Falkland Islands Holdings plc

("FIH" or "the Group")

Final results for the year ended 31 March 2012

FIH, the AIM quoted international services group, which owns essential services businesses focused on transport and logistics and which has a 4.4% shareholding in AIM quoted oil exploration company Falkland Oil and Gas Limited ("**FOGL**"), is pleased to announce final results for the year ended 31 March 2012.

Financial Highlights – ahead of market expectations

- Group revenue increased by 7.1% to 34.11million (2011: £31.84million)
- Underlying operating profit up 21.8% at £3.57million (2011: £2.93million)
- Underlying pre-tax profits up 18.3% to £3.23million (2011: £2.73million)
- Fully diluted earnings per share increased by 27.2% to 26.2p (2011: 20.6p)
- Bank borrowings at 31 March 2012 reduced to £3.0million (2011: £4.0million)
- Cash balances of £2.8million (2011: £2.1million)
- Increased final dividend of 7p per share (2011 5.5p)
- Total dividends for the year of 11p per share, up 15.8% (2011: 9.5p per share)

Operating Highlights - diverse trading businesses proved resilient, performing well in difficult economic conditions

- *Falkland Islands Company ("FIC")*
  - Revenue up 0.4% to £14.98million (2011: £14.92million)
  - Small decline in operating profit from £1.61million to £1.52million – profit generated from core trading activities was maintained; prior year results included profits on property sales which were negligible in 2012

- *Portsmouth Harbour Ferry Company ("PHFC*")
  - Revenues up 11.5% to £4.16million (2011: £3.73million)
  - Operating profit up 38% to £1.09million (2011: £0.79million)
  - Robust performance reflects increase in fares and mild winter weather, which more than offset substantial increase in operating costs following installation of the new pontoon
  - The ferry continues to offer excellent value for money, and has maintained its outstanding reliability and safety record

- *Momart*
    - Revenue increased 13.5% to £14.97million (2011: £13.19million)
    - Operating profit up 81.1% to £0.96million (2011: £0.53million)
    - Encouraging recovery in 2012, helped by strength of the commercial art market
    - Exhibition revenues and margins improved substantially with notable exhibitions including: The Cult of Beauty at the V&A, Lucian Freud at the National Portrait Gallery and Gerhardt Richter and the Damien Hirst retrospective, both at Tate Modern
- *FOGL*
    - FIH's holding of 14million FOGL shares, 4.4% of FOGL's issued share capital
    - Market value of shareholding on 1 June 2012 was £12.78million (31 March 2012: £9.03million)
    - FOGL's two well drilling programme is expected to commence in a few weeks time; the recent discovery by Borders & Southern Petroleum in their Darwin well augurs well for the prospectivity of similar features in FOGL's Southern licences which are not being drilled in this campaign
- *New joint venture company created*
    - FIH is pleased to announce the establishment of a 50/50 joint venture with Trant Construction, a UK construction and engineering group with substantial experience of working in the Falkland Islands over the last 10 years.
    - The new company, South Atlantic Construction Company (SACC) will be based at the Group's offices in the Falkland Islands and will allow FIC to participate in the increase in construction activity in both the public and private sector that will result from the exploitation of oil in the Falkland Islands

David Hudd, Chairman of Falkland Islands Holdings plc, said:

"I am pleased to report another strong trading performance for the Group. Our market leading businesses continued to prove resilient and delivered good results in difficult economic conditions.

"For the current year, trading has been satisfactory and in line with our expectations. Whilst we do not expect the rate of growth achieved across the Group in the year ended March 2012 to be repeated in the coming year, in the medium term we are confident of further growth at Momart, steady progression at PHFC and in the Falklands our assets and businesses are well placed to take advantage of the transformational change which seems increasingly likely.

"In the Falkland Islands, the Sea Lion discovery in the North Falkland Basin has confirmed the existence of commercially exploitable hydrocarbons. To the south, the Darwin well recently drilled by Borders & Southern Petroleum has proved the existence of a working hydrocarbon system and supports the prospectivity of the South Falkland Basin. Both outcomes make further exploration work certain.

"I am also delighted that we have set up a joint venture with Trant Construction. We intend that South Atlantic Construction Company will play a significant role in improving the infrastructure of the Falkland Islands.

"The Group's businesses remain robust and will continue to generate good cash flows and profits. The Board is pleased to recommend a final dividend of 7p per share, bringing the total dividend for the year to 11p per share, an increase of 15.8% on 2011."

Notes to editors

Trant Construction

Trant Construction, is a privately owned Group with more than 50 years' experience in civil, mechanical and electrical engineering . It currently operates in the UK, Channel Islands, Ascension and the Falkland Islands and has an annual turnover of approximately £80million.

Chairman's Statement

I am delighted to report that Falkland Islands Holdings performed very well in the year ended 31 March 2012 with our three businesses achieving good results as the Group's spread of interests proved resilient in difficult economic conditions.

We achieved strong growth with underlying diluted earnings per share up 27% to a record 26.2p per share. This represents a compound annual growth rate of 9.2% over the last 10 years.

Underlying pre-tax profits increased for the eighth successive year by 18.3% to a new high of £3.23 million *(2011: £2.73 million)*.

The financial position remains strong with minimal net debt; at the year-end bank borrowings were £3.0 million while bank deposits totalled £2.8 million.

We are pleased to recommend an increased final dividend of 7p per share which makes a total dividend of 11p per share, a 15.8% increase on the Group's 2011 dividend of 9.5p.

Operations

Momart was the largest contributor to the Group's increase in underlying profits before interest with an 80% improvement. The international art market continued to strengthen and the benefit of improvements made to the operating procedures and cost structures at the business flowed through. At the Portsmouth Harbour Ferry Company (PHFC), we were delighted with the opening of the new pontoon terminal and its positive impact on the overall quality of service, giving another robust performance with profits increasing, despite the impact of the new pontoon on costs and fares.

Excluding property sales, The Falkland Islands Company maintained its profit level. This was achieved despite significant inflation and increased staff costs as additional management was recruited.

On behalf of the Board and shareholders I would like to express thanks to all our colleagues who have contributed to an excellent year for the Group.

Falkland Oil and Gas ("FOGL")

We were pleased to support FOGL's fund raising in January 2012 by subscribing for a further 2 million ordinary shares at 43p each. The lock-in agreement preventing share sales which we entered into in April 2011 has now expired. We currently own 14 million shares with a book cost of £2.8 million; at 31 March 2012 these shares had a market value of £9.0 million which had increased to £12.8 million at 1 June 2012.

FOGL's two well drilling campaign with the Leiv Eiriksson rig is now expected to l commence in July 2012 and to continue for approximately three months. The first well to be drilled , Loligo, has the potential to be one of the highest impact exploration wells being drilled in the world this year, with mean recoverable prospective resources of 4.7 billion barrels. A positive drilling result would have a dramatic impact on the FOGL share price and that of your Company.

However ,whatever the outcome of FOGL's exploration activities, your Board remains focused on increasing the long term profitability of the Group.

Outlook

In the Falkland Islands the Sea Lion discovery in the north Falkland basin has confirmed the existence of commercially exploitable hydrocarbons. To the south, the Darwin well recently drilled by Borders & Southern Petroleum has proved the existence of a working hydrocarbon system and supports the prospectivity of the south Falkland basin. Both outcomes make further exploration work certain.

Having traded in the Falkland Islands for 160 years we have a unique portfolio of assets and businesses whose prospects will be transformed if hydrocarbons are exploited. Your Board is taking a strategic approach to the potential opportunities ahead and has begun in-depth preparatory work on the investment opportunities available to us. We are strengthening our management in the Falklands and we will commit the capital required to bring these projects to completion.

At PHFC we are exposed to the fragility of customers' discretionary travel spend. Nevertheless, as an essential service PHFC will continue to generate good cash flow and profits. To continue to improve the service we intend to order a new ferry later this year to be operational in early 2014.

For Momart we anticipate another good year as the international art market remains buoyant and we continue to experience strong demand for our services.

The Group's businesses remain robust with market leading positions that will continue to generate good cash flow and profits. For the current year, trading has been satisfactory and in line with the Board's expectations.

David Hudd

Chairman

6 June 2012

Managing Director's Business Review

Group Overview

I am pleased to report another successful year for the Group, with a 7.1% increase in revenues to £34.1 million and an 18.3% increase in underlying pre tax profits to £3.23 million *(2011: £2.73 million)*.

Group underlying operating profits (before amortisation and financing costs) rose by 21.8% to £3.57 million (2011: £2.93 million).

Review of operations

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

Group revenue

Year ended 31 March	2012 £m	2011 £m	*Change* *%*
Falkland Islands Company	14.98	14.92	*0.4*
Portsmouth Harbour Ferry	4.16	3.73	*11.5*
Momart	14.97	13.19	*13.5*
Total	34.11	31.84	*7.1*

Group underlying operating profit

Year ended 31 March	2012 £m	2011 £m	*Change* *%*
Falkland Islands Company	1.52	1.61	*(5.6)*
Portsmouth Harbour Ferry	1.09	0.79	*38.0*
Momart	0.96	0.53	*81.1*
Total	3.57	2.93	*21.8*

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

Falkland Islands Company ("FIC")

FIC had a satisfactory year with a small decline in profits from £1.61 million to £1.52 million on revenues 0.4% higher at £14.98 million. The prior year result included profits on property sales of £0.2 million whereas there were negligible such profits in 2012. Underlying profits generated from core trading activities were maintained despite increased costs from the recruitment of additional management personnel.

Oil exploration activity continued during 2011/12 and total revenue remained at the record levels seen in the prior year (some 20% higher than 2009/10 revenues). However, tourist activity declined as cruise ship visits were 10% lower than last year largely as a result of poor weather. Non oil activity was subdued compared to the strong growth experienced in the prior year as household budgets were constrained by pay settlements below inflation, which in the Falkland Islands reached 8%; as a consequence overall retail spending fell.

FIC Operating results

Year ended 31 March	2012 £m	2011 £m	*Change %*
Revenues			
Retail	9.45	9.72	*(2.8)*
Motor	1.57	1.91	*(17.8)*
Freight	1.12	0.69	*62.3*
Support services	2.61	2.15	*21.4*
Property sales	0.23	0.45	*(48.9)*
Total FIC revenue	14.98	14.92	*0.4*
FIC underlying operating profit	1.52	1.61	*(5.6)*
Underlying operating profit margin (%)	10.1	10.8	*(6.5)*

Despite the success of the enlarged and modernised supermarket at the MPA military base which opened in November and added £0.15 million to sales, market conditions remained tough and overall Retail sales fell by 2.8% to £9.45 million. Although a range of new offers were sourced from the UK, core grocery sales from the West Store Food hall fell by 2.6% and DIY revenues were down 5.8%. Revenue from the Capstan gift shop was 10.3% lower in line with the reduction in the number of cruise ship visitors.

In the absence of any large military orders Motor revenues declined by 18% to £1.57 million with total vehicle sales of 47 units compared to 78 last year.

Revenues from third party freight were up 62% to £1.12 million largely due to an increase in northbound traffic to the UK resulting from the demobilisation of the Ocean Guardian drilling rig in December 2011.

Following the confirmation of Rockhopper's Sea Lion discovery, sales of residential property were halted. After one house sale early in the year FIC now retains nine of its twelve Marmont Row properties and these are let to oilfield services companies. In addition FIC has a rental portfolio of a further 31 properties and these are currently let to corporate clients, private customers and staff.

Support services achieved a 21% increase in revenues largely as a result of a much improved Illex fishing season in the early part of the year. The other business units, insurance broking, stevedoring and Penguin Travel, produced results similar to last year.

Portsmouth Harbour Ferry Company ("PHFC")

PHFC delivered another robust performance with revenues rising by 11.5% reflecting the increase in fares and mild winter weather, which more than offset the substantial increase in operating costs following the June 2011 installation of the new pontoon at Gosport. As a result ferry operating profits, before pontoon lease finance costs of £0.2 million, rose by £0.3 million to £1.09 million *(2011: £0.79 million)*.

PHFC Operating results

Year ended 31 March	2012 £m	2011 £m	*Change* %
Revenues			
Ferry fares	3.97	3.59	*10.6*
Cruising and Other revenue	0.19	0.14	*35.7*
Total PHFC revenue	4.16	3.73	*11.5*
Underlying PHFC operating profit	1.09*	0.79	*38.0*
Underlying operating profit margin (%)	26.2	21.2	*23.6*
Passenger carried (000s)	3,328	3,400	*(2.1)*

*Operating profit is shown before charging finance lease interest of £0.2 million relating to the new Pontoon.

Annual passenger numbers saw a further modest decline over the course of the year of 2.1% compared to a fall of 2.7% last year. The rate of decline fell during the year from an initial 4.1% in the first half to 2.1% for the year as a whole reflecting relatively mild weather conditions compared to the snow and ice of the prior year. The trend experienced last year of reductions in weekend discretionary travel has continued and weekend volumes were lower by 4.1% whereas daily commuting was less affected and passenger numbers declined by just 1.6%.

The new pontoon with a capitalised lease cost of £5.0 million brought additional operating and finance costs of £0.4 million per annum. To meet these costs, ferry fares were increased by an average of 17.5% from the installation date and after absorbing the decline in passenger numbers of 2.1%, core ferry revenues rose by 10.6%.

Cruise revenues saw a small increase to £0.19 million *(2011: £0.14 million)* and a corresponding small increase in contribution as well as providing a valued service to the local community.

The pontoon which is held on an extendable 50 year lease from Gosport Borough Council secures PHFC's position as harbour ferry operator for the long term and also significantly improves the passenger experience at Gosport providing a modern, safe and welcoming gateway to the ferry.

After the summer 2011 fare increases, with adult return ticket prices of £2.70 (£1.35 per crossing), discounted fares for regular customers, and lower tariffs for seniors and children (£1.80 return), the ferry service continues to offer excellent value for money. With 99.9% of its annual 70,000 sailings departing on time PHFC maintained its outstanding reliability record. This together with an exemplary safety record is the cornerstone of the success of the ferry service and is founded on the very high levels of commitment and expertise of the ferry's staff, which we salute.

Momart

I am delighted to report that Momart, the Group's art handling and logistics business, continued the recovery seen in the first half and produced a much improved performance for the year. Helped by the strength of the commercial art market, total revenue increased by 13.5% to £15.0 million *(2011: £13.2 million)* and underlying operating profit rose by £0.43 million (81%) to £0.96 million *(2011: £0.53 million)*.

Momart Operating results

Year ended 31 March	2012 £m	2011 £m	*Change* %
Revenues			
Museums and public exhibitions	7.05	6.67	*5.7*
Commercial gallery services	6.30	5.00	*26.0*
Storage	1.62	1.52	*6.6*
Total Momart revenue	14.97	13.19	*13.5*
Underlying Momart operating profit	0.96	0.53	*81.1*
Underlying operating profit margin (%)	6.4	4.0	*60.0*

Exhibitions

As expected, Exhibition revenues and margins improved substantially following the introduction of a more flexible pricing policy designed to defend market share and deliver the sales volume necessary to adequately cover fixed overheads. Exhibition sales saw a continued increase in the second half (£3.6 million vs £3.4 million in H1) although the absolute level of sales did not match the high levels seen in H2 last year of £4.0 million (which were boosted by the Gauguin exhibition at Tate Modern). For the year as a whole overall Exhibition revenues increased by 5.7%, with notable exhibitions including *The Cult of Beauty* at the V&A, Lucian Freud at the National Portrait Gallery and Gerhardt Richter and the Damien Hirst retrospective, both at Tate Modern.

Gallery Services

In Gallery Services the good growth seen in the first half (+28%) continued into the second half with further increases of 25% compared to H2 in 2010/11. For the year as whole, having increased by nearly 30% in 2010/11, sales increased further, this year by 26%, to a record level of £6.3 million *(2011: £5.0 million).*

The global commercial art market has continued to show strong growth and record auction sales confirm the attractiveness of art as an alternative investment to financial assets. Momart with its established reputation for technical excellence and the highest levels of service has continued to win new contracts from a demanding global clientele. During the year the company was successful in winning a number of important international contracts such as the simultaneous display of Damien Hirst's spot paintings at 11 Gagosian galleries worldwide. The company's reputation and standing with galleries, artists, auction houses and collectors has been enhanced by these successful high profile contracts which have reinforced Momart's established presence at the major international fairs including Art Basel, Frieze London and Miami Basel.

The underlying operating profit from Gallery Services increased by over 30% in the year and has been the principal factor in the substantial increase in profitability seen in the year.

Storage

Storage revenues increased by 6.6% to £1.62 million. Momart's storage facilities are now close to their maximum capacity, accordingly plans are being progressed for their expansion although this will not come on stream until the next financial year.

FOGL investment

The Group owns 14 million shares (4.4% of the issued share capital) in AIM quoted Falkland Oil and Gas Limited ("FOGL") which is solely engaged in exploration in the Falkland Islands. FOGL has the largest licence area of the five listed exploration companies which currently totals 49,000 sq km.

FOGL's two well drilling programme is expected to commence in a few weeks and will take some 3 months to complete. The recent discovery of condensate by Borders & Southern Petroleum in their Darwin well augurs well for the prospectivity of similar features in FOGL's southern area which are not being drilled in this campaign.

Details of the Group's shareholding in FOGL are set out below:

31 March	2012
Number of shares held	14m
FOGL share price (bid price)	64.5p
Market value of holding	£9.03m
Cost	£2.8m
Book cost per share	20.0p

The market value of the shareholding on 1 June 2012 was £12.78 million.

Trading outlook

In the coming year we expect to see a slowing of the growth seen in 2011-12. PHFC will be constrained by weakened consumer demand in the UK, and at Momart we anticipate that the rate of growth will slow as capacity is fully utilised.

In the Falkland Islands local demand will be soft pending increased activity from oil explorers and our cost base will increase as we invest further in strengthening the management team. In the second half of the year we will be commencing the development of our property assets to enable the Group to take advantage of the opportunities which are emerging as the Falklands move towards oil production.

The Group's financial position remains strong with bank borrowings reduced to £3.0 million at 31 March 2012, while cash balances were £2.8 million.

In the medium term the outlook is positive and we are confident of further growth at Momart and steady progression at PHFC. In the Falklands the Group is well placed to take advantage of the transformational change which now seems increasingly likely.

John Foster

Managing Director

6 June 2012

Managing Director's Financial Review

Summary income statement

Year ended 31 March	2012 £m	2011 £m	*Change %*
Group revenue	34.11	31.84	*7.1*
Underlying Operating profit	3.57	2.93	*21.8*
Net financing costs	(0.33)	(0.20)	*65.0*
Underlying profit before tax	3.24	2.73	*18.7*
Less: Amortisation of intangibles	(0.40)	(0.40)	–
Profit before tax as reported	2.84	2.33	*21.9*

Earnings per share

Year ended 31 March	2012 £m	2011 £m	*Change %*
Underlying profit before tax	3.24	2.73	*18.7*
Taxation on underlying profit	(0.82)	(0.82)	-
Underlying profit after tax	2.42	1.91	*26.7*
Diluted average number of shares in issue (thousands)	9,239	9,237	–
Effective underlying tax rate	25.3%	30.1%	*(15.9)*
Diluted EPS	26.2p	20.6p	*27.2*

Revenue and underlying operating profit

Group revenue and underlying operating profit rose to £34.1 million and £3.57 million respectively in the year ended 31 March 2012. These are discussed in more detail above in the Review of Operations.

Net financing costs

The Group's net financing costs increased to £0.33 million from £0.20 million due principally to the £0.19 million of interest on the finance lease for the new Gosport Pontoon. This increase in finance costs was partially offset by a decrease in bank interest payable reflecting the £1.0 million reduction in bank loans.

Underlying pre-tax profit

With the underlying operating profit increase of £0.64 million to £3.57 million partially offset by an increase in financing costs, the Group's underlying pre-tax profits ("PBT") grew by £0.51 million (18.3%) to £3.23 million.

Reported pre-tax profit

After charging £0.4 million for the amortisation of intangible assets *(2011: £0.4 million)* reported profit before tax for the Group increased by 21.9% to £2.84 million *(2011: £2.33 million)*.

Taxation

The Group pays corporation tax on its UK and Falkland Islands' earnings at 26%. The reduction in UK corporation tax rate from 28% to 26% and then 24% (from 2012/13) has generated a deferred tax credit of £0.2 million (7.0%) in the current year reducing the effective tax charge to 20.5%.

Fully diluted Earnings per Share ("EPS") derived from underlying profits, increased by 27.2% to 26.2p *(2011: 20.6p)*. This reflected the lower effective tax rate.

Balance sheet

The Group's Balance Sheet remains strong. Total net assets decreased marginally from £30.6 million in the prior year to £29.5 million as at 31 March 2012 due to a fall in the market value of the Group's investment in FOGL, but retained earnings after the payment of tax and dividends increased by £1.1 million to £13.3 million *(2011: £12.2 million)*. Bank borrowings fell to £3.0 million *(2011: £4.0 million)* and the Group had UK cash balances of £2.8 million *(2011: £2.1 million)*.

The carrying value of intangible assets was reduced by annual amortisation charges of £0.4 million to £12.7 million as at 31 March 2012 *(2011: £13.1 million)* (see note 11)

The net book value of property, plant and equipment increased by £5.4 million to £12.9 million *(2011: £7.5 million)* after capital investment of £6.2 million, including £5.0 million applicable to the new Gosport Pontoon (see note 12).

The Group owns investment properties comprising commercial and residential properties in the Falkland Islands held for rental together with 670 acres of undeveloped land. At 31 March 2012 the net book value of these assets after the transfer of the shopping complex at Mount Pleasant into operating properties was £1.5 million *(2011: £1.7 million)*. There is a restricted market for freehold land in the Falklands, and the Directors have had regard to this in estimating the value of these assets and at 31 March 2012 estimate that the fair value of this property portfolio was £3.9 million *(31 March 2011: £4.2 million).*

The Group shareholding in FOGL is described above in the Managing Director's Business Review.

Deferred tax assets relating to future pension liabilities increased marginally to £0.59 million (2011: £0.55 million).

Non-property related inventories decreased from £4.2 million to £4.0 million at 31 March 2012 largely representing stock held for resale in the Group's retail operations in the Falkland Islands.

Property related inventories are shown at cost and represent expenditure incurred to complete the conversion of Marmont Row back into a terrace of heritage cottages. After the sale of one property at the start of the year, the total cost of completed properties at 31 March 2012 was £1.0 million (2011: £1.2 million).

Trade and Other Receivables were reduced by £0.2 million to £5.6 million as at 31 March 2012. Average debtor days outstanding were 57.7 (2011: 56.3).

Outstanding finance leases totalled £5.3 million (2011: £0.2 million). The increase in finance leases is largely represented by £4.9 million in respect of the Gosport Pontoon.

Corporation tax due for payment within the next 12 months is £0.5 million (2011: £0.6 million).

Trade and other payables increased from £8.3 million to £8.8 million at 31 March 2012 reflecting increased trading activity.

At 31 March 2012 the liability due in respect of the Group's defined benefit pension schemes was £2.5 million (2011: £2.1 million) as a result of the decline in long term interest rates used to discount future liabilities. The pension scheme in the Falkland Islands, which was closed to new entrants and to further accrual in 2007 is unfunded and liabilities are met as they fall due from operating cash flow. The net present value of the liability in respect of this scheme increased by £0.3 million to £2.4 million. At PHFC following an enhanced cash offer made to eligible deferred members last year the scheme's net deficit has almost been eliminated; net liabilities at 31 March 2012 were £0.06 million (2011: £0.02 million).

The net deferred tax liabilities at 31 March 2012 decreased by £0.3 million to £1.1 million *(2011: £1.4 million)* due principally to reductions in the current and future rates of UK Corporation Tax announced in the Budget on 26 March 2012.

Net assets per share were 317p at 31 March 2012 *(2011: 332p)* reflecting a lower carrying value of the Group's holding in FOGL at the year end.

Cash flows

Operating cash flow

Net cash flow from operating activities increased from £0.8 million last year to £4.6 million, primarily due to the reversal of cash outflows into working capital seen in the prior year when the Falkland Islands experienced substantial growth. This followed more effective management of stock, receivables and creditors.

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

Year ended 31 March	2012 £m	2011 £m
Underlying PBT	3.2	2.7
Depreciation	1.1	0.9
Interest payable	0.3	0.2
EBITDA	4.6	3.8
Share based payments	0.1	0.2
Decrease / (increase) in working capital	0.8	(2.0)
Tax paid	(0.9)	(1.0)
Other	–	(0.2)
Net cash flow from operating activities	4.6	0.8
Proceeds from shares issued under option schemes	0.3	0.3
Less:		
Dividends paid	(0.9)	(0.8)
Capital expenditure	(1.3)	(0.8)
Net bank interest paid	(0.1)	(0.1)
Purchase of 2 million FOGL shares	(0.9)	–
Loan repayments	(1.1)	(1.1)
Increase in hire purchase debtors	(0.2)	–
Financing draw down loans	0.3	–
Net outflows from financing etc.	(3.9)	(2.5)
Net cash flow	0.7	(1.7)
Cash balance b/fwd	2.1	3.8
Cash balance c/fwd	2.8	2.1

Financing outflows

During the year the Group paid dividends of £0.9 million and received £0.3 million from the proceeds of shares issued following the exercise of share options. Investment in fixed assets continued with £1.3 million of expenditure to strengthen the Group's operating base (*2011: £0.8 million*); £0.6 million was invested in

Stanley with further improvements to FIC's general store at the MPA military base while at Momart four new vehicles were purchased.

With net outflows from financing and investment of £3.9 million *(2011: £2.5 million)* the Group generated a net cash inflow for the year of £0.7 million *(2011: £1.7 million outflow)*.

Business drivers, risk factors and key performance indicators

Business drivers

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

The Group's businesses in the Falkland Islands and Gosport are linked to local demand for their goods and services. In addition, demand is boosted by tourist activity and both locations have been affected by a cyclical reduction in tourist numbers in recent years. In the Falkland Islands the strength of the economy has been closely linked to the fortunes of the fishing industry which accounts for over 60% of GDP. The variable factors have been the level of squid catches, in particular Illex, which has experienced very large variations, whereas Loligo, which has a substantial Falkland ownership, has had fewer fluctuations. Since the start of drilling in the north Falkland basin in 2010, offshore oil exploration activity has had a significant impact on the economy and this is expected to continue in the current year. If, oil exploration were to stop, this stimulus would cease and activity would revert to pre 2010 levels, conversely if hydrocarbon exploitation progresses as expected the positive impact on the Falkland Islands economy will be very significant.

For Momart, activity in the art market is correlated to the performance of the wider global economy with increasing influence attributable to emerging economies in the Middle East, China and India. Despite the continuing recession in the UK and Europe the global art market is still experiencing growth with the emergence of new buyers, patrons and artists. In the commercial art market, ultra high net worth individuals are a key driver, whereas in the museums sector government funding remains key in addition to corporate sponsorship and revenue raised from public admissions. Pressures on museum budgets in the UK, US and Europe have increased as Government subsidies have been cut and although in the longer term this will reverse, no recovery is anticipated in the near term.

Income generated from cultural exports through travelling international exhibitions is an important source of revenue for museums and galleries and is attractive although in the near term privately sponsored exhibitions are likely to increase more than government funded exhibitions.

Risk factors

The PHFC and FIC businesses are 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. Maintaining leadership depends on continued innovation, investment and a commitment to customer service.

Argentina continues to claim sovereignty of the Falkland Islands. However, the people of the Falkland Islands and their Government have no doubt that the Falkland Islands are British. The British Government has re-affirmed its sovereignty in unequivocal terms and despite the fact that Argentina's protests have made the development of commercial links with other South American countries difficult, the Islands' key trade and logistic links with the UK are unaffected. Argentina's military capacity has diminished since the conflict of 1982, whereas the Islands defences are much stronger. Argentina has expressly ruled out military action against the Falklands and the risk of such action is considered to be negligible. Diplomatic efforts by Argentina are likely to continue, but are not expected to have any impact on the status of the Falkland Islands for the foreseeable future.

Although there is no other directly competing service to the Portsmouth Harbour Ferry between Gosport and Portsmouth, customers 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 strategic focus. PHFC will continue to work closely with local authorities and other public transport providers to reinforce its advantages as the 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. The other risks faced by Momart are those factors which might impact the global art market. For instance a reduction in the personal wealth of collectors and investors could 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 two thirds of revenues. In addition to sales trends, gross margins by product and general costs are also kept under close review.

At PHFC, passenger numbers and the average fare yield are monitored on a weekly basis. 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
6 June 2012

Board of Directors and Secretary

David Hudd (67) Chairman

David joined the Board as Chairman on 4 March 2002 and is also Chairman of the Nominations Committee. He is a Chartered Accountant and was a partner in Price Waterhouse until 1982. Since then, he has been Chairman or Chief Executive of a number of listed companies. He was a founder director of Falkland Oil and Gas Limited and remains a non-executive director of that company.

John Foster (54) 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 (61) 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 was previously non-executive Chairman of Beale plc a listed Company, and non-executive Chairman of Southern Vectis plc and Conder Environmental plc, both quoted on AIM. He is Chairman of the Audit Committee and a member of the Remuneration Committee.

Jeremy Brade (50) Non-executive Director

Jeremy joined the Board on 9 September 2009. He is a Director and Private Equity Partner at Harwood Capital 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. He is Chairman of the Remuneration Committee .

Carol Bishop (38) Company Secretary

Carol Bishop joined the Company on 5 December 2011. She is a Chartered Accountant and has previously worked for London Mining plc, an AIM listed company as Group Reporting manager. Prior to this she spent three years at Hanson plc and six years at the Peninsular and Oriental Steam Navigation Company.

Directors' Report

The Directors present their Annual Report and the financial statements for the Company and for the Group for the year ended 31 March 2012.

Results and dividend

The Group's result for the year is set out in the Group Income Statement. The Group profit for the year after taxation amounted to £2,256,000 *(2011: £1,620,000)*. Basic earnings per share were 24.5p *(2011: 17.7p)*. The Directors recommend a final dividend of 7.0p per share *(2011: 5.5p)* which, if approved by shareholders at the forthcoming Annual General Meeting, will be paid on 19 September 2012 to shareholders on the register at close of business on 31 August 2012. With the interim dividend of 4.0p paid in January 2012 *(2011: 4.0p)* this will take the total dividend for the year to 11.0p per share *(2011: 9.5p)*. The proposed final 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 5.5p per share in respect of the previous year ended 31 March 2011 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 2012 was general trading in the Falkland Islands, the operation of a ferry across Portsmouth Harbour and the provision of international arts logistics and storage services. The principal activities of the Group are discussed in more detail in the Business Review and should be considered as part of the Directors' Report for the purposes of the requirements of the enhanced Directors' Report guidance.

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

Directors

There have been no changes to the 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". 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.

Share capital and substantial interests in shares

During the year 77,153 share options were exercised *(2011: 123,236)*.

Further information about the Company's share capital is given in note 26. Details of the Company's executive share option scheme and employee ownership plan can be found in note 25.

The Company has been notified of the following interests in 3% or more of the issued ordinary shares of the Company as at 31 March 2012:

	Number of shares	Percentage of shares in issue
L S Licht	734,750	7.90
Dolphin Fund plc	350,109	3.77
Sir Harry Solomon	333,677	3.59

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 2012 or 31 March 2011.

Charitable and political donations

Charitable donations made by the Group during the year amounted to £15,560 *(2011: £17,223)*, largely to local community charities in Gosport and the Falkland Islands. There were no political donations in the year (2011: nil).

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 FTI Consulting, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB at 11.00am on 21 August 2012. 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 2012 and in the preceding year follows:

	Salary £'000	Bonuses £'000	Pensions £'000	2012 Total £'000	2011 Total £'000
David Hudd	100	66	–	166	124
John Foster	163	83	26	272	273
Mike Killingley	30	–	–	30	35
Jeremy Brade	25	–	–	25	30
	318	149	26	493	462

Directors' interests in shares

As at 31 March 2012 and 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
10 Feb 2005	–	57,692	£5.200	10 Feb 2008	9 Feb 2015
14 Jun 2005	49,411	14,117	£4.250	14 Jun 2008	13 Jun 2015
7 Aug 2007	–	27,517	£3.300	7 Aug 2010	6 Aug 2017
15 Jul 2009	44,550	44,550	£2.900	15 Jul 2012	14 Jul 2019
21 Dec 2010	20,000	20,000	£3.425	21 Dec 2013	20 Dec 2020
Total	113,961	163,876			

The mid-market price of the Company's shares on 31 March 2012 was 366.5p and the range in the year was 227.5p to 415.0p.

The Directors' options extant at 31 March 2012 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 subject to various performance conditions, which have been determined by the remuneration committee after discussion with the Company's advisors.

In addition to the share options set out above, the interests of the Directors, their immediate families and related trusts in the shares of the Company according to the register kept pursuant to the Companies Act 2005 were as shown below:

	Ordinary shares as at 31 March 2012	Ordinary shares as at 31 March 2011
David Hudd	100,000	100,000
John Foster	15,000	15,000
Mike Killingley	10,000	10,000
Jeremy Brade	4,000	4,000

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 judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the 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.

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

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

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

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

Approved by the Board and signed on its behalf by:

Carol Bishop
Secretary
6 June 2012

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 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Shareholders' Equity and the related notes.

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 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 2012 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 information given in the Directors' Report for the financial year 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 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.

W Cox (Senior Statutory Auditor)

For and on behalf of KPMG Audit Plc,
Statutory Auditor Chartered Accountants

St Nicholas
House Park Row
Nottingham
NG1 6FQ
6 June 2012

Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2012

Notes		Before amortisation of intangibles 2012 £'000	Amortisation of intangibles (note 5) 2012 £'000	Total 2012 £'000	Before amortisation of intangibles 2011 £'000	Amortisation of intangibles (note 5) 2011 £'000	Total 2011 £'000
4	Revenue	34,109	–	34,109	31,841	–	31,841
	Cost of sales	(20,131)	–	(20,131)	(19,294)	–	(19,294)
	Gross profit	13,978	–	13,978	12,547	–	12,547
	Other administrative expenses	(10,410)	–	(10,410)	(9,612)	–	(9,612)
	Amortisation of intangible assets	–	(398)	(398)	–	(398)	(398)
	Operating expenses	(10,410)	(398)	(10,808)	(9,612)	(398)	(10,010)
	Operating profit	3,568	(398)	3,170	2,935	(398)	2,537
	Finance income	123	–	123	117	–	117
	Finance expense	(457)	–	(457)	(324)	–	(324)
8	Net financing costs	(334)	–	(334)	(207)	–	(207)
	Profit / (loss) before tax from continuing operations	3,234	(398)	2,836	2,728	(398)	2,330
9	Taxation	(817)	237	(580)	(821)	111	(710)
	Profit / (loss) for the year attributable to equity holders of the Company	2,417	(161)	2,256	1,907	(287)	1,620
10	Earnings per share						
	Basic	26.3p		24.5p	20.9p		17.7p
	Diluted	26.2p		24.4p	20.6p		17.5p

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2012

	2012 £'000	2011 £'000
Unrealised loss on revaluation of shares held in Falkland Oil and Gas Limited	(2,540)	(4,832)
PHFC actuarial loss on pension scheme	(75)	(10)
FIC actuarial loss on pension scheme	(289)	(82)
Movement on deferred tax asset relating to pension schemes	87	24
Effect of tax rate changes on deferred tax asset relating to pension schemes	(42)	(43)
Other comprehensive expense	(2,859)	(4,943)
Profit for the year	2,256	1,620
Total comprehensive expense	(603)	(3,323)

Consolidated Balance Sheet

AS AT 31 MARCH 2012

Notes		2012 £'000	2011 £'000
	Non-current assets		
11	Intangible assets	12,713	13,111
12	Property, plant and equipment	12,911	7,489
13	Investment properties	1,452	1,721
15	Shares held in Falkland Oil and Gas Limited	9,030	10,710
16	Non-current assets held-for-sale	20	20
17	Hire purchase debtors due in more than one year	150	60
18	Deferred tax assets	593	554
	Total non-current assets	36,869	33,665
	Current assets		
	Trading inventories	3,991	4,215
	Property inventories	1,010	1,204
19	Inventories	5,001	5,419
20	Trade and other receivables	5,620	5,811
17	Hire purchase debtors due in less than one year	385	252
21	Cash and cash equivalents	2,751	2,062
	Total current assets	13,757	13,544
	TOTAL ASSETS	50,626	47,209
	Current liabilities		
22	Interest-bearing loans and borrowings	(1,140)	(1,058)
	Income tax payable	(508)	(569)
23	Trade and other payables	(8,753)	(8,334)
	Total current liabilities	(10,401)	(9,961)
	Non-current liabilities		
22	Interest-bearing loans and borrowings	(7,145)	(3,104)
24	Employee benefits	(2,470)	(2,130)
18	Deferred tax liabilities	(1,122)	(1,413)
	Total non-current liabilities	(10,737)	(6,647)
	TOTAL LIABILITIES	(21,138)	(16,608)
	Net assets	29,488	30,601
26	Capital and reserves		
	Equity share capital	930	922
	Share premium account	7,871	7,618
	Other reserves	1,162	1,162
	Retained earnings	13,316	12,150
	Financial assets fair value reserve	6,209	8,749
	Total equity	29,488	30,601

These financial statements were approved by the Board of Directors on 6 June 2012 and were signed on its behalf by:

J L Foster

Director

Company Balance Sheet
AS AT 31 MARCH 2012

Notes		2012 £'000	2011 £'000
	Non-current assets		
14	Financial assets – investments in subsidiaries	31,488	31,426
20	Other receivables	4,925	4,042
18	Deferred tax	5	8
	Total non-current assets	36,418	35,476
	Current assets		
20	Trade and other receivables	25	30
	Total current assets	25	30
	TOTAL ASSETS	36,443	35,506
	Current liabilities		
22	Interest-bearing loans and borrowings	(800)	(800)
21	Bank overdraft	(1,409)	(1,418)
	Corporation tax payable	(18)	(27)
23	Trade and other payables	(511)	(376)
	Total current liabilities	(2,738)	(2,621)
	Non-current liabilities		
22	Interest-bearing loans and borrowings	(1,553)	(2,337)
23	Other payables	(556)	(390)
	Total non-current liabilities	(2,109)	(2,727)
	TOTAL LIABILITIES	(4,847)	(5,348)
	Net assets	31,596	30,158
26	Capital and reserves		
	Called up share capital	930	922
	Share premium account	7,871	7,618
	Other reserves	6,910	6,910
	Retained earnings	15,885	14,708
	Total equity	31,596	30,158

These financial statements were approved by the Board of Directors on 6 June 2012 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 2012

Notes		2012 £'000	2011 £'000
	Cash flows from operating activities		
	Profit for the year	2,256	1,620
	Adjusted for:		
	(i) Non-cash items:		
	Depreciation	1,069	846
	Amortisation	398	398
	Profit on disposal of fixed assets	(2)	–
	Amortisation of loan fees	16	30
	Expected return on pension scheme assets	(29)	(29)
	Interest cost on pension scheme liabilities	138	144
	Net settlement gain recognised on pension transfers	–	(10)
	Equity-settled share-based payment expenses	101	207
	Non-cash items adjustment	1,691	1,586
	(ii) Other items:		
	Bank interest receivable	(5)	(4)
	Bank interest payable	115	138
	Profit on disposal of investment property	–	(80)
	Enhanced transfer value exercise payments	–	(140)
	Corporation and deferred tax expense	580	710
	Other adjustments	690	624
	Operating cash flow before changes in working capital and provisions	4,637	3,830
	Decrease / (increase) in trade and other receivables	127	(1,276)
	Decrease in property inventories	194	16
	Decrease / (increase) in other inventories	224	(726)
	Increase in trade and other payables	419	115
	Decrease in provisions and employee benefits	(133)	(134)
	Changes in working capital and provisions	831	(2,005)
	Cash generated from operations	5,468	1,825
	Corporation taxes paid	(862)	(1,008)
	Net cash flow from operating activities	4,606	817
	Cash flows from investing activities:		
	Purchase of 2 million FOGL shares	(860)	–
	Purchase of property, plant and equipment	(1,277)	(815)
	Proceeds from the disposal of property, plant and equipment	14	99
	Interest received	5	4
	Net cash flow from investing activities	(2,118)	(712)
	Cash flow from financing activities:		
	Increase in other financial assets	(223)	(54)
	Repayment of secured loan	(1,110)	(1,141)
	Financing loan draw downs	260	–
	Interest paid	(115)	(138)
	Proceeds from the issue of ordinary share capital	261	306
	Dividends paid	(872)	(826)
	Net cash flow from financing activities	(1,799)	(1,853)
	Net increase / (decrease) in cash and cash equivalents	689	(1,748)
	Cash and cash equivalents at start of year	2,062	3,810
21	Cash and cash equivalents at end of year	2,751	2,062

Company Cash Flow Statement
FOR THE YEAR ENDED 31 MARCH 2012

Notes		2012 £'000	2011 £'000
	Cash flows from operating activities		
	Profit for the year	1,948	1,165
	Adjusted for:		
	Net financing costs	86	102
	Amortisation of loan fees	16	30
	Equity-settled share-based payment expenses	39	78
	Corporation and deferred tax expense	16	19
	Operating cash flow before changes in working capital and provisions	2,105	1,394
	Decrease / (increase) in trade and other receivables	5	(15)
	Increase / (decrease) in trade and other payables	135	(37)
	Cash generated from operations	2,245	1,342
	Corporation taxes (paid) / refunded	(22)	70
	Net cash flow from operating activities	2,223	1,412
	Cash flow from financing activities:		
	Repayment of inter-company borrowing	(717)	(1,607)
	Repayment of secured loan	(800)	(961)
	Interest paid	(86)	(102)
	Proceeds from the issue of ordinary share capital	261	306
	Dividends paid	(872)	(826)
	Net cash flow from financing activities	(2,214)	(3,190)
	Net increase / (decrease) in cash and cash equivalents	9	(1,778)
	Cash and cash equivalents at start of year	(1,418)	360
21	Cash and cash equivalents at end of year	(1,409)	(1,418)

Consolidated Statement of Changes in Shareholders' Equity

FOR THE YEAR ENDED 31 MARCH 2012

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 2010	910	13,581	7,324	1,162	11,260	34,237
Total comprehensive income for the year						
Profit for the year	–	–	–	–	1,620	1,620
Change in fair value of shares in Falkland Oil and Gas Limited	–	(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)
Total comprehensive income for the year	–	(4,832)	–	–	1,509	(3,323)
Transactions with owners of the Company, recognised directly in equity						
Share-based payments	–	–	–	–	207	207
Dividends	–	–	–	–	(826)	(826)
Exercise of share schemes during the year	12	–	294	–	–	306
Total contributions by and distributions to owners of the Company	12	–	294	–	(619)	(313)
Balance as at 31 March 2011	922	8,749	7,618	1,162	12,150	30,601
Total comprehensive income for the year						
Profit for the year	–	–	–	–	2,256	2,256
Change in fair value of shares in Falkland Oil and Gas Limited	–	(2,540)	–	–	–	(2,540)
Actuarial loss on pension, net of tax	–	–	–	–	(277)	(277)
Effect of tax rate changes on deferred tax asset relating to pension schemes	–	–	–	–	(42)	(42)
Total comprehensive income for the year	–	(2,540)	–	–	1.937	(603)
Transactions with owners of the Company, recognised directly in equity						
Share-based payments	–	–	–	–	101	101
Dividends	–	–	–	–	(872)	(872)
Exercise of share schemes during the year	8	–	253	–	–	261
Total contributions by and distributions to owners of the Company	8	-	253	–	(771)	(510)
Balance as at 31 March 2012	930	6,209	7,871	1,162	13,316	29,488

Company Statement of Changes in Shareholders' Equity
FOR THE YEAR ENDED 31 MARCH 2012

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 2010	910	7,324	6,910	14,162	29,306
Total comprehensive income for the year					
Profit for the year	–	–	–	1,165	1,165
Total comprehensive income for the year	–	–	–	1,165	1,165
Transactions with owners of the Company, recognised directly in equity					
Share-based payments	–	–	–	207	207
Dividends	–	–	–	(826)	(826)
Exercise of share schemes during the year	12	294	–	–	306
Total contributions by and distributions to owners of the Company	12	294	–	(619)	(313)
Balance as at 31 March 2011	922	7,618	6,910	14,708	30,158
Total comprehensive income for the year					
Profit for the year	–	–	–	1,948	1,948
Total comprehensive income for the year	–	–	–	1.948	1,948
Transactions with owners of the Company, recognised directly in equity					
Share-based payments	–	–	–	101	101
Dividends	–	–	–	(872)	(872)
Exercise of share schemes during the year	8	253	–	–	261
Total contributions by and distributions to owners of the Company	8	253	–	(771)	(510)
Balance as at 31 March 2012	930	7,871	6,910	15,885	31,596

A profit of £1,948,000 *(2011 profit: £1,165,000)* 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.

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2012

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. 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. 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.

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, changes in the fair value of derivative financial instruments and amortisation of intangible assets on acquisition. Such items arise because of their size or nature, and in 2012 and 2011 comprise the amortisation of intangible assets.

Foreign currencies

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

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

Property, plant and equipment

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

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

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

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

Investment properties

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

Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries.

Acquisitions prior to 1 April 2006

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

Acquisitions on or after 1 April 2006

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

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

Trade name	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. Goodwill and intangible assets with indefinite lives are tested for impairment annually. Where an indicator of impairment exists or the asset requires annual impairment testing, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

Recoverable amount is the greater of an asset's or cash-generating unit's fair value less cost to sell or value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated 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 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

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 in other comprehensive income and presented in the fair value reserve in equity, except for impairment losses. When these items are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised to 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 for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of share options that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payments is measured to reflect such conditions and there is no true up for differences between expected and actual outcomes,

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

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

Inventories

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

The cost of raw materials, consumables and goods for resale comprises purchase cost, on a 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.

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.

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 or in other comprehensive income.

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

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

- Goodwill not deductible for tax purposes; and

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

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

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

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

Leased assets

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

As lessee

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.

New accounting standards and interpretations applied

During the year the Group has adopted the following standards:

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
Amendments to IFRS 7 Financial Instruments: Disclosures
Amendments to IAS 1 Presentation of Financial Statements – Presentation of statement of changes in equity

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	
IFRS 9 Financial Instruments	1 January 2013

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 analysis

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

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

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

2012	General trading (Falklands) £'000	Ferry services (Portsmouth) £'000	Art logistics and storage (UK) £'000	Total- £'000
Revenue	14,979	4,160	14,970	34,109
Segment operating profit before tax and amortisation	1,510	1,094	964	3,568
Amortisation	–	–	(398)	(398)
Segment operating profit	1,510	1,094	566	3,170
Interest income	86	33	4	123
Interest expense	(142)	(263)	(52)	(457)
Segment profit before tax	1,454	864	518	2,836
Assets and liabilities				
Segment assets	12,302	12,967	13,550	38,819
Segment liabilities	(7,006)	(7,060)	(4,261)	(18,327)
Unallocated assets and liabilities				8,996
Segment net assets	5,296	5,907	9,289	29,488
Other segmental information				
Capital expenditure:				
Property, plant, equipment	632	5,080	524	6,236
Depreciation – property, plant and equipment	425	303	331	1,059
Depreciation – investment properties	10	–	–	10
Amortisation	–	–	398	398

Underlying profit before tax				
Segment operating profit before tax and amortisation	1,510	1,094	964	3,568
Interest expense	(142)	(263)	(52)	(457)
Interest income	86	33	4	123
Underlying profit before tax	1,454	864	916	3,234

2 Segmental analysis CONTINUED

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 and amortisation	1,613	790	532	2,935
Amortisation	–	–	(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
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 and amortisation	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

3 Geographical analysis

The tables below analyse revenue and other information by geography

2012	United Kingdom £'000	Falkland Islands £'000	Total £'000
Revenue	19,130	14,979	34,109
Assets and liabilities			
Segment assets	26,517	12,302	38,819
Other segment information			
Capital expenditure	647	632	1,279
Assets acquired through finance leases	4,957	–	4,957
Total fixed assets acquired	5,604	629	6,236

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

4 Revenue

	2012 £'000	2011 £'000
Sale of goods	11,055	11,936
Rendering of services	22,829	19,451
Property sales in the Falkland Islands	225	454
Total revenue	34,109	31,841

5 Amortisation of intangible assets

	2012 £'000	2011 £'000
Amortisation charge on Momart intangible assets acquired	(398)	(398)
Amortisation charge	(398)	(398)
Profit before tax as reported	2,836	2,330
Adjusted for amortisation	398	398
Underlying profit before tax	3,234	2,728

6 Expenses and auditors' remuneration

Included in profit / loss are the following expenses / (income):	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Direct operating expenses arising from investment properties which generated rental income in the period	114	82	–	–
Depreciation	1,069	846	–	–
Amortisation of intangible assets	398	398	–	–
Foreign currency differences	(50)	(23)	–	–
Impairment loss on trade and other receivables	82	134	–	–
Rents receivable from property rentals	(344)	(242)	–	–
Cost of inventories recognised as an expense	8,061	8,939	–	–
Operating lease payments	670	651	–	–

Auditors' remuneration:

	2012 £'000	2011 £'000
Audit of these financial statements	27	26
and amounts receivable by auditors and their associates in respect of:		
Audit of subsidiaries' financial statements pursuant to legislation	62	61
Other services relating to taxation	59	23
Total auditors' remuneration	148	110

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

7 Staff numbers and cost

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

	Number of employees Group		Number of employees Company	
	2012	2011	2012	2011
Ferry services	39	41	–	–
Falklands Islands: in Stanley	115	107	–	–
Falklands Islands: in UK	5	5	–	–
Art logistics and storage	110	109	–	–
Head office	4	3	4	3
Total average staff numbers	273	265	4	3

The aggregate payroll cost of these persons was as follows:

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Wages and salaries	7,968	7,687	500	510
Share-based payments (see note 25)	101	207	39	78
Social security costs	749	655	71	46
Contributions to defined contribution plans	229	362	31	26
Total employment costs	9,047	8,911	641	660

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

8 Finance income and expense

	2012 £'000	2011 £'000
Bank interest receivable	5	4
Finance lease interest receivable	89	84
Expected return on pension scheme assets	29	29
Total financial income	123	117
Interest payable on bank loans	(115)	(138)
Interest cost on pension scheme liabilities	(138)	(144)
Amortisation of loan fees	(16)	(30)
Finance lease interest payable	(188)	–
Other interest payable	–	(12)
Total financial expense	(457)	(324)
Net financing cost	(334)	(207)

	2012 £'000	2011 £'000
Bank interest receivable	5	4
Interest payable on bank loans	(115)	(138)
Net bank interest	(110)	(134)
Other financing charges (from above)	(224)	(73)
Net financing cost	(334)	(207)

9 Taxation

Recognised in the income statement

	2012 £'000	2011 £'000
Current tax expense:		
Current year	842	823
Adjustments for prior years	23	37
Current tax expense	865	860
Deferred tax expense:		
Origination and reversal of temporary differences	(2)	(75)
Reduction in tax rate	(112)	(39)
Adjustments for prior years	(171)	(36)
Deferred tax credit	(285)	(150)
Total tax expense	580	710

Reconciliation of effective tax rate

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	2,836	2,330
Tax using the UK corporation tax rate of 26% *(2011: 28%)*	737	652
Expenses not deductible for tax purposes	119	134
Other timing differences	-	10
Non taxable income on disposals	(1)	13
Schedule 23 deduction	(10)	(46)
Marginal relief	–	(2)
Lower tax charges overseas	(5)	(13)
Reduction in deferred tax rate	(112)	(39)
Adjustments to tax charge in respect of previous years	(148)	1
Total tax expense	580	710

Tax recognised directly in other comprehensive income

	2012 £'000	2011 £'000
Deferred tax recognised directly in other comprehensive income	(45)	19
Total tax (credit) / expense recognised directly in other comprehensive income	(45)	19

Factors affecting the future tax charges

The 2012 budget on 31 March 2012 announced that the UK corporation tax rate will be reduced to 22% by 2014. A reduction in the rate of 26% to 24% (effective from 1 April 2012) was substantively enacted in March 2012.

It has not yet been possible to quantify the full anticipated effect of the announced 2% rate reduction, although this will further reduce the Group and Company deferred tax assets and liabilities accordingly.

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.

	2012 £'000	2011 £'000
Profit on ordinary activities after taxation	2,256	1,620

	2012 Number	2011 Number
Weighted average number of shares in issue	9,227,351	9,176,612
Less: shares held under the ESOP	(36,499)	(36,499)
Average number of shares in issue excluding the ESOP	9,190,852	9,140,113
Maximum dilution with regards to share options	48,205	96,931
Diluted weighted average number of shares	9,239,057	9,237,044

	2012	2011
Basic earnings per share	24.5p	17.7p
Diluted earnings per share	24.4p	17.5p

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.

Earnings per share on underlying profit	2012 £'000	2011 £'000
Underlying profit before tax (see note 5)	3,234	2,728
Taxation	(817)	(821)
Profit after tax before amortisation	2,417	1,907
Effective tax rate	25.3%	30.1%
Weighted average number of shares in issue excluding ESOP (from above)	9,190,852	9,140,113
Diluted weighted average number of shares (from above)	9,239,057	9,237,044
Basic earnings per share on underlying profit	26.3p	20.9p
Diluted earnings per share on underlying profit	26.2p	20.6p

11 Intangible assets

	Group				
	Customer relationships £'000	Brand names £'000	Non-compete Agreements £'000	Goodwill £'000	Total £'000
Cost:					
At 1 April 2010	1,882	2,823	72	11,539	16,316
At 31 March 2011 and 31 March 2012	1,882	2,823	72	11,539	16,316
Accumulated amortisation:					
At 1 April 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
Amortisation for the year	243	141	14	–	398
At 31 March 2012	989	574	57	1,983	3,603
Net book value:					
At 1 April 2010	1,379	2,531	43	9,556	13,509
At 31 March 2011	1,136	2,390	29	9,556	13,111
At 31 March 2012	893	2,249	15	9,556	12,713

Amortisation and impairment charges are recognised in operating 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
Balance at 1 April 2010	5,577	3,979	9,556
Balance at 31 March 2011	5,577	3,979	9,556
Balance at 31 March 2012	5,577	3,979	9,556

Impairment

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. An impairment test is a comparison of the carrying value of the assets of a CGU, based on a value-in-use calculation, to their recoverable amounts. Where the recoverable amount is less than the carrying value an impairment results. During the year the goodwill for each CGU was separately assessed and tested for impairment, with no impairment charges resulting *(2011: 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 2012 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 13.6% *(2011: 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.

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 *(2011: nil)*.

12 Property, plant and equipment

	Group				
	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Ships £'000	Vehicles, plant and equipment £'000	Total £'000
Cost:					
At 1 April 2010	3,996	964	3,309	5,052	13,321
Additions in year	179	–	–	636	815
Disposals	(35)	–	–	–	(35)
At 31 March 2011	4,140	964	3,309	5,688	14,101
Additions in year	40	5,196	23	977	6,236
Transfer from investment properties	–	292	–	–	292
Disposals	–	–	–	(42)	(42)
At 31 March 2012	4,180	6,452	3,332	6,623	20,587
Accumulated depreciation:					
At 1 April 2010	1,666	215	678	3,279	5,838
Charge for the year	40	100	133	536	809
Disposals	(35)	–	–	–	(35)
At 31 March 2011	1,671	315	811	3,815	6,612
Charge for the year	108	181	143	627	1,059
Transfer from investment properties	–	35	–	–	35
Disposals	-	–	–	(30)	(30)
At 31 March 2012	1,779	531	954	4,412	7,676
Net book value:					
At 1 April 2010	2,330	749	2,631	1,773	7,483
At 31 March 2011	2,469	649	2,498	1,873	7,489
At 31 March 2012	2,401	5,921	2,378	2,211	12,911

The Company has no tangible fixed assets.

At 31 March 2012 the net carrying amount of leased long leasehold land and buildings and vehicles, plant and equipment was £4,881,000 and £382,000 respectively (2011: £nil and £256,000). During the year to 31 March 2012 the Group acquired leased assets of £5,217,000 (2011: £102.000).

13 Investment properties

	Group		
	Residential and commercial property £'000	Freehold land £'000	Total £'000
At 1 April 2010	1,166	720	1,886
Disposals	(65)	–	(65)
At 31 March 2011	1,101	720	1,821
Transfer to long leasehold	(292)	–	(292)
Disposals	–	(2)	(2)
At 31 March 2012	809	718	1,527
Accumulated depreciation:			
At 1 April 2010	109	–	109
Charge for the year	37	–	37
Disposals	(46)	–	(46)
At 31 March 2011	100	–	100
Charge for the year	10	–	10
Transfer to long leasehold	(35)	–	(35)
At 31 March 2012	75	–	75
Net book value:			
At 1 April 2010	1,057	720	1,777
At 31 March 2011	1,001	720	1,721
At 31 March 2012	734	718	1,452

Investment properties comprise residential and commercial property held for rental in the Falkland Islands. These together with the land have a fair value of approximately £3.9 million as at 31 March 2012 giving an unrecognised uplift of £2.4 million. This valuation was undertaken by a Director of the Falklands Islands Company Limited, who is resident in the Falkland Islands and is considered to have the relevant knowledge and experience to undertake the valuation. The valuation of land reflects the restricted and limited market for freehold land in the Falkland Islands.

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 % 2012	Ownership % 2011
The Falkland Islands Company Limited	UK	Ordinary shares of £1	100%	100%
		Preference shares of £10	100%	100%
The Falkland Islands Trading Company Limited	UK	Ordinary shares of £1	100%	100%
Falkland Islands Shipping Limited*	Falkland Islands	Ordinary shares of £1	100%	100%
Erebus Limited*	Falkland Islands	Ordinary shares of £1	100%	100%
		Preference shares of £1	100%	100%
The Portsmouth Harbour Ferry Company Limited	UK	Ordinary shares of £1	100%	100%
Portsea Harbour Company Limited*	UK	Ordinary shares of £1	100%	100%
Clarence Marine Engineering Limited*	UK	Ordinary shares of £1	100%	100%
Gosport Ferry Limited*	UK	Ordinary shares of £1	100%	100%
Momart International Limited	UK	Ordinary shares of £1	100%	100%
Momart Limited*	UK	Ordinary shares of £1	100%	100%
Dadart Limited	UK	Ordinary shares of £1	100%	100%

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

Company investments in Group undertakings

	Company 2012 £'000	Company 2011 £'000
Balance brought forward	31,426	31,297
Cost of share-based payments recognised in subsidiaries	62	129
Total investment in Group undertakings	31,488	31,426

The Company's investment in Erebus Limited comprises the Group's shareholding in Falkland Oil and Gas Limited (see note 15).

15 Shares held in Falkland Oil and Gas Limited – available-for-sale equity securities

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Non-current:				
Available-for-sale equity securities	9,030	10,710	–	–
Falkland Oil and Gas Limited share price at 31 March	64.5p	89.3p	–	–

Available-for-sale equity securities comprise the Group's holding of 14,000,000 ordinary shares in Falkland Oil and Gas Limited ("FOGL") which at 31 March 2012 represented a 4.4% interest *(2011: 12,000,000 shares; 8.2%)*.

The historic cost of the Group's investment in FOGL is £2,823,000 *(2011: £1,963,000)* representing an average cost of 20p per share (12 million shares acquired at 16p per share and 2 million shares acquired in January 2012 for 43p per share).

16 Non-current assets held-for-sale

	Group	
	2012 £'000	2011 £'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	
	2012 £'000	2011 £'000
Non-current:		
Finance lease debtors due after more than one year	150	60
Current:		
Finance lease debtors due within one year	385	252
Total other financial assets	535	312

The difference between the gross investment in the hire purchase leases and the present value of future lease payments due represents unearned finance income of £58,000 *(2011: £60,000)*.

The cost of assets acquired for the purpose of letting under hire purchase agreements by the Group during the period amounted to £675,000 *(2011: £434,000)*.

The aggregate rentals receivable during the year in respect of hire purchase agreements were £473,000 *(2011: £415,000)*.

	Group	
	2012 £'000	2011 £'000
Gross investment in hire purchase leases	593	372
Present value of future lease payments due:		
within 1 year	385	252
after more than 1 year within 5 years	150	60
	535	312

18 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	Group			
	Assets		Liabilities	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Property, plant and equipment	34	32	622	721
Intangible assets	–	–	758	995
Inventories	75	113	–	–
Other financial liabilities	83	119	–	–
Share-based payments	66	39	–	–
Pension	593	554	–	–
Tax assets / liabilities	851	857	1,380	1,716
Net of tax assets			(851)	(857)
Net tax liabilities			529	859

The deferred tax asset 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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Other temporary differences	5	8	–	–
Net tax asset	5	8	–	–

Movement in deferred tax in the year

	Group			
	1 April 2011 £'000	Recognised in income £'000	Recognised in equity £'000	31 March 2012 £'000
Property, plant and equipment	689	(101)	–	588
Intangible assets	995	(237)	–	758
Inventories	(113)	38	–	(75)
Other financial liabilities	(119)	36	–	(83)
Share-based payments	(39)	(27)	–	(66)
Pension	(554)	6	(45)	(593)
Deferred tax movements	859	(285)	(45)	529

Unrecognised deferred tax assets

A deferred tax asset of £132,000 *(2011: £158,000)* in respect of capital losses have 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 2011 £'000	Recognised in income £'000	Recognised in equity £'000	31 March 2012 £'000
Other temporary differences	8	(3)	–	5
Deferred tax movements	8	(3)	–	5

Movement in deferred tax in the prior year

	Group			
	1 April 2010 £'000	Recognised in income £'000	Recognised in equity £'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

19 Inventories

	Group 2012 £'000	Group 2011 £'000
Work-in-progress	210	250
Goods-in-transit	565	646
Goods for resale	3,216	3,319
Trading inventories	3,991	4,215
Property held-for-sale	1,010	1,204
Total inventories	5,001	5,419

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

The Company has no inventories.

20 Trade and other receivables

	Company 2012 £'000	Company 2011 £'000
Non-current:		
Amount owed by subsidiary undertakings	4,925	4,042

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Current:				
Trade and other receivables	4,512	4,368	–	–
Corporation tax	–	64	–	–
Prepayments and accrued income	1,108	1,379	25	30
Trade and other receivables	5,620	5,811	25	30

21 Cash and cash equivalents / bank overdrafts

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Cash and cash equivalents in the balance sheet and cash flow statement	2,751	2,062	(1,409)	(1,418)

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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Non-current liabilities:				
Secured bank loans	1,987	2,971	1,553	2,337
Finance lease liabilities	5,158	133	–	–
Total non-current interest-bearing loans and borrowings	7,145	3,104	1,553	2,337
Current liabilities:				
Current portfolio of secured bank loans	1,000	1,000	800	800
Finance lease liabilities	140	58	–	–
Total current interest-bearing loans and borrowings	1,140	1,058	800	800

Net debt

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Total interest-bearing loans and borrowings	8,285	4,162	2,353	3,137
Less: cash balances (see note 21)	(2,751)	(2,062)	1,409	1,418
Net debt	5,534	2,100	3,762	4,555

Finance lease liabilities

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Future minimum lease payments due:				
within one year	140	58	–	–
After more than one year but within five years	361	133	–	–
After five years	4,797	-	–	–
Total minimum lease payments due	5,298	191	–	–

23 Trade and other payables

	Company	
	2012	2011
	£'000	£'000
Non-current:		
Amount owed to subsidiary undertakings	556	390

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Current:				
Trade payables	5,759	5,349	–	–
Other creditors, including taxation and social security	679	753	74	59
Accruals and deferred income	2,315	2,232	437	317
Total trade and other payables	8,753	8,334	511	376

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 £229,000 *(2011: £362,000)*. The Group anticipates paying contributions amounting to £244,000 during the year ending 31 March 2013.

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:

	2012	2011
	£'000	£'000
Pension scheme deficit:		
Falkland Islands Company Limited Scheme	(2,411)	(2,107)
Portsmouth Harbour Ferry Company Limited Scheme	(59)	(23)
	(2,470)	(2,130)
Deferred tax	593	554
Net pension scheme deficit	(1,877)	(1,576)

Falkland Islands Company Limited Scheme

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

Actuarial reports for IAS 19 purposes as at 31 March 2012, 31 March 2011, 31 March 2010, 31 March 2009, and 31 March 2008 were prepared by a qualified independent actuary, Lane Clark & Peacock LLP. The major assumptions used in this valuation were:

	2012	2011
Rate of increase in salaries	2.5%	2.6%
Rate of increase in pensions in payment and deferred pensions	3.0%	3.0%
Discount rate applied to scheme liabilities	4.7%	5.5%
Inflation assumption	3.2%	3.5%

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 2012 £'000	Value at 2011 £'000	Value at 2010 £'000	Value at 2009 £'000	Value at 2008 £'000
Present value of scheme liabilities	(2,411)	(2,107)	(2,013)	(1,797)	(1,863)
Related deferred tax asset	579	548	558	449	465
Net pension liability	(1,832)	(1,559)	(1,455)	(1,348)	(1,398)

Movement in deficit during the year:

	2012 £'000	2011 £'000
Deficit in scheme at beginning of the year	(2,107)	(2,013)
Pensions paid	98	98
Other finance costs	(113)	(110)
Actuarial (loss) / gain	(289)	(82)
Deficit in scheme at end of the year	(2,411)	(2,107)

Analysis of amounts included in other finance costs:

	2012 £'000	2011 £'000
Interest on pension scheme liabilities	(113)	(110)

Analysis of amount recognised in statement of comprehensive income:

	2012 £'000	2011 £'000
Experience losses	(30)	(7)
Changes in assumptions underlying the present value of scheme liabilities	(259)	(75)
Actuarial loss recognised in statement of comprehensive income	(289)	(82)

History of experience gains and losses:

	2012	2011	2010	2009	2008
Experience (losses) / gains on scheme liabilities:					
Amount (£'000)	(30)	(7)	89	(2)	(18)
Percentage of year end present value of scheme liabilities	1.2%	0.3%	(4.4%)	0.1%	1.0%
Total amount recognised in statement of comprehensive income:					
Amount (£'000)	(289)	(82)	(195)	50	301
Percentage of year end present value of scheme liabilities	12.0%	3.9%	9.7%	(2.8%)	(16.2%)

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 2012, 31 March 2011, 31 March 2010, 31 March 2009, and 31 March 2008 were prepared by a qualified independent actuary, Alexander Forbes Limited.

The major assumptions used in the valuations were:

	2012	2011
Rate of increase in pensions in payment and deferred pensions	3.2%	3.5%
Discount rate applied to scheme liabilities	4.7%	5.5%
Inflation assumption	3.2%	3.5%

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 2012 £'000	Value at 2011 £'000	Value at 2010 £'000	Value at 2009 £'000	Value at 2008 £'000
Equities	286	301	328	185	207
Fixed interest	145	101	64	50	37
Other	29	30	18	18	36
Total market value of assets	460	432	410	253	280
Present value of scheme liabilities	(519)	(455)	(634)	(492)	(477)
Deficit in the scheme	(59)	(23)	(224)	(239)	(197)
Related deferred tax asset	14	6	63	67	54
Net pension liability	(45)	(17)	(161)	(172)	(143)

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

	Long term rate of return 2012	Long term rate of return 2011
Equities	6.5%	7.2%
Fixed interest	4.7%	5.5%
Other	0.5%	4.0%

24 Employee benefits: pension plans CONTINUED

Movement in deficit during the year:

	2012 £'000	2011 £'000
Projected benefit obligations:		
Opening projected benefit obligations	(455)	(634)
Interest thereon	(25)	(34)
Distributions	13	65
Settlement gain	–	150
Actuarial loss	(52)	(2)
Projected benefit obligations at 31 March	(519)	(455)
Plan assets:		
Opening plan assets	432	410
Distributions	(13)	(65)
Contributions	35	66
Return on assets	29	29
Actuarial loss	(23)	(8)
Plan assets at 31 March	460	432
Deficit in scheme at 31 March	(59)	(23)

Analysis of amounts included in other finance costs:

	2012 £'000	2011 £'000
Expected return on pension scheme assets	29	29
Interest on pension scheme liabilities	(25)	(34)
Included in other finance costs	4	(5)

Analysis of amount recognised in statement of comprehensive income:

	2012 £'000	2011 £'000
Actual return less expected return on scheme assets	(23)	(8)
Changes in assumptions underlying the present value of scheme liabilities	(52)	(2)
Actuarial loss recognised in statement of comprehensive income	(75)	(10)

24 Employee benefits: pension plans CONTINUED

History of experience gains and losses:

	2012	2011	2010	2009	2008
Difference between the expected and actual return on scheme assets:					
Amount (£'000)	(23)	(8)	86	(99)	3
Percentage of year end scheme assets	(5.0%)	(1.9%)	21.0%	(39.1%)	1.1%
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)	(75)	(10)	(55)	(86)	147
Percentage of year end present value of scheme liabilities	14.5%	2.2%	8.7%	17.4%	(30.8%)

25 Employee benefits: share-based payments

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

The following options were outstanding at 31 March 2012:

Date of issue	Number	Exercise price £	Share price at grant date £	Fair value per share £	Total fair value £	Earliest exercise date	Latest exercise date
10 Feb 05	57,692	5.200	5.200	2.470	142,499	10 Feb 08	9 Feb 15
14 Jun 05	47,500	4.250	4.250	1.660	78,850	14 Jun 08	13 Jun 15
14 Jun 05	63,528	4.250	4.250	2.140	135,950	14 Jun 08	13 Jun 15
7 Aug 07	27,517	3.300	3.325	0.730	20,087	7 Aug 10	6 Aug 17
4 Dec 07	17,500	3.190	3.400	1.190	20,825	4 Dec 10	3 Dec 17
3 Apr 08	7,562	3.650	3.750	1.310	9,906	3 Apr 11	2 Apr 18
8 Apr 09	100,853	2.075	2.075	0.560	56,478	8 Apr 12	7 Apr 19
15 Jul 09	99,100	2.900	2.900	0.720	71,352	15 Jul 12	14 Jul 19
9 Dec 09	25,000	3.900	3.975	1.450	36,250	9 Dec 12	8 Dec 19
21 Dec 10	100,000	3.425	3.375	1.240	124,000	21 Dec 13	20 Dec 20
28 Apr 11	6,390	3.130	3.130	1.060	6,773	28 Apr 14	28 Apr 21
27 Jun 11	30,678	3.025	3.035	0.940	28,837	27 Jun 14	27 Jun 21
16 Dec 11	147,190	2.675	2.615	0.680	100,089	16 Dec 14	16 Dec 21
	730,510				831,896		

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.

	7 Aug 07	4 Dec 07	3 Apr 08	8 Apr 09	15 Jul 09
Expected volatility (%)	33	33	34	37	38
Risk-free interest rate (%)	5.30	4.50	4.20	2.90	3.40
Expected life of options (years)	6.5	6.5	6.5	6.5	6.5
Dividend yield (%)	2.10	2.10	2.10	3.90	2.80
Share price at grant date (£)	3.325	3.400	3.750	2.075	2.900

	9 Dec 09	21 Dec 10	28 Apr 11	27 Jun 11	16 Dec 11
Expected volatility (%)	40	44	40	40	39
Risk-free interest rate (%)	3.14	2.90	2.94	2.53	1.42
Expected life of options (years)	6.5	6.5	6.5	6.5	6.5
Dividend yield (%)	2.00	2.40	2.60	3.10	3.60
Share price at grant date (£)	3.975	3.375	3.130	3.035	2.615

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 2012, 77,153 options *(2011: 123,236)* were exercised over ordinary shares.

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

	Weighted average exercise price (£) 2012	Number of options 2012	Weighted average exercise price (£) 2011	Number of options 2011
Outstanding at the beginning of the year	3.40	761,090	3.24	827,833
Forfeited during the year	3.34	(61,069)	–	–
Exercised during the year	3.39	(77,153)	2.49	(123,236)
Granted during the year	2.77	195,828	3.43	121,898
Lapsed during the year	3.37	(88,186)	3.18	(65,405)
Outstanding at the year end	3.28	730,510	3.40	761,090
Vested options exercisable at the year end	4.30	221,299	4.05	271,237

26 Capital and reserves

Share capital	Ordinary shares of 10p each 2012	2011
Issued at 1 April	9,220,414	9,097,178
Save as you earn and Share options exercised during the year	77,153	123,236
Issued at 31 March – fully paid	9,297,567	9,220,414

	2012	2011
	£'000	£,000
Allotted, called up and fully paid		
Ordinary shares of 10p each	930	922

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 2012 the plan held 36,499 *(2011: 36,499*) ordinary shares at a cost of £68,542 *(2011: £68,542)*. The market value of the shares at 31 March 2012 was £133,769 *(2011: £120,446)*. Shares held in the ESOP receive a nominal 0.01p per share in each dividend payment, as in prior years.

For more information on share options please see note 25.

The other reserves in the Group comprise: £5,389,000 of merger relief and £2,442,000 of premium on shares issued in the year to 31 March 2008 in connection with the acquisition of Momart International Limited. These have been offset by £4,686,000 of cumulative positive goodwill written off to reserves, and £1,983,000 impairment charge in relation to goodwill arising on the Momart acquisition. As a result of the Momart impairment, a transfer was made from other reserves to retained earnings. The transfer neutralised the impact of the impairment charge recognised on the retained earnings reserve.

Dividends

The following dividends were recognised in the period:

	2012	2011
	£'000	£'000
Final: 5.5p *(2011 Final: 5.0p)* per qualifying ordinary share	505	459
Interim: 4.0p *(2011 Interim: 4.0p)* per qualifying ordinary share	367	367
	872	826

After the balance sheet date a final dividend of 7.0p (£648,000) per qualifying ordinary share *(2011: 5.5p, £507,000)* were proposed by the Directors. The dividend has not been provided for.

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.

Derivative financial instruments

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

IAS 39 categories and fair values

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

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

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Available-for-sale financial assets at fair value	9,030	10,710	–	–
Financial liabilities at amortised cost	(8,753)	(8,334)	(511)	(376)
Cash and cash equivalents	2,751	2,062	-	-
Bank overdraft	-	-	(1,418)	(1,409)
Hire purchase debtors	535	312	-	-
Interest-bearing borrowings at amortised cost	(8,285)	(4,162)	(2,353)	(3,137)
Trade and other receivables	4,512	4,368	25	30

(ii) Credit risk

Financial risk management

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

Group

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

Company

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £7,798,000 *(2011: £6,742,000)* 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	
	2012 £'000	2011 £'000
Falkland Islands	1,272	2,034
Europe	544	592
North America	391	441
United Kingdom	1,962	1,190
Other	343	111
Trade receivables	4,512	4,368

The Company has no trade receivables.

Credit quality of trade receivables and impairment losses

Group	Gross 2012 £'000	Impairment 2012 £'000	Net 2012 £'000	Gross 2011 £'000	Impairment 2011 £'000	Net 2011 £'000
Not past due	2,791	–	2,791	2,686	–	2,686
Past due 0 – 30 days	1,216	–	1,216	848	–	848
Past due 31 – 120 days	464	–	464	518	–	518
More than 120 days	382	(341)	41	575	(259)	316
	4,853	(341)	4,512	4,627	(259)	4,368

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

	Group	
	2012 £'000	2011 £'000
Balance as at 1 April 2011	259	125
Impairment loss recognised	82	238
Impairment loss reversed	–	(104)
Balance as at 31 March 2012	341	259

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

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

(iii) Liquidity risk

Financial risk management

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

Group and Company

At the beginning of the period the Group had outstanding bank loans of £4.0 million. All payments due during the year with respect to these agreements were met as they fell due. The Group continues to maintain a £2.0 million Revolving Credit facility to fund working capital requirements which was undrawn at the year end.

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

Liquidity risk – Group

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

2012	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	2,987	3,080	1,031	1,015	1,034	–
Finance leases	5,298	5,298	140	142	219	4,797
Trade and other payables	8,753	8,753	8,753	–	–	–
	17,038	17,131	9,924	1,157	1,252	4,797

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	–

Liquidity risk – Company

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

2012	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	2,353	2,445	831	815	799	–
Bank overdraft	1,409	1,409	1,409	-	-	-
	3,762	3,854	2,240	815	799	–

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	–
Bank overdraft	1,418	1,418	1,418	-	-	-
	4,555	4,732	2,276	838	1,618	–

(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 2012	EUR £'000	USD £'000	Other £'000	Total £'000
Cash and cash equivalents	25	214	2	241
Debtors	–	55	–	55
Trade payables and other payables	(206)	(437)	(134)	(777)
Balance sheet exposure	(181)	(168)	(132)	(481)

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

The Company has no exposure to foreign currency risk.

Sensitivity analysis Group

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

This analysis assumes that all other variables, in particular other exchange rates and interest rates remain constant, and is performed on the same basis for the year ended 31 March 2011.

	Equity		Profit or loss	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
EUR	(18)	40	(18)	40
USD	(17)	36	(17)	36

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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Fixed rate financial instruments:				
Finance leases receivable	535	312	–	–
Finance leases payable	(5,298)	(191)	–	–
	(4,763)	121	–	–
Variable rate financial instruments:				
Financial liabilities	(2,987)	(3,971)	(2,353)	(3,137)
	(2,987)	(3,971)	(2,353)	(3,137)

The Group has a loan of £0.6 million *(2011: £0.8 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 1.1% above the HSBC base rate, with a minimum base rate of 2.75%.

The Group has a further loan of £2.4 million *(2011: £3.2 million)* in respect of the acquisition of Momart International Limited. The loan is repayable over five years from June 2010 and bears interest at 1.5% above the Bank of England base rate.

Sensitivity analysis

An increase of 100 basis points in interest rates at the balance sheet date would have 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 2011.

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Equity:				
Decrease	(30)	(40)	(24)	(31)
Profit or loss:				
Decrease	(30)	(40)	(24)	(31)

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 shares held in Falkland Oil and Gas Limited (see note 15).

Sensitivity analysis

The Group's available-for-sale financial assets comprise its investment in FOGL. During the year ended 31 March 2012 FOGL shares traded on the AIM market of the London Stock Exchange at an average price of 57.66p with a high of 87.30p and a low of 42.92p. 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 £6,008,800 *(2011: £9,120,000)* and a high of £12,222,000 *(2011: £29,280,000)*.

(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.

28 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2012 £'000	2011 £'000
Less than one year	700	651
Between one and five years	2,630	2,464
More than five years	5,905	6,225
	9,235	9,340

The Group leases three office premises and a number of storage warehouses under operating leases. Office leases typically run for a period of three 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 £670,000 was recognised as an expense in the income statement in respect of operating leases *(2011: £651,000)*. 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 Company 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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Key management emoluments including social security costs	1,244	1,266	488	531
Company contributions to defined contribution pension plans	100	229	26	26
Share-related awards	46	95	–	50
Total key management personnel compensation	1,390	1,590	514	607

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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David Hudd *Chairman*
John Foster *Managing Director*
Mike Killingley*
Jeremy Brade*

**Non-executive Directors*

Company Secretary

Carol Bishop

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