Falkland Islands Holdings plc
Annual Report 2011

Contents

Financial Highlights

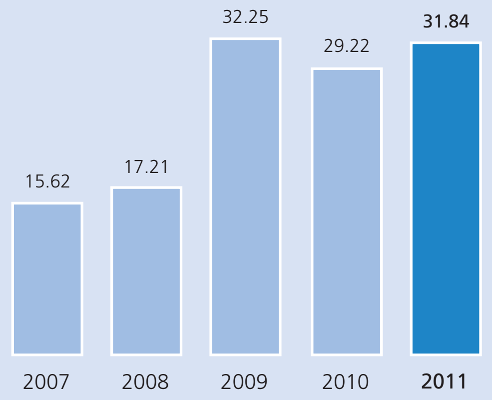
FOR THE YEAR ENDED 31 MARCH 2011

	2011 £m	2010 £m	*Change %*
Turnover from continuing operations	**31.84**	29.22	*9.0*
Profit before tax	**2.33**	5.67	*(59)*
Underlying profit before tax*	**2.73**	2.69	*1.5*
Diluted earnings per share before amortisation and non-trading items	**20.6p**	21.7p	*(5.1)*
Dividend per share	**9.5p**	9.0p	*5.6*
Cash flow from operations	**0.82**	2.35	*(65)*
Net asset value per share	**332p**	376p	*(12)*

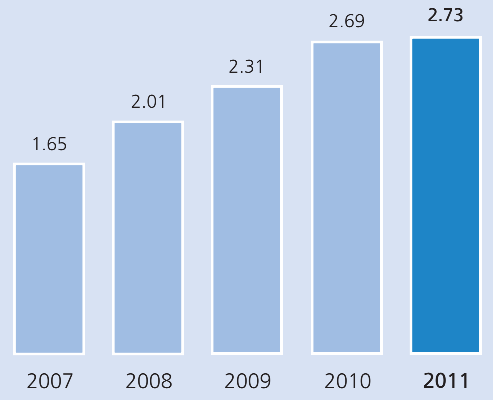
*Defined as profit before tax, amortisation and non-trading items.

Turnover (£m)

from continuing operations

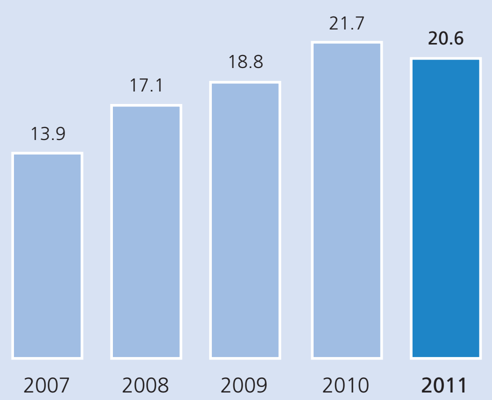


Underlying profit before tax* (£m)

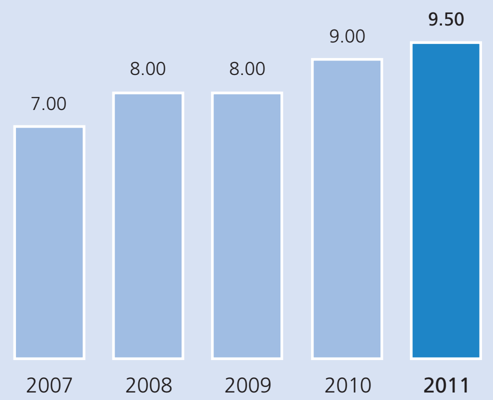


Diluted earnings per share (pence)

before amortisation and non-trading items



Dividend per share (pence)



Chairman's Statement

David Hudd
Chairman

I am pleased to report that, despite tough trading conditions in the UK, the year ended 31 March 2011 saw another encouraging performance from the Group, with underlying pre-tax profits increasing for the sixth consecutive year to a record level of £2.73 million.

Results

Underlying profits before tax (excluding amortisation, impairment of intangibles and non-trading items) increased by 1.5% to £2.73 million *(2010: £2.69 million)*. There were no sales of any Falkland Oil and Gas Limited ("FOGL") shares during the year *(2010: profit of £3.1 million)* and, with the absence of non-trading income, reported profits before tax were £2.3 million *(2010: £5.7 million)*. Underlying earnings per share were 20.9p *(2010: 22.0p)* and reported earnings per share, after taking account of the amortisation of intangibles, were 17.7p *(2010: 58.2p)*. The effective tax rate on underlying earnings has returned to a more normal level (30.1%) after benefitting last year from a number of non-recurring items.

Dividends

The Board is pleased to recommend a final dividend of 5.5p per share which, together with the Group's interim dividend of 4p per share, makes a total dividend for the year of 9.5p per share, an increase of 5.6% *(2010: 9.0p per share)*.

If approved by shareholders at the Annual General Meeting on 8 September 2011, the 5.5p per share final dividend will be paid on 14 October 2011 to shareholders on the register at the close of business on 16 September 2011.

Operations

All of the Group's trading businesses were profitable in the year. Trading at The Falkland Islands Company Limited ("FIC") was buoyant as the Group benefitted from the recent expansion of its retail operations and the boost to demand created by oil exploration. The revenue and contribution from FIC rose to record levels despite substantial increases in shipping costs from the UK. At Momart, despite a modest growth in overall revenues, the squeeze on museum budgets and related pricing pressure saw a contraction in the core exhibition business, although this was partially offset by growth in the commercial gallery sector. The Group's passenger ferry business at Gosport performed well, maintaining revenue and profitability despite a small decline in passenger numbers.

FOGL

The Group's holding of 12 million FOGL shares was unchanged during the year. At 31 March 2011, the market value of the holding was £10.7 million (89.3p per FOGL share) compared with £15.5 million at 31 March 2010 (129.5p per FOGL share).

Following the withdrawal of BHP Billiton in March 2011, FOGL is the operator and now has an undivided interest in its licences and has secured the necessary licence extensions from the Falkland Islands' Government. In April 2011, FOGL raised £32 million and contracted the Leiv Eiriksson deep water rig to drill two wells, with the first expected to spud in the first quarter of 2012. FOGL is now funded for a deep well on its Loligo prospect, which has mean prospective resources of 4.7 billion barrels, and for a second well on either Loligo (as an appraisal well), or on one of its other high ranked prospects.

We were founder shareholders in FOGL in 2002 and since then we have recouped our entire cost of investment and have recycled over £3 million from share sales into our trading businesses. We have undertaken to retain our entire holding of 12 million shares through the current drilling programme. Your Board will continue to manage the affairs of the Group to maximise value and will be developing strategies appropriate for alternative exploration outcomes in the Falklands.

Assets

The Group's balance sheet remains strong. At 31 March 2011, shareholders' funds were £30.6 million *(2010: £34.2 million)*, cash balances were £2.1 million *(2010: £3.8 million)* and total borrowings were reduced to £4.2 million *(2010: £5.3 million)*. Net assets per share at 31 March 2011, including intangibles, were 332p *(2010: 376p per share)*.

Staff

On behalf of shareholders I would like to thank our colleagues throughout the Group for their continued hard work and commitment which has enabled us to produce a good result.

Outlook

In the Falklands, with oil exploration continuing, general economic confidence and demand should be maintained. The four deep water wells due to be drilled in late 2011 and early 2012 should provide further stimulus to the Falklands economy and our FIC business, although the dramatic growth seen in the year ended 31 March 2011 is expected to moderate and rising inflation is putting pressure on margins.

The UK market for exhibitions appears to be stabilising, although competition for business is fierce and margins at Momart are expected to remain under pressure in the current year. The commercial gallery market is stronger and further growth is anticipated. Momart's market leading position is intact and we remain confident about its prospects for improvement.

The arrival of Portsmouth Harbour Ferry Company's ("PHFC") new pontoon and landing stage at Gosport this month provides a secure operating platform for the foreseeable future. The pontoon is being leased from Gosport Borough Council over a 50 year period with the additional lease rental and depreciation costs being recovered by increased fares. Even after these increases, the ferry continues to offer compelling value for money, convenience and reliability and will continue to provide the Group with a good cash flow and income stream.

In summary, current economic conditions in the UK remain difficult but the Group's businesses are well established and we expect them to demonstrate continued resilience in the current year. Whilst interest in the FOGL drilling programme is likely to have greater influence on the Group's share price than the trading performance of the Group, it is worth noting that if a commercial oil discovery is confirmed by any one of the five companies active in Falkland Islands' waters, the prospects for FIC will be transformed.

Trading in the year to date has been satisfactory and in line with the Board's expectations.

David Hudd
Chairman
23 June 2011

Managing Director's Business Review

John Foster
Managing Director

Group Overview

Despite subdued demand in the UK, Group revenues increased by 9.0% to £31.8 million *(2010: £29.2 million)* due principally to buoyant trading conditions in the Falkland Islands. Oil exploration activity commenced in Falklands' waters in early 2010 and the additional demand for local services and supplies allowed FIC to benefit from the recent modernisation and expansion of its retail operations. As a result revenue from FIC increased by 20% in the year. In contrast in the UK, where demand remained weaker, Momart and PHFC saw more restricted revenue growth of just 0.9% and 0.3% respectively.

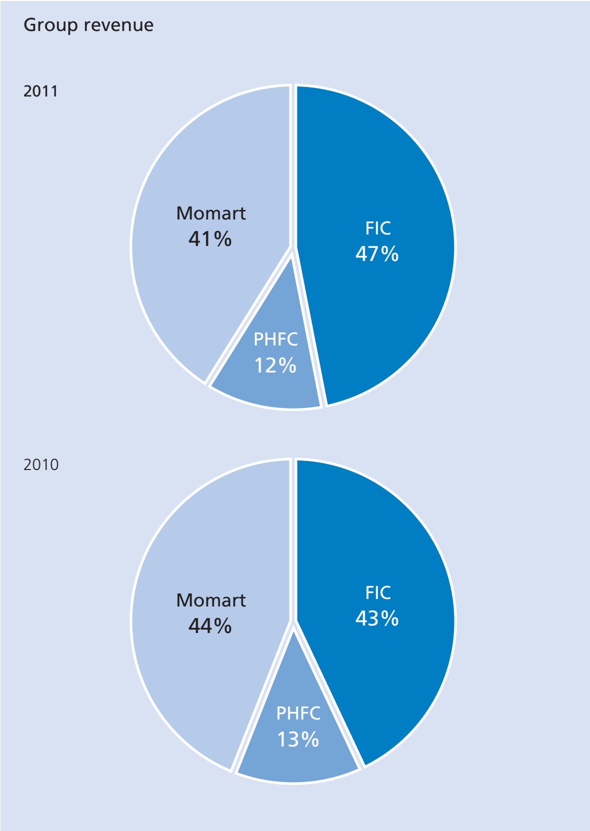
Underlying operating profits (before amortisation, impairment of intangibles and non-trading items) were impacted by the weaker UK economy and fell by 6.4% to £2.9 million *(2010: £3.1 million)* as margins, in particular at Momart, were squeezed. However, with net interest costs reduced to just £0.2 million *(2010: £0.4 million)*, underlying pre-tax profits increased by 1.5% to £2.73 million *(2010: £2.69 million)*.

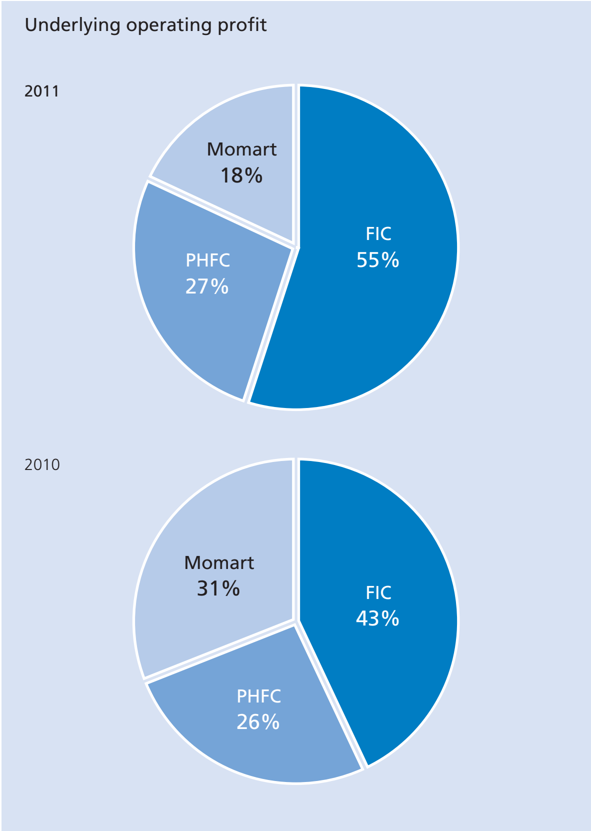
Review of operations

A summary of Group revenue and operating profit by business is shown below:

Group revenue

Year ended 31 March	2011 £m	2010 £m	*Change %*
Falkland Islands Company	**14.92**	12.43	*20.0*
Portsmouth Harbour Ferry	**3.73**	3.72	*0.3*
Momart	**13.19**	13.07	*0.9*
Total	**31.84**	29.22	*9.0*





Underlying operating profit

Year ended 31 March	2011 £m	2010 £m	*Change %*
Falkland Islands Company	**1.61**	1.38	*16.7*
Portsmouth Harbour Ferry	**0.79**	0.80	*(1.3)*
Momart	**0.53**	0.95	*(44.2)*
Total	**2.93**	3.13	*(6.4)*

Each of the Group's businesses is reviewed in detail below:

Falkland Islands Company ("FIC")

FIC produced very encouraging results, taking advantage of the stimulus from oil exploration. Revenues grew 20% and operating profits increased 16.7% to a record £1.61 million *(2010: £1.38 million)*.

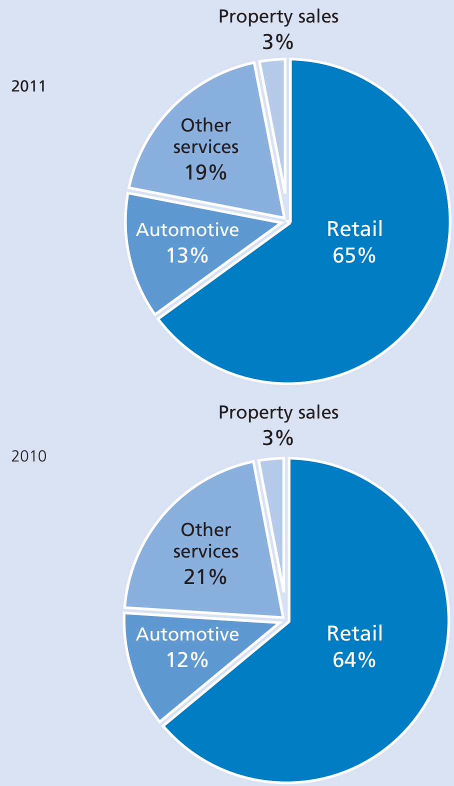
Operating results

Year ended 31 March	2011 £m	2010 £m	*Change %*
Revenues			
Retail	**9.72**	8.07	*20.5*
Automotive	**1.91**	1.43	*33.6*
Freight	**0.69**	0.99	*(30.3)*
Property sales	**0.45**	0.36	*25.0*
Other services	**2.15**	1.58	*36.1*
Total FIC revenue	**14.92**	12.43	*20.0*
Underlying FIC operating profit	**1.61**	1.38	*16.7*
Underlying operating profit margin (%)	**10.8**	11.1	*(0.3)*

The year under review started slowly with another poor illex squid catch and low fishing licence revenues. However, the arrival in Falkland waters of the Ocean Guardian oil rig in February 2010 stimulated the economy with local supplies and services in demand. In May 2010 confidence was lifted further when Rockhopper Exploration PLC announced an oil discovery in the North Falklands basin. The continuation of a drilling programme throughout the year by Rockhopper and Desire Petroleum together with seismic programmes conducted by Falkland Oil and Gas Limited ("FOGL"), Argos Resources and Borders & Southern generated significant additional spending and created a positive backdrop for trading.

Tourists outside the West Store in Stanley.

FIC revenues



Managing Director's Business Review

CONTINUED

FIC's retail business benefitted from the increase in demand; with a 50% increase in its selling space in November 2009 and the introduction in November 2010 of a new Peacocks' clothing offer within the West Store, retail sales increased by over 20% compared to 2009/10 and margins were lifted by a wider product range, improved sales mix and better availability.

Sales growth was most notable in FIC's "warehouse" sales to local businesses and oil rig suppliers which increased by over 42% to £1.8 million. Retail supermarket sales from the West Store, the main driver of retail volume, increased by 16%, helped by Peacocks' clothing sales, and the tourist focussed Capstan gift shop saw its sales up by 12%. The year saw a further reduction in the number of cruise ship visitors to the Falkland Islands, following the sharp declines seen in the previous year. However, FIC's tourism and trips business, Penguin Travel, had a record year benefitting from the strength of its relationship with leading cruise line operator Holland & America Lines. Growth was also seen at Right-Lines, FIC's general store at the MPA military base, where a modest extension of the sales area saw revenues increase by 16%.

Increased construction activity boosted sales at FIC's builders merchant "Home Builder" which increased by an encouraging 24% compared to the prior year.

The automotive business also had a better year with a recovery in sales of fleet vehicles for the military and their contractors and more used vehicle sales. We sold 78 vehicles *(2010: 41)* and sales rose by 33% to £1.9 million.

Falkland Island Shipping (formerly Darwin Shipping) experienced sharply increased freight tariffs from the Ministry of Defence for space on their Falklands supply ships. This reduced the competitiveness of FIC's third party freight business and revenues from shipping freight fell by over 30% with a commensurate reduction in contribution.

FIC's fishing agency had a slightly better year with a strong finish linked to a more promising illex catch in March 2011. Agency revenues improved by 15% but remained well below the levels seen in some previous years.

FIC's insurance broking operation once again made progress and saw an increase in both revenue and contribution in the year. Stevedoring activities benefitted from oil exploration cargoes and revenue increased by 39%.

During the year the conversion of the Upland Goose Hotel into heritage seafront cottages at Marmont Row was completed. Two of these properties were subsequently sold with the sale of a third due to complete in July 2011. One other older property on the edge of Stanley was sold during the year, bringing total revenues from property sales to £0.45 million *(2010: £0.36 million)*. FIC has retained nine of the twelve Marmont properties which are all being rented to companies involved in oil exploration thereby maximising rental income and capital appreciation.

Marmont Row heritage seafront cottages in Stanley.

New pontoon at Gosport, installed in June 2011.

Portsmouth Harbour Ferry Company ("PHFC")

PHFC performed satisfactorily with stable revenues and operating profits in difficult market conditions.

Operating results

Year ended 31 March	2011 £m	2010 £m	*Change* %
Revenues			
Ferry fares	**3.59**	3.50	*2.6*
Other revenue	**0.14**	0.22	*(36.4)*
Total PHFC revenue	**3.73**	3.72	*0.3*
Underlying PHFC operating profit	0.79	0.80	*(1.3)*
Underlying operating profit margin (%)	**21.2**	21.5	*(0.3)*
Passenger numbers (000s)	**3,421**	3,516	*(2.7)*

In line with the local economy the number of ferry passengers continued to see a modest decline although the year on year reduction slowed to 2.7% *(2010: 4.2%)*.

As in the prior year, ferry travel at weekends linked to discretionary retail and leisure activity was most affected with an overall decline of 6.3%. However, daily commuting remained relatively robust with the fall in the number of weekday journeys restricted to just 1.6%.

The annual fare increase became effective on 1st June 2010 with the standard daily adult return fare rising by 4.3% to £2.40 and the price for a book of 10 trip tickets for regular travellers lifted by 5.2% to £10.00. At this level ferry fares continued to offer excellent value for money whilst still allowing the company to maintain its policy of offering discounted ticket prices for seniors and children under 16. The overall fare increases put through in June 2010 of 4.5% effectively offset the impact of the decline in passenger numbers and resulted in revenues from ferry fares rising 2.6% to £3.59 million.

Other revenue of £0.14 million *(2010: £0.22 million)* was earned principally from PHFC's programme of summer leisure cruises in the Solent area. Revenues declined in the year as demand for leisure trips weakened but they produced a small positive contribution and form an important part of the ferry company's service to the community.

Ferry overheads increased during the year with inflationary rises in wages, salaries and fuel costs. As a result, PHFC's underlying operating profit decreased marginally by 1.3% to £0.79 million *(2010: £0.80 million)*.

During the year agreement was reached with Gosport Borough Council ("GBC") to replace the ageing pontoon at Gosport with a modern structure. Local contractors, Trant Construction, were appointed in summer 2010 using specialist pontoon fabricator Ravestein, in Holland.

Managing Director's Business Review

CONTINUED

The new pontoon is scheduled for installation in June 2011. The initial cash cost was met by GBC and PHFC will now lease the pontoon from them under a finance lease for a period of 50 years as the sole ferry operator. Under the new arrangements PHFC will be responsible for maintenance, insure the pontoon and pay a quarterly rental to the Council to cover the finance and capital costs. The resultant increase in operating costs arising from the new pontoon will be met by a one off increase in fares from June 2011 with adult return fares increasing by 12.5% (30p) to £2.70 and senior and child daily 10 trip tickets up to £7.50 or 75p per crossing. Even after these necessary fare increases, the Board believes that the ferry still offers excellent value to passengers compared to alternative modes of transport.

The ferry service was able to maintain its exceptional record of reliability with over 99.9% of some 70,000 ferry trips (operating 364 days per annum) departing on time. This impressive level of reliability and the exemplary safety record of the ferry service are founded on the very high levels of commitment and expertise of the ferry's staff who are proud to be a part of the community they serve.

Momart

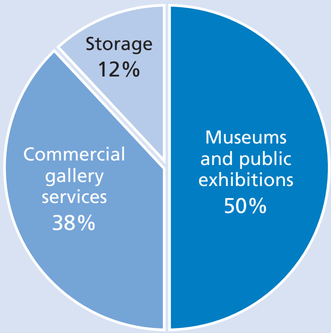
Operating results

Year ended 31 March	2011 £m	2010 £m	*Change %*
Revenues			
Museums and public exhibitions	**6.67**	7.73	*(13.7)*
Commercial gallery services	**5.00**	3.86	*29.5*
Storage	**1.52**	1.48	*2.7*
Total Momart revenue	**13.19**	13.07	*0.9*
Underlying Momart operating profit	**0.53**	0.95	*(44.2)*
Underlying operating profit margin (%)	**4.0**	7.3	*(3.3)*

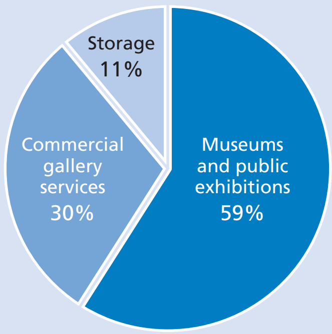
The Group's art handling and logistics business, Momart, had a more difficult year. Revenues in the first half were lower by 7.6% although they improved in the second half, increasing by 8.8% to produce a 0.9% increase in revenue for the year as a whole. In a difficult trading environment margins declined and operating profits fell back to just £0.53 million *(2010: £0.95 million)*. Management changes have been made at Momart, the costs of which are reflected in the results.

Momart revenues

2011



2010



Exhibitions

As indicated in our interim announcement, the UK art handling market saw a sharp reversal in the early part of the financial year and Momart's Exhibitions' revenues fell by over 30% in the first half as institutional budgets came under pressure and fierce price competition developed in the face of weaker demand. Pressure on margins continued in the second half but sales volumes recovered, helped in part by the large *Gauguin* exhibition at the Tate Modern in October and others including the *"Cult of Beauty"*, the travelling *"Maharaja"* exhibition at the V&A, the *Gossaert* exhibition at the National Gallery and the *British Sculpture* and *Watteau* exhibitions at the Royal Academy. As a result Exhibition revenues in the second half saw a modest 1.9% year on year increase to just over £4 million, well ahead of the disappointing £2.6 million of revenue seen in the first half. Despite this recovery, for the year as a whole Exhibitions' revenues fell by over 13% and the associated squeeze on margins was largely responsible for the overall decline in company profitability. At £6.67 million, Exhibition sales in year were over 27% below the record level of museum related revenues experienced in 2008/9. The exhibitions market is expected to remain stable in the near term, albeit with continuing

Momart was the contracted transport and logistics agency for the Gauguin exhibition at Tate Modern in October 2010.

pressure on margins, with recovery anticipated in the medium term.

Gallery Services

The commercial art market continued to grow through the year. Linked to renewed confidence, particularly in emerging markets, commercial activity grew strongly with record auction sales seen in both India and Hong Kong. This trend was confirmed once more by the continued success in established markets of the major international fairs including, *Art Basel* in June, *Frieze* in London in October and *Miami Basel* in December.

The company's commercial Gallery Services division was again actively involved in a number of high profile overseas exhibitions of Damien Hirst's work and this was complemented by increased activity with private collectors and major UK commercial galleries such as *White Cube* and *Haunch of Venison*.

Gallery Services' sales grew strongly in the first half with revenues ahead by 38%, helped by large commercial exhibitions of Damien Hirst's works in Berlin and Monaco. In the second half growth continued albeit at a more moderate rate with revenues ahead by over 21%, taking annual revenues for the division to £5.0 million, an increase of 29.5% on 2009/10.

Storage

Storage revenues increased by 2.7% in the year to £1.52 million with a marked recovery seen in the second half generated by activity in the commercial art market and by large collectors. Storage revenue accounted for 11.5% of revenue in the year *(2010: 11.3%)*.

FOGL

The Group owns a significant shareholding in AIM quoted oil exploration company FOGL. Details of the Group's shareholding in FOGL are set out below:

Year ended 31 March	2011	2010
Number of shares held	12,000,000	12,000,000
FOGL share price	89.3p	129.5p
Market value of holding	£10.7m	£15.5m
Cost	£2.0m	£2.0m

During the year FOGL's share price varied between a high of 244p and low of 76p and at 31 March 2011 the Group's shareholding represented 8.2% of FOGL's share capital. Following a successful share placing by FOGL in April 2011, to raise funding for its 2012 drilling programme, FOGL's share capital increased to 207.2 million shares and the Group's unchanged holding of 12 million shares represented an interest of 5.8% in the enlarged share capital. Under IFRS, the investment is shown at market value using the bid price.

Trading outlook

We remain cautious about the immediate prospects for the Group. In the UK the economic backdrop remains problematic with generally weak consumer demand exacerbated by on-going cuts in the budgets of government funded institutions. Although the picture is more encouraging in the Falkland Islands, after a step change in 2010/11 the current year will see rising freight, fuel and labour costs and this will put pressure on margins. Continued strong growth will therefore depend on further positive news on oil exploration.

The Group's financial position remains strong with modest borrowings of £4.2 million, low interest charges and a healthy cash position.

We remain confident about the prospects for the Group over the medium term and with the leading market positions of the Group's trading businesses we are well placed to take full advantage of any growth in the UK economy.

John Foster
Managing Director
23 June 2011

Managing Director's Financial Review

Summary income statement

Year ended 31 March	2011 £m	2010 £m	*Change %*
Total revenue	**31.84**	29.22	*9.0*
Operating profit	**2.93**	3.13	*(6.4)*
Net financing costs	**(0.20)**	(0.45)	*(55.6)*
Underlying profit before tax	**2.73**	2.69	*1.5*
Add / (deduct) non-trading and exceptional items			
Profit on the sale of FOGL shares	–	3.09	
Profit on the surrender of lease	–	0.25	
Revaluation of interest rate collar	–	0.04	
Amortisation of intangibles	**(0.40)**	(0.40)	
	(0.40)	2.98	
Profit before tax as reported	**2.33**	5.67	

Revenue and operating profit

These are discussed in detail in the Review of Operations commencing on page 4.

Net financing costs

The Group's net financing costs fell sharply to £0.20 million *(2010: £0.45 million)* as bank borrowings were reduced and with the closing out of its interest rate collar in the prior year, the Group was able to take full advantage of lower bank interest rates.

Underlying pre-tax profit

With operating profit lower by just £0.2 million and reduced financing costs, the Group's underlying pre-tax profits grew £0.04 million (1.5%) to a record level of £2.73 million.

Underlying pre-tax profit excludes the amortisation of intangible assets, and any non-trading items which in the prior year included profit on sale of shares, profits from the early surrender of a lease, and fair value movements on derivative financial instruments. During the year there were no exceptional non-trading items.

Reported pre-tax profit

During the year there were no sales of any of the Group's shares in FOGL and there was no non-trading income *(2010: £3.3 million)*. After charging £0.4 million for the amortisation of intangible assets *(2010: £0.4 million)* reported profit before tax for the Group was £2.33 million *(2010: £5.67 million)*.

Taxation

The Group pays corporation tax on its UK earnings at the standard rate of 28% while in the Falkland Islands the Group pays tax at the rate of 25%. However, because of double taxation arrangements, Falkland Islands earnings are ultimately taxed at the UK rate of 28%. There is no Capital Gains Tax in the Falkland Islands. For the year ended 31 March 2011 due largely to the lower taxable profits on property sales and a deferred tax asset being recognised for the first time in 2010 in respect of share based payments, the Group's effective tax rate on its underlying trading activities increased to 30.1% *(2010: 26.2%)*.

Earnings per share

Year ended 31 March	2011 £m	2010 £m	*Change %*
Underlying profit as above	**2.73**	2.69	*1.5*
Tax thereon	**(0.82)**	(0.71)	*(15.5)*
Underlying profit after tax	**1.91**	1.98	*(3.5)*
Average number of shares in issue (thousands)	**9,237**	9,147	*1.0*
Diluted EPS	**20.6p**	21.7p	*(5.1)*

With a small increase in the number of shares in issue and a higher effective tax rate, fully diluted earnings per share derived from underlying profits decreased by 5.1% to 20.6p *(2010: 21.7p)*.

Balance sheet

The Group's balance sheet had net assets as at 31 March 2011 of £30.6 million *(2010: £34.2 million)* borrowings of £4.2 million *(2010: £5.3 million)* and cash balances of £2.1 million *(2010: £3.8 million)*.

The carrying value of intangible assets was reduced by normal annual amortisation charges of £0.4 million to £13.1 million as at 31 March 2011 *(2010: £13.5 million)*.

The net book value of property, plant and equipment was unchanged at £7.5 million after capital expenditure of £0.8 million and depreciation of £0.8 million in the year.

The Group's investment properties comprise land and commercial and residential properties in the Falkland Islands held for rental. The net book value of the properties at 31 March 2011 after the disposal and sale of a small older property on the edge of Stanley was at £1.0 million *(2010: £1.1 million)*. The Directors estimate that the fair value of the property portfolio at 31 March 2011 was £2.5 million. The Group also owns 670 acres of land in Stanley which is included in investment properties at its net book value of £0.7 million *(2010: £0.7 million)*. Due to the restricted market for freehold land in the Falklands it is not possible to determine its fair value.

The Group's holding of 12 million shares in FOGL is shown under "Financial assets – available-for-sale equity securities". The Group's shareholding remained unchanged during the year and at 31 March 2011 represented 8.2% of FOGL's share capital. Under IFRS, the investment is shown at market value which at 31 March 2011, with a FOGL share price of 89.3 pence per share, amounted to £10.7 million *(2010: £15.5 million)*. However, following a successful share placing by FOGL in April 2011 to raise funding for its 2012 drilling programme, FOGL's share capital increased to 207.2 million shares and the Group's shareholding represented 5.8% of the enlarged share capital.

Deferred tax assets relating to future pension liabilities decreased marginally to £0.55 million.

Non-property related inventories increased from £3.5 million to £4.2 million at 31 March 2011. Of this £0.3 million of the £4.2 million relates to work in progress at Momart *(2010: £0.4 million)* and the balance of £3.9 million represented stock held for resale in the Group's retail operations in the Falkland Islands, which rose by £0.8 million due to increased trading activity and additional retail selling space.

Property related inventories are shown at cost and represent expenditure incurred to complete the conversion of the former Upland Goose Hotel in Marmont Row back into a terrace of heritage cottages on the waterfront in Stanley. After final conversion work costing £0.3 million and the sale of two properties with a net book value of £0.3 million the total cost of completed properties at 31 March 2011 was unchanged at £1.2 million *(2010: £1.2 million)*.

Trade and other receivables balances increased from £4.5 million to £5.8 million as at 31 March 2011 due principally to an increase in sales on credit terms to business customers in the Falkland Islands.

At 31 March 2011 the Group retained cash balances on deposit with UK banks of £2.1 million *(2010: £3.8 million)*.

During the year the Group made loan repayments of £1.1 million and at 31 March 2011 had bank borrowings and finance leases outstanding of £4.2 million *(2010: £5.3 million)*. £1.1 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 was £0.6 million *(2010: £0.7 million)* reflecting the increase in the Group's taxable profits offset by increased payments on account to HMRC during the year.

Trade and other payables increased from £8.2 million to £8.3 million at 31 March 2011 reflecting increased trading activity.

As at 31 March 2011 the liability due in respect of the Group's defined benefit pension schemes decreased to £2.1 million *(2010: £2.2 million)*. The scheme in the Falkland Islands is unfunded and liabilities are met as they fall due from operating cash flow. The net present value of the liability due in respect of the Falkland Islands scheme increased by £0.1 million in the year to £2.1 million due principally to a reduction in long term interest rates. At PHFC an enhanced cash offer was made to eligible deferred members which resulted in a permanent reduction of scheme liabilities of £0.15 million. Following this buy out exercise, at 31 March 2011 the scheme's net deficit had been almost eliminated; net liabilities were reduced by £0.2 million to £0.02 million.

The net deferred tax liabilities at 31 March 2011 decreased compared to the prior year to £1.4 million *(2010: £1.6 million)*.

Net assets per share decreased to 332p at 31 March 2011 *(2010: 376p)* reflecting a decrease in the carrying value of the Group's holding in FOGL.

Cash flows

The Group's cash position was satisfactory throughout the year. Bank loans outstanding were reduced by £1.1 million to £4.0 million and after paying dividends of £0.8 million *(2010: £1.1 million)* and corporation tax of £1.0 million *(2010: £0.7 million)* the Group retained cash balances of £2.1 million at year end.

Managing Director's Financial Review

CONTINUED

Cash generation from operations remained healthy but reduced by £1.6 million to £0.8 million in the year *(2010: £2.4 million)*. EBITDA decreased marginally, in line with the £0.2 million reduction in underlying operating profit, but working capital levels increased sharply in response to the strong growth seen at FIC.

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

Year ended 31 March	2011 £m	2010 £m
Underlying PBT	**2.7**	2.7
Depreciation	**0.9**	0.9
Interest payable	**0.2**	0.4
EBITDA	**3.8**	4.0
Share based payments	**0.2**	0.2
Increase in working capital	**(2.0)**	(1.4)
Tax paid	**(1.0)**	(0.7)
Other	**(0.2)**	0.3
Net cash flow from operating activities	**0.8**	2.4
Proceeds from sale of shares in FOGL	**–**	3.6
Draw down of loan	**–**	0.4
Proceeds from shares issued under option schemes	**0.3**	–
Less:		
Dividends paid	**(0.8)**	(1.1)
Capital expenditure	**(0.8)**	(1.4)
Net bank interest paid	**(0.1)**	(0.3)
Loan repayments	**(1.1)**	(0.8)
Liquidation of financial derivative	**–**	(0.4)
Deferred consideration re Momart	**–**	(1.6)
Net outflows from financing etc.	**(2.5)**	(1.6)
Net cash flow	**(1.7)**	0.8
Cash balance b/fwd	**3.8**	3.0
Cash balance c/fwd	**2.1**	3.8

During the year the Group paid dividends of £0.8 million and received £0.3 million from the proceeds of shares issued following the exercise of share options. Investment in fixed assets continued with £0.8 million of expenditure to strengthen the Group's operating base *(2010: £1.4 million)*; £0.4 million was invested in Stanley with further improvements to the West Store and FIC's general store at the MPA military base. At Momart two replacement vehicles were acquired and at PHFC capital expenditure was kept to a minimum in advance of the substantial investment to come in the new pontoon. In addition to fixed asset expenditure, final conversion works on Marmont Row were completed at a cost of £0.3 million and these properties are included in inventories as assets held-for-sale.

With steadily reducing borrowings and low variable interest rates, bank interest paid over the year decreased to £0.1 million *(2010: £0.3 million)*. Scheduled loan repayments of £1.1 million were made during the year and at 31 March 2011 total bank borrowings had reduced to £4.0 million.

With net outflows from financing and investment of £2.5 million *(2010: £1.6 million)* the Group's net cash flow for the year was an outflow of £1.7 million *(2010: £0.8 million inflow)* leaving cash balances of £2.1 million at year end *(2010: £3.8 million)*.

Business drivers, risk factors and key performance indicators

Business drivers

The Group's businesses are affected by general economic conditions in their markets; inflation, employment levels, interest rates and government spending programmes all have an impact on demand for their services.

The Group's businesses in the Falkland Islands 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 Falkland Islands the strength of the economy is closely linked to the fortunes of the fishing industry, in particular the success of the unpredictable illex squid season which runs from February to May, and more recently to oil exploration activity. In the year ended 31 March 2011 the expansion of oil exploration had a positive impact on the local economy and this benefit is expected to continue in the current year. If the programme proves unsuccessful this stimulus will cease and activity will revert to more normal levels whereas if commercial quantities of oil are found the positive impact on the Falkland Islands economy will be very significant.

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 grants and corporate sponsorship are important sources of funding in addition to public admissions revenue which is on an increasing trend. Pressures on institutional budgets have increased as the full extent of government fiscal problems both in the UK and overseas become clear. In the longer term this may lead to the out-sourcing of specialist services by museums and institutions but in the near term a further reduction in the level of government subsidised exhibitions seems likely.

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 although in the near term privately sponsored exhibitions are likely to prove more common than government funded activity. The commercial 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 Falkland Islands, FIC faces competition in almost every area of its operations but due to the company's long history and accumulated expertise, in most sectors in which it operates FIC has a leading market position. The situation is fluid and maintaining leadership depends on continued innovation, investment and a commitment to excellence in customer service.

Argentina continues to make a claim against the UK's sovereignty of the Falkland Islands and in early 2010 imposed restrictions on vessels heading to or from the Falklands passing through Argentinian waters. However, the British government has re-affirmed its sovereignty in unequivocal terms and key trade and logistic links with the UK are unaffected. The existing tension with Argentina is not considered likely to lead to any significant threat to the independence of the Falkland Islands in the foreseeable future although Argentina's continuing protests have set back the development of further commercial links to the Falkland Islands' South American neighbours.

Although there is no other directly competing service to PHFC, 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 its cost base and profitability.

Key performance indicators

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

In the Falkland Islands businesses like-for-like revenue growth is a key measure of performance, especially for the retail outlets which account for 2/3rds 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. Other key concerns are ferry reliability and passenger safety as well as a focus on costs and net profitability.

At Momart, forward sales projections are monitored and 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
23 June 2011

Board of Directors and Secretary

David Hudd (66) 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 is non-executive Deputy Chairman of Falkland Oil and Gas Limited.

John Foster (53) Managing Director

John joined the Board on 26 January 2005. He is a Chartered Accountant and previously served as Finance Director for software company Macro 4 plc and toy retailer, Hamleys plc. Prior to joining Hamleys, he spent three years in charge of acquisitions and disposals at FTSE 250 company Ascot plc and before that worked for nine years as a venture capitalist with a leading investment bank in the City.

Mike Killingley (60) 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.

Jeremy Brade (49) Non-executive Director

Jeremy joined the Board on 9 September 2009. He is a Director and Private Equity Partner at J O Hambro Capital Management Limited, where he has worked since 2001. Jeremy had previously been with the Foreign and Commonwealth Office (FCO) where he served at the British High Commission in New Delhi and as the representative of Cyrus Vance and Lord Owen at the International Conference on the Former Yugoslavia. Prior to joining the Diplomatic Service, Jeremy was an Army Officer.

Mike Beck (36) Company Secretary

Mike was appointed Company Secretary on 21 June 2011. He is a Chartered Accountant.

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 2011.

Results and dividend

The Group's result for the year is set out in the consolidated income statement on page 21. The Group profit for the year after taxation amounted to £1,620,000 *(2010: £5,256,000)*. Basic earnings per share were 17.7p *(2010: 58.2p)*. The Directors recommend a dividend of 5.5p per share *(2010: 5.0p)* which, if approved by shareholders at the forthcoming Annual General Meeting, will be paid on 14 October 2011 to shareholders on the register at close of business on 16 September 2011. The proposed dividend has not been included in creditors as it was not approved before the year end. Dividends paid during the year comprise a dividend of 5.0p per share in respect of the year ended 31 March 2010 and an interim dividend of 4.0p per share in respect of the current year.

Principal activities and business review

The business of the Group during the year ended 31 March 2011 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 and Financial Reviews on pages 4 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

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

Directors' interests

The interests of the Directors in the issued shares and share options over the shares of the Company are set out below under the heading "Directors' interests in shares" on 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 24 on pages 54 to 59.

Share capital and substantial interests in shares

During the year 123,326 share options were exercised *(2010: 91,300)*.

Further information about the Company's share capital is given in note 26 on pages 61 to 63. Details of the Company's executive share option scheme and employee ownership plans can be found on pages 17 and 18 and in note 25 on pages 59 and 60.

Directors' Report

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The Company has been notified of the following substantial interests in 3% or more of the issued ordinary shares of the Company as at 31 March 2011:

	Number of shares	Percentage of shares in issue
L S Licht	750,000	8.13
Sir Harry Solomon	333,677	3.62
Dolphin Fund plc	387,109	4.20

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 2011 or 31 March 2010.

Charitable and political donations

Charitable donations made by the Group during the year amounted to £17,223 *(2010: £28,737)*, largely to local community charities in Gosport and the Falkland Islands.

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 3.00pm on 8 September 2011. 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 2011 and in the preceding year follows:

	Salary £'000	Bonuses £'000	Benefits £'000	Pensions £'000	Gains in respect of share options £'000	**2011 Total £'000**	2010 Total £'000
David Hudd	100	20	–	–	4	**124**	363
John Foster	163	80	–	26	4	**273**	268
Mike Killingley	35	–	–	–	–	**35**	35
Sir Harry Solomon	–	–	–	–	–	**–**	15
Jeremy Brade	30	–	–	–	–	**30**	14
	328	100	–	26	8	**462**	695

Directors' interests in shares

As at 31 March 2011, 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						
	10 Feb 2005	–	57,692	£5.20	10 Feb 2008	9 Feb 2015
	14 June 2005	49,411	14,117	£4.25	14 June 2008	13 June 2015
	5 July 2007	3,780	3,780	£2.50	1 Aug 2010	31 July 2017
	7 Aug 2007	–	27,517	£3.30	7 Aug 2010	6 Aug 2017
	15 July 2009	44,550	44,550	£2.90	15 July 2012	14 July 2019
Total as at 31 March 2010		97,741	147,656			
Issued in year	21 Dec 2010	20,000	20,000	£3.42½	21 Dec 2013	20 Dec 2020
Exercised in year	2 Aug 2010	(3,780)	(3,780)	£2.50		
Total as at 31 March 2011		113,961	163,876			

The mid-market price of the Company's shares on 31 March 2011 was 330p and the range in the year was 280p to 555p.

The Directors' options extant at 31 March 2011 totalled 277,837 and represented 3.0% 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 an option price of not less than market value at the date of the grant. The exercise of options is conditional upon the achievement of certain performance conditions determined by the Remuneration Committee.

During September 2010 the Remuneration Committee undertook a review of the performance conditions attached to the options granted to Mr Foster in August 2007. As stated in last year's Directors' Report, the condition attached to these options required that compound annual growth ("CAGR") in the share price of the Company should be at least 10% over the three years from the date of grant. The Remuneration Committee review concluded that the performance of the Company's share price over the three years following the dates of grant had been unduly influenced by events concerning Falkland Oil and Gas Limited, in which the Company has a substantial shareholding. As a consequence the Remuneration Committee concluded that the performance conditions attached to these options would not, without alteration, achieve their intended purpose of providing appropriate incentive to Mr Foster. The Remuneration Committee, which comprises the two non-executive directors of the Company therefore recommended to the Board that, in view of the growth in earnings per share of over 78% achieved in the 3 years to 31 March 2010 the performance condition applied to the options granted to Mr Foster on 7 August 2007 over 27,517 shares at £3.30 should be regarded as satisfied and that these options should be regarded as vested. These recommendations have been adopted by the full Board (with the exception of the Director affected) and the terms of these options have therefore been amended as stated above.

The options granted to Mr Hudd and Mr Foster in July 2009 may normally only be exercised subject to the satisfaction of performance criteria relating to the growth in the Company's total shareholder return ("TSR") over the three year period commencing 19 July 2009 (the "Performance Period") relative to the TSR growth of all companies in the FTSE AIM All-Share Index (the "Index") over the same period (the "TSR Condition").

Directors’ Report

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The TSR Condition provides for the options to become exercisable as follows:

Percentage by which the Company’s TSR growth exceeds the Index’s TSR growth during the Performance Period	Percentage of Option shares which become exercisable
20% or more	100%
10%	10%
Less than 10%	0%
More than 10% but less than 20%	Between 10% and 100% on a straight-line basis

The options granted to Mr Hudd and Mr Foster in December 2010 may only be exercised 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 United Kingdom Retail Price Index over that period plus 5% pa.

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

	Ordinary shares as at 31 March 2011	Ordinary shares as at 31 March 2010
David Hudd	**100,000**	82,382
John Foster	**15,000**	10,000
Mike Killingley	**10,000**	10,000
Jeremy Brade	**4,000**	2,000

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

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the European Union and applicable laws and have elected to prepare the Company financial statements on the same basis.

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

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

- select suitable accounting policies and then apply them consistently;
- make 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 the Company will continue in business.

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

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.

Approved by the Board and signed on its behalf by:

Mike Beck
Secretary
23 June 2011

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

Independent Auditor's Report to the members of Falkland Islands Holdings plc

We have audited the financial statements of Falkland Islands Holdings plc for the year ended 31 March 2011 set out on pages 21 to 71. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the EU and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the details of the Directors' Remuneration and emoluments which we were engaged to audit has been properly prepared in accordance with schedule 8 to the Companies Act 2006 *The Large and Medium-sized companies and Groups (Accounts and Reports) Regulations 2008*, as if those requirements were to apply to the Company; and
- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

T M Widdas (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham NG1 6FQ
23 June 2011

Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2011

Notes		Before amortisation & non-trading items 2011 £'000	Amortisation & non-trading items (note 5) 2011 £'000	Total 2011 £'000	Before amortisation & non-trading items 2010 £'000	Amortisation & non-trading items (note 5) 2010 £'000	Total 2010 £'000
3	Revenue	31,841	–	31,841	29,224	–	29,224
	Cost of sales	(19,294)	–	(19,294)	(17,237)	–	(17,237)
	Gross profit	12,547	–	12,547	11,987	–	11,987
	Other administrative expenses	(9,627)	–	(9,627)	(8,868)	–	(8,868)
	Amortisation of intangible assets	–	(398)	(398)	–	(398)	(398)
	Operating expenses	(9,627)	(398)	(10,025)	(8,868)	(398)	(9,266)
	Gain on disposal of available-for-sale equity securities	–	–	–	–	3,089	3,089
	Compensation for early vacation of leasehold premises	–	–	–	–	245	245
	Other income	15	–	15	15	–	15
4	Other operating income	15	–	15	15	3,334	3,349
	Operating profit	2,935	(398)	2,537	3,134	2,936	6,070
	Finance income	117	–	117	111	45	156
	Finance expense	(324)	–	(324)	(557)	–	(557)
8	Net financing costs	(207)	–	(207)	(446)	45	(401)
	Profit / (loss) before tax from continuing operations	2,728	(398)	2,330	2,688	2,981	5,669
9	Taxation	(821)	111	(710)	(705)	292	(413)
	Profit / (loss) for the year attributable to equity holders of the Company	1,907	(287)	1,620	1,983	3,273	5,256
10	Earnings per share						
	Basic	20.9p		17.7p	22.0p		58.2p
	Diluted	20.6p		17.5p	21.7p		57.5p

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2011

	2011 £'000	2010 £'000
(Loss) / gain on valuation of available-for-sale equity securities	**(4,832)**	6,828
Transfer to the income statement on sale of available-for-sale equity securities	**–**	(1,683)
Share-based payments	**207**	240
Repurchase of equity interest	**–**	(75)
PHFC actuarial loss on pension scheme	**(10)**	(55)
FIC actuarial loss on pension scheme	**(82)**	(195)
Movement on deferred tax asset relating to pension schemes	**24**	124
Effect of tax rate changes on deferred tax asset relating to pension schemes	**(43)**	–
Other comprehensive (expense) / income	**(4,736)**	5,184
Profit for the year	**1,620**	5,256
Total comprehensive (expense) / income	**(3,116)**	10,440

Consolidated Balance Sheet

AS AT 31 MARCH 2011

Notes		2011 £'000	2010 £'000
	Non-current assets		
11	Intangible assets	13,111	13,509
12	Property, plant and equipment	7,489	7,483
13	Investment properties	1,721	1,777
15	Financial assets – available-for-sale equity securities	10,710	15,542
16	Non-current assets held-for-sale	20	20
17	Other financial assets	60	52
18	Deferred tax assets	554	621
	Total non-current assets	33,665	39,004
	Current assets		
	Trading inventories	4,215	3,489
	Property inventories	1,204	1,220
19	Inventories	5,419	4,709
20	Trade and other receivables	5,811	4,535
17	Other financial assets	252	206
21	Cash and cash equivalents	2,062	3,810
	Total current assets	13,544	13,260
	TOTAL ASSETS	47,209	52,264
	Current liabilities		
22	Interest-bearing loans and borrowings	(1,058)	(1,218)
	Income tax payable	(569)	(683)
23	Trade and other payables	(8,334)	(8,219)
	Total current liabilities	(9,961)	(10,120)
	Non-current liabilities		
22	Interest-bearing loans and borrowings	(3,104)	(4,055)
24	Employee benefits	(2,130)	(2,237)
18	Deferred tax liabilities	(1,413)	(1,615)
	Total non-current liabilities	(6,647)	(7,907)
	TOTAL LIABILITIES	(16,608)	(18,027)
	Net assets	30,601	34,237
26	Capital and reserves		
	Equity share capital	922	910
	Share premium account	7,618	7,324
	Other reserves	1,162	1,162
	Retained earnings	12,150	11,260
	Financial assets fair value revaluation reserve	8,749	13,581
	Total equity	30,601	34,237

These financial statements were approved by the Board of Directors on 23 June 2011 and were signed on its behalf by:

J L Foster
Director

Company Balance Sheet

AS AT 31 MARCH 2011

Notes		2011 £'000	2010 £'000
	Non-current assets		
14	Financial assets – investments in subsidiaries	31,426	31,297
20	Other receivables	4,042	2,916
18	Deferred tax	8	–
	Total non-current assets	35,476	34,213
	Current assets		
20	Trade and other receivables	30	15
21	Cash and cash equivalents	–	360
	Total current assets	30	375
	TOTAL ASSETS	35,506	34,588
	Current liabilities		
22	Interest-bearing loans and borrowings	(800)	(928)
21	Bank overdraft	(1,418)	–
	Income tax payable	(27)	70
23	Trade and other payables	(376)	(413)
	Total current liabilities	(2,621)	(1,271)
	Non-current liabilities		
22	Interest-bearing loans and borrowings	(2,337)	(3,140)
23	Other payables	(390)	(871)
	Total non-current liabilities	(2,727)	(4,011)
	TOTAL LIABILITIES	(5,348)	(5,282)
	Net assets	30,158	29,306
26	Capital and reserves		
	Called up share capital	922	910
	Share premium account	7,618	7,324
	Other reserves	6,910	6,910
	Retained earnings	14,708	14,162
	Total equity	30,158	29,306

These financial statements were approved by the Board of Directors on 23 June 2011 and were signed on its behalf by:

J L Foster
Director

Registered company number: 03416346

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2011

Notes		2011 £'000	2010 £'000
	Cash flows from operating activities		
	Profit for the year	1,620	5,256
	Adjusted for:		
	(i) Non-cash items:		
	Depreciation	846	907
	Fixed asset impairment	–	(30)
	Amortisation	398	398
	Amortisation of loan fees	30	30
	Notional interest charge on deferred consideration	–	48
	Expected return on pension scheme assets	(29)	(17)
	Interest cost on pension scheme liabilities	144	149
	Net settlement gain recognised on pension transfers	(10)	–
	Gain on remeasurement of derivative financial instruments	–	(45)
	Settlement of equity interest	–	(75)
	Equity-settled share-based payment expenses	207	240
	Non-cash items adjustment	1,586	1,605
	(ii) Other items:		
	Bank interest receivable	(4)	(16)
	Bank interest payable	138	330
	Gain on disposal of available-for-sale equity securities	–	(3,089)
	Profit on disposal of investment property	(80)	–
	Enhanced transfer value exercise payments	(140)	–
	Income tax expense	710	413
	Other adjustments	624	(2,362)
	Operating cash flow before changes in working capital and provisions	3,830	4,499
	Increase in trade and other receivables	(1,276)	(111)
	Decrease / (increase) in property inventories	16	(581)
	Increase in other inventories	(726)	(919)
	Increase in trade and other payables	115	306
	Decrease in provisions and employee benefits	(134)	(137)
	Changes in working capital and provisions	(2,005)	(1,442)
	Cash generated from operations	1,825	3,057
	Income taxes paid	(1,008)	(708)
	Net cash flow from operating activities	817	2,349
	Cash flows from investing activities:		
	Purchase of property, plant and equipment	(815)	(1,358)
	Purchase of investment properties	–	(55)
	Proceeds from the disposal of property, plant and equipment	99	72
	Acquisition of subsidiary, net of cash acquired	–	(1,621)
	Proceeds from the sale of available-for-sale equity securities	–	3,584
	Interest received	4	16
	Net cash flow from investing activities	(712)	638
	Cash flow from financing activities:		
	Increase in other financial assets	(54)	(41)
	Repayment of secured loans	(1,141)	(755)
	Proceeds from new loans	–	376
	Interest paid	(138)	(330)
	Liquidation of financial derivative contracts	–	(361)
	Proceeds from the issue of ordinary share capital	306	14
	Dividends paid	(826)	(1,084)
	Net cash flow from financing activities	(1,853)	(2,181)
	Net (decrease) / increase in cash and cash equivalents	(1,748)	806
	Cash and cash equivalents at start of year	3,810	3,004
21	**Cash and cash equivalents at end of year**	2,062	3,810

Company Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2011

Notes		2011 £'000	2010 £'000
	Cash flows from operating activities		
	Profit / (loss) for the year	1,165	(330)
	Adjusted for:		
	Net financing costs	102	286
	Amortisation of loan fees	30	30
	Notional interest charge on deferred consideration	–	48
	Loss on re-measurement of financial instruments	–	(45)
	Equity-settled share-based payment expenses	78	46
	Settlement of equity interest	–	(75)
	Income tax credit / (expense)	19	(84)
	Operating profit before changes in working capital and provisions	1,394	(124)
	(Increase) / decrease in trade and other receivables	(15)	4
	Decrease in trade and other payables	(37)	–
	Increase in provisions	–	168
	Cash generated from operations	1,342	48
	Income taxes refunded / (paid)	70	(70)
	Net cash flow from operating activities	1,412	(22)
	Cash flows from investing activities:		
	Acquisition of subsidiary	–	(1,621)
	Net cash flow from investing activities	–	(1,621)
	Cash flow from financing activities:		
	Proceeds from new loan	–	242
	Proceeds from inter-company borrowing	–	3,648
	Repayment of inter-company borrowing	(1,607)	–
	Repayment of secured loan	(961)	(459)
	Interest paid	(102)	(286)
	Liquidation of financial derivative contracts	–	(361)
	Proceeds from the issue of ordinary share capital	306	14
	Dividends paid	(826)	(1,084)
	Net cash flow from financing activities	(3,190)	1,714
	Net (decrease) / increase in cash and cash equivalents	(1,778)	71
	Cash and cash equivalents at start of year	360	289
21	Cash and cash equivalents at end of year	(1,418)	360

Consolidated Statement of Changes in Shareholders' Equity

FOR THE YEAR ENDED 31 MARCH 2011

	2011 £'000	2010 £'000
Shareholders' funds at the beginning of the year	34,237	24,867
Profit for the year	1,620	5,256
Share-based payments	207	240
Change in fair value of available-for-sale financial assets	(4,832)	6,828
Transfer to the income statement on sale of available-for-sale equity securities	–	(1,683)
Actuarial loss on pension net of tax	(68)	(126)
Effect of tax rate changes on deferred tax asset relating to pension schemes	(43)	–
Repurchase of equity interest	–	(75)
Total comprehensive (expense) / income	(3,116)	10,440
Dividends paid	(826)	(1,084)
Proceeds from the issue of ordinary share capital	306	14
Shareholders' funds at the end of the year	30,601	34,237

Company Statement of Changes in Shareholders' Equity

FOR THE YEAR ENDED 31 MARCH 2011

	2011 £'000	2010 £'000
Shareholders' funds at the beginning of the year	29,306	30,541
Profit / (loss) for the year	1,165	(330)
Share-based payments	207	240
Repurchase of equity interest	–	(75)
Total comprehensive income / (expense)	1,372	(165)
Dividends paid	(826)	(1,084)
Proceeds from the issue of ordinary share capital	306	14
Shareholders' funds at the end of the year	30,158	29,306

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2011

1 Accounting policies

General information

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

Reporting entity

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

Basis of preparation

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

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

The management and development of the Group's property portfolio in the Falkland Islands is a significant part of the Group's trading activity. Accordingly, receipts from the disposal of investment property and property developments and rents received from its portfolio of residential and commercial properties are reported as a trading activity within turnover. Associated gains and losses on the disposal of rental properties and property developments are accordingly recognised within gross profit.

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

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

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

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Managing Director's Business Review and Financial Review on pages 4 to 13. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Managing Director's Financial Review. In addition, note 27 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

Basis of consolidation

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

1 Accounting policies CONTINUED

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

All intra-company balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. 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 and amortisation of intangible assets on acquisition. Such items arise because of their size or nature, and in 2011 comprise:

- Amortisation of intangible assets.

In 2010 such items comprised:

- Gain on disposal of equity securities
- Compensation for early vacation of leasehold premises
- Gain on liquidation of derivative financial instrument contracts
- Amortisation of intangible assets.

Foreign currencies

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

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

Property, plant and equipment

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

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

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

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

Notes to the Financial Statements

CONTINUED

1 Accounting policies CONTINUED

Investment properties

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

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.

1 Accounting policies CONTINUED

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.

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

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

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

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable by the Group for goods supplied and services rendered in the normal course of business, net of discounts and excluding VAT. Revenue principally arises from retail sales, the provision of ferry services and the provision of storage and transportation services for fine art works. In the Falkland Islands revenue also includes proceeds from property sales, property rental income, insurance commissions, revenues billed for shipping and agency activities and port services.

Revenue from sale of goods is recognised at the point of sale or dispatch, whilst that of the ferry, fine art logistics and other services is recognised when the service is provided. Revenue from property sales is recognised on completion.

Notes to the Financial Statements

CONTINUED

1 Accounting policies CONTINUED

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 the contract can be seen with reasonable certainty, typically upon successful opening. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profit, less amounts already recognised. Provision is made for losses as soon as they are foreseeable.

Pensions

Defined contribution pension schemes

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

Defined benefit pension schemes

The Group 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 comprehensive income.

Trade and other receivables

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

Trade and other payables

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

Dividends 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.

1 Accounting policies CONTINUED

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.

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.

Notes to the Financial Statements

CONTINUED

1 Accounting policies CONTINUED

New accounting standards and interpretations applied

During the year the Group has adopted the following standards:

Amendments to IFRS 2 Group cash-settled share based payments

Amendments to IAS 27(2008) Consolidated and Separate Financial Statements

Amendments to IFRS 3 (2008) Business Combinations

Amendments to IAS 39 Financial Instruments: Recognition and Measurement

IFRIC 17 Distributions of non-cash assets to owners

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 potential application to the Group with an effective date after the end of these financial statements:

International Accounting Standards (IAS/IFRS)	Effective date (accounting periods commencing on or after):
Endorsed	
Amendments to IFRS 3 (2008) Business Combinations	1 July 2010
Amendments to IFRS 7 Financial Instruments Disclosures	1 January 2011
Amendments to IFRS 7 Financial Instruments Disclosures, related to transfer of financial assets	1 July 2011
IFRS 9 Financial Instruments	1 January 2013
Amendments to IAS 1 Presentation of Financial Statements	1 January 2011
IAS 24 Related Party Disclosures	1 January 2011
Amendments to IAS 27 (2008) Consolidated and Separate Financial Statements	1 July 2010
Amendments to IAS 34 Interim Financial Reporting	1 January 2011
International Financial Reporting Interpretations Committee (IFRIC)	
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

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 Segmental information

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: general trading in the Falkland Islands, the provision of ferry services and art logistics and storage. 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.

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

Primary reporting format – business

2011	General trading (Falklands) £'000	Ferry services (Portsmouth) £'000	Art logistics and storage (UK) £'000	**Total £'000**
Revenue	14,921	3,734	13,186	**31,841**
Segment operating profit before tax, amortisation and non-trading items	1,613	790	532	**2,935**
Amortisation of intangible assets	–	–	(398)	**(398)**
Amortisation and non-trading items	–	–	(398)	**(398)**
Segment operating profit	1,613	790	134	**2,537**
Interest income	88	29	–	**117**
Interest expense	(129)	(70)	(125)	**(324)**
Segment profit before tax	1,572	749	9	**2,330**
Taxation	(314)	(326)	(70)	**(710)**
Segment profit after tax	1,258	423	(61)	**1,620**
Assets and liabilities				
Segment assets	12,856	8,029	12,268	**33,153**
Segment liabilities	(7,972)	(1,993)	(4,519)	**(14,484)**
Unallocated assets and liabilities				**11,932**
Segment net assets	4,884	6,036	7,749	**30,601**
Other segmental information				
Capital expenditure:				
Property, plant, equipment	419	69	327	**815**
Depreciation – property, plant and equipment	326	215	268	**809**
Depreciation – investment properties	37	–	–	**37**
Amortisation	–	–	398	**398**
Underlying profit before tax				
Segment operating profit before tax, amortisation and non-trading items (as above)	1,613	790	532	**2,935**
Interest income	88	29	–	**117**
Interest expense	(129)	(70)	(125)	**(324)**
Underlying profit before tax	1,572	749	407	**2,728**

Notes to the Financial Statements

CONTINUED

2 Segmental information CONTINUED

2010	General trading (Falklands) £'000	Ferry services (Portsmouth) £'000	Art logistics and storage (UK) £'000	**Total £'000**
Revenue	12,434	3,718	13,072	**29,224**
Segment operating profit before tax, amortisation and non-trading items	1,377	800	957	**3,134**
Amortisation of intangible assets	–	–	(398)	**(398)**
Compensation for early vacation of leasehold premises	–	–	245	**245**
Unallocated gain on disposal of available-for-sale equity securities				**3,089**
Amortisation and non-trading items	–	–	(153)	**2,936**
Segment operating profit	1,377	800	804	**6,070**
Gain on liquidation of financial derivative	–	8	37	**45**
Interest income	78	21	12	**111**
Interest expense	(138)	(85)	(334)	**(557)**
Segment profit before tax	1,317	744	519	**5,669**
Tax	34	(246)	(201)	**(413)**
Segment profit after tax	1,351	498	318	**5,256**
Assets and liabilities				
Segment assets	11,590	8,231	13,045	**32,866**
Segment liabilities	(8,084)	(2,583)	(5,270)	**(15,937)**
Unallocated assets and liabilities				**17,308**
Segment net assets	3,506	5,648	7,775	**34,237**
Other segmental information				
Capital expenditure:				
Property, plant, equipment	1,087	37	234	**1,358**
Investment properties	55	–	–	**55**
Depreciation – property, plant and equipment	324	222	321	**867**
Depreciation – investment properties	40	–	–	**40**
Amortisation and goodwill impairment	–	–	398	**398**

Underlying profit before tax				
Segment operating profit before tax, amortisation and non-trading items (as above)	1,377	800	957	**3,134**
Interest income	78	21	12	**111**
Interest expense	(138)	(85)	(334)	**(557)**
Underlying profit before tax	1,317	736	635	**2,688**

2 Segmental information CONTINUED

Secondary reporting format – geographic

2011	United Kingdom £'000	Falkland Islands £'000	Total £'000
Revenue	16,920	14,921	**31,841**
Assets and liabilities			
Segment assets	20,297	12,856	**33,153**
Other segment information			
Capital expenditure	396	419	**815**

2010	United Kingdom £'000	Falkland Islands £'000	Total £'000
Revenue	16,790	12,434	**29,224**
Assets and liabilities			
Segment assets	21,276	11,590	**32,866**
Other segment information			
Capital expenditure	271	1,142	**1,413**

3 Revenue

	2011 £'000	2010 £'000
Sale of goods	**16,305**	14,214
Rendering of services	**15,082**	14,651
Property sales in the Falkland Islands	**454**	359
Total revenue	**31,841**	29,224

Notes to the Financial Statements

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4 Other operating income

	2011 £'000	2010 £'000
Gain on disposal of available-for-sale equity securities	–	3,089
Compensation for early vacation of leasehold premises	–	245
Foreign exchange commission receivable	5	15
Net settlement gain on transfer of PHFC pension liability	10	–
Total other operating income	15	3,349

5 Amortisation and non-trading items

	2011 £'000	2010 £'000
Gain on disposal of available-for-sale equity securities [1]	–	3,089
Compensation for early vacation of leasehold premises [2]	–	245
Gain on liquidation of derivative financial instrument [3]	–	45
Amortisation charge on Momart intangible assets acquired	(398)	(398)
Amortisation and non-trading items (charge) / gain	(398)	2,981
Profit before tax as reported	2,330	5,669
Adjusted for: amortisation and non-trading items charge / (gain)	398	(2,981)
Underlying profit before tax	2,728	2,688

2010

1 *Gain on disposal of available-for-sale equity securities*

On 30 November 2010 the Group sold 3,000,000 Falkland Oil and Gas Limited shares, representing 20% of its holding at that date. The sale generated proceeds of £3.6 million and a gain on disposal of £3.1 million.

2 *Compensation for early vacation of leasehold premises*

An agreement for the payment of compensation to Momart Limited for the early vacation of leasehold premises in April 2008 was settled during the prior year with total compensation received of £245,000.

3 *Gain on liquidation of derivative financial instrument*

In January 2010 the Group elected to liquidate its base rate cap and floor contracts in respect to loans taken out in relation to a ferry delivered in 2005 and the Momart acquisition in March 2008 at a cost of £352,000. IAS 39 had required these derivative financial instruments to be recognised in the balance sheet at fair value as an asset or liability. At 31 March 2009 this gave rise to a liability of £406,000. On liquidation after expensing arrangement fees the Group recognised a gain of £45,000 on termination of the contracts during the prior year.

6 Expenses and auditors' remuneration

Included in profit are the following expenses / (income):	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Direct operating expenses arising from investment properties which generated rental income in the period	82	65	–	–
Depreciation	846	907	–	–
Amortisation of intangible assets	398	398	–	–
Foreign currency differences	(23)	(38)	–	–
Impairment loss / (gain) on trade and other receivables	134	(48)	–	–
Cost of inventories recognised as an expense	8,939	7,597	–	–
Operating lease payments	651	649	–	–

Auditors' remuneration:	2011 £'000	2010 £'000
Audit of these financial statements	26	25
and amounts receivable by auditors and their associates in respect of:		
Audit of subsidiaries' financial statements pursuant to legislation	61	60
Other services relating to taxation	23	13
All other services	–	–
Total auditors' remuneration	110	98

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

7 Staff numbers and cost

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

	Number of employees Group 2011	Number of employees Group 2010	Number of employees Company 2011	Number of employees Company 2010
Ferry services	41	41	–	–
Falklands Islands: in Stanley	87	83	–	–
in UK	5	4	–	–
Art logistics and storage	109	104	–	–
Head office	3	3	3	3
Total average staff numbers	245	235	3	3

Notes to the Financial Statements

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7 Staff numbers and cost CONTINUED

The aggregate payroll cost of these persons was as follows:

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Wages and salaries	**7,477**	7,471	**510**	546
Share-based payments (see note 25)	**207**	240	**78**	46
Social security costs	**655**	650	**46**	71
Contributions to defined contribution plans	**337**	357	**26**	25
Total employment costs	**8,676**	8,718	**660**	688

Details of Directors' remuneration are provided in the Directors' Report, under the heading "Details of Directors' Remuneration and Emoluments" on page 16.

8 Finance income and expense

	2011 £'000	2010 £'000
Bank interest receivable	**4**	16
Finance lease interest receivable	**84**	78
Expected return on pension scheme assets	**29**	17
Gain on liquidation of derivative financial instrument	**–**	45
Total financial income	**117**	156
Interest payable on bank loans	**(138)**	(330)
Interest cost on pension scheme liabilities	**(144)**	(149)
Amortisation of loan fees	**(30)**	(30)
Other interest payable	**(12)**	–
Interest attributable to deferred consideration payable	**–**	(48)
Total financial expense	**(324)**	(557)
Net financing cost	**(207)**	(401)

	2011 £'000	2010 £'000
Bank interest receivable	**4**	16
Interest payable on bank loans	**(138)**	(330)
Net bank interest	**(134)**	(314)
Other financing charges (from above)	**(73)**	(87)
Net financing cost	**(207)**	(401)

9 Taxation

Recognised in the income statement

	2011 £'000	2010 £'000
Current tax:		
Current year	823	852
Adjustments for prior years	37	(15)
Current tax expense	860	837
Deferred tax:		
Origination and reversal of temporary differences	(75)	(174)
Reduction in tax rate	(39)	(2)
Adjustments for prior years	(36)	(248)
Deferred tax credit	(150)	(424)
Total tax expense	710	413

Reconciliation of effective tax rate

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	2,330	5,669
Tax using the UK corporation tax rate of 28% *(2010: 28%)*	652	1,587
Expenses not deductible for tax purposes	134	142
Other timing differences	10	(57)
Non taxable income on disposals	13	(915)
Schedule 23 deduction	(46)	(60)
Marginal relief	(2)	(6)
Lower tax charges overseas	(13)	(15)
Reduction in deferred tax rate	(39)	–
Adjustments to tax charge in respect of prior years	1	(263)
Total tax expense	710	413

Tax recognised directly in equity

	2011 £'000	2010 £'000
Current tax recognised directly in equity	–	–
Deferred tax recognised directly in equity	19	(124)
Total tax expense / (credit) recognised directly in equity	19	(124)

Notes to the Financial Statements

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10 Earnings per share

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

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

	2011 £'000	2010 £'000
Profit on ordinary activities after taxation	1,620	5,256

	2011 Number	2010 Number
Weighted average number of shares in issue	9,176,612	9,068,770
Less: shares held under the ESOP	(36,499)	(36,499)
Average number of shares in issue excluding the ESOP	9,140,113	9,032,271
Maximum dilution with regards to share options	96,931	114,328
Diluted weighted average number of shares	9,237,044	9,146,599

	2011	2010
Basic earnings per share	17.7p	58.2p
Diluted earnings per share	17.5p	57.5p

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	2011 £'000	2010 £'000
Underlying profit before tax (see note 5)	2,728	2,688
Taxation	(821)	(705)
Profit after tax before non-trading items and amortisation	1,907	1,983
Weighted average number of shares in issue excluding ESOP (from above)	9,140,113	9,032,271
Diluted weighted average number of shares (from above)	9,237,044	9,146,599
Basic earnings per share on underlying profit	20.9p	22.0p
Diluted earnings per share on underlying profit	20.6p	21.7p

11 Intangible assets

	Customer relationships £'000	Brand names £'000	Group Non-compete Agreements £'000	Goodwill £'000	**Total £'000**
Cost:					
As at 1 April 2009	1,882	2,823	72	11,539	**16,316**
Adjustments to fair value	–	–	–	–	–
As at 31 March 2010	1,882	2,823	72	11,539	**16,316**
Adjustments to fair value	–	–	–	–	–
As at 31 March 2011	1,882	2,823	72	11,539	**16,316**
Accumulated amortisation:					
As at 1 April 2009	260	151	15	1,983	**2,409**
Amortisation for the year	243	141	14	–	**398**
As at 31 March 2010	503	292	29	1,983	**2,807**
Amortisation for the year	243	141	14	–	**398**
At 31 March 2011	746	433	43	1,983	**3,205**
Net book value:					
As at 1 April 2009	1,622	2,672	57	9,556	**13,907**
As at 31 March 2010	1,379	2,531	43	9,556	**13,509**
As at 31 March 2011	1,136	2,390	29	9,556	**13,111**

Amortisation and impairment charges are recognised in other administrative expenses 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 – the Momart brand is 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.

Goodwill

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

	Art logistics and storage £'000	Ferry services (Portsmouth) £'000	**Total £'000**
Brought forward as at 1 April 2009	5,577	3,979	**9,556**
Carried forward as at 31 March 2010	5,577	3,979	**9,556**
Balance as at 31 March 2011	5,577	3,979	**9,556**

Notes to the Financial Statements

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11 Intangible assets CONTINUED

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 the goodwill for each CGU was separately assessed and tested for impairment, with no impairment charges resulting *(2010: nil)*.

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 as to future performance and relevant external sources of information. Sensitivity analysis as at 31 March 2011 has indicated that no reasonably foreseeable change in the key assumptions used in the impairment model would result in a significant impairment charge being recorded in the financial statements.

Discount rates

Within impairment testing models cash flows of all CGUs are discounted using a pre tax discount rate of 14.1% *(2010: 14.1%)*. 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 it is based within. 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 CGUs operate.

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 consistent with the current UK tax rate.

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

Sensitivity to changes in assumptions

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

Assumptions specific to ferry services (Portsmouth)

Value in use was determined by discounting future cash flows in line with the other assumptions discussed above. Management have forecast consistent growth in cash flows of 2% in both the short and long term. The value in use was determined to exceed the carrying amount and no impairment has been recognised. 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 (UK)

Value in use was determined by discounting future cash flows in line with the other assumptions as discussed above. Cash flows were projected based on approved budgets and plans which foresee growth rates in excess of 10% over the forecast period. The long term growth rate is projected to be 2% thereafter. The carrying value of the unit was determined to not be higher than its recoverable amount and no impairment was recognised *(2010: nil)*.

12 Property, plant and equipment

	Group					
	Assets under construction £'000	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Ships £'000	Vehicles, plant and equipment £'000	**Total £'000**
Cost:						
As at 1 April 2009	43	3,301	942	3,384	4,392	**12,062**
Additions in year	–	652	22	24	660	**1,358**
Transferred to freehold land and buildings	(43)	43	–	–	–	**–**
Disposals	–	–	–	(99)	–	**(99)**
As at 31 March 2010	–	3,996	964	3,309	5,052	**13,321**
Additions in year	–	179	–	–	636	**815**
Disposals	–	(35)	–	–	–	**(35)**
As at 31 March 2011	–	4,140	964	3,309	5,688	**14,101**
Accumulated depreciation:						
As at 1 April 2009	–	1,590	93	593	2,753	**5,029**
Charge for the year	–	76	122	143	526	**867**
Disposals	–	–	–	(58)	–	**(58)**
As at 31 March 2010		1,666	215	678	3,279	**5,838**
Charge for the year	–	40	100	133	536	**809**
Disposals	–	(35)	–	–	–	**(35)**
As at 31 March 2011	–	1,671	315	811	3,815	**6,612**
Net book value:						
As at 1 April 2009	43	1,711	849	2,791	1,639	**7,033**
As at 31 March 2010	–	2,330	749	2,631	1,773	**7,483**
As at 31 March 2011	–	2,469	649	2,498	1,873	**7,489**

The Company has no tangible fixed assets.

Notes to the Financial Statements

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13 Investment properties

	Group		
	Residential and commercial property £'000	Freehold land £'000	**Total £'000**
As at 1 April 2009	1,131	720	**1,851**
Acquisitions	55	–	**55**
Disposals	(20)	–	**(20)**
As at 31 March 2010	1,166	720	**1,886**
Disposals	(65)	–	**(65)**
As at 31 March 2011	1,101	720	**1,821**
Accumulated depreciation:			
As at 1 April 2009	82	–	**82**
Charge for the year	40	–	**40**
Disposals	(13)	–	**(13)**
As at 31 March 2010	109	–	**109**
Charge for the year	37	–	**37**
Disposals	(46)	–	**(46)**
As at 31 March 2011	100	–	**100**
Net book value:			
As at 1 April 2009	1,049	720	**1,769**
As at 31 March 2010	1,057	720	**1,777**
As at 31 March 2011	1,001	720	**1,721**

Investment properties include residential and commercial property held for rental in the Falklands with a net book value of £1.0 million *(2010: £1.1 million)* and a fair value of approximately £2.5 million at 31 March 2011 *(2010: £2.5 million)*. 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 owns 690 acres of freehold land, with an historic cost and net book value of £0.7 million *(2010: £0.7 million)*, 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 does not own any investment properties.

14 Investments in subsidiaries

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

	Country of incorporation	Class of shares held	Ownership % 2011	Ownership % 2010
The Falkland Islands Company Limited	UK	Ordinary shares of £1	100%	100%
		Preference shares of £10	100%	100%
The Falkland Islands Trading Company Limited	UK	Ordinary shares of £1	100%	100%
Falkland Island Shipping Limited (formerly 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 2011 £'000	Company 2010 £'000
Balance brought forward	**31,297**	31,103
Cost of share-based payments recognised in subsidiaries	**129**	194
Total investment in Group undertakings	**31,426**	31,297

The Company's investment in Erebus Limited comprises the Group's shareholding in Falkland Oil and Gas Limited (see note 15) and a £921,000 impairment charge was recognised to reflect the fair value of the shareholding as at 31 March 2009. The Company has elected not to reverse any element of this impairment in the current or prior year.

Notes to the Financial Statements

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15 Financial assets – available-for-sale equity securities

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Non-current:				
Available-for-sale equity securities	**10,710**	15,542	**–**	–
Falkland Oil and Gas Limited share price at 31 March	**89.3p**	129.5p	**–**	–

Available-for-sale financial assets comprise the Group's holding of 12,000,000 ordinary shares in Falkland Oil and Gas Limited ("FOGL") which at 31 March 2011 represented an 8.2% interest *(2010: 12 million shares; 8.2%)*.

The historic cost of the Group's investment in FOGL is £1,963,000 *(2010: £1,963,000)* representing 16p per share.

16 Non-current assets held-for-sale

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Non-current assets held-for-sale	**20**	20	**–**	–

Non-current assets held-for-sale comprise certain items of artwork accumulated by Momart International Limited prior to acquisition. 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.

17 Other financial assets

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

	Group	
	2011 £'000	2010 £'000
Non-current:		
Finance lease debtors due after more than one year	**60**	52
Current:		
Finance lease debtors due within one year	**252**	206
Total other financial assets	**312**	258

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 £60,000 *(2010: £52,000)*.

The cost of assets acquired for the purpose of letting under hire purchase agreements by the Group during the period amounted to £434,000 *(2010: £309,000)*.

The aggregate rentals receivable during the year in respect of hire purchase agreements were £415,000 *(2010: £316,000)*.

17 Other financial assets CONTINUED

	Group	
	2011 £'000	2010 £'000
Gross investment in hire purchase leases	372	310
Present value of future lease payments due:		
within 1 year	252	206
after more than 1 year within 5 years	60	52
	312	258

18 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	Group			
	Assets		Liabilities	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Property, plant and equipment	32	43	721	780
Intangible assets	–	–	995	1,106
Inventories	113	70	–	–
Other financial liabilities	119	105	–	–
Share-based payments	39	57	–	–
Pension	554	621	–	–
Tax assets / liabilities	857	896	1,716	1,886
Net of tax assets			(857)	(896)
Net tax liabilities			859	990

The deferred tax asset of £554,000 *(2010: £621,000)* shown as a non-current asset in the balance sheet relates to the Group's pension scheme liabilities (see note 24). All other deferred tax assets are shown net against the non-current deferred tax liability shown in the balance sheet.

	Company			
	Assets		Liabilities	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Other temporary differences	8	–	–	–
Net tax asset	8	–	–	–

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18 Deferred tax assets and liabilities CONTINUED

Movement in deferred tax in the year

	Group				
	1 April 2010 £'000	Recognised in income £'000	Recognised in equity £'000	Acquired in business combinations £'000	31 March 2011 £'000
Property, plant and equipment	737	(48)	–	–	689
Intangible assets	1,106	(111)	–	–	995
Inventories	(70)	(43)	–	–	(113)
Other financial liabilities	(105)	(14)	–	–	(119)
Share-based payments	(57)	18	–	–	(39)
Pension	(621)	48	19	–	(554)
Deferred tax movements	990	(150)	19	–	859

Unrecognised deferred tax assets

A deferred tax asset of £158,000 *(2010: £158,000)* in respect of capital losses has not been recognised as it is not considered more likely than not that there will be suitable taxable profits in the foreseeable future from which the underlying capital losses will reverse.

	Company			
	1 April 2010 £'000	Recognised in income £'000	Recognised in equity £'000	31 March 2011 £'000
Other temporary differences	–	8	–	8
Deferred tax movements	–	8	–	8

Movement in deferred tax in the prior year

	Group				
	1 April 2009 £'000	Recognised in income £'000	Recognised in equity £'000	Acquired in business combinations £'000	31 March 2010 £'000
Property, plant and equipment	1,034	(297)	–	–	737
Intangible assets	1,217	(111)	–	–	1,106
Inventories	(52)	(18)	–	–	(70)
Other financial liabilities	(145)	40	–	–	(105)
Share-based payments	–	(57)	–	–	(57)
Pension	(516)	19	(124)	–	(621)
Deferred tax movements	1,538	(424)	(124)	–	990

18 Deferred tax assets and liabilities CONTINUED

	Company			
	1 April 2009 £'000	Recognised in income £'000	Recognised in equity £'000	**31 March 2010 £'000**
Other financial liabilities	122	(122)	–	–
Deferred tax movements	122	(122)	–	–

19 Inventories

	Group	
	2011 £'000	2010 £'000
Work-in-progress	**250**	403
Goods-in-transit	**646**	614
Goods for resale	**3,319**	2,472
Trading inventories	**4,215**	3,489
Construction-in-progress	**–**	91
Property held-for-sale	**1,204**	1,129
Property inventories	**1,204**	1,220
Total inventories	**5,419**	4,709

Goods-in-transit are retail provisions in transit to the Falkland Islands.

The Company has no inventories.

Notes to the Financial Statements

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20 Trade and other receivables

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Non-current:				
Amount owed by subsidiary undertakings	–	–	4,042	2,916

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Current:				
Trade and other receivables	4,368	3,265	–	–
Income tax	64	–	–	–
Prepayments and accrued income	1,379	1,270	30	15
Trade and other receivables	5,811	4,535	30	15

21 Cash and cash equivalents / bank overdrafts

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Cash and cash equivalents in the balance sheet and cash flow statement	2,062	3,810	(1,418)	360

22 Interest-bearing loans and borrowings

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

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Non-current liabilities:				
Secured bank loans	2,971	3,974	2,337	3,140
Finance lease liabilities	133	81	–	–
Total non-current interest-bearing loans and borrowings	3,104	4,055	2,337	3,140
Current liabilities:				
Secured bank loans	1,000	1,128	800	928
Finance lease liabilities	58	90	–	–
Total current interest-bearing loans and borrowings	1,058	1,218	800	928

Net debt

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Total interest-bearing loans and borrowings	4,162	5,273	3,137	4,068
Less: cash balances (see note 21)	(2,062)	(3,810)	1,418	(360)
Net debt	2,100	1,463	4,555	3,708

Finance lease liabilities

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Future minimum lease payments due:				
within one year	58	90	–	–
After more than one year but within five years	133	81	–	–
Total minimum lease payments due	191	171	–	–

Notes to the Financial Statements

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23 Trade and other payables

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Non-current:				
Amount owed to subsidiary undertakings	–	–	390	871

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Current:				
Trade payables	5,349	5,437	–	–
Other creditors, including taxation and social security	753	1,068	59	57
Accruals and deferred income	2,232	1,714	317	356
Total trade and other payables	8,334	8,219	376	413

24 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 £337,000 *(2010: £357,000)*. The Group anticipates paying contributions amounting to £247,000 during the year ending 31 March 2012.

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

Defined benefit pension schemes

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

	2011 £'000	2010 £'000
Pension scheme deficit:		
Falkland Islands Company Limited Scheme	(2,107)	(2,013)
Portsmouth Harbour Ferry Company Limited Scheme	(23)	(224)
	(2,130)	(2,237)
Deferred tax	554	621
Net pension scheme deficit	(1,576)	(1,616)

Following the announcement by the United Kingdom Government on 8 July 2010 of their intention to use CPI rather than RPI to calculate statutory minimum increases in both deferred pensions and pensions in payment, the Company has given due consideration, including discussions with its legal advisors as to the impact of this change and has concluded that it has no impact on the liability at 31 March 2011.

24 Employee benefits: pension plans CONTINUED

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 2011 by a qualified independent actuary, Lane Clark & Peacock LLP. The major assumptions used in this valuation were:

	2011	2010
Rate of increase in salaries	2.6%	2.7%
Rate of increase in pensions in payment and deferred pensions	3.0%	3.0%
Discount rate applied to scheme liabilities	5.5%	5.6%
Inflation assumption	3.5%	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 2011 £'000	Value at 2010 £'000	Value at 2009 £'000	Value at 2008 £'000	Value at 2007 £'000
Present value of scheme liabilities	(2,107)	(2,013)	(1,797)	(1,863)	(2,136)
Related deferred tax asset	548	558	449	465	534
Net pension liability	(1,559)	(1,455)	(1,348)	(1,398)	(1,602)

Movement in deficit during the year:

	2011 £'000	2010 £'000
Deficit in scheme at beginning of the year	(2,013)	(1,797)
Pensions paid	98	98
Other finance costs	(110)	(119)
Actuarial loss	(82)	(195)
Deficit in scheme at end of the year	(2,107)	(2,013)

Notes to the Financial Statements

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24 Employee benefits: pension plans CONTINUED

Analysis of amounts included in other finance costs:

	2011 £'000	2010 £'000
Interest on pension scheme liabilities	**(110)**	(119)

Analysis of amount recognised in statement of comprehensive income:

	2011 £'000	2010 £'000
Experience (losses) / gains arising on scheme liabilities	**(7)**	89
Changes in assumptions underlying the present value of scheme liabilities	**(75)**	(284)
Actuarial gain recognised in statement of comprehensive income	**(82)**	(195)

History of experience gains and losses:

	2011	2010	2009	2008	2007
Experience (losses) / gains on scheme liabilities:					
Amount (£'000)	**(7)**	89	(2)	(18)	(3)
Percentage of year end present value of scheme liabilities	**(0.3%)**	4.4%	0.1%	1.0%	0.1%
Total amount recognised in statement of comprehensive income:					
Amount (£'000)	**(82)**	(195)	50	301	118
Percentage of year end present value of scheme liabilities	**(3.9%)**	9.7%	(2.8%)	(16.2%)	(5.5%)

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 2011 and 31 March 2010 were prepared by a qualified independent actuary, Alexander Forbes Limited.

24 Employee benefits: pension plans CONTINUED

The major assumptions used in the valuations were:

	2011	2010
Rate of increase in pensions in payment and deferred pensions	**3.5%**	3.7%
Discount rate applied to scheme liabilities	**5.5%**	5.6%
Inflation assumption	**3.5%**	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 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 2011 £'000	Value at 2010 £'000	Value at 2009 £'000	Value at 2008 £'000	Value at 2007 £'000
Equities	**301**	328	185	207	156
Fixed interest	**101**	64	50	37	20
Other	**30**	18	18	36	34
Total market value of assets	**432**	410	253	280	210
Present value of scheme liabilities	**(455)**	(634)	(492)	(477)	(591)
Deficit in the scheme	**(23)**	(224)	(239)	(197)	(381)
Related deferred tax asset	**6**	63	67	54	114
Net pension liability	**(17)**	(161)	(172)	(143)	(267)

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

	Long term rate of return 2011	Long term rate of return 2010
Equities	**7.2%**	7.4%
Fixed interest	**5.5%**	5.6%
Other	**4.0%**	4.2%

Notes to the Financial Statements
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24 Employee benefits: pension plans CONTINUED

Movement in deficit during the year:

	2011 £'000	2010 £'000
Projected benefit obligations:		
Projected benefit obligations at beginning of the year	(634)	(493)
Interest thereon	(34)	(30)
Distributions	65	30
Settlement gain	150	–
Experience loss	(2)	(141)
Projected benefit obligations at end of the year	(455)	(634)
Plan assets:		
Plan assets at beginning of the year	410	254
Distributions	(65)	(30)
Contributions	66	83
Return on assets	29	17
Actuarial (loss) / gain	(8)	86
Plan assets at end of the year	432	410
Deficit in scheme at end of the year	(23)	(224)

Analysis of amounts included in other finance costs:

	2011 £'000	2010 £'000
Expected return on pension scheme assets	29	17
Interest on pension scheme liabilities	(34)	(30)
Included in other finance costs	(5)	(13)

Analysis of amount recognised in statement of comprehensive income:

	2011 £'000	2010 £'000
Actual return less expected return on scheme assets	(8)	86
Changes in assumptions underlying the present value of scheme liabilities	(2)	(141)
Actuarial loss recognised in statement of comprehensive income	(10)	(55)

24 Employee benefits: pension plans CONTINUED

History of experience gains and losses:

	2011	2010	2009	2008	2007
Difference between the expected and actual return on scheme assets:					
Amount (£'000)	**(8)**	86	(99)	3	(4)
Percentage of year end scheme assets	**(1.9%)**	21.0%	39.0%	15.8%	1.0%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	**–**	–	(1)	–	–
Percentage of year end present value of scheme liabilities	**–**	–	0.2%	–	–
Total amount recognised in statement of comprehensive income:					
Amount (£'000)	**(10)**	(55)	(86)	147	61
Percentage of year end present value of scheme liabilities	**2.2%**	8.7%	17.4%	773.7%	(17.1%)

25 Employee benefits: share-based payments

Costs arising under IFRS 2 in respect of options issued to Directors and employees, are charged to the income statement and credited to retained earnings.

The following options were outstanding at 31 March 2011:

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	5,000	1.39½	Not valued for IFRS 2 purposes			27 Jul 04	26 Jul 11
10 Feb 05	57,692	5.20	5.20	2.47	142,499	10 Feb 08	9 Feb 15
14 Jun 05	52,500	4.25	4.25	1.66	87,150	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
18 Jun 07	10,000	3.09	2.82½	0.82	8,200	18 Jun 10	17 Jun 17
7 Aug 07	27,517	3.30	3.32½	0.73	20,087	7 Aug 10	6 Aug 17
4 Dec 07	55,000	3.19	3.40	1.19	65,450	4 Dec 10	3 Dec 17
3 Apr 08	7,562	3.65	3.75	1.31	9,906	3 Apr 11	2 Apr 18
30 Jul 08 (SAYE)	136,940	3.53¼	4.00	1.35	184,869	30 Jul 11	29 Jul 18
8 Apr 09	93,353	2.07½	2.07½	0.56	52,278	8 Apr 12	7 Apr 19
15 Jul 09	104,100	2.90	2.90	0.72	74,952	15 Jul 12	14 Jul 19
9 Dec 09	26,000	3.90	3.97½	1.45	37,700	9 Dec 12	8 Dec 19
21 Dec 10	121,898	3.42½	3.37½	1.24	151,154	21 Dec 13	20 Dec 20
	761,090				970,195		

Notes to the Financial Statements

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25 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 IFRS 2 currently in issue. Expected volatility is determined by reference to past performance of the Company's share price.

	18 Jun 07	5 Jul 07	7 Aug 07	4 Dec 07	3 Apr 08
Expected volatility (%)	31	40	33	33	34
Risk-free interest rate (%)	5.60	5.70	5.30	4.50	4.20
Expected life of options (years)	6.5	3.0	6.5	6.5	6.5
Dividend yield (%)	2.50	2.30	2.10	2.10	2.10
Share price at grant date (£)	2.82½	3.02½	3.32½	3.40	3.75

	30 Jul 08	8 Apr 09	15 Jul 09	9 Dec 09	21 Dec 10
Expected volatility (%)	35	37	38	40	44
Risk-free interest rate (%)	4.80	2.90	3.40	3.14	2.90
Expected life of options (years)	3.0	6.5	6.5	6.5	6.5
Dividend yield (%)	2.00	3.90	2.80	2.00	2.40
Share price at grant date (£)	4.00	2.07½	2.90	3.97½	3.37½

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 2011 123,236 options *(2010: 91,300)* were exercised over ordinary shares. Options issued prior to 6 November 2002 are not subject to the provisions of IFRS 2.

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

	Weighted average exercise price (£) 2011	**Number of options 2011**	Weighted average exercise price (£) 2010	Number of options 2010
Outstanding at the beginning of the year	**3.24**	**827,833**	3.16	890,943
Forfeited during the year	**–**	**–**	3.65	(64,438)
Exercised during the year	**2.49**	**(123,236)**	1.80	(91,300)
Granted during the year	**3.43**	**121,898**	2.70	229,453
Lapsed during the year	**3.18**	**(65,405)**	3.00	(136,825)
Outstanding at the year end	**3.40**	**761,090**	3.24	827,833
Vested options exerciseable at the year end	**4.05**	**271,237**	4.24	203,720

26 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 as at 1 April 2009	906	8,436	7,206	1,162	7,157	24,867
Profit for the year	–	–	–	–	5,256	5,256
Share-based payments	–	–	–	–	240	240
Dividends	–	–	–	–	(1,084)	(1,084)
Issue of shares	4	–	–	–	–	4
Premium on shares issued in the year, net of expenses	–	–	10	–	–	10
Transfer to profit and loss on disposal of available-for-sale financial assets	–	(1,683)	–	–	–	(1,683)
Change in fair value of available-for-sale financial assets	–	6,828	–	–	–	6,828
Actuarial loss on pension, net of tax	–	–	–	–	(126)	(126)
Repurchase of equity interest	–	–	108	–	(183)	(75)
Balance as at 31 March 2010	910	13,581	7,324	1,162	11,260	34,237
Profit for the year	–	–	–	–	1,620	1,620
Share-based payments	–	–	–	–	207	207
Dividends	–	–	–	–	(826)	(826)
Issue of shares	12	–	–	–	–	12
Premium on shares issued in the year, net of expenses	–	–	294	–	–	294
Change in fair value of available-for-sale financial assets	–	(4,832)	–	–	–	(4,832)
Actuarial loss on pension, net of tax	–	–	–	–	(68)	(68)
Effect of tax rate changes on deferred tax asset relating to pension schemes	–	–	–	–	(43)	(43)
Balance as at 31 March 2011	922	8,749	7,618	1,162	12,150	30,601

Notes to the Financial Statements

CONTINUED

26 Capital and reserves CONTINUED

Reconciliation of movement in capital and reserves – Company

	Called up share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 April 2009	906	7,206	6,910	15,519	30,541
Loss for the year	–	–	–	(330)	(330)
Share-based payments	–	–	–	240	240
Dividends	–	–	–	(1,084)	(1,084)
Issue of shares	4	–	–	–	4
Premium on shares issued in the year, net of expenses	–	10	–	–	10
Repurchase of equity interest	–	108	–	(183)	(75)
Balance as at 31 March 2010	910	7,324	6,910	14,162	29,306
Profit for the year	–	–	–	1,165	1,165
Share-based payments	–	–	–	207	207
Dividends	–	–	–	(826)	(826)
Issue of shares	12	–	–	–	12
Premium on shares issued in the year, net of expenses	–	294	–	–	294
Balance as at 31 March 2011	922	7,618	6,910	14,708	30,158

A profit of £1,165,000 *(2010 loss: £330,000)* has been dealt with in the accounts of the Parent Company. As permitted by Section 408 of the Companies Act 2006, the Company has not presented its individual income statement.

Share capital

	Ordinary shares	
	2011	2010
In issue as at 1 April	**9,097,178**	9,060,796
Issued for cash	**123,236**	36,382
In issue as at 31 March – fully paid	**9,220,414**	9,097,178

	2011 £'000	2010 £'000
Allotted, called up and fully paid		
Ordinary shares of 10p each	**922**	910

26 Capital and reserve CONTINUED

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

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

On 31 March 2000, an Employee Share Ownership Plan was established. At 31 March 2011 the plan held 36,499 *(2010: 36,499)* ordinary shares at a cost of £68,542 *(2010: £68,542)*. The market value of the shares at 31 March 2011 was £120,446 *(2010: £122,418)*. Shares held in the ESOP have had their rights to dividends waived, as in prior years.

There were 136,940 *(2010: 227,081)* share options outstanding under the Company's Saving Related Share Option Scheme ("Save As You Earn") at 31 March 2011.

For more information on share options please see note 25.

Dividends

The following dividends were recognised in the year:

	2011 £'000	2010 £'000
Final: 5.0p *(2010 Final: 8.0p)* per qualifying ordinary share	**459**	723
Interim: 4.0p *(2010 Interim: 4.0p)* per qualifying ordinary share	**367**	361
	826	1,084

After the balance sheet date a final dividend of 5.5p (£507,000) per qualifying ordinary share *(2010: 5.0p, £459,000)* was proposed by the Directors. The dividend has not been provided for.

Notes to the Financial Statements

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27 Financial instruments

(i) Fair values of financial instruments

Investments in equity securities

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

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	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Available-for-sale financial assets at fair value	**10,710**	15,542	**–**	–
Financial liabilities at amortised cost	**(8,334)**	(8,219)	**(377)**	(414)
Interest-bearing borrowings at amortised cost	**(4,162)**	(5,273)	**(3,137)**	(4,068)
Trade and other receivables	**5,811**	4,535	**30**	15

(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.

27 Financial instruments CONTINUED

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 £6,742,000 *(2010: £8,828,000)* 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	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Falkland Islands	2,034	1,413	–	–
Europe	592	187	–	–
North America	441	261	–	–
United Kingdom	1,190	1,232	–	–
Other	111	172	–	–
Trade receivables	4,368	3,265	–	–

The Company has no trade receivables.

Credit quality of financial assets and impairment losses

Group	Gross 2011 £'000	Impairment 2011 £'000	Net 2011 £'000	Gross 2010 £'000	Impairment 2010 £'000	Net 2010 £'000
Not past due	2,686	–	2,686	1,735	–	1,735
Past due 0 – 30 days	848	–	848	1,194	–	1,194
Past due 31 – 120 days	518	–	518	263	–	263
More than 120 days	575	(259)	316	198	(125)	73
	4,627	(259)	4,368	3,390	(125)	3,265

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

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Balance as at 1 April 2010	125	173	–	–
Impairment loss recognised	238	–	–	–
Impairment loss reversed	(104)	(48)	–	–
Balance as at 31 March 2011	259	125	–	–

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.

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27 Financial instruments CONTINUED

(iii) Liquidity risk

Financial risk management

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

Group and Company

At the beginning of the period the Group had outstanding bank loans of £5.1 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:

2011	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Non-derivative financial instruments:						
Secured bank loans	3,971	4,147	1,058	1,038	2,051	–
Finance leases	191	191	58	133	–	–
Trade and other payables	8,334	8,334	8,334	–	–	–
	12,496	12,672	9,450	1,171	2,051	–

2010	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Non-derivative financial instruments:						
Secured bank loans	5,102	5,596	1,347	1,147	2,192	910
Finance leases	171	171	81	90	–	–
Trade and other payables	8,219	8,219	8,219	–	–	–
	13,492	13,986	9,647	1,237	2,192	910

27 Financial instruments CONTINUED

Liquidity risk – Company

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

2011	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Non-derivative financial instruments:						
Secured bank loans	3,137	3,314	858	838	1,618	–
Trade and other payables	376	376	376	–	–	–
	3,513	3,690	1,234	838	1,618	–

2010	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Non-derivative financial instruments:						
Secured bank loans	4,068	4,591	1,119	919	1,736	817
Trade and other payables	413	413	413	–	–	–
	4,481	5,004	1,532	919	1,736	817

(iv) Market risk

Financial risk management

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

Market risk – Foreign currency risk

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

	Group			
As at 31 March 2011	EUR £'000	USD £'000	Other £'000	**Total £'000**
Cash and cash equivalents	48	90	1	**139**
Trade and other payables	(347)	(274)	(85)	**(706)**
Balance sheet exposure	(299)	(184)	(84)	**(567)**

	Group			
As at 31 March 2010	EUR £'000	USD £'000	Other £'000	Total £'000
Cash and cash equivalents	179	204	1	384
Trade and other payables	(385)	(336)	(161)	(882)
Balance sheet exposure	(206)	(132)	(160)	(498)

The Company has no exposure to foreign currency risk.

Notes to the Financial Statements

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27 Financial instruments CONTINUED

Sensitivity analysis

Group

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

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant and is performed on the same basis for the year ended 31 March 2010.

	Equity		Profit or loss	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
EUR	40	56	40	56
USD	36	54	36	54

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

Market risk – interest rate risk

Profile

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

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Fixed rate financial instruments:				
Finance leases receivable	312	258	–	–
Finance leases payable	(191)	(171)	–	–
	121	87	–	–
Variable rate financial instruments:				
Financial liabilities	(3,971)	(5,102)	(3,137)	(4,068)
	(3,971)	(5,102)	(3,137)	(4,068)

The Group has a loan of £0.8 million *(2010: £1.0 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 Bank of England base rate. The loan was previously hedged with a base rate cap of 6.5% and a base rate floor of 4.25%. On 13 January 2010 the Group liquidated this base rate cap and floor at a cost of £68,000.

The Group has a further loan of £3.2 million *(2010: £4.1 million)* in respect of the acquisition of Momart International Limited. The loan is repayable over five years from June 2010 and bears interest at 2.0% above the Bank of England base rate. The loan was previously hedged with a base rate cap of 6.25% and a base rate floor of 4.25%. On 13 January 2010 the Group liquidated this base rate cap and base rate floor at a cost of £284,000.

27 Financial instruments CONTINUED

Sensitivity analysis

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

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates and financial instruments at fair value through profit or loss or available-for-sale with fixed interest rates. The analysis is performed on the same basis for 31 March 2010.

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Equity:				
Increase	–	–	–	–
Decrease	(40)	(51)	(31)	(41)
Profit or loss:				
Increase	–	–	–	–
Decrease	(40)	(51)	(31)	(41)

Market risk – equity price risk

The Group's and Company's exposure to equity price risk arises from its investments in equity securities which are classified in the balance sheet as available-for-sale equity securities (see note 15).

Sensitivity analysis

The Group's available-for-sale financial assets comprise its investment in FOGL. During the year ended 31 March 2011 FOGL shares traded on the AIM market of the London Stock Exchange at an average price of 126.24p with a high of 244.00p and a low of 76.00p. 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 £9,120,000 *(2010: £7,602,000)* and a high of £29,280,000 *(2010: £21,270,000)*.

(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.

Notes to the Financial Statements

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28 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2011 £'000	2010 £'000
Less than one year	651	664
Between one and five years	2,464	2,512
More than five years	6,225	4,038
	9,340	7,214

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 £651,000 was recognised as an expense in the income statement in respect of operating leases *(2010: £649,000)*.

The Company had no operating lease commitments.

29 Capital commitments

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

30 Related parties

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

Directors of the Company and their immediate relatives control 1.4% per cent of the voting shares of the Company.

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

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Key management emoluments including social security costs	1,266	1,282	531	573
Company contributions to defined contribution pension plans	229	209	26	25
Share-related awards	95	79	50	49
Total key management personnel compensation	1,590	1,570	607	647

31 Accounting estimates and judgements

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

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

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

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

Directors and Corporate Information

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John Foster *Managing Director*
Mike Killingley*
Jeremy Brade*

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