

Falkland Islands Holdings plc

Preliminary Results for the year ended 31 March 2006

Falkland Islands Holdings ("FIH"), an AIM listed company operating a range of businesses in the Falkland Islands and the Portsmouth Harbour Ferry Company ("PHFC") in the UK, announces preliminary results for the year ended 31 March 2006.

Financial Highlights

- Turnover up 23% to £15.7 million (2005: £12.8m)
- Underlying profit before taxation up 61% to £1.56m (2005 £0.97m) including a first full year contribution from PHFC
- Profit before taxation, including exceptional items up to £3.1m (2005: £0.9m),
- EPS on underlying profits 12.7p (2005 : 9.1p)
- Basic EPS 32.6p (2005: 8.2p)
- Dividend per share increased by 8.3% to 6.5p (2005: 6p)
- Cash balances at year end of £3.6m (2005 £0.9m)
- Cash net of borrowings at year end £0.3m (2005 £0.4m borrowings)

Operating Highlights

- Falkland Islands' business produced satisfactory results:
 - Retail sales growth helped by increased cruise ship visitors, new in store delicatessen and coffee shop
 - Business confidence dampened by fourth year of poor squid catches
 - Good progress made by Group's insurance agency
 - Increased competition impacted on the Upland Goose
- PHFC revenues buoyed by increased activity surrounding Maritime festivals
- Continued exploration progress made by FGML and FOGL

Outlook

- Trading in the Falklands has continued at satisfactory levels since the year end
- Further growth expected from new tourist services
- Stable outlook for PHFC, which lessens Group's dependence on the Falklands
- Earnings enhancing complementary acquisitions continue to be sought

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

"We have made good progress during the year building a solid platform from which to grow in the future, despite business confidence in the Islands being impacted by poor squid catches. The contribution of PHFC was also especially pleasing in its first full year under our ownership."

"With solid contributions from our two trading businesses we are confident that we can look forward to another good year, providing essential services to the local communities where we operate whilst continuing to offer attractive returns for our shareholders."

4 July 2006

Enquiries:

Falkland Islands Holdings

David Hudd, Chairman

Tel: 07771 893 267

John Foster, Managing Director

Tel 07710 764 556

College Hill

Nick Elwes

Tel: 020 7457 2020

Chairman's and Managing Director's Review of Operations

Overview

We are pleased to report that the year to 31 March 2006 has been an encouraging year for your Company and record levels of profitability have been achieved as the group successfully consolidated its position following the strategic expansion seen in the prior year. The Group now has two solid cash generative businesses providing essential services to local communities. The Falkland operations produced a satisfactory result despite subdued levels of activity in the Islands, while the Portsmouth Harbour Ferry Company ("PHFC") benefited from the maritime festivals held in 2005.

Falkland Oil and Gas ("FOGL") and Falkland Gold and Minerals ("FGML") in which the Company has significant shareholdings of 16.3% and 14.4% respectively, continued their exploration efforts. FOGL raised a further £10 million from investors in May 2005 and we subscribed £2 million in that placing. We took the opportunity in February 2006 of recouping that cash outlay when we sold 1.8 million shares generating proceeds of £2.4 million and a profit of £2.1 million. This transaction increased the Group's distributable reserves and provides additional financial flexibility. At the end of the year the Group had net cash balances of £0.3 million (2005: Borrowings £0.4 million) and the market value of the two investments was £23.3 million, equivalent to 278 pence per FIH share, compared with book cost of £2.6 million.

The Group now has a solid operating platform and a strong cash position from which to move forward and the exploration investments will provide an exceptional return in the event of a successful outcome. Your Board will seek to continue to deliver value to shareholders and as such is proposing to increase the annual dividend by 8.3% from 6p to 6.5p.

Financial Summary

In the year to 31 March 2006 turnover rose by 23% to £15.7 million (2005: £12.8 million) and the profit before taxation including exceptional items increased to £3.1 million (2005: £0.9 million). Underlying profits before the amortisation of goodwill and exceptional items, including a first full year contribution from PHFC, rose by 61% to £1,560,000 (2005: £972,000). Basic earnings per share rose to 32.6 pence (2005: 8.2p). Basic earnings per share on underlying profits increased 40% to 12.7 pence per share (2005: 9.1p).

Operations

Falkland Islands

Retail sales on the Islands were helped by the introduction of a new in store delicatessen and coffee shop and further expansion of the product range. The steady increase in the number of cruise ship visitors visiting Stanley also helped to boost revenues at the Capstan gift shop. However, in contrast the group's DIY retailing businesses suffered from the slow down in the local economy and a reduction in business confidence resulting from continued low levels of squid catches at the start of the year.

After a good year in 2005, the Land Rover dealership had a more difficult year and the numbers of vehicle sales fell although a contract to modify existing MoD vehicles helped the dealership achieve satisfactory results. The Upland Goose Hotel faced fierce challenges from newly refurbished competition in Stanley and produced a disappointing result, accordingly we have taken the decision to reduce its carrying value by £0.4 million.

On a more positive note the Group's insurance agency continued to make steady progress, consolidating its reputation for high levels of customer service and net rental income from FIC's portfolio of 35 commercial and residential properties in Stanley also moved ahead.

Darwin Shipping was able to maintain its contribution despite rising freight and fuel costs by changing from chartering its own vessels to taking space on Ministry of Defence Supply vessels which give the added advantage of more frequent vessel sailings per year, giving improved service levels and choice for customers.

Port Services continued to make an important contribution although profit levels fell slightly in the face of local competition. With poor squid catches in the early part of the financial year the Fishing Agency business only made a modest contribution. However the Agency team were instrumental in developing a new tourist focussed business stream. This comprises Mini Bus tours for cruise line passengers and a former London double decker Routemaster bus which now runs along the sea front providing visitors with a unique view of Stanley. Further growth is expected from these tourist services in future years.

PHFC

PHFC's continuing ferry revenues of £3.3 million were in line with expectations. Passenger numbers declined marginally on the previous year following the introduction of parking charges in Gosport.. However revenues were buoyed by increased activity around Portsmouth Harbour linked to the International Fleet Review and Festival of the Sea in June and July 2005.

In May 2005 PHFC took delivery a new ferry vessel, Spirit of Portsmouth at a total cost of £1.9 million underlining the commitment of the Company to modernising its fleet and maintaining the highest levels of service and passenger safety. The cost of the ferry was substantially paid last year.

Exploration Activities

Falkland Gold and Minerals Limited (FGML) – *FIH Shareholding 14.4% (2005 14.4%)*

FGML is now well into the second year of its exploration programme in the Falklands with its operational base in Goose Green. The work programme has been designed to establish the source of alluvial gold discovered in some of the streams in the Islands. As most of the target areas are covered with peat, the initial drilling targets were identified from the aero magnetic survey and this has been followed up by focused ground magnetic surveys.

By the end of May 2006, total investigative drilling totalled over 14,000m on ten targets while a further 8,000m is planned on seven further targets. In addition, geochemical peat soil sampling will be carried out on two additional areas of interest. It is now probable that the additional work resulting from increased knowledge of the subsurface terrain will extend the work programme well into 2007

The British Geological Survey has recently completed a review of the methodology employed and the exploration work carried out to date. FGML is retaining their services to provide additional interpretative capacity as more data becomes available.

The market value of the Group's shareholding of 11,250,000 shares in FGML (14.4%) at 31 March 2006 was £1.8 million (book value: £0.2 million).

Falkland Oil and Gas (FOGL) - *FIH Shareholding 16.3% (2005 18.1%)*

FOGL has continued to make good progress in acquiring and analysing data over their 79,000 sqkm licences to the South and East of the Falklands in order to define and prioritise targets for drilling. Over the Austral Summer a further 13,000 km of 2D seismic was acquired bringing the total recorded by FOGL to 22,450 km.

The scale of the opportunity for FOGL is such that it became clear to the FOGL board that it was necessary to increase management resources in the UK to cope with the work load. In January 2006, Tim Bushell joined as Chief Executive succeeding John Armstrong who had served as Executive Chairman since the formation of the Company. At the same time John, who will remain on the board, was succeeded as Executive Chairman by Richard Liddell. Tim

is a qualified geologist and has spent the last 10 years developing the exploration and production interests of Paladin Resources in Norway. Prior to this he was responsible for LASMO's South Atlantic interests which included the exploration campaign in the North Falklands Basin in 1998.

Discussions are continuing with possible partners while further analysis and interpretation of data continues. The technical data continues to indicate that a major new petroleum province could lie within the license area. The current short term objective is to plan and contract for the exploration effort over the next Austral Summer.

In February 2006 in order to provide the Group with additional financial flexibility FIH sold 1.8 million shares in FOGL generating proceeds of £2.4 million and a profit of £2.1 million. The market value of the Group's remaining shareholding of 15 million shares at 31 March 2006 was £21.5 million (book value: £2.4 million).

People

On 10 June 2005 John Foster, was appointed Managing Director succeeding Bryan McGreal who had been with the group since 1987. John is a Chartered Accountant with wide commercial and financial experience and has held directorships in a number of UK listed companies.

On 31 March 2006 Tony Knightley retired from the Board after many years with the Group first as Company Secretary and then latterly as Finance Director. The Board would like to thank Tony for his contribution to FIH. FIH's Group Financial Controller Mike West was appointed Company Secretary on 1 April 2006.

On 26 July 2005, Mike Killingley was appointed as a non executive director to the Board of FIH. Mike is also Chairman of the PHFC board, is a former Partner with KPMG and is Chairman of Beale Plc and Conder Environmental PLC.

Finally we would like to thank the staff and employees of the FIH group both in the Falklands and in the UK for their contribution and hard work over the past year. As a group focused on providing essential services to local customers the care and dedication shown by our staff in delivering these services underpins the continued success of your Company.

Outlook

As we noted last year our strategy is to ensure that the future of your Company is not wholly dependent upon our investments in the listed Falkland exploration companies. The PHFC acquisition was the first step towards building a meaningful business outside the Falklands and we remain keen to identify UK based companies for acquisition, subject to them enhancing the underlying value of FIH shares.

As we start the new financial year the general backdrop to trading in the Falklands has improved and this should help underpin modest growth in the current year. The outlook for PHFC also remains stable although the absence of the maritime festivals this summer will mean that the contribution from the ferry business will fall back from the record levels seen in 2005/6.

Prospects for the Falklands over the medium term remain positive as expenditure on oil and mineral exploration activities continues. We remain confident that the Group's solid level of underlying profitability will be maintained in the current year.

David Hudd
Chairman

John Foster
Managing Director

4 July 2006

**Group profit and loss account
for the year ended 31 March 2006**

	2006	2005
Notes	£'000	As restated £'000
Turnover		
Continuing operations	15,209	12,206
Discontinued operations	527	548
	<hr/>	<hr/>
1, 2 Turnover	15,736	12,754
2 Cost of sales	(9,855)	(8,708)
	<hr/>	<hr/>
2 Gross profit	5,881	4,046
	<hr/>	<hr/>
3 Administrative expenses	(4,401)	(3,280)
Amortisation of goodwill	(204)	(65)
3 Administrative expenses - exceptional costs	(487)	-
	<hr/>	<hr/>
2 Total administrative expenses	(5,092)	(3,345)
	<hr/>	<hr/>
2 Other operating income	344	291
	<hr/>	<hr/>
Operating profit before exceptional items and amortisation of goodwill	1,824	1,057
Amortisation of goodwill	(204)	(65)
Exceptional costs	(487)	-
	<hr/>	<hr/>
Group operating profit	1,133	992
	<hr/>	<hr/>
Continuing operations	1,132	995
Discontinued operations	1	(3)
	<hr/>	<hr/>
2 Group operating profit	1,133	992
	<hr/>	<hr/>
Profit on sale of discontinued operation	84	-
Profit on sale of fixed asset investment	2,135	-
4 Net interest expense	(264)	(85)
	<hr/>	<hr/>
Profit on ordinary activities before taxation	3,088	907
	<hr/>	<hr/>
Taxation	(374)	(306)
	<hr/>	<hr/>
Profit on ordinary activities after taxation for the financial year	2,714	601
	<hr/> <hr/>	<hr/> <hr/>
		As restated
5 Earnings per share		
Basic	32.6p	8.2p
Diluted	32.2p	8.1p
	<hr/>	<hr/>
Proposed dividend per ordinary share	6.5p	6.0p

**Group balance sheet
as at 31 March 2006**

Notes		2006		As restated
	£'000	£'000	£'000	2005 £'000
	Fixed assets			
	Intangible assets	3,979		4,136
	Tangible assets	8,042		8,501
	Investments	2,610		900
		<hr/>		
		14,631		13,537
	Current assets			
	Stocks	3,107		3,308
	Debtors due within one year	1,789		1,788
	Debtors due after one year	48		24
		<hr/>		
		1,837		1,812
6	Cash at bank and in hand	3,601		914
		<hr/>		
		8,545		6,034
	Creditors: amounts falling due within one year	(4,797)		(5,419)
		<hr/>		
	Net current assets	3,748		615
		<hr/>		
	Total assets less current liabilities	18,379		14,152
	Creditors: amounts falling due after more than one year	(2,765)		(831)
	Provisions for liabilities and charges	(853)		(882)
		<hr/>		
	Net assets excluding pension liabilities	14,761		12,439
	Net Pension Scheme liabilities	(1,909)		(1,648)
		<hr/>		
	Net assets	12,852		10,791
		<hr/> <hr/>		<hr/> <hr/>
	Capital and reserves			
	Called up share capital	838		838
	Share premium account	7,064		7,061
	Other reserves	703		703
	Revenue reserves	4,247		2,189
		<hr/>		
7	Equity shareholders' funds	12,852		10,791
		<hr/> <hr/>		<hr/> <hr/>

Group cash flow statement
for the year ended 31 March 2006

Reconciliation of operating profit to net cash inflow from operating activities

	2006	As restated
	£'000	2005
		£'000
Operating profit	1,133	992
Profit on sale of fixed assets	(12)	-
Amortisation of goodwill	204	65
Depreciation charges	838	292
(Increase) / decrease in stocks	201	(229)
Increase in debtors	(12)	(256)
Decrease in creditors and provisions	(687)	(87)
	<hr/>	<hr/>
Net cash inflow from operating activities	1,665	777
	<hr/> <hr/>	<hr/> <hr/>

Cash flow statement

	2006		2005
	£'000	£'000	£'000
Cash flow from operating activities	1,665		777
Returns on investments and servicing of finance			
Interest received	38	47	
Interest paid	(203)	(31)	
	<hr/>	<hr/>	16
Taxation			
UK Corporation tax paid	(250)	(169)	
Overseas taxation paid	(141)	(104)	
	<hr/>	<hr/>	(273)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(505)	(1,243)	
Purchase of investments	(2,000)	(622)	
Receipts from sale of tangible fixed assets	15	144	
Receipts from sale of investment	2,427	-	
	<hr/>	<hr/>	(1,721)
Acquisitions			
Sale of subsidiary undertaking	178	-	
Investment in subsidiary undertaking	-	(5,556)	
	<hr/>	<hr/>	(5,556)
Dividends paid on shares classified in shareholders' funds	(502)		(372)
	<hr/>	<hr/>	
Cash inflow/(outflow) before financing	722		(7,129)
Financing			
Repayment of secured loan	(524)	(279)	
Repayment of Loan Notes	(43)	-	
Issue of ordinary share capital	3	5,472	
New secured loan	2,609	1,000	
Sale of own shares	-	112	
Share options exercised	-	98	
	<hr/>	<hr/>	
Cash flow from financing	2,045		6,403
	<hr/>	<hr/>	
Increase/(decrease) in cash in the year	2,767		(726)
	<hr/> <hr/>	<hr/> <hr/>	

**Consolidated statement of total recognised gains and losses
for the year ended 31 March 2006**

	£'000	2006 £'000	As restated 2005 £'000
Profit for the year		2,714	601
Actuarial loss on pension schemes			
PHFC Scheme (loss)	(88)		-
FIC Scheme gain / (loss)	<u>57</u>		<u>(51)</u>
		(31)	(51)
Movement on deferred tax asset relating to pension scheme		(123)	17
		<u>2,560</u>	<u>567</u>
			<u><u>567</u></u>
Prior year adjustment - FRS 17		(635)	
		<u>1,925</u>	
		<u><u>1,925</u></u>	

Notes to the Financial Statements
for the year ended 31 March 2006

1. Segmental information

The table sets out information for both of the group's industry segments and geographic areas of operation.

	General Trading in the Falkland Islands		Ferry Services in the United Kingdom		Total	
	2006	As restated 2005	2006	As restated 2005	As restated 2005	
	£'000	£'000	£'000	£'000	£'000	
Turnover - continuing operations	11,902	11,468	3,307	738	15,209	12,206
Discontinued operations - Cobham Travel	-	-	527	548	527	548
	11,902	11,468	3,834	1,286	15,736	12,754
Segment operating profit	670	987	463	5	1,133	992
Segment operating profit before amortisation of goodwill and exceptional items	1,105	987	719	70	1,824	1,057
Interest payable	(212)	(79)	(52)	(6)	(264)	(85)
Underlying profit before tax before amortisation of goodwill and exceptional items	893	908	667	64	1,560	972
Goodwill amortisation	-	-	(204)	(65)	(204)	(65)
Exceptional costs	(435)	-	(52)	-	(487)	-
Profit on sale of fixed asset investments	2,135	-	-	-	2,135	-
Profit on sale of discontinued operations	-	-	84	-	84	-
Group profit before taxation	2,593	908	495	(1)	3,088	907
Net assets	8,941	7,650	3,911	3,141	12,852	10,791

2. Analysis of continuing and discontinued operations

	Continuing £'000	Discontinued £'000	2006 Total £'000	As restated 2005		
				Continuing £'000	Discontinued £'000	Total £'000
Turnover	15,209	527	15,736	12,206	548	12,754
Cost of sales	(9,384)	(471)	(9,855)	(8,212)	(496)	(8,708)
Gross profit	5,825	56	5,881	3,994	52	4,046
Administrative expenses	(5,034)	(58)	(5,092)	(3,286)	(59)	(3,345)
Other operating income	341	3	344	287	4	291
Operating profit/(loss)	1,132	1	1,133	995	(3)	992

3. Exceptional costs

	2006 £'000	2005 £'000
Compensation for loss of office	105	-
Impairment of fixed assets	382	-
	487	-

A payment of £105,000 was made to a director as compensation for loss of office.

Following a disappointing period of trading, a decision was taken to write down the carrying value of the Upland Goose Hotel.

4. Net interest expense

	2006 £'000	As restated 2005 £'000
Interest receivable	38	47
Expected return on pension scheme assets	9	-
	47	47
Interest payable on bank loans	(194)	(41)
Interest cost on pension scheme liabilities	(117)	(91)
	(264)	(85)

5. Earnings per share

	2006	As restated 2005
	£'000	£'000
Profits are calculated as follows:		
Profit on ordinary activities after taxation for the financial year	2,714	601
The profits above form the basis of calculating the basic and diluted earnings per share.		
	2006	2005
Basic earnings per share	32.6p	8.2p
Diluted earnings per share	32.2p	8.1p
<i>Earnings per share on underlying profits before amortisation of goodwill, exceptional items and disposals</i>		
	2006	2005
	£'000	£'000
Underlying profit before tax (note 2)	1,560	972
Less: tax thereon	(504)	(306)
Underlying profit after tax	1,056	666
	2006	2005
Earnings per share on underlying profit before amortisation of goodwill, exceptional costs and disposals	12.7p	9.1p
Diluted earnings per share on underlying profit before amortisation of goodwill, exceptional costs and disposals	12.5p	9.0p
	2006	2005
	Number	Number
Allotted called up and fully paid – Ordinary shares of 10p each	8,380,066	7,391,715
Less: shares held under ESOP (note 21)	(55,417)	(55,417)
Average number of shares in issue excluding ESOP	8,324,649	7,336,298
Maximum dilution re share options	109,736	91,350
Diluted weighted average number of ordinary shares in issue	8,434,385	7,427,648

The additional calculation of earnings per share is given in order to provide a more meaningful comparison of underlying performance.

The calculation of basic, pre amortisation and underlying earnings per share is based on the weighted average number of ordinary shares in issue during the year, excluding shares held by the Employee Share Ownership Plan, of 8,324,649 (2005: 7,336,298). The calculation of fully diluted earnings per share is based on the ordinary shares in issue plus the dilutive effect of outstanding shares options, resulting in a weighted average number of shares of 8,434,385 (2005: 7,427,648).

6. Net debt

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
<i>The bank loans, overdrafts and unsecured loan notes</i>				
<i>are repayable as follows:</i>				
Within one year	(542)	(515)	(342)	(343)
Between one and two years	(542)	(389)	(342)	(343)
Between two and five years	(1,590)	(442)	(790)	(442)
Over five years	(634)	-	-	-
	(3,308)	(1,346)	(1,474)	(1,128)
Cash/(overdraft)	3,601	914	1,055	(180)
Net funds/(debt)	293	(432)	(419)	(1,308)

The Group's financial instruments comprise cash and borrowings and arise directly from its operations. The principal function of these financial instruments is to fund the Group's operations. Cash at bank is money on call or short term deposit. This together with cash in hand is used to fund the day-to-day operations. The Group has an unutilised overdraft facility of £2.3 million.

7. Reconciliation of movement in shareholders' funds

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Opening shareholders' funds as previously reported	10,924	3,515	15,258	6,713
Prior year adjustment – FRS 17	(635)	(613)	-	-
Prior year adjustment – FRS 21	502	351	(363)	(307)
Opening shareholders funds as restated	10,791	3,253	14,895	6,406
Profit for the financial year	2,714	601	2,733	1,518
Dividends on shares classified in shareholders' funds	(502)	(369)	(502)	(369)
Other recognised gains and losses	(154)	(34)	-	-
Issue of shares	3	7,228	3	7,228
Sale of own shares	-	112	-	112
	12,852	10,791	17,129	14,895

8. Statutory information

The financial information does not constitute the Company's statutory accounts for the years ended 31 March 2006 and 2005 but is derived from those accounts. Statutory accounts for 2005 have been delivered to the Registrar of Companies, and those for 2006 will be delivered following the Company's Annual General Meeting. The auditors have reported on those; their reports were unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

Copies of Falkland Islands Holdings plc annual report and financial statements will be with shareholders in mid July.