in the year to 31 March 2009 underlying operating profits in Stanley (after the allocation of head office costs) fell back from £1.2 million to £1.0 million.

At the pre-tax level, the Falklands businesses activities generated an underlying profit before tax of £1.1 million, a decrease of £0.2 million on the prior year (2008: £1.3 million).

Portsmouth Harbour Ferry Company (PHFC)

Year ended 31 March	2009 £m	2008 £m	Change vs. 2007/8 %
Revenue from ferry fares	3.46	3.32	4.2
Other ferry revenue	0.26	0.21	23.8
Total ferry revenue	3.72	3.53	5.4
Underlying operating profit	0.78	0.72	8.3
Operating margin (%)	20.1	20.4	(0.3)
Passenger journeys (000's)	3,672	3,664	0.2

PHFC performed well during the year posting an increase in both revenue and underlying operating profits.

Passenger numbers in the first half increased by 2% over 2007 with the sharply rising cost of petrol encouraging more car users to cross the harbour by water. In the quieter winter period like-for-like passenger numbers declined as discretionary weekend leisure journeys

Managing Director's Business Review

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Spirit of Gosport departing Gosport.

were affected by the onset of recession. Despite the economic downturn, the total number of passenger journeys remained largely unchanged over the year as a whole.

During the year the core passenger ferry service accounted for more than 90% of revenue but PHFC also continued to provide water taxi services for Berkeley Homes, with a shuttle service operating at peak times, taking residents from Royal Clarence Marine on the Gosport shore to our pontoon at Portsea. In addition PHFC continued with its programme of summer leisure cruises in the Solent area, with turnover up £21,000 producing a small positive contribution in the year.

As in the prior year, fares were increased on 1 June 2008, with normal daily adult return fares rising by 4.8% to £2.20 and fares for regular users buying open 10-trip tickets increasing from £8.40 to £9.00, offering regular ferry users return crossings at well under £2.00. In addition, the Company continued to offer concessionary fares to children and seniors over 60.

With a 0.2% increase in passenger numbers and fare rises in June, total revenue from PHFC increased by 5.4% to £3.7 million.

2008/9 initially saw rapid cost inflation with particularly large increases in the price of fuel, which fell back later in the year. With close control of costs, after the allocation of head office costs, underlying operating profit of the

ferry operations increased from £0.7 million to £0.8 million in the year to 31 March 2009.

After interest charges PHFC generated a profit before tax of £0.6 million compared to £0.6 million in 2007/8.

The ferry currently benefits from the free use of the pontoon on the Gosport side of the harbour which is owned by Gosport Borough Council. We are in advanced negotiations with the Council to build a replacement pontoon which is expected to be installed in late 2009. Although discussions with the Council are still in progress it has been accepted in principle that the economic cost of the new pontoon will be borne by the ferry company and ultimately by passengers. Fare increases will be kept to the minimum necessary to avoid damaging passenger goodwill but even after the withdrawal of the effective Council subsidy and the consequent increase in fares, the absolute cost for ferry users will still be modest and the service will continue to offer excellent value for money compared to alternative modes of transport.

The success of the Gosport ferry is underpinned by a remarkable safety and reliability record. In 2008/9 operating 18½ hours each day over 364 days, over 99.8% of all 72,000 ferry trips departed on time, an improvement of 0.2% on the prior year. In turn both the safety record and the reliability of this essential service rest upon the exceptional commitment and expertise of ferry staff who, as with our business in the Falklands, are proud to be a part of the community they serve.

Momart

Momart, the Group's fine art and logistics company, was acquired on 5 March 2008 and this is the first year where a full 12 months of its activities have been consolidated into the Group's results.

The company is the UK's leading provider of specialist art logistics services to public museums, private collections and commercial art galleries. Momart's reputation for providing the highest standards of service and support to its extensive public and private client base is recognised internationally.

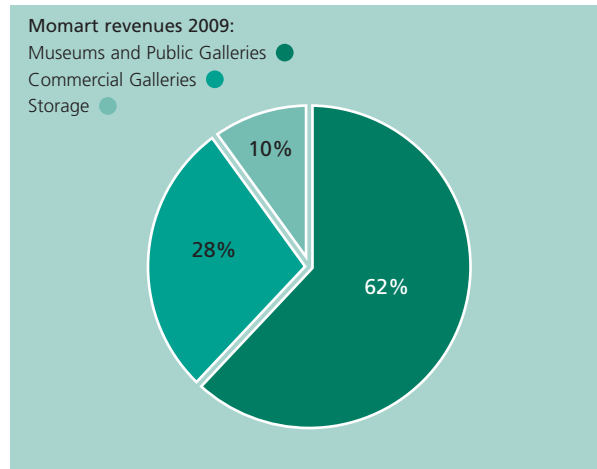
Year ended 31 March	2009 £m	2008* £m
Museums and public exhibitions	9.66	0.64
Commercial galleries	4.36	0.32
Storage	1.52	0.11
Total revenue	15.54	1.07
Underlying operating profit**	0.86	0.11
Operating margin (%)	5.5	10.2

*2008 comparative reflects only 26 days of post acquisition trading.
 **Underlying operating profit is shown before restructuring costs after the allocation of head office overheads.

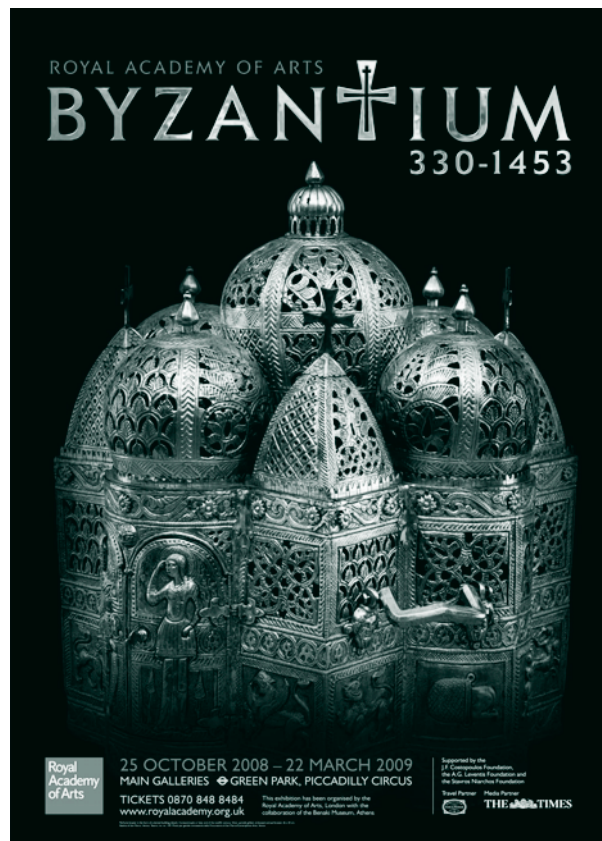
In May 2008 the company moved from its old premises in Hackney to newer more spacious modern offices in Whitechapel which offer an improved working environment for staff and a more professional facility for clients.

Momart enjoyed a strong start to the year and revenues across its three divisions were well ahead of 2007 levels. Much of Momart's activities involve utilising specialist agents in Europe and the US who provide assistance with the movement of art works. From mid-year onwards the rapid weakening of Sterling against the Euro led to a sharp increase in the cost of these agents' services which rose from just 27% in 2007/8 to over 44% of the company's direct cost for the year ended 31 March 2009. This sharp rise in costs could not be fully recovered from clients and this had a significant downward impact on gross margins. At the half year this pressure on margins had offset all the benefit of increased revenues. In the second half this trend continued and in addition there was a marked reduction in transaction volume in the global commercial art market, which in turn led to a rapid contraction in demand for Momart's Gallery Services division.

In response to the changing market conditions in the early part of 2009 the decision was taken to reduce the



company's cost base by a limited programme of voluntary and compulsory redundancies focussed principally on Gallery Services and central administration. Momart's total workforce was reduced by 12% at a cost of £0.1 million in restructuring charges. Annual savings are estimated at £0.5 million. In addition an internal reorganisation was effected to improve flexibility and the company's capacity to respond rapidly to changing client needs.



Per gentile concessione della Procuratoria di San Marco, Venezia.

Momart was the contracted transport and logistics agency for the Byzantium Exhibition at the Royal Academy in 2008/9.

Managing Director's Business Review

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Notwithstanding the problems seen in Gallery Services where like-for-like revenues fell over the year by 4% (after being ahead 26% at the half year), demand in the company's largest division, Exhibition Services, was strong throughout 2008/9. Exhibitions supported by Momart during the year included Babylon at the British Museum, the Klimt exhibition at Tate Liverpool, Van Dyck and Britain at Tate Britain and Byzantium at the Royal Academy. As a result of this surge in activity, like-for-like Exhibition revenues grew in the year to 31 March 2009 by 54% to over £9.6 million.

Revenues from Storage also grew healthily, rising steadily during the year by 19% to over £1.5 million and a new 6,000 sq. ft. warehouse was leased in November 2008 to cope with increased demand.

After the allocation of head office costs, underlying operating profits at Momart were £0.9 million (2008: £0.1m).

Falkland Oil and Gas Limited (FOGL)

The Group continues to hold its strategic stake in FOGL of 15 million shares which, following the recent fund raising at the oil and gas company in May 2009, now represents a 14.6% interest in the enlarged equity of FOGL.

Following the farm-in agreement with BHP Billiton (BHPB) in October 2007, FOGL retains a 49% interest in the license area it has developed in the East Falklands basin. BHPB holds the other 51% and has operating responsibility for progressing exploration. As part of the October 2007 farm-in agreement BHPB has agreed to fund 68% of the exploration costs for a minimum of two wells.

On 20 May 2009, FOGL announced it was to issue a further 10.45 million shares at a price of 73p generating net proceeds of £7.2 million. These will be used to provide additional working capital to fund long-lead drilling equipment and administrative costs through 2010 and into 2011. The Directors of FOGL also announced that they expect to raise the additional capital required to fund the Company's share of the drilling programme through a further farm-out and/or equity issue in due course.

During the year further progress was made with preparations for drilling. After careful deliberation with BHPB a number of potential sites for drilling have been selected and site surveys completed in these locations. Environmental Impact Assessments are under way and BHPB hopes to secure consents for drilling from the Falklands Islands Government and commence detailed planning of the logistics of drilling later in the year.

FOGL's operating partner BHPB's license commitments require it to start drilling before the end of 2010. A drill date has yet to be announced and will depend upon rig availability. BHPB is actively searching for a suitable deep water rig and although the rig market remains tight with all 35 suitable rigs currently contracted, availability is expected to improve and rates are expected to fall over the coming months.

FOGL's management believe the East Falklands basin will prove economically viable with oil prices as low as \$25 per barrel.

At 31 March 2009 the bid price of FOGL shares was 72.5p (31 March 2008: 123p) giving a market value for FIH's shareholding of £10.9 million (2008: £18.5 million). The investment has a base cost to the Group of £2.5 million equivalent to 16p per share.

Balance sheet

The Group's Balance Sheet remains strong with net assets as at 31 March 2009 of £24.9 million (2008: £34.0 million) borrowing of £7.2 million (2008: £9.1 million) and cash balances of £3.0 million (2008: £3.0 million).

The carrying value of intangible assets fell by £2.4 million to £13.9 million following the decision to write down the value of goodwill arising from the acquisition of Momart by £2.0 million and normal annual amortisation charges of £0.4 million.

The net book value of property, plant and equipment increased by £0.3 million to £7.7 million in the year to 31 March 2009. Fixed asset additions totalled £1.3 million while the depreciation charge for the year amounted to £0.8 million.

The Group's investment properties comprise commercial and residential properties in the Falkland Islands held for rental. The net book value of these properties increased by £0.2 million following the construction of four new apartments which were transferred from property plant and equipment. The Directors estimate that the fair value of this property portfolio at 31 March 2009 was £2.5 million compared to a book value of £1.1 million.

The Group's holding of 15 million shares in FOGL is shown under Financial assets – available for sale equity securities. The number of shares held remained unchanged during the year. Under IFRS, the investment is shown at market value which at 31 March 2009 amounted to £10.9 million (2008: £18.5 million).

Deferred tax assets relating to future pension liabilities remained unchanged at £0.5 million.

Inventories decreased from £3.3 million to £2.6 million at 31 March 2009. £0.3 million of the £2.6 million relates to work in progress at Momart (2008: £0.2 million) and the balance of £2.3 million represent stock held for resale in the Group's retail operations in the Falklands, which saw a sharp reduction of c.£1.0 million during the year. This decrease was due in part to a reduction in vehicle stocks of c.£0.3 million reflecting lower expected orders of 4x4 vehicles and also to timing differences in the arrival of replenishment stocks from the UK.

Trade and other receivables balances were reduced by £1.1 million, decreasing from £5.4 million in March 2008 to just £4.4 million as at 31 March 2009 as part of a focussed effort to improve debtor collection.

Despite the payment of £1.7 million in deferred consideration to the former owners of Momart and bank loan repayments of a further £0.6 million, the Group retained healthy cash balances of £3.0 million at 31 March 2009 (2008: £3.0 million).

Following these scheduled repayments the Group's loans and bank borrowing were reduced from £9.1 million at the start of the year to £7.2 million as at 31 March 2009. £2.1 million of these loans are due for repayment in the coming year and are shown under current liabilities.

Income tax payable within the next 12 months reduced to £0.5 million (2008: £1.4 million) as a result of making payments on account in respect of taxes due at Momart.

As noted above the Group has hedged its interest rate exposure by taking out a structured collar to guard against adverse movements in interest rates. Under IFRS these instruments are included in the balance sheet as derivative financial instruments at fair value, which at 31 March 2009 represented a liability of £0.4 million (2008: £0.1 million).

Trade and other payables increased from £7.6 million to £7.9 million. As in prior years these balances also include extended credit arrangements with long-standing suppliers connected to the Group's Falklands business.

As at 31 March 2009, the liability due in respect of the Group's defined benefit pension schemes decreased marginally to £2.0 million (2008: £2.1 million). The scheme in the Falklands is unfunded and liabilities are met as they fall due from operating cash flow. At PHFC a structured programme of regular annual payments has been agreed with the UK Pensions Regulator to eliminate the deficit of £0.2 million over the medium term.

Deferred tax liabilities at 31 March 2009 were essentially unchanged from the prior year at £2.1 million (2008: £2.1 million).

Net assets per share were 276p per share at 31 March 2009 (2008: 376p per share).

Cash flow

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

Year ended 31 March	2009 £m	2008 £m
Underlying PBT	2.1	2.0
Depreciation	0.8	0.5
Interest payable	0.5	–
Restructuring costs	(0.2)	–
EBITDA	3.2	2.5
Share based payments	0.3	0.1
Decrease in working capital	2.1	0.9
Tax paid	(1.4)	(0.5)
Net cash flow from operating activities	4.2	3.0

Cash flow from operating activities

With the downturn in the global economy the Group increased its focus on cash management and generated a strong positive cash flow.

Reflecting the expanded operating capacity of the Group, EBITDA increased to over £3.6 million (2008: £2.8 million) and with the effective management of working capital producing another £2.0 million, despite an increase of £1.0 million in corporation tax paid, net cash flow from operating activities increased by £1.2 million to over £4.2 million.

Cash flow from investing and financing activities

During the year the Group paid a dividend to shareholders of £0.7 million: 8p per share (2008: 7.0p per share). To strengthen its operating base, £1.4 million was invested in fixed assets across the Group (2008: £0.9 million). £0.7 million was committed in the Falklands on the conversion of the Upland Goose Hotel, further investment in the West Store and construction of new investment properties; £0.6 million was invested in new vehicles and office equipment at Momart. With higher borrowing arising from the acquisition of Momart net bank interest paid over the year increased to £0.4 million (2008: £nil). £0.3 million was

Managing Director's Business Review

CONTINUED

generated from the sale of three older houses within FIC's property portfolio.

During the year the Group drew down £0.2 million in lease finance linked to vehicle purchases, made scheduled repayments of bank loans of £0.6 million and paid £1.7 million in deferred consideration in connection with the acquisition of Momart. After making these payments of £2.3 million the Group's cash deposits were unchanged at £3.0 million.

Year ended 31 March	2009 £m	2008 £m
Net cash flow from operating activities	4.2	3.0
Less:		
Dividends paid	(0.7)	(0.6)
Capital expenditure	(1.4)	(0.9)
Net bank interest	(0.4)	–
Sale of properties	0.3	–
Draw down of loan	0.2	3.8
Purchase of Momart	(1.7)	(5.4)
Loan repayments	(0.6)	(1.9)
Other	0.1	–
Net cash flow	0.0	(2.0)
Cash balance b/fwd	3.0	5.0
Cash balance c/fwd	3.0	3.0

Trading outlook for 2009/10

The Group remains well placed to deliver a solid level of underlying profitability and cash flow but in the current environment there are limited growth prospects.

In the Falklands the failure of the Illex squid catch in April/May 2009 saw an early closure to the fishery and minimal returns for FIC's fishing agency. In retailing FIC faces further pressure from a newly enlarged competitor supermarket although the opening of the new West Store extension later in the year should help redress the balance. Sales are also expected to commence of the 12 unique heritage properties that make up the Upland Goose development.

At Momart the company's cost base has been lowered and made more flexible, but no meaningful recovery in demand is anticipated in the near term.

Revenue from the Gosport Ferry is expected to remain stable although the installation of the new pontoon in the

second half of the year will have a significant impact on costs and fares in future years.

With demand for the Group's varied services generally flat, the focus of the coming year will be on cost control and cash generation.

Business drivers, risk factors and key performance indicators

Business drivers

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

The Group's businesses in the Falklands and Gosport have strong ties to the local communities they serve and activity is linked in turn to the local demand for their goods and services. In addition demand is boosted by tourist activity and both locations have benefited from increasing tourist numbers in recent years. In the Falklands the strength of the economy is closely linked to the fortunes of the fishing industry and in particular the success of the unpredictable Illex squid season which runs from February to May. In the future the outcome of the oil exploration programme is likely to have a major impact on the Falklands economy.

At Momart activity in the art market is closely correlated with the performance of the wider global economy albeit with a time lag. In the commercial art market, levels of disposable income among high net worth individuals are a key driver and in the museums sector government and corporate sponsorship are important sources of funding in addition to public admissions revenue which is on an increasing trend. In addition with pressures on institutional budgets the out-sourcing of specialist services by museums and institutions is increasing.

Income generated from travelling international exhibitions is an important source of revenue for museums and galleries and is attractive as a means of informal diplomacy for those nations with major cultural inventories. In addition, despite the global downturn the art market is still continuing to develop with the emergence of new buyers, patrons and artists in the Middle East, Far East and Russia.

Risk factors

PHFC and FIC are both sensitive to changes in local economic conditions. The level of local competition also

affects their performance. In the Falklands, FIC faces competition in almost every area of its operations but due to the Company's long established position and accumulated expertise, in most sectors in which it operates FIC has the largest market share. The situation is fluid and maintaining leadership depends on continued innovation, investment and a commitment to excellence in customer service.

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

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

Key performance indicators

At Group level management attention is focussed on revenue, costs and the contribution generated by each sub-group of businesses. In the Falklands businesses like for like revenue growth is a key measure of performance, especially for the retail outlets which account for two-thirds of revenues. In addition to sales trends gross margins by product and general costs are also kept under close review.

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

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



John Foster

Managing Director

16 June 2009

Board of Directors and Secretary

David Hudd (64) Chairman

David joined the Board on 4 March 2002 and is Chairman of the Nominations Committee. He is a Chartered Accountant and was a partner in Price Waterhouse until 1982. Since then, he has been Chairman or Chief Executive of a number of listed companies. He was, until April 1998, Executive Chairman of Vardon plc (now Cannons Group Limited), a Company he founded. He is currently non-executive Deputy Chairman of both Falklands Oil and Gas Limited and Falkland Gold and Minerals Limited.

John Foster (51) Managing Director

John joined the Board on 26 January 2005. He is a Chartered Accountant and previously served as Group Finance Director for Macro 4 plc between 2000 and 2003, and Hamleys plc between 1998 and 2000. Prior to joining Hamleys, he spent three years as Corporate Finance Director of Ascot plc and before that worked for nine years as a venture capitalist with a leading investment bank in the City.

Sir Harry Solomon (72) Non-executive Director

Sir Harry was appointed to the Board on 8 December 1999. He qualified as a solicitor in 1960 and entered private practice. He was joint founder and Chief Executive Officer of Hilldown Holdings plc and subsequently became Chairman, resigning in 1992. He is currently a Director of a number of companies both private and public. He is a member of the Company's Nominations and Audit Committees and a member and Chairman of the Remuneration Committee.

Mike Killingley (58) Non-executive Director

Mike was appointed to the Board on 26 July 2005, having previously been appointed non-executive Chairman of the Portsmouth Harbour Ferry Company Limited, following the Company's successful bid. He is a Chartered Accountant and was a partner of KPMG (and predecessor firms) from 1984 to 1998. He is currently non-executive Chairman of Beale plc, a listed Company. He was previously non-executive Chairman of Southern Vectis plc and Conder Environmental plc, both listed on AIM. He is Chairman of the Audit Committee and a member of the Remuneration Committee.

James Ivins (44) Company Secretary

James joined the Group as Company Secretary on 26 February 2007. He is a Fellow of the Chartered Association of Certified Accountants. James commenced his career in the City of London and has over a decade of international business experience with public and private companies.

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 2009.

Results and dividend

The Group's result for the year is set out in the Group Income Statement on page 22. The Group loss for the year after taxation amounted to £1,153,000 (2008 profit: £1,378,000). Basic earnings per share were a loss of 12.8p (2008: earnings per share 16.3p). The Directors recommend a dividend of 8.0p per share (2008: 8.0p per share) which, if approved by shareholders at the forthcoming Annual General Meeting will be paid on 2 November 2009 to shareholders on the register at close of business on 9 October 2009. This has not been included in creditors as it was not approved before the year end. Dividends paid during the year comprise a dividend of 8.0p per share in respect of the previous year ended 31 March 2008.

Principal activities and business review

The business of the Group during the year ended 31 March 2009 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 Business Review on pages 3 to 13 which 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

Leonard Licht resigned from the Board on 31 December 2008. The Board wishes to record its appreciation for his contribution and long service to the Company.

Directors' interests

The interests of the Directors in the issued shares and share options over the shares of the Company are set out below under the heading "Directors' interests in shares" on pages 17 and 18. 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 26 on pages 58 to 63.

Share capital and substantial interests in shares

During the year no share options were exercised (2008: 35,000). There have been no changes to the authorised share capital which remains 12,500,000 shares.

Further information about the Company's share capital is given in note 28 on page 66. Details of the Company's executive share option scheme and employee ownership plan can be found on pages 17 and 18 and in note 27 on pages 63 and 64.

Directors' Report

CONTINUED

The Company has been notified of the following substantial interests in the issued ordinary shares of the Company as at 31 March 2009.

	Number of shares	Percentage of shares in issue
Artemis Investment Management	1,082,887	11.95
L S Licht	795,000	8.77
Sir Harry Solomon	433,677	4.79
Dolphin Fund plc	414,609	4.58
Jupiter Asset Management	350,213	3.87

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 2009 or 31 March 2008.

Charitable and political donations

Charitable donations made by the Group during the year amounted to £15,401 (2008: £24,160), largely to local community charities in Gosport and the Falkland Islands. In the Falkland Islands donations amounted to £11,125, of which the largest was £6,000 to the Falkland Islands Overseas Games Association. There were no political donations.

Disclosure of information to auditors

The Directors who held office at the date of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

Auditors

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

Annual General Meeting

The Company's Annual General Meeting will be held at the London offices of Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB at 2.30 pm on 10 September 2009. 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 2009 and in the preceding year follows:

	Salary £'000	Bonuses £'000	Benefits £'000	Pensions £'000	Gains in respect of share options £'000	2009 Total £'000	2008 Total £'000
David Hudd	100	–	–	–	–	100	134
John Foster	158	22	–	25	–	205	238
Mike Killingley	30	–	–	–	–	30	25
Leonard Licht	15	–	–	–	–	15	20
Sir Harry Solomon	20	–	–	–	–	20	20
	323	22	–	25	–	370	437

Directors' interests in shares

As at 31 March 2009, the share options of executive Directors may be summarised as follows:

Date of grant	Number of shares D L Hudd	Number of shares J L Foster	Exercise price	Exercisable from	Expiry date
Opening balance					
15 Aug 2002	81,300	–	£1.845	15 Aug 2005	14 Aug 2012
10 Feb 2005	–	57,692	£5.200	10 Feb 2008	9 Feb 2015
14 June 2005	49,411	14,117	£4.250	14 June 2008	13 June 2015
13 July 2006	59,843	28,346	£3.175	13 July 2009	12 July 2016
7 Aug 2007	–	27,517	£3.300	7 Aug 2010	6 Aug 2017
Total at 31 March 2008	190,554	127,672			
Granted in the year	–	–			
Total at 31 March 2009	190,554	127,672			

The mid-market price of the Company's shares on 31 March 2009 was 211 pence and the range in the year was 187 pence to 485 pence.

The Directors' options extant at 31 March 2009 totalled 318,226 and represented 3.5% of the Company's issued share capital.

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

Directors' Report

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an option price of not less than market value at the date of the grant. The exercise of options is conditional upon the growth in earnings per share over a period of three consecutive financial years, (starting no earlier than the year in which the option is granted), being greater than the increase in the retail price index over that period plus 6%.

The options granted to Mr Hudd and Mr Foster in July 2006 and to Mr Foster in August 2007 may normally only be exercised if the compound annual growth (CAGR) of the share price of the Company is at least 10% over three years from the date of the grant. If CAGR is 10% the option may only be exercised as to half the shares comprised in it. The option may only be exercised in full if CAGR is at least 20%. For CAGR between 10% and 20%, the option may be exercised in respect of a rising proportion of the shares, calculated on a straight line basis.

In addition to the share options set out above, as at 31 March 2009 the interests of the Directors, their immediate families and related trusts in the shares of the Company were as shown below:

	Ordinary shares as at 31 March 2009	Ordinary shares as at 31 March 2008
David Hudd	56,000	56,000
John Foster	10,000	10,000
Mike Killingley	10,000	10,000
Sir Harry Solomon	433,677	433,677

Statement of Directors' responsibilities in respect of the Directors' Report and financial statements

The Directors are responsible for preparing the Annual 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. 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 laws and have elected to prepare the Parent Company financial statements on the same basis.

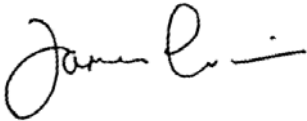
The Group and Parent Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and Parent Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 judgments 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 Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that 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 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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.



James Ivins

Secretary

16 June 2009

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 Group and Parent Company financial statements (the "financial statements") of Falkland Islands Holdings plc for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the EU are set out in the Statement of Directors' Responsibilities on pages 18 and 19.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Managing Director's Business Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 March 2009 and of its loss for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 March 2009;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit PLC

Chartered Accountants

Registered Auditor

16 June 2009

Nottingham

Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2009

Notes	Before amortisation & non-trading items 2009 £'000	Amortisation & non-trading items (note 6) 2009 £'000	Total 2009 £'000	Before amortisation & non-trading items As restated 2008 £'000	Amortisation & non-trading items (note 6) As restated 2008 £'000	Total As restated 2008 £'000	
4	Revenue	31,749	–	31,749	17,200	–	17,200
	Cost of sales	(20,126)	–	(20,126)	(10,469)	–	(10,469)
	Gross profit	11,623	–	11,623	6,731	–	6,731
	Restructuring costs	–	(228)	(228)			
	Goodwill impairment	–	(1,983)	(1,983)	–	–	–
	Amortisation of intangible assets	–	(398)	(398)	–	(28)	(28)
	Other operating expenses	(9,214)	–	(9,214)	(4,953)	–	(4,953)
	Operating expenses	(9,214)	(2,609)	(11,823)	(4,953)	(28)	(4,981)
5	Other operating income	243	242	485	260	–	260
	Operating profit	2,652	(2,367)	285	2,038	(28)	2,010
	Finance income	172	–	172	320	–	320
	Finance expense	(750)	(334)	(1,084)	(349)	(72)	(421)
	Net financing costs	(578)	(334)	(912)	(29)	(72)	(101)
	(Loss)/profit before tax from continuing operations	2,074	(2,701)	(627)	2,009	(100)	1,909
10	Taxation	(585)	59	(526)	(559)	28	(531)
	(Loss)/profit for the year attributable to equity holders of the Company	1,489	(2,642)	(1,153)	1,450	(72)	1,378
11	Earnings per share						
	Basic			(12.8)p			16.3p
	Diluted			(12.8)p			16.1p

Consolidated Balance Sheet

AT 31 MARCH 2009

Notes	2009 £'000	2008 £'000	
Non-current assets			
12	Intangible assets	13,907	16,335
13	Property, plant and equipment	7,672	7,383
14	Investment properties	1,769	1,557
16	Financial assets – available for sale equity securities	10,890	18,450
17	Non-current assets held for sale	20	157
18	Other financial assets	58	71
19	Deferred tax assets	516	519
	Total non-current assets	34,832	44,472
Current assets			
20	Inventories	2,570	3,340
21	Trade and other receivables	4,424	5,353
18	Other financial assets	159	141
22	Cash and cash equivalents	3,004	2,995
	Total current assets	10,157	11,829
	TOTAL ASSETS	44,989	56,301
Current liabilities			
23	Interest bearing loans and borrowings	(2,142)	(2,064)
	Income tax payable	(518)	(1,356)
24	Derivative financial instruments	(406)	(72)
25	Trade and other payables	(7,913)	(7,595)
	Total current liabilities	(10,979)	(11,087)
Non-current liabilities			
23	Interest bearing loans and borrowings	(5,053)	(6,992)
26	Employee benefits	(2,036)	(2,060)
19	Deferred tax liabilities	(2,054)	(2,134)
	Total non-current liabilities	(9,143)	(11,186)
	TOTAL LIABILITIES	(20,122)	(22,273)
	Net assets	24,867	34,028
28	Capital and reserves		
	Equity share capital	906	906
	Share premium account	7,206	7,206
	Other reserves	1,162	3,145
	Retained earnings	7,157	6,775
	Financial assets fair value reserve	8,436	15,996
	Total equity	24,867	34,028

These financial statements were approved by the Board of Directors on 16 June 2009 and were signed on its behalf by:



J L Foster
Director

Company Balance Sheet

AT 31 MARCH 2009

Notes	2009 £'000	2008 £'000	
Non-current assets			
15	Financial assets – investments in subsidiaries	31,103	43,970
21	Other receivables	6,325	6,428
19	Deferred tax	122	30
Total non-current assets		37,550	50,428
Current assets			
21	Trade and other receivables	19	732
22	Cash and cash equivalents	289	1,102
Total current assets		308	1,834
TOTAL ASSETS		37,858	52,262
Current liabilities			
23	Interest bearing loans and borrowings	(1,873)	(1,805)
	Income tax payable	(38)	–
24	Other financial liabilities	(406)	(72)
25	Trade and other payables	(413)	(1,071)
Total current liabilities		(2,730)	(2,948)
Non-current liabilities			
23	Interest bearing loans and borrowings	(3,955)	(5,774)
	Other liabilities	(632)	(1,949)
Total non-current liabilities		(4,587)	(7,723)
TOTAL LIABILITIES		(7,317)	(10,671)
Net assets		30,541	41,591
Capital and reserves			
28	Called up share capital	906	906
	Share premium account	7,206	7,206
	Other reserves	6,910	7,831
	Retained earnings	15,519	25,648
Total equity		30,541	41,591

These financial statements were approved by the Board of Directors on 16 June 2009 and were signed on its behalf by:



J L Foster

Director

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2009

Notes	2009 £'000	2008 £'000
Cash flows from operating activities		
(Loss)/profit for the period	(1,153)	1,378
<i>Adjusted for:</i>		
<i>(i) Non-cash items:</i>		
Depreciation	840	534
Fixed asset impairment	40	–
Amortisation	398	28
Goodwill impairment	1,983	–
Amortisation of loan fees	30	–
Notional interest charge on deferred consideration	104	4
Expected return on pension scheme assets	(22)	(16)
Interest cost on pension scheme liabilities	152	145
Loss on remeasurement of derivative financial instruments	334	72
Equity-settled share-based payment expenses	297	142
<i>Non-cash items adjustment</i>	4,156	909
<i>(ii) Other items:</i>		
Bank interest receivable	(76)	(240)
Bank interest payable	464	200
Loss on disposal of fixed assets	3	–
Gain on disposal of investment properties	(242)	(10)
Income tax expense	526	531
<i>Other adjustments</i>	675	481
Operating cash flow before changes in working capital and provisions	3,678	2,768
Decrease in trade and other receivables	929	307
Decrease/(increase) in inventories	770	(345)
Increase in trade and other payables	318	701
(Decrease)/increase in provisions and employee benefits	(79)	8
Cash generated from operations	5,616	3,439
Income taxes paid	(1,427)	(460)
Net cash flow from operating activities	4,189	2,979
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,317)	(907)
Purchase of investment properties	(100)	(12)
Costs incurred in restructuring investment holdings	–	(34)
Proceeds from the disposal of property, plant and equipment	1	–
Proceeds from sale of investment properties	274	23
2 Acquisition of subsidiary, net of cash acquired	(1,697)	(5,343)
Proceeds from sale of assets held for sale	186	–
Interest received	76	240
Net cash flow from investing activities	(2,577)	(6,033)
Cash flow from financing activities		
(Increase) in other financial assets	(5)	(34)
Repayment of secured loan	(608)	(1,893)
Repayment of loan notes	–	(43)
Proceeds from new loan	166	3,841
Interest paid	(434)	(200)
Proceeds from the issue of ordinary share capital	–	10
Dividends paid	(722)	(591)
Net cash flow from financing activities	(1,603)	1,090
Net increase in cash and cash equivalents	9	(1,964)
Cash and cash equivalents at start of period	2,995	4,959
22 Cash and cash equivalents at end of period	3,004	2,995

Company Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2009

Notes	2009 £'000	2008 £'000
Cash flows from operating activities		
(Loss)/profit for the period	(10,625)	20,381
<i>Adjusted for:</i>		
Net financing costs	393	102
Amortisation of loan fees	30	–
Notional interest on deferred consideration	104	–
Loss on remeasurement of financial instruments	334	72
Impairment charges on investments in subsidiaries	13,014	–
Gain on sale of fixed asset investments	–	(20,530)
Equity-settled share-based payment expenses	151	84
Income tax expense	(54)	(28)
Operating profit before changes in working capital and provisions	3,347	81
Decrease/(increase) in trade and other receivables	12	(510)
(Decrease)/increase in trade and other payables	(658)	644
Increase/(decrease) in provisions	–	(30)
Cash generated from operations	2,701	185
Income taxes paid	–	–
Net cash flow from operating activities	2,701	185
Cash flows from investing activities		
Acquisition of subsidiary	(1,553)	(5,165)
Costs in restructuring investment holding	–	(34)
Proceeds from sale of equity securities	–	–
Net cash flow from investing activities	(1,553)	(5,199)
Cash flow from financing activities		
Proceeds from new loan	–	3,842
Proceeds from inter-company borrowing	–	554
Repayment from inter-company borrowing	(514)	–
Repayment of secured loan	(332)	(340)
Repayment of loan notes	–	(43)
Interest paid	(393)	(102)
Proceeds from the issue of ordinary share capital	–	10
Dividends paid	(722)	(591)
Net cash flow from financing activities	(1,961)	3,330
Net increase in cash and cash equivalents	(813)	(1,684)
Cash and cash equivalents at start of period	1,102	2,786
Cash and cash equivalents at end of period	289	1,102

Consolidated Statement of Recognised Income and Expense

FOR THE YEAR ENDED 31 MARCH 2009

	2009 £'000	2008 £'000
(Loss)/gain on valuation of available-for-sale equity securities	(7,560)	5,516
PHFC actuarial (loss)/gain on pension scheme	(86)	147
FIC actuarial gain on pension scheme	50	301
Movement on deferred tax asset relating to pension schemes	13	(109)
Share-based payments	297	164
Movement on deferred tax relating to share-based payments	–	3
Net (expense)/income recognised directly in equity	(7,286)	6,022
(Loss)/profit for the year	(1,153)	1,378
Total recognised income and expense for the period attributable to shareholders of the parent	(8,439)	7,400

Company Statement of Recognised Income and Expense

FOR THE YEAR ENDED 31 MARCH 2009

	2009 £'000	2008 £'000
Transfers to the income statement on disposal of available-for-sale equity securities	–	(10,480)
Charge for share-based payments, net of deferred tax	297	164
Movement on deferred tax relating to share-based payments	–	2
Net income/(expense) recognised directly in equity	297	(10,314)
(Loss)/profit for the period	(10,625)	20,381
Total recognised income and expense for the period	(10,328)	10,067

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

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 s230 of the Companies Act 1985 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 33.

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

The current global economic conditions create uncertainty over the level of demand for the Group's products and services. The Directors have reviewed the Group's medium term forecasts along with reasonable possible changes in trading performance arising from these uncertainties to ensure committed bank facilities are sufficient to support the Group's projected liquidity requirements and whether forecast earnings are sufficient to meet the covenants associated with the banking facilities.

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 Business Review on pages 3 to 13. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Managing Director's Business Review. In addition, note 29 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 despite the current uncertain economic outlook.

After making enquiries the Directors have a reasonable expectation that the Company and the Group have adequate reserves to continue in operational existence for the foreseeable, and have continued to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Falkland Islands Holdings plc and its subsidiaries (the "Group"). A subsidiary is any entity Falkland Islands Holdings plc has the power to control the financial and operating policies of so as to obtain benefits from its activities. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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

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. Unrealised losses are eliminated but only to the extent that there is no evidence of impairment.

Investments in subsidiaries not classified as held-for-sale within the Company balance sheet are stated at 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 derivative financial instruments and amortisation of intangible assets on acquisition. Such items arise because of their size or nature, and in 2009 comprise:

- Charges relating to asset impairments which are significant to any reportable segment
- Charges relating to the Group's restructuring programme
- Changes in the fair value of derivative financial instruments
- Profits on the disposal of investment properties
- Amortisation of intangible assets.

In 2008 such items comprised:

- Changes in the fair value of financial instruments
- Amortisation of intangible assets.

The 2008 comparative in the Income Statement for the current year has been restated to reflect these items.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

1 Accounting policies CONTINUED

The carrying value of assets and their useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. If an indication of impairment exists, the assets are written down to their recoverable amount and the impairment is charged to the income statement in the period in which it arises.

Freehold land and assets-in-construction are not depreciated.

Investment properties

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

Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries.

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.

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	20 years
Customer relationships	6 – 10 years
Non-compete agreements	5 years

Computer software

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

Impairment of non-financial assets

At each reporting date the Group assesses whether there is any indication that an asset may be impaired. 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.

1 Accounting policies CONTINUED

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 to be close to its fair value less costs to sell 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 pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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

Finance income and expense

Net financing costs comprise interest payable, interest receivable, and foreign exchange gains and losses that are recognised in the income statement.

Interest income and interest payable are recognised as a profit or loss as they accrue, using the effective interest method.

Financial instruments

Certain financial instruments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses. When these items are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit and loss.

Financial instruments classified as available-for-sale are initially recognised at fair value less directly attributable transaction costs.

The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially measured at fair value. Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise. The Group has not applied hedge accounting to its derivative financial instruments.

Employee share awards

The Group provides benefits to certain employees (including Directors) in the form of share-based payment transactions, whereby the employee 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 that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

The cost of equity settled transactions is recognised, together with a corresponding increase in reserves, over the period in which the performance conditions are fulfilled, ending on the date that the option vests.

Where the Company grants options over its own shares to the employees of subsidiaries, it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equal to the equity settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

Inventories

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

1 Accounting policies CONTINUED

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

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 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 hotel takings, 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, whilst that of the ferry, fine art logistics and other services is recognised when the service is provided.

For Fine Art Exhibition logistical work undertaken the amount of profit attributable to the stage of completion of a contract is recognised when the outcome of that contract can be seen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised previously. Provision is made for any 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 also operates two pension schemes providing benefits based on final pensionable pay, one of which is unfunded. The assets of the funded scheme are held separately from those of the Group.

The Group's net obligation in respect of each defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to its present value; and any unrecognised past service costs and the fair value of the plan assets (at bid price) are deducted. The liability discount rate is the yield at the balance sheet date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the asset recognised is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The current service cost and costs from settlements and curtailments are charged against operating profit.

Past service costs are spread over the period until the benefit increases vest. Interest charged on the scheme liabilities and the expected return on scheme assets are included in other finance costs.

Actuarial gains and losses are recognised in full in the period in which they arise in the statement of recognised income and expense.

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.

1 Accounting policies CONTINUED

Dividends on funds presented within shareholders' funds

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.

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.

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

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

Leased assets

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

As lessee

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

As lessor

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

1 Accounting policies CONTINUED

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

Finance lease payments

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

Non-current assets held for sale and discontinued operations

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

Provisions

Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected cash flows at an appropriate pre-tax risk free rate.

New accounting standards and interpretations not applied.

During the year, the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and interpretations with an effective date after the end of these financial statements:

	Effective date
International Accounting Standards (IAS/IFRS)	(accounting periods commencing on or after):
<i>Endorsed</i>	
IFRS 8: Operating segments	1 January 2009
IAS 1: Amendment to Presentation of financial statements (2007)	1 January 2009
IAS 23: Amendment to Borrowing costs (2007)	1 January 2009
IFRS 2: Amendment to Share-based payments	1 January 2009
IAS 27: Consolidated financial statements and accounting for investments in subsidiaries (2008)	1 January 2009
Amendments to IFRIC 7 Improving Disclosures about Financial Instruments	1 January 2009
Amendments to IAS 32 and IAS 1: Puttable financial instruments and obligations arising on liquidation	1 January 2009
<i>Unendorsed</i>	
IFRS 3 (Revised): Business combinations (2008)	1 July 2009
Amendments to IAS 39 Financial instruments: Recognition and Measurement: Eligible Hedged Items	1 July 2009
International Financial Reporting Interpretations Committee (IFRIC)	
<i>Endorsed</i>	
IFRIC 14: IAS 19 The limit of a defined benefit asset, minimum funding requirements and their interaction	1 July 2009
<i>Unendorsed</i>	
Amendments to IFRIC 9 and IAS 39 Embedded Derivatives	30 June 2009

The Directors do not anticipate that the adoption of the standards and interpretations listed above will have a material impact on the Group's or Company's financial statements in the period of initial application, however additional disclosures will be required.

2 Acquisition of subsidiary

On 5 March 2008, the Company acquired all of the ordinary shares in Momart International Limited for £10,835,000, satisfied in cash and the issue of 582,666 ordinary shares of 10p each at £4.27½ being the average closing price of the shares for the three days preceding completion of the purchase. Momart International Limited is the parent company of Momart Limited, a leading UK expert in the transportation and storage of fine art.

Consideration paid

Comprises:

	Provisional fair value as at 31 March 2008 £'000	Fair value adjustments £'000	Fair value as 31 March 2009 £'000
Initial cash sum	5,165	–	5,165
Contingent consideration ¹	3,022	–	3,022
Deferred consideration payable ²	157	2	159
Ordinary shares	2,491	–	2,491
Total consideration payable	10,835	–	10,837

¹ Contingent consideration shown in the above table as £3,022,000 represents, in accordance with IFRS 3, the net present value at the acquisition date of £3,173,000 payable in two annual instalments. These payments are contingent on certain of the vendors remaining Group employees for two years from the date of acquisition. The first annual payment was made on 15 January 2009 and the next is due on 5 March 2010.

² Deferred consideration payable initially estimated at £157,000 but now increased to £159,000 represents the estimated proceeds from the future disposal of certain items of artwork accumulated by Momart International Limited prior to acquisition and shown as non-current assets held-for-sale on the balance sheet. Most of these assets have now been sold and the post-tax proceeds (£104,000) remitted to the vendors in December 2008.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

2 Acquisition of subsidiary CONTINUED

Effect of acquisition

	Recognised provisional values on acquisition at 31 March 2008 £'000	Final fair value adjustments £'000	Recognised values on acquisition at 31 March 2009 £'000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	710	–	710
Other fixed assets ¹	157	49	206
Intangible assets	4,777	–	4,777
Inventories	318	–	318
Trade and other receivables	3,276	–	3,276
Cash and cash equivalents	(178)	–	(178)
Interest-bearing loans and borrowings	(1,395)	–	(1,395)
Trade and other payables	(3,083)	–	(3,083)
Deferred tax liabilities	(1,354)	–	(1,354)
Net identifiable assets and liabilities	3,228	49	3,277
Goodwill on acquisition	–	–	7,560
Consideration paid (including professional fees of £566,000 satisfied in cash)	–	–	10,837

¹ The fair value adjustment to other fixed assets in the year relates to recognition of the auction price achieved for art work sold in the year and an adjustment to remaining items to reflect their current estimated market value.

2 Acquisition of subsidiary CONTINUED

The acquisition had the following effect on the Group's assets and liabilities at 31 March 2008:

	Pre-acquisition carrying amounts £'000	Provisional fair value adjustments £'000	Recognised provisional values on acquisition £'000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	710	–	710
Other fixed assets	47	110	157
Intangible assets	–	4,777	4,777
Inventories	318	–	318
Trade and other receivables	3,276	–	3,276
Cash and cash equivalents	(178)	–	(178)
Interest-bearing loans and borrowings	(1,395)	–	(1,395)
Trade and other payables	(3,083)	–	(3,083)
Deferred tax liabilities	(24)	(1,330)	(1,354)
Net identifiable assets and liabilities	(329)	3,557	3,228
Goodwill on acquisition	–	–	7,607
Consideration paid (including professional fees of £566,000 satisfied in cash)	–	–	10,835
Less: non-cash, contingent and deferred consideration	–	–	(5,670)
Initial cash sum	–	–	5,165
Add: Overdraft (acquired)	–	–	178
Net cash outflow	–	–	5,343
Fair value adjustments			
¹ Relates to recognising certain items of artwork accumulated by Momart International Limited prior to acquisition at auctioneer's estimate prior to disposal.			
² Relates to the recognition of the following intangible assets at fair value:			
			£'000
Trade name			2,823
Customer relationships			1,882
Non-compete agreements			72
			<u>4,777</u>

Included in £7,607,000 of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the skills and technical talent of the acquired business' workforce. For further details of goodwill recognised on the acquisition of Momart International Limited see note 12. Intangible assets, below.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

2 Acquisition of subsidiary CONTINUED

Segment information is presented in respect of the Group's business and geographical segments. The primary reporting format is determined to be by business type: the provision of ferry services; arts logistics and storage; and general trading in the Falkland Islands. The secondary reporting format is determined to be geographical.

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

Primary reporting format – business

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

3 Segmental information CONTINUED

2009	Ferry services (Portsmouth) £'000	Art logistics and storage (UK) £'000	General trading (Falklands) £'000	Total £'000
Revenue	3,716	15,544	12,489	31,749
Segment operating profit before tax, amortisation and non-trading items	782	856	1,014	2,652
Restructuring costs	–	(104)	(124)	(228)
Goodwill impairment	–	(1,983)	–	(1,983)
Amortisation of intangible assets	–	(398)	–	(398)
Profit on disposal of investment properties	–	–	242	242
Segment operating profit	782	(1,629)	1,132	285
Loss on revaluation of financial derivative	(57)	(277)	–	(334)
Interest expense	(220)	(411)	(119)	(750)
Interest income	80	8	84	172
Segment (loss)/profit before tax	585	(2,309)	1,097	(627)
Taxation	(209)	(186)	(131)	(526)
Segment (loss)/profit after tax	376	(2,495)	966	(1,153)
Underlying profit before tax				
Segment operating profit before tax, amortisation and non-trading items	782	856	1,014	2,652
Interest expense	(220)	(411)	(119)	(750)
Interest income	80	8	84	172
Underlying profit before tax	642	453	979	2,074
<i>Assets and liabilities</i>				
Segment assets	8,487	14,024	9,363	31,874
Segment liabilities	(2,834)	(4,870)	(7,081)	(14,785)
Unallocated assets and liabilities	–	–	–	7,778
Segment net assets	5,653	9,154	2,282	24,867
<i>Other segment information</i>				
Capital expenditure:				
Property, plant and equipment	51	611	655	1,317
Investment properties	–	–	100	100
Depreciation – property, plant and equipment	215	284	305	804
Impairment – ships	40	–	–	40
Depreciation – investment properties	–	–	36	36
Amortisation and goodwill impairment	–	2,381	–	2,381

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

3 Segmental information CONTINUED

2008	Ferry Services (Portsmouth) as restated £'000	Art logistics and storage (UK) as restated £'000	General trading (Falklands) as restated £'000	Total as restated £'000
Revenue	3,531	1,066	12,603	17,200
Segment operating profit before tax, amortisation and non-trading items	717	112	1,209	2,038
Amortisation	–	(28)	–	(28)
Segment operating profit	717	84	1,209	2,010
Loss on revaluation of financial derivative	(7)	(65)	–	(72)
Finance expense	(134)	(29)	(186)	(349)
Finance income	64	–	256	320
Segment profit/(loss) before tax	640	(10)	1,279	1,909
Tax	(211)	(35)	(285)	(531)
Segment profit/(loss) after tax	429	(45)	994	1,378
Underlying profit before tax				
Segment operating profit before tax, amortisation and non-trading items	717	112	1,209	2,038
Interest expense	(134)	(29)	(186)	(349)
Interest income	64	–	256	320
Underlying profit before tax	647	83	1,279	2,009
<i>Assets and liabilities</i>				
Segment assets	9,875	15,813	12,784	38,472
Segment liabilities	(1,413)	(4,930)	(7,868)	(14,211)
Unallocated assets and liabilities	–	–	–	9,767
Segment net assets	8,462	10,883	4,916	34,028
<i>Other segment information</i>				
Capital expenditure:				
Property, plant and equipment	62	5	840	907
Investment properties	–	–	52	52
Depreciation – property, plant and equipment	220	18	264	502
Depreciation – investment properties	–	–	32	32
Amortisation	–	28	–	28

The segmental information presented above has been restated to provide a comparison for the allocation of the loss on revaluation of financial derivatives consistent with the allocation adopted in the current year.

3 Segmental information CONTINUED

Secondary reporting format – geographic

	United Kingdom £'000	2009 Falkland Islands £'000	Total £'000
Revenue	19,260	12,489	31,749
<i>Assets and liabilities</i>			
Segment assets	22,511	9,363	31,874
<i>Other segment information</i>			
Capital expenditure	662	755	1,417

	United Kingdom £'000	2008 Falkland Islands £'000	Total £'000
Revenue	4,597	12,603	17,200
<i>Assets and liabilities</i>			
Segment assets	25,688	12,784	38,472
<i>Other segment information</i>			
Capital expenditure	67	892	959

4 Revenue

	2009 £'000	2008 £'000
Sale of goods	14,476	10,864
Rendering of services	17,273	6,336
Total revenue	31,749	17,200

Notes to the Financial Statements

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5 Other operating income

	2009 £'000	2008 £'000
Net (loss)/gain on disposal of property, plant and equipment	(3)	13
Foreign exchange commission receivable	18	29
Investment property rentals	228	218
Gain on sale of investment properties	242	–
Total other operating income	485	260

6 Amortisation and non-trading items

	2009 £'000	2008 £'000
Amortisation charge on Momart intangible assets acquired	(398)	(28)
Goodwill impairment charge recognized in the year ¹	(1,983)	–
Restructuring charges incurred ²	(228)	–
Gain on sale of investment properties ³	242	–
Loss on revaluation of derivative financial instruments ⁴	(334)	(72)
Amortisation and non-trading items charge	(2,701)	(100)

	2009 £'000	2008 £'000
Profit before tax as reported	(627)	1,909
add: amortisation and non-trading charges	2,701	100
Underlying profit	2,074	2,009

¹ Impairment charges

During the year the Group in accordance with IAS 36 "Impairment" undertook a review of the carrying value of goodwill. As a consequence of this review, after taking account of a reduction in activity across the world art markets, an impairment charge of £1,983,000 has been recognised in connection with the goodwill relating to the acquisition of Momart Limited in March 2008.

² Restructuring charges

Charges of £288,000 incurred within operating profit relate primarily to employment termination costs.

³ Gain on sale of investment properties

Three investment properties were sold during the year giving rise to a profit on disposal of £242,000.

⁴ Loss on revaluation of derivative financial instruments

IAS 39 requires derivative financial instruments to be valued at the balance sheet date and any difference between that value and the intrinsic value of the instrument to be reflected in the balance sheet as an asset or liability. Any subsequent change in value is reflected in the Income Statement unless hedge accounting is achieved. At the year end the derivatives the Group held resulted in a loss or revaluation of £334,000 (2008: £72,000).

7 Expenses and auditors' remuneration

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Included in profit/loss are the following expense/(income):				
Direct operating expenses arising from investment properties which generated rental income in the period	99	69	–	–
Depreciation	804	534	–	–
Impairment – ships	40	–	–	–
Amortisation of intangible assets	398	28	–	–
Foreign currency differences	(89)	(4)	–	–
Impairment loss on trade and other receivables	91	82	–	–
Cost of inventories recognised as an expense	7,393	8,649	–	–
Operating lease payments	594	67	–	–

Auditors' remuneration	2009	2008
	£'000	£'000
Audit of these financial statements	25	24
and amounts receivable by auditors and their associates in respect of:		
Audit of subsidiaries' financial statements pursuant to legislation	60	62
Other services relating to taxation	–	23
All other services	–	15
Total auditors' remuneration	85	124

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.

8 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	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
At Gosport Ferry	41	40	–	–
At Falkland Islands Company, in Stanley	88	87	–	–
At Falkland Islands Support, in UK	4	4	–	–
At Momart Limited	118	10	–	–
At Head Office	3	3	3	3
Total average staff numbers	254	144	3	3

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

8 Staff numbers and cost CONTINUED

The aggregate payroll cost of these persons were as follows:

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Wages and salaries	7,958	3,969	529	506
Share-based payments (see note 27)	297	164	151	84
Social security costs	665	248	58	46
Contributions to defined contribution plans	403	174	25	24
Total employment costs	9,323	4,555	763	660

Details of Directors' remuneration are provided in the Directors' Report, under the heading "Details of Directors' Remuneration and Emoluments" on page 17.

9 Finance income and expense

	2009 £'000	2008 £'000
Bank interest receivable	76	240
Finance lease interest receivable	74	64
Expected return on pension scheme assets	22	16
Total financial income	172	320
Interest payable on bank loans	(464)	(200)
Interest cost on pension scheme liabilities	(152)	(145)
Amortisation of loan fees	(30)	–
Interest attributable to deferred consideration payable	(104)	(4)
Loss on remeasurement of derivative financial instrument	(334)	(72)
Total financial expense	(1,084)	(421)
Net financing cost	(912)	(101)

	2009 £'000	2008 £'000
Bank interest receivable	76	240
Interest payable on bank loans	(464)	(200)
Net bank interest	(388)	40
Other financing charges (from above)	(524)	(141)
Net financing cost	(912)	(101)

10 Taxation

Recognised in the income statement

	2009 £'000	2008 £'000
<i>Current tax expense</i>		
Current year	718	645
Adjustments for prior years	(130)	(122)
Current tax expense	588	523
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	(158)	(25)
Reduction in tax rate	–	(33)
Adjustment for prior years	96	66
Deferred tax (credit)/expense	(62)	8
Total tax expense	526	531

Reconciliation of effective tax rate

	2009 £'000	2008 £'000
(Loss)/profit on ordinary activities before tax	(627)	1,909
Tax using the UK corporation tax rate of 28% (2008: 30%)	(176)	573
Expenses not deductible for tax purposes	697	37
Other timing differences	–	22
Excess foreign tax	(39)	–
Marginal relief	(4)	(3)
Lower tax charges overseas	(1)	(9)
Reduction in deferred tax rate	–	(33)
Adjustments to tax charge in respect of previous periods	(34)	(56)
Deferred tax asset not recognised	83	–
Total tax expense	526	531

Tax recognised directly in equity

	2009 £'000	2008 £'000
Current tax recognised directly in equity	–	–
Deferred tax (credit)/expense recognised directly in equity	(13)	106
Total tax recognised directly in equity	(13)	106

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

11 Earnings per share

The calculation of basic earnings per share is based on profits on ordinary activities after taxation, and the weighted average number of shares in issue in the period, excluding shares held under the Employee Share Ownership Plan ("ESOP") (see note 28).

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.

	2009 £'000	2008 £'000
(Loss)/profit on ordinary activities after taxation (see page 22)	(1,153)	1,378

	2009 Number	2008 Number
Weighted average number of shares in issue	9,060,796	8,514,566
Less: shares held under the ESOP	(36,499)	(36,212)
Average number of shares in issue excluding the ESOP	9,024,297	8,478,354
Maximum dilution with regards to share options ¹	–	100,644
Diluted weighted average number of shares	9,024,297	8,578,998

¹ Potential ordinary shares are not considered dilutive where their conversion would reduce loss per share.

	2009	2008
Basic earnings per share	(12.8)p	16.3p
Diluted earnings per share	(12.8)p	16.1p

To provide a comparison of earnings per share on underlying performance, the calculation below sets out basic and diluted earnings per share based on profits before amortisation and non-trading items.

Earnings per share on underlying profit

	2009 £'000	2008 As restated £'000
Profit after tax before non-trading items and amortisation (see note 6)	1,489	1,450
Weighted average number of shares in issue excluding ESOP (from above)	9,024,297	8,478,354
Diluted weighted average number of shares	9,120,506	8,578,998
Basic earnings per share on underlying profit	16.5p	17.1p
Diluted earnings per share on underlying profit	16.3p	16.9p

12 Intangible assets

	Customer relationships £'000	Brand names £'000	Group Non-compete Agreements £'000	Goodwill £'000	Total £'000
Cost:					
As at 1 April 2007	–	–	–	3,979	3,979
Acquisitions through business combinations	1,882	2,823	72	7,607	12,384
At 31 March 2008	1,882	2,823	72	11,586	16,363
Adjustments to fair value	–	–	–	(47)	(47)
As at 31 March 2009	1,882	2,823	72	11,539	16,316
Accumulated amortisation:					
As at 1 April 2007					
Amortisation for the year	(17)	(10)	(1)	–	(28)
As at 31 March 2008	(17)	(10)	(1)	–	(28)
Amortisation for the year	(243)	(141)	(14)	–	(398)
Impairment charged in the year	–	–	–	(1,983)	(1,983)
At 31 March 2009	(260)	(151)	(15)	(1,983)	(2,409)
Net book value:					
As at 31 March 2007	–	–	–	3,979	3,979
As at 31 March 2008	1,865	2,813	71	11,586	16,335
As at 31 March 2009	1,622	2,672	57	9,556	13,907

Amortisation and impairment charges are recognised in other administrative expense in the income statement.

Customer relationships – are on-going 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.

Brand names – is the Momart brand considered to be of future economic value to the Group with an estimated useful economic life of 20 years.

Non-compete Agreements – are contractually 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

12 Intangible assets CONTINUED

Goodwill

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

	Art logistics and storage £'000	Ferry services (Portsmouth) £'000	Total £'000
Brought forward at 1 April 2007	–	3,979	3,979
Additions	7,607	–	7,607
Carried forward at 31 March 2008	7,607	3,979	11,586
Adjustment to fair value	(47)	–	(47)
Impairment loss recognised in year	(1,983)	–	(1,983)
Balance at 31 March 2009	5,577	3,979	9,556

Impairment

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill 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 each CGU containing goodwill was separately assessed and tested for impairment, with £1,983,000 (2008: *Nil*) impairment charges resulting.

As part of testing goodwill for impairment detailed forecasts of operating cash flows for the next five years are used, which are based on approved budgets and plans by the Board of Falkland Islands Holdings plc. These forecasts represent the best estimate of future performance of the CGUs based on past performance and expectations for the market development of the CGU.

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

Discount rates

Within impairment testing models cash flows of all CGUs are discounted using a pre tax discount rate of 13.3%. Management have determined that this 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. Both Ferry Services and Art Logistics and Storage have stable core revenue streams and are considered to have a similar risk profile.

Long term growth rates

Long term growth rates of 2% have been used for all CGUs as part of the impairment testing models. This growth rate does not exceed the long term average growth rate for the UK in which the CGU operates.

Other assumptions

Other assumptions used within impairment testing models include an estimation of long term effective tax rate for the CGUs and the terminal values of the CGUs.

The long-term effective rate of tax is 28%, consistent with the current UK tax rate.

The terminal value is calculated based on the Gordon Growth model.

12 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

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 term and the long term. The value in use was determined to exceed the carrying amount and no impairment has been recognised. 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.

Assumptions specific to arts logistics and storage

Value in use was determined by discounting future cash flows in line with the other assumptions discussed above. Cash flows were projected based on actual operating results and the five-year business plan. No growth was projected in the next two years, and 10.5% growth in the following three years, this is considered to be a prudent estimate given uncertainty in the economy. The long term growth rate is projected to be 2% thereafter. The carrying value of the unit was determined to be higher than its recoverable amount and an impairment loss of £1,983,000 (2008: £nil) was recognised.

Events and circumstances leading up to the recognition of this impairment are discussed in the Managing Director's Business Review on pages 3 to 13.

Notes to the Financial Statements

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13 Property, plant and equipment

	Group					
	Assets in construction £'000	Freehold land & buildings £'000	Long leasehold land & buildings £'000	Ships £'000	Vehicles, plant & equipment £'000	Total £'000
Cost:						
At 1 April 2007	–	3,358	342	3,317	2,985	10,002
Acquisitions through business combinations	–	–	307	–	403	710
Other acquisitions	–	408	44	46	409	907
Disposals	–	–	–	–	(29)	(29)
At 31 March 2008	–	3,766	693	3,363	3,768	11,590
Reclassified	319	(319)	–	–	–	–
Other acquisitions	363	34	249	21	650	1,317
Recognised as investment property	–	(180)	–	–	–	(180)
Disposals	–	–	–	–	(26)	(26)
At 31 March 2009	682	3,301	942	3,384	4,392	12,701
Accumulated depreciation:						
At 1 April 2007	–	1,432	57	262	1,983	3,734
Charge for the year	–	85	18	153	246	502
Disposals	–	–	–	–	(29)	(29)
At 31 March 2008	–	1,517	75	415	2,200	4,207
Charge for the year	–	73	18	138	575	804
Impairment	–	–	–	40	–	40
Disposals	–	–	–	–	(22)	(22)
At 31 March 2009	–	1,590	93	593	2,753	5,029
Net book value:						
At 1 April 2007	–	1,926	285	3,055	1,002	6,268
At 31 March 2008	–	2,249	618	2,948	1,568	7,383
At 31 March 2009	682	1,711	849	2,791	1,639	7,672

The Company has no tangible fixed assets.

14 Investment property

	Group		Total £'000
	Residential and commercial property £'000	Freehold land £'000	
At 1 April 2007	889	731	1,620
Acquisitions	12	40	52
Disposals	–	(51)	(51)
At 31 March 2008	901	720	1,621
Transferred from fixed assets in construction	180	–	180
Acquisitions	100	–	100
Disposals	(50)	–	(50)
At 1 March 2009	1,131	720	1,851
Accumulated depreciation:			
At 1 April 2007	32	–	32
Charge for the year	32	–	32
At 31 March 2008	64	–	64
Charge for the year	36	–	36
Disposals	(18)	–	(18)
At 1 March 2009	82	–	82
Net book value at 1 April 2007	857	731	1,588
Net book value at 31 March 2008	837	720	1,557
Net book value at 31 March 2009	1,049	720	1,769

Investment properties comprise residential and commercial property held for rental in the Falklands with a fair value of approximately £2.5 million at 31 March 2009. This valuation was undertaken by a director of a subsidiary company who is resident in the Falkland Islands and is considered to have the relevant knowledge and experience to undertake the valuation. The Group also holds several hundreds of acres of land for which it is not possible to determine fair value, due to the restricted and limited market for freehold land in the Falkland Islands. Nonetheless the carrying value of land held at historic cost remains sufficiently low to enable Directors to satisfy themselves that no impairment exists at the balance sheet date.

The Company holds no investment properties.

Notes to the Financial Statements

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15 Investments in subsidiaries

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

	Country of incorporation	Class of shares held	Ownership %	
			2009	2008
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%
Darwin Shipping 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%
Erebus Limited*	Falkland Islands	Ordinary shares of £1	100%	100%
		Preference shares of £1	100%	100%

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

Company investments in Group undertakings

	Company	
	2009 £'000	2008 £'000
Balance brought forward	43,970	15,105
Cost of share-based payments recognised in subsidiaries	146	80
Acquisition of Momart International Limited	2	10,835
Investment in Erebus Limited	–	17,950
Impairment of investment in Erebus Limited	(12,094)	–
Impairment of investment in Momart International Limited	(921)	–
Total investment in group undertakings	31,103	43,970

The Company's investment in Erebus Limited comprises the Group's shareholding in Falkland Oil and Gas Limited and an impairment charge has been recognised solely to reflect the fair value of the shareholding at 31 March 2009.

The Company has recognised an impairment charge to its investment in Momart International Limited such that its carrying value is reduced to value-in-use (see note 12).

16 Financial assets – available-for-sale equity securities

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Available-for-sale equity securities	10,890	18,450	–	–
Falkland Oil and Gas Limited share price at 31 March	72.6p	123.0p	–	–

16 Financial assets – available-for-sale equity securities CONTINUED

Available-for-sale financial assets comprise the Group's holding of 15,000,000 ordinary shares in Falkland Oil and Gas Limited ("FOGL") representing a 16.25% interest at 31 March 2009, (2008: 15 million shares) this reduced to 14.6% on 20 May 2009 following the issue by FOGL of 10.4 million new shares. On 7 September 2007 the Company transferred its entire interest in FOGL to Erebus Limited, a wholly-owned subsidiary incorporated in the Falkland Islands.

The historic cost of the Group's investment in FOGL is £2,450,000.

17 Non-current assets held-for-sale

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Non-current assets held-for-sale	20	157	–	–

Non-current assets held-for-sale comprise certain items of artwork accumulated by Momart International Limited prior to acquisition. The proceeds net of tax form the remaining deferred consideration due to the vendors (see note 2). The assets were recognised at estimated fair value on acquisition and as a result no gain or loss arose on their being classified as held for sale.

18 Other financial assets

	Group	
	2009 £'000	2008 £'000
Non-current		
Finance lease debtors due after more than one year	58	71
Current		
Finance lease debtors due within one year	159	141
Total other financial assets	217	212

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 £58,000 (2008: £42,000).

The cost of assets acquired for the purpose of letting under hire purchase agreements by the Group during the period amounted to £210,000 (2008: £219,000).

Rents receivable 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.

The aggregate rentals receivable during the period in respect of hire purchase agreements were £244,000 (2008: £222,000).

Notes to the Financial Statements

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18 Other financial assets CONTINUED

	Group	
	2009 £'000	2008 £'000
Gross investment in hire purchase leases	275	254
Present value of future lease payments due:		
within 1 year	159	141
after more than 1 year within 5 years	58	71
	217	212

19 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	Group			
	Assets		Liabilities	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Property, plant and equipment	49	59	1,083	973
Intangible assets	–	–	1,217	1,338
Inventories	52	76	–	–
Other financial liabilities	31	20	–	–
Interest bearing loans and borrowings	114	–	–	–
Share-based payments	–	22	–	–
Pension	516	519	–	–
Tax assets/liabilities	762	696	2,300	2,311
Net of tax assets	–	–	(762)	(696)
Net tax liabilities	–	–	1,538	1,615

The deferred tax asset shown as a non-current asset in the balance sheet relates to the Group's pension scheme liabilities (see note 26). All other deferred tax assets are shown net against the non-current deferred tax liability shown in the balance sheet.

	Company			
	Assets		Liabilities	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Other financial liabilities	122	20	–	–
Share-based payments	–	10	–	–
Net tax asset	122	30	–	–

19 Deferred tax assets and liabilities CONTINUED

Movement in deferred tax in the year

	1 April 2008 £'000	Recognised in income £'000	Recognised in equity £'000	Group		31 March 2009 £'000
				Acquired in business combinations £'000		
Property, plant and equipment	914	120	–	–		1,034
Intangible assets	1,338	(121)	–	–		1,217
Inventories	(76)	24	–	–		(52)
Other financial liabilities	(20)	(125)	–	–		(145)
Share-based payments	(22)	22	–	–		–
Pension	(519)	16	(13)	–		(516)
Deferred tax movements	1,615	(64)	(13)	–		1,538

	1 April 2008 £'000	Company		31 March 2009 £'000
		Recognised in income £'000	Recognised in equity £'000	
Other financial liabilities	20	102	–	122
Share-based payments	10	(10)	–	–
Deferred tax movements	30	92	–	122

Movement in deferred tax in the prior year

	1 April 2007 £'000	Recognised in income £'000	Recognised in equity £'000	Group		31 March 2008 £'000
				Acquired in business combinations £'000		
Property, plant and equipment	808	90	–	16		914
Intangible assets	–	–	–	1,338		1,338
Inventories	(13)	(63)	–	–		(76)
Other financial liabilities	–	(20)	–	–		(20)
Share-based payments	–	(19)	(3)	–		(22)
Pension	(648)	20	109	–		(519)
Deferred tax movements	147	8	106	1,354		1,615

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

19 Deferred tax assets and liabilities CONTINUED

	1 April 2007 £'000	Company		31 March 2008 £'000
		Recognised in income £'000	Recognised in equity £'000	
Other financial liabilities	–	20	–	20
Share-based payments	–	8	2	10
Deferred tax movements	–	28	2	30

Unrecognised deferred tax asset

Deferred tax assets of £157,000 and £158,000 (2008: £74,000 and £157,000), in respect of temporary timing differences and capital losses respectively, have not been recognised on the grounds that it is not considered probable that there will be suitable taxable profits in the foreseeable future from which the underlying temporary differences/capital loss will reverse.

20 Inventories

	Group	
	2009 £'000	2008 £'000
Work-in-progress	344	161
Goods for resale	2,226	3,179
Total inventories	2,570	3,340

During the year £79,000 (2008: £75,000) of inventory write-downs has been recognised as an expense in the income statement.

The Company has no inventories.

21 Trade and other receivables

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<i>Non-current:</i>				
Amount owed by subsidiary undertaking	–	–	6,325	6,428

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<i>Current:</i>				
Trade and other receivables	3,599	4,643	19	31
Amounts owed by subsidiary undertakings	–	–	–	701
Corporation tax	17	–	–	–
Prepayments and accrued income	808	710	–	–
Total trade and other receivables	4,424	5,353	19	732

22 Cash and cash equivalents/bank overdrafts

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Cash and cash equivalents in the balance sheet	3,004	2,995	289	1,102
Cash and cash equivalents in the cash flow statements	3,004	2,995	289	1,102

23 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see note 29.

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<i>Non-current liabilities</i>				
Secured bank loans	4,988	5,458	3,955	4,257
Finance lease liabilities	65	17	–	–
Contingent consideration on acquisition	–	1,517	–	1,517
Total non-current interest bearing loans and borrowings	5,053	6,992	3,955	5,774
<i>Current liabilities</i>				
Current portion of secured bank loans	500	536	300	300
Finance lease liabilities	69	23	–	–
Current portion of contingent consideration on acquisition	1,573	1,505	1,573	1,505
Total current interest-bearing loans and borrowings	2,142	2,064	1,873	1,805

Net debt

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Total interest bearing loans and borrowings	7,195	9,056	5,828	7,579
less: cash balances (see note 22)	(3,004)	(2,995)	(289)	(1,102)
Net debt	4,191	6,061	5,539	6,477

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

23 Interest-bearing loans and borrowings CONTINUED

Finance lease liabilities

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Future minimum lease payments due:				
within one year	69	23	–	–
after more than one year but within five years	65	17	–	–
Total minimum lease payments due	134	40	–	–

For more information regarding the maturity of the Group and Company's interest bearing loans and borrowings see note 29.

24 Derivative financial instruments

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Fair value liability of derivative financial instruments	406	72	406	72

25 Trade and other payables

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<i>Non-current:</i>				
Amount owed to subsidiary undertaking	–	–	632	1,949

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<i>Current:</i>				
Trade payables	5,050	4,592	–	–
Other creditors, including taxation and social security	932	1,155	24	518
Accruals and deferred income	1,931	1,848	389	553
Total trade and other payables	7,913	7,595	413	1,071

26 Employee benefits: pension plans

The Group operates three defined contribution pension schemes. In addition it also operates two defined benefit pension schemes, both of which have been closed to new members and to future accrual.

Defined contribution schemes

The Group operates three defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the Group to the schemes and amounted to £403,000 (2008: £174,000). The Group anticipates paying contributions amounting to £405,000 during the year ending 31 March 2010.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

26 Employee benefits: pension plans CONTINUED

Defined benefit pension schemes

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

	2009 £'000	2008 £'000
Pension scheme deficit:		
Falkland Islands Company Limited Scheme	(1,797)	(1,863)
Portsmouth Harbour Ferry Company Limited Scheme	(239)	(197)
	(2,036)	(2,060)
Deferred tax	516	519
Net pension scheme deficit	(1,520)	(1,541)

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.

The latest full actuarial valuation was carried out at 31 March 2005 and was updated for IAS 19 purposes to 31 March 2009 by a qualified independent actuary, Lane Clark & Peacock LLP. The major assumptions used in this valuation were:

	2009	2008
Rate of increase in salaries	2.5%	2.7%
Rate of increase in pensions in payment and deferred pensions	3.0%	3.0%
Discount rate applied to scheme liabilities	6.8%	6.6%
Inflation assumption	3.1%	3.7%

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

Scheme liabilities

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

	Value at 2009 £'000	Value at 2008 £'000	Value at 2007 £'000	Value at 2006 £'000	Value at 2005 £'000
Present value of scheme liabilities	(1,797)	(1,863)	(2,136)	(2,107)	(2,141)
Related deferred tax asset	449	465	534	527	696
Net pension liability	(1,348)	(1,398)	(1,602)	(1,580)	(1,445)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

26 Employee benefits: pension plans CONTINUED

Movement in deficit during the year

	2009 £'000	2008 £'000
Deficit in scheme at beginning of the year	(1,863)	(2,136)
Past service cost	–	(10)
Pensions paid	135	95
Other finance cost	(119)	(113)
Actuarial gain	50	301
Deficit in scheme at end of the year	(1,797)	(1,863)

Analysis of amounts included in other finance costs

	2009 £'000	2008 £'000
Past service cost	–	(10)
Charged to income statement	–	(10)

	2009 £'000	2008 £'000
Interest on pension scheme liabilities	(119)	(113)

Analysis of amount recognised in statement of recognised income and expense

	2009 £'000	2008 £'000
Experience (losses) arising on scheme liabilities	(2)	(18)
Changes in assumptions underlying the present value of scheme liabilities	52	319
Actuarial gain recognised in statement of recognised income and expense	50	301

History of experience gains and losses

	2009	2008	2007	2006
Experience gains and losses on scheme liabilities:				
Amount (£000)	(2)	(18)	(3)	80
Percentage of year end present value of scheme liabilities	0.10%	1.00%	0.10%	3.8%
Total amount recognised in statement of total recognised gains and losses:				
Amount (£000)	50	301	118	57
Percentage of year end present value of scheme liabilities	(2.8)%	(16.2)%	(5.5)%	(2.7)%

26 Employee benefits: pension plans CONTINUED

Portsmouth Harbour Ferry Company Plc (1975) Retirement Fund

This Company operated a defined benefit scheme. The scheme has been closed for many years and none of the current employees are earning benefits under the scheme. Actuarial reports for IAS 19 purposes as at 31 March 2009, 31 March 2008, 31 March 2007, 31 March 2006 and 31 March 2005 were prepared by a qualified independent actuary, Alexander Forbes Limited.

The major assumptions used in this valuation were:

	2009	2008	2007	2006	2005
Rate of increase in pensions in payment and deferred pensions	2.7%	3.7%	3.2%	3.0%	3.0%
Discount rate applied to scheme liabilities	6.4%	6.9%	5.4%	4.9%	5.0%
Inflation assumption	2.7%	3.7%	3.2%	3.0%	3.0%

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

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 2009 £'000	Value at 2008 £'000	Value at 2007 £'000	Value at 2006 £'000	Value at 2005 £'000
Equities	185	207	156	133	91
Fixed interest	50	37	20	17	34
Other	18	36	34	6	–
Total market value of assets	253	280	210	156	125
Present value of scheme liabilities	(492)	(477)	(591)	(627)	(415)
Deficit in the scheme – Pension liability	(239)	(197)	(381)	(471)	(290)
Related deferred tax asset	67	54	114	142	87
Net pension liability	(172)	(143)	(267)	(329)	(203)

The expected rates of return on the assets in the scheme were:

	Long term rate of return 2009	Long term rate of return 2008
Equities	6.75%	7.55%
Fixed interest	6.35%	6.90%
Other	0.50%	5.25%

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

26 Employee benefits: pension plans CONTINUED

Movement in deficit during the year

	2009 £'000	2008 £'000
<i>Projected benefit obligations</i>		
Opening projected benefit obligations	(477)	(591)
Interest thereon	(33)	(32)
Distributions	4	2
Experience gain	13	144
Projected benefit obligations at 31 March	(493)	(477)
<i>Plan assets</i>		
Opening plan assets	280	210
Distributions	(3)	(2)
Contributions	54	53
Return on assets	22	19
Actuarial loss	(99)	–
Plan assets at 31 March	254	280
Deficit in scheme at 31 March	(239)	(197)

Analysis of amounts included in other finance costs

	2009 £'000	2008 £'000
Expected return on pension scheme assets	22	16
Interest on pension scheme liabilities	(33)	(32)
Included in other finance costs	(11)	(16)

Analysis of amount recognised in statement of total recognised gains and losses

	2009 £'000	2008 £'000
Actual return less expected return on scheme assets	(99)	3
Experience gains and losses arising on scheme liabilities	(1)	–
Changes in assumptions underlying the present value of scheme liabilities	14	144
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	(86)	147

26 Employee benefits: pension plans CONTINUED

History of experience gains and losses

	2009	2008	2007	2006
Difference between the expected and actual return on scheme assets: Amount (£000)	(99)	3	(4)	19
Percentage of year end scheme assets	(39.0)%	15.8%	1.0%	12.2%
Experience gains and losses on scheme liabilities: Amount (£000)	(1)	–	–	(72)
Percentage of year end present value of scheme liabilities	0.2%	–	–	(15.2)%
Total amount recognised in statement of total recognised gains and losses: Amount (£000)	(86)	147	61	(88)
Percentage of year end present value of scheme liabilities	17.4%	773.7%	(17.1)%	(18.7)%

27 Employee benefits: share-based payments

Retained earnings is used to record the costs arising under IFRS2 for options issued to Directors and employees, and similar costs associated with share-based payments.

The following options were outstanding during the year:

Date of issue	Number	Exercise price £	Share price at grant date £	Fair value per share £	Total fair value £	Earliest exercise date	Latest exercise date
27 Jul 01	30,000	1.40	Not valued for IFRS2 purposes			27 Jul 04	26 Jul 11
15 Aug 02	81,300	1.85	Not valued for IFRS2 purposes			15 Aug 05	14 Aug 12
10 Feb 05 *	57,692	5.20	5.20	2.47	142,499	10 Feb 08	9 Feb 15
14 Jun 05	62,500	4.25	4.25	1.66	103,750	14 Jun 08	13 Jun 15
14 Jun 05 *	63,528	4.25	4.25	2.14	135,950	14 Jun 08	13 Jun 15
13 Jul 06	88,189	3.18	3.18	0.64	56,441	13 Jul 09	12 Jul 16
18 Jun 07	17,500	3.09	2.83	0.82	14,350	18 Jun 10	17 Jun 17
5 Jul 07	153,996	2.50	3.025	1.08	166,316	5 Jul 10	4 Jul 17
7 Aug 07	27,517	3.30	3.325	0.73	20,087	7 Aug 10	6 Aug 17
4 Dec 07	77,500	3.19	3.40	1.19	92,225	4 Dec 10	3 Dec 17
3 Apr 08	72,000	3.65	3.75	1.31	94,320	3 Apr 11	2 Apr 18
30 Jul 08	159,221	3.2325	4.00	1.35	214,948	30 Jul 11	29 Jul 18
	890,943				1,040,887		

* As reported in the 2008 Directors' Report in April 2008 the Remuneration Committee of the Board recommended to the Board that in view of the 83% growth underlying earnings per share between 1 April 2005 and 31 March 2009 the conditions pertaining to options granted on 10 February 2005 over 57,692 shares £5.20 to Mr Foster and on 14 June 2005 over 14,117 shares to Mr Foster and over 49,411 shares to Mr Hudd at £4.25 should be regarded as satisfied and the options regarded as vested. These amendments are reflected in increases to the fair value per share of £0.72 with regards the options issued on 10 February 2005 and £1.03 with regard to the options issued on 14 June 2005.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

27 Employee benefits: share-based payments CONTINUED

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 options subject to the provisions of IFRS2 currently in issue. Expected volatility is determined by reference to past performance of the Company's share price.

	13 Jul 06	18 Jun 07	5 Jul 07	07 Aug 07	04 Dec 07	3 Apr 08	30 Jul 08
Expected volatility (%)	31	31	40	33	33	34	35
Risk-free interest rate (%)	4.7	5.6	5.70	5.30	4.50	4.20	4.80
Expected life of options (years)	6.5	6.5	3.0	6.5	6.5	6.5	3.0
Dividend yield (%)	2.1	2.5	2.30	2.1	2.1	2.10	2.00
Share price at grant date (£)	3.18	2.83	3.025	3.325	3.40	3.75	4.00

Share options issued without share price conditions attached have been valued using the Black-Scholes model. Share price options issued with share price conditions attached have been valued using a Monte Carlo simulation model making explicit allowance for share price targets.

During the year ended 31 March 2009, no options (2008: 35,000) were exercised over ordinary shares. Options issued prior to 6 November 2002 are not subject to the provisions of IFRS2.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price (£) 2009	Number of options 2009	Weighted average exercise price (£) 2008	Number of options 2008
Outstanding at the beginning of the year	3.16	659,722	3.24	418,209
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	1.36	(35,000)
Granted during the year	3.38	243,221	2.81	276,513
Lapsed during the year	3.65	(12,000)	–	–
Outstanding at the year end	3.22	890,943	3.16	659,722
Vested options exercisable at the year end	3.48	295,020	2.91	168,992

28 Capital and reserves

Reconciliation of movement in capital and reserves – Group

	Called up share capital £'000	Financial assets fair value revaluation reserve £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2007	847	10,480	7,206	703	5,482	24,718
Profit for the year	–	–	–	–	1,378	1,378
Share-based payments	–	–	–	–	164	164
Deferred tax on share-based payments	–	–	–	–	3	3
Dividends	–	–	–	–	(591)	(591)
Issue of shares	59	–	–	–	–	59
Premium on shares issued in the year, net of expenses ¹	–	–	–	2,442	–	2,442
Change in fair value of available-for-sale financial assets	–	5,516	–	–	–	5,516
Actuarial gain on pension, net of tax	–	–	–	–	339	339
Balance at 31 March 2008	906	15,996	7,206	3,145	6,775	34,028
Loss for the year	–	–	–	–	(1,153)	(1,153)
Share-based payments	–	–	–	–	297	297
Reserve transfer re-impairment	–	–	–	(1,983)	1,983	–
Dividends	–	–	–	–	(722)	(722)
Change in fair value of available-for-sale financial assets	–	(7,560)	–	–	–	(7,560)
Actuarial gain on pension, net of tax	–	–	–	–	(23)	(23)
Balance at 31 March 2009	906	8,436	7,206	1,162	7,157	24,867

¹ The premium on shares issues in March 2008 in connection with the acquisition of Momart Limited was credited to other reserves. In the current year the Group recognised an impairment charge of £1,983,000 in relation to goodwill arising on the Momart acquisition. As a result the Group has made a transfer from other reserves to retained earnings of an amount equal to the impairment recognised. The transfer neutralises the impact of the impairment charge recognised on retained earnings reserves.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

28 Capital and reserves CONTINUED

Reconciliation of movement in capital and reserves – Company

	Called up share capital £'000	Financial assets fair value revaluation reserve £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2007	847	10,480	7,206	5,389	5,692	29,614
Profit for the year	–	–	–	–	20,381	20,381
Share based payments	–	–	–	–	164	164
Deferred tax on share-based payments	–	–	–	–	2	2
Dividends	–	–	–	–	(591)	(591)
Issue of shares	59	–	–	–	–	59
Premium on shares issued in the year, net of expenses	–	–	–	2,442	–	2,442
Change in fair value of available-for-sale financial assets	–	(10,480)	–	–	–	(10,480)
Balance at 31 March 2008	906	–	7,206	7,831	25,648	41,591
Loss for the year	–	–	–	–	(10,625)	(10,625)
Reserve transfer re. impairment	–	–	–	(921)	921	–
Share based payments	–	–	–	–	297	297
Dividends	–	–	–	–	(722)	(722)
Balance at 31 March 2009	906	–	7,206	6,910	15,519	30,541

¹ Financial assets fair value revaluation reserve

The fair value reserve includes the cumulative net change in fair value of available-for-sale financial assets until the investment is derecognised or impaired.

A loss of £10,625,000 (2008 profit: £20,381,000) has been dealt with in the accounts of the Parent Company. As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account.

Of the loss of £10,625,000 dealt with in the accounts of the Company in the current year, £921,000 arose on recognition of an impairment in the Company's investment in Momart International Limited. The premium on shares issues in March 2008 in connection with the acquisition of Momart International Limited was credited to other reserves. As a result the Company has made a transfer from other reserves to retained earnings of an amount equal to the impairment recognised. The transfer neutralises the impact of the impairment charge on retained earnings reserves.

28 Capital and reserves CONTINUED

Of the profit of £20,381,000 dealt with in the accounts of the Company in the prior year a profit of £20,530,000 arose on the disposal by the Company of its shares in Falkland Oil and Gas Limited to Erebus Limited, a subsidiary company. As the sale was funded by a reinvestment by the Company in redeemable preference shares and loans to Erebus Limited the profit is unrealised and hence not available for distribution. During the year the Company has elected to recognise an impairment charge in relation to its investment in Erebus to reflect the decline in the year in the market value of the shares in Falkland Oil and Gas Limited held by Erebus Limited of £12,094,000. This reduces the unrealised profit unavailable for distribution on the sale of the shares to Erebus Limited to £8,436,000.

	2009	2008
On issue at 1 April	9,060,796	8,468,130
Issued for cash	–	10,000
Issued as acquisition consideration	–	582,666
On issue at 31 March – fully paid	9,060,796	9,060,796
	2009	2008
	£'000	£'000
Authorised		
Ordinary shares of 10p each	1,250	1,250
Allotted, called up and fully paid		
Ordinary shares of 10p each	906	906

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 2009 the plan held 36,499 (2008: 36,212) ordinary shares at a cost of £68,542 (2008: £54,236). The market value of the shares at 31 March 2009 was £77,013 (2008: £133,079). Shares held in the ESOP have had their rights to dividends waived, as in prior years.

There were 313,217 (2008: 153,996) share options outstanding under the Company's Saving Related Share Option Scheme ("Save As You Earn") at 31 March 2009.

For more information on share options please see note 27.

Dividends

The following dividends were recognised in the period:

	2009	2008
	£'000	£'000
8.0p (2008: 7p) per qualifying ordinary share	722	591

After the balance sheet date dividends of 8p (£722,000) per qualifying ordinary share (2008: 8.0p) (£722,000) were proposed by the Directors. The dividends have not been provided for.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

29 Financial instruments

(i) Fair values of financial instruments

Investments in equity securities

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Derivative financial instruments

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

IAS 39 categories and fair values

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

The following table shows the carrying value for each category of financial instrument:

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Available-for-sale financial assets at fair value	10,890	18,450	–	–
Financial liabilities at amortised cost	(7,913)	(7,595)	(361)	(1,071)
Interest bearing borrowings at amortised cost	(7,195)	(7,579)	(5,828)	(7,579)
Derivative financial instruments	(406)	(72)	(406)	(72)
Trade and other receivables	4,424	5,353	19	732

29 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 and investment securities.

Group

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

Company

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £7,645,000 (2008: £8,560,000) being the total trade receivables, other financial assets and cash and cash equivalents in the balance sheet.

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

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Falkland Islands	1,413	1,462	–	–
Europe	466	527	–	–
North America	247	458	–	–
United Kingdom	1,418	1,722	–	–
Other	55	176	–	–
Trade receivables	3,599	4,345	–	–

The Company has no trade debtors.

Credit quality of financial assets and impairment losses

Group	Gross	Impairment	Net	Gross	Impairment	Net
	2009 £'000	2009 £'000	2009 £'000	2008 £'000	2008 £'000	2008 £'000
Not past due	1,988	–	1,988	2,023	–	2,023
Past due 0 – 30 days	832	–	832	1,276	–	1,276
Past due 31 – 120 days	444	–	444	826	–	826
More than 120 days	508	173	335	302	82	220
	3,772	173	3,599	4,427	82	4,345

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

29 Financial instruments CONTINUED

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

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Balance at 1 April 2008	82	78	–	–
Impairment loss recognised	136	23	–	–
Impairment loss reversed	(45)	(19)	–	–
Balance at 31 March 2009	173	82	–	–

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

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

(iii) Liquidity risk

Financial risk management

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

Group and Company

At the beginning of the period the Group had outstanding bank loans of £6.0 million and unsecured loan note commitments of £3.0 million. All payments due during the year with respect to these agreements were met as they fell due. The Group continues to maintain a £2.0 million Revolving Credit facility to fund working capital requirements which was undrawn at the year end.

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:

2009	Carrying amount £'000	Contractual cash flows £'000	Contractual maturities			
			1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
<i>Non-derivative financial instrument</i>						
Secured bank loans	5,488	6,304	773	1,236	3,377	918
Finance leases	134	134	69	65	–	–
Contingent consideration	1,573	1,615	1,615	–	–	–
Trade and other payables	7,913	7,913	7,913	–	–	–
	15,108	15,966	10,370	1,301	3,377	918

29 Financial instruments CONTINUED

2008	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
<i>Non-derivative financial instrument</i>						
Secured bank loans	5,994	7,321	912	888	3,428	2,093
Finance leases	40	40	23	17	–	–
Contingent consideration	3,022	3,268	1,615	1,653	–	–
Trade and other payables	7,595	7,595	7,595	–	–	–
	16,651	18,224	10,145	2,558	3,428	2,093

Liquidity risk – Company

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

2009	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
<i>Non-derivative financial instrument</i>						
Secured bank loans	4,255	4,986	524	991	2,655	816
Contingent consideration	1,573	1,615	1,615	–	–	–
Trade and other payables	413	413	413	–	–	–
	6,241	7,014	2,552	991	2,655	816

2008	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
<i>Non-derivative financial instrument</i>						
Secured bank loans	4,558	5,748	684	660	2,744	1,660
Contingent consideration	3,022	3,268	1,615	1,653	–	–
Trade and other payables	1,071	1,071	1,071	–	–	–
	8,651	10,087	3,370	2,313	2,744	1,660

(iv) Market risk

Financial risk management

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

29 Financial instruments CONTINUED

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. This is based on carrying amounts for monetary financial instruments.

Group 31 March 2009	EUR £'000	USD £'000	Other £'000	Total £'000
Cash and cash equivalents	30	201	–	231
Trade payables and other payables	(980)	(309)	(144)	(1,289)
Balance sheet exposure	(950)	(108)	(144)	(1,058)

Group 31 March 2008	EUR £'000	USD £'000	Other £'000	Total £'000
Cash and cash equivalents	3	56	–	59
Trade payables and other payables	(321)	(235)	(90)	(646)
Balance sheet exposure	(318)	(179)	(90)	(587)

The Company has no exposure to foreign currency risk.

Sensitivity analysis

Group

A 10% percent weakening of the following currencies against the pound sterling at 31 March would have increased / (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant and is performed on the same basis for the year ended 31 March 2008.

	Equity		Profit or loss	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
EUR	101	32	101	32
USD	51	18	51	18

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

29 Financial instruments CONTINUED

Market risk – interest rate risk

Profile

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

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Fixed rate financial instruments:				
Finance leases receivable	217	212	–	–
Finance leases payable	(134)	(40)	–	–
Contingent consideration	(1,573)	(3,022)	(1,573)	(3,022)
	(1,490)	(2,850)	(1,573)	(3,022)
Variable rate financial instruments:				
Derivative financial instruments	(406)	–	(406)	–
Financial liabilities	(5,488)	(5,994)	–	(4,561)
	(5,894)	(5,994)	(406)	(4,561)

The Group has a loan of £1.2 million (2008: £1.4 million) in respect of the ferry delivered in 2005. The loan is repayable over a 10 year period from June 2005 and bears interest at 1.4% above the base rate. The loan has been hedged with an base rate cap of 6.5% and a base rate floor of 4.25%. At 31 March 2009 the fair value of both these instruments was a liability of £65,000 (2008: £7,166).

The Group has a further loan of £4 million in respect of the acquisition of Momart International Limited. The loan is repayable over five years commencing in February 2010 and bears interest at 2% above the base rate. The loan has been hedged with a base rate cap of 6.25% and a base rate floor of 4.25%. At 31 March 2009 the fair value of both these instruments was a liability of £342,000 (2008: £65,549).

Interest on the bank guarantee for the deferred consideration payable in respect of the acquisition of Momart International Limited accrues at 2% and is payable monthly.

Sensitivity analysis

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

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for 31 March 2008.

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Equity:				
Increase	–	–	–	–
Decrease	(14)	(21)	(4)	(7)
Profit or loss:				
Increase	–	–	–	–
Decrease	(14)	(21)	(4)	(7)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2009

29 Financial instruments CONTINUED

Market risk – equity price risk

The Group's and Company's exposure to equity price risk arises from its investments in equity securities which are classified as available-for-sale financial assets and are shown in the balance sheet as other financial assets (see note 16).

Sensitivity analysis

The Group's available-for-sale financial assets comprise its investment in Falklands Oil and Gas Limited. During the year ended 31 March 2009 Falklands Oil and Gas Limited shares traded on the AIM market of the London Stock Exchange at an average price of 100.3p with a high of 165.0p and a low of 53.3p. Based upon this share price history the value of available-for-sale financial assets held at the balance sheet date could have varied between a low of £7,995,000 (2008: £10,875,000) and a high of £24,750,000 (2008: £27,150,000).

(v) Capital management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders.

30 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2009 £'000	2008 £'000
Less than one year	662	564
Between one and five years	2,516	2,184
More than five years	4,661	7,478
	7,839	10,226

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

Group

During the year £594,000 was recognised as an expense in the income statement in respect of operating leases (2008: £67,000).

The Company had no operating lease commitments.

31 Capital commitments

At the end of the year the Group had no capital commitments not provided for in these financial statements.

32 Related parties

The Group has a related party relationship with its subsidiaries (see note 15) and with its Directors and executive officers. Directors of the Company and their immediate relatives control 5.6% per cent of the voting shares of the Company.

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

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Key management emoluments including social security costs	1,043	802	445	527
Company contributions to money purchase pension plans	219	60	25	24
Other post employment benefits	–	5	–	–
Share-related awards	154	103	143	76
Total key management personnel compensation	1,416	970	613	627

33 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 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. 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 12 for further details) using commercial judgment 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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John Foster *Managing Director*

Sir Harry Solomon*

Mike Killingley*

**Non-executive Directors*

Company Secretary

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