Falkland Islands Holdings

Acquisition of
Momart International

March 2008

David Hudd Chairman FIH
John Foster Managing Director
Acquisition of Momart International Limited

Momart set up the Henry Moore Exhibition at Kew Gardens in 2007
FIH Acquisition of Momart - Summary

- Specialist transport & logistics company serving the fine art market in UK and overseas
- Solid growth record over 20 years
- Acquisition consistent with FIH objectives: Momart has a leading market position with high barriers to entry.
- Consideration £ 10.3m - £4.6m cash, £2.5m FIH shares, £3.2m deferred consideration
- New share issue represents only 7% of FIH existing share capital
- Significant EPS enhancement in year 1 (Y/e March 2009)
- Improves quality of the Group’s earnings while retaining exposure to the Falkland Islands
About Momart

• Momart was founded in 1971 to provide specialist transport & logistics services to the Fine Art market in the UK and overseas.

• It is now well established in its position as a market leader and has a widely spread client base which generates recurring work. Blue chip clients include the Victoria and Albert Museum, the Royal Collection, the Tate Galleries, UBS, New York Met, the National Gallery and the Henry Moore Foundation.

• Momart has 112 employees with a highly experienced management team who will remain with the company.

• With a turnover of £12.2m and EBITa £1.5m (y/e Aug 2007), it has a strong record of profitability and consistent growth.

• The global art market is experiencing strong growth which has further potential.
Operations
FIH Momart Acquisition Rationale

• Growth prospects underpinned by
  
  – Continuing globalisation of world fine art market
  
  – Trend to outsourcing from large art institutions

• Sales up 9.8% in 5 months to 31 January 2008

• Almost doubles the size of FIH group in turnover, profit and employee terms

• Debt Free purchase price ( £11.7m ) = 7.6x underlying EBITa ( £1.54 m y/e 31 Aug 2007 )

• Adds growth element to FIH investment case
The Deal

<table>
<thead>
<tr>
<th>Funded By</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Total Price for debt free company</td>
<td>11.7</td>
</tr>
<tr>
<td>• Less Existing bank debt repaid</td>
<td>(1.4)</td>
</tr>
<tr>
<td>• Consideration paid to Vendors</td>
<td>10.3</td>
</tr>
<tr>
<td>• £1.4m will be used to repay existing bank loans</td>
<td></td>
</tr>
<tr>
<td>• Cash payment of £6m, financed by new £4m, 7year term loan with 2 year repayment holiday from HSBC and £2m from FIH existing cash resources</td>
<td></td>
</tr>
</tbody>
</table>

| Transaction Costs (incl. VAT)                | 0.8 |
| • Total Debt Free Price                     | 11.7|
| • Deferred Consideration                    | 3.2 |
| • FIH Shares - to Vendors *                 | 2.5 |
| • 75% Locked in for 12 months              |     |
| • Total Funding Requirement                 | 12.5|

* 582,666 shares at 427.5p
Momart: Installing the “Gates of Hell”
## The Combined Deal

<table>
<thead>
<tr>
<th>Pro-Forma EBITa (Before Exceptional items)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FIH Y/e March 2007</td>
<td>£1.7m</td>
</tr>
<tr>
<td>Momart Y/e 31 August 2007</td>
<td>£1.5m</td>
</tr>
<tr>
<td>Pro-Forma combined EBITa</td>
<td>£3.2m</td>
</tr>
<tr>
<td>Goodwill/Intangibles on acquisition</td>
<td>c£11.3m</td>
</tr>
<tr>
<td>Non cash amortisation charge under IFRS 3</td>
<td>c.£1.0m-£0.6m pa</td>
</tr>
<tr>
<td>Pro-forma Group Net Borrowings post completion</td>
<td>c.£7.8m</td>
</tr>
<tr>
<td>Pro-forma interest cover</td>
<td>c.8x *</td>
</tr>
</tbody>
</table>

- *£3.2 m Deferred Consideration has Guarantee margin only*
Operations
Momart Activities

- Planning
- Consultancy
- Packing & Crate making
- Transportation
- Installation
- Storage services
Momart Clients
Analysis of Top 100 Clients

- Other Agents & Artists: 28%
- Commercial galleries: 35%
- Public Galleries and Museums: 37%

Revenue by Category

- Exhibitions: 53%
- Gallery Services: 34%
- Storage: 10%
- Large Contracts: 3%

Clients by Revenue
Momart Financial History - £’000

Years ended 31st August

Turnover (Momart)

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (Momart)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>9,827</td>
</tr>
<tr>
<td>2005</td>
<td>10,628</td>
</tr>
<tr>
<td>2006</td>
<td>11,219</td>
</tr>
<tr>
<td>2007</td>
<td>12,191</td>
</tr>
</tbody>
</table>

Profit Before Tax

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit Before Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>501</td>
</tr>
<tr>
<td>2005</td>
<td>505</td>
</tr>
<tr>
<td>2006</td>
<td>925</td>
</tr>
<tr>
<td>2007</td>
<td>1,229</td>
</tr>
</tbody>
</table>

EBITa

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITa</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>758</td>
</tr>
<tr>
<td>2005</td>
<td>771</td>
</tr>
<tr>
<td>2006</td>
<td>1,153</td>
</tr>
<tr>
<td>2007</td>
<td>1,452</td>
</tr>
</tbody>
</table>

Net Assets incl Goodwill

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Assets incl Goodwill</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>1,200</td>
</tr>
<tr>
<td>2005</td>
<td>1,410</td>
</tr>
<tr>
<td>2006</td>
<td>1,585</td>
</tr>
<tr>
<td>2007</td>
<td>2,016</td>
</tr>
</tbody>
</table>
Recent Contracts include

2008  From Russia Exhibition, Royal Academy of Arts (ex Pushkin & Hermitage)
2007  Henry Moore Exhibition, Kew Gardens
2007  Basle Art Fair working with UK’s top commercial galleries to deliver and display their artwork to this prestigious annual fair
2006  Bolshoi Theatre Instruments Transhipment from London to Moscow
2006  Rodin Exhibition, Royal Academy – bringing “The Gates of Hell” to London
2005  China The Three Emperors 1662-1795 Exhibition Royal Academy of Arts 2004
2005  Movement of British Library Collection of Rare Books to new site at St Pancras
2004  Damien Hirst Exhibition, Museo Archeologico Naples
2004  Raphael Exhibition, National Gallery
2003  Turner Exhibition, Tate Britain
Management Team

**Eugene Boyle**  (43) FCCA Managing Director - joined 1997. MD since 2003.

**Anna Maris**  (39) Director of Exhibitions & Royal Warrant holder - joined 1990.

  Worked previously for main competitor Constantine.

**Kenneth Burgon**  (50) Director of Technical Services - joined 1984

**Experienced Department Heads**

Broad second tier of senior management

10 department heads with over 150 years combined length of service

Key management retained post completion

Deferred consideration of £3.2 million payable subject to 3 directors remaining for 2 years

Management and employees to be granted FIH share options
• FIH commissioned independent Due Diligence
• UK Fine Art Logistics market estimated at £85m pa
• Momart share c 13%
• Key competitors - similar in size
  - Constantine - revenue c£11m
  - Martinspeed - revenue c£10m
  - Gander & White - revenue N/k - G Profit £5.4m

• Client perspective v positive - key perceived attributes
  - Expertise and Quality of work
  - Reputation
  - Good working relationship - responsive to customers
Momart historic sales compared with art market volumes, 1998-2007 (£000)

This line shows how Momart’s sales would have behaved if they had moved in accordance with commercial art market volumes during the period 1998 to 2006.
Company Resources

- 112 employees
- 22 freelance specialist art technicians.
- Defined Contribution pension scheme (employee matching to 3%)
- New leasehold offices in Whitechapel - 6,000sq ft - 10 year lease with break at yr5
- 78,000 sq ft modern warehouse space, Enterprise Park, Leyton c 20 year lease
- Well maintained Fleet of 15 specialised vans and lorries (air ride, own generator, courier seats, climate controlled hold)
- 4 fork lifts, 2 gantries, 8 genie lifts, 4 lifting tables, 2 mobile scaffolding towers
Future Plans for Growth

- Continued expansion in UK core business - outsourcing and consolidation
- Continued international growth through:
  - cultural exchange programmes
  - travelling exhibitions
- Joint Venture opportunities leveraging the brand in rapidly growing overseas markets
  (China, Russia, Middle East and India)
- Acquisition opportunities in mature US and European markets
- Horizontal expansion into logistics of other time critical, high value products
FIH - The Investment Case

• Market leading businesses focussed on Transport and Logistics:
  • Falkland Islands Company
  • Portsmouth Harbour Ferry Company
  • Momart

• Upside of 15 million shares held in Falkland Oil and Gas Limited

• Strong but diversified earnings base not linked to any particular economy

• Yield Stock - 8 years of annual dividend increases

• Experienced board and management with track record of delivery

• Defensive, yielding, high impact investment potential
Background Information on Falkland Islands Holdings Plc
Established under Royal Charter 1852 - 100 employees

**Fishing Agency**
Historically highly profitable support services for international squid & fishing fleets

**Retail**
60% market share - “cornflakes to cement” outlets - supermarket, clothes, gifts, DIY

**Automotive**
Land Rover dealership supplying islanders and MoD.

**Upland Goose Hotel**
Landmark site being redeveloped for residential housing

**Insurance**
F.I.’s only insurance broker

**Tourism**
Double decker bus, mini bus tours serving rapidly growing cruise ship market

**Property**
- Portfolio of residential and commercial property
- Significant land holdings - Nbv £1.4m
- Planning permission for substantial housing development on 37 acre site at Dairy Paddock

**Stake in Falkland Oil and Gas Ltd**
15 million shares; 16.2% stake - approximate market value of £19.5 million (130 pence per share)
FIC Retail Operations in Stanley
Portsmouth Harbour Ferry Company

- PHFC established 1874 - 40 employees
- Passenger service (incl cycles and motor bikes) across mouth of Portsmouth Harbour
- 3.7 million passenger journeys per annum
- “It’s shorter by water!” - cheaper and greener!
- Dominant local position serving local community of Gosport and Portsmouth
- Excellent reliability (99.7%) - 18.5 hours, 364 days pa
- Predictable profitability and cash flow - 4 ferries, 2 in use at peak times
Portsmouth Harbour Ferry Company
## FIH Group profitability

<table>
<thead>
<tr>
<th></th>
<th>12 months to 31 Mar 2007 £000</th>
<th>12 months to 31 Mar 2006 £000</th>
<th>Change +/-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover - continuing operations</td>
<td>15,618</td>
<td>15,209</td>
<td>+2.7%</td>
</tr>
<tr>
<td>Trading Profit</td>
<td>1,819</td>
<td>1,754</td>
<td>65</td>
</tr>
<tr>
<td>Interest net including pensions costs</td>
<td>(155)</td>
<td>(264)</td>
<td>109</td>
</tr>
<tr>
<td>Underlying PBTa</td>
<td>1,664</td>
<td>1,490</td>
<td>+11.7%</td>
</tr>
<tr>
<td>Goodwill amortisation</td>
<td>(204)</td>
<td>(204)</td>
<td>-</td>
</tr>
<tr>
<td>Profit on sale of investments</td>
<td>485</td>
<td>2,135</td>
<td>(1,650)</td>
</tr>
<tr>
<td>Exceptional costs</td>
<td>(105)</td>
<td>(487)</td>
<td>382</td>
</tr>
<tr>
<td>Reported PBT</td>
<td>1,840</td>
<td>3,018</td>
<td>(1,178)</td>
</tr>
<tr>
<td>Diluted EPS on Underlying PBTa</td>
<td>13.4p</td>
<td>12.0p</td>
<td>11.7%</td>
</tr>
</tbody>
</table>
FOGL: Seismic & CSEM survey boats
Falkland Oil and Gas (FOGL)

- FIH Shareholding 15million shares - held free of CGT
- Represents 16.2% holding - held as long term investment
- FIH holding now equates to 1.67 FOGL shares for every FIH share
- Book value £2.4m at cost - Market value Feb 2008 £19.5million (@130p)
- Licences over 48,853 sq km - equivalent to 220 North Sea blocks
- Farm-in announced with BHP Billiton with cash reimbursement of $12.75 million
- Commitment for 2 wells to be drilled by 31 Dec 2010 - funded 68% by BHPB
- Massive upside potential with knock on benefits to FIC operations