

9th June 2014

**Falkland Islands Holdings plc**

**(“FIH” or the “Group”)**

**Final results for the year ended 31 March 2014**

FIH, the AIM quoted international services group that owns essential services businesses in the Falkland Islands and the UK, is pleased to announce its Final results for the year ended 31 March 2014.

**Group Financial Highlights**

- Group revenue increased by 7.5% to £38.3 million (2013: £35.6 million)
- Underlying pre-tax profits increased 10.8% to £3.65 million (2013: £3.29 million)
- Underlying basic earnings per share of 22.2p (2013: 21.6p)
- Cash balances totalled £5.7 million (2013: £11.4 million)
- Bank borrowings were £1.0 million (2013: £2.0 million)
- The Board is recommending a maintained final dividend of 7.5p per share, which makes a total dividend of 11.5p per share (2013: 11.5p)

**Operating Highlights**

***Falkland Islands Company (FIC)***

- Revenues up 4.3% at £15.88 million (2013: £15.22 million) with underlying operating profit of £1.01 million (2013: £1.33 million)
- Quieter year in the Falklands Islands as anticipated with the absence of offshore drilling.
- The Group continues to invest in modernising FIC and strengthening local management to ensure the Company remains positioned to capitalise on future growth in the economy

***Momart***

- Revenues up 12.0% to £18.26 million (2013: £16.30 million)
- Underlying operating profit up 53.1% to £1.83 million (2013: £1.19 million)
- A strong roster of exhibitions and high level of capacity utilisation for gallery services and storage resulted in a record year
- Prestigious major exhibition contracts during the year included: Manet: Portraying Life at the Royal Academy, Ellen Gallagher: AxMe at Tate Modern, David Bowie: Is and Masterpieces of Chinese Painting at the V & A, the Portrait of Vienna at the National Gallery, Vikings: Life and Legend at the British Museum and the Houghton Revisited Exhibition at Houghton Hall

***Portsmouth Harbour Ferry Company***

- Revenue up 1.2% at £4.12 million (2013: £4.08 million) and underlying operating profit up 2.9% at £1.01 million (2013: £0.98 million)
- Significant improvement in the underlying trend of passenger numbers
- Construction now well advanced on a third modern ferry vessel, “Harbour Spirit”, which is due to enter service early in 2015

***Falkland Oil & Gas Limited (‘FOGL’)***

- The Group owns 12.83 million shares in FOGL which represents 2.4% of the issued share capital of FOGL; at 31 March 2014 the market value of the investment was broadly unchanged at £3.3 million

- The acquisition of Desire Petroleum gives FOGL an interest in the North Falkland Basin and the Sea Lion discovery.
- Three separate 3D surveys totalling over 12,000 sq km were carried out to the South and East of the Falklands; the interpretation of these results, combined with existing seismic and drilling data, will inform the choice of targets for the next drilling campaign
- The 2015 drilling campaign will include 5 wells in which FOGL has an interest. FOGL already has funding for the campaign which has the potential to transform the value of the company

**David Hudd, Chairman of FIH, said:**

“We are pleased to report another good year of progress for the Group, with encouraging revenue and profit growth.

“Momart delivered a record year as it benefited from the strength of the international art market, supporting prestigious exhibitions and utilising a high level of capacity in gallery services and storage.

“The Portsmouth Harbour Ferry Company saw a significant improvement in passenger numbers which is encouraging.

“In the Falklands, FIC experienced a quieter year, as anticipated, in the absence of a drilling campaign. We remain focussed on modernising the business in readiness for the expected increase in economic activity as the next round of drilling approaches. We continue to believe that our wide spread of businesses in the Falklands offers an outstanding business opportunity there.”

**- End -**

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## Chairman's Statement 2014

The Group achieved a pleasing trading result for the year with underlying pre-tax profits (before amortisation and non-trading items, but including the £0.04 million Group's share of the joint venture results) up 10.8% to a record £3.65 million (2013: £3.29 million). Diluted earnings per share based upon underlying profits increased by 3.3% to 22.0p from 21.3p. Reported earnings per share were 21.1p (2013: 13.7p).

The Directors are pleased to recommend a maintained final dividend of 7.5p, which makes the total dividend for the year 11.5p (2013 11.5p).

The Group's financial position remains strong and after £5 million of capital expenditure of which £2.7million was invested in the Falklands, cash balances at the end of the year were £5.7 million, with residual bank debt which will be repaid this year reduced to £1 million. The excellent track record and cash generative nature of the Group's three trading businesses mean that the Group has significant untapped borrowing potential sufficient to fund likely investment requirements in the medium term.

### Operations

Thanks to a substantial increase in profits at Momart, Group underlying operating profits before tax (as defined above) increased by 10.0% to £3.85 million from £3.50 million.

Momart enjoyed an excellent year with a 53% increase in contribution to £1.8 million as the business benefited from the continued strength of the international art market. A strong roster of exhibitions and a high level of capacity utilisation for gallery services and storage resulted in a record year.

The Portsmouth Harbour Ferry Company maintained its profit at just over £1.0 million. Passenger numbers saw a significant improvement on the historic trend, experiencing a much smaller decline of 1.6% compared to the 8.9% decline in the prior year, the impact of which was offset by increased fares.

For the first time for three years there was no offshore drilling in Falkland waters. The presence of a drilling rig and associated personnel have provided a substantial stimulus to the economy and generated significant business for the Falkland Islands Company (FIC) in prior years. The absence of drilling particularly impacted wholesale food sales and property rental income but support services maintained its contribution and construction and Falkland 4x4 performed well. There were significant inflationary increases in labour and freight costs which also had an impact. As a result profits decreased to £1.0 million from £1.3 million last year.

### Falkland Oil and Gas (FOGL)

The most significant development for FOGL was the acquisition of Desire Petroleum in December 2013 and the subsequent farm out of two of Desire's licences to Premier Oil and Rockhopper Exploration. We were supportive of the Desire transaction, which gave FOGL exposure to the North Falklands Basin and the Sea Lion field. Following these developments FOGL is now the largest licence holder in the Falkland Islands and has a net interest of 40,000 sq km.

During the year three separate 3D surveys totalling over 12,000 sq km was carried out to the South and East of the Falklands and the interpretation of these results together with existing seismic and drilling data will inform the choice of targets for the next drilling campaign. This is expected to start in the first half of 2015 and will include five wells in which FOGL will have an interest; three in the Sea Lion area and two in the original acreage to the South and East of the Falklands.

The market valuation of the Group's shareholding of 12.83 million shares was virtually unchanged over the year at £3.3 million with the shares at 25.5p at 31 March 2014 (2013: 26.5p). The shareholding now represents 2.4% of the enlarged share capital of FOGL (2013: 4.0%).

Over the last decade FOGL, in which we were founding shareholders, has drilled three exploration wells in the Southern and Eastern basins. Although confirming the presence of hydrocarbons, these wells did not reveal their presence in commercial quantities. The 2015 drilling campaign for which FOGL is already funded is FOGL's most

extensive to date and has the potential to transform the value of our holding. In these circumstances your Board currently believes that it is appropriate to retain a significant shareholding until the outcome of the programme is known.

## **Outlook**

We anticipate an increase in economic activity in the Falklands as the next round of drilling approaches, but it will be the funding of the Sea Lion development which will trigger a step change in activity. Meanwhile we will continue to invest in modernising FIC in readiness for future growth. For the current year, the fishing season started well and we expect further progress from our construction business.

At Momart, the pipeline of exhibition work remains strong but we are unlikely to repeat the exceptional result experienced this year. A number of opportunities are being explored to increase the capacity of the business to meet customer demand.

For PHFC, there are encouraging signs of an improving trend in demand and the changes agreed with the Ministry of Defence for the reimbursement of travel expenses on the ferry augur well for the future. Good progress is being made with the construction of our new ferry, Harbour Spirit, which we expect to introduce into service early in 2015.

In the year to date, the Group's trading performance is in line with our expectations and we anticipate a satisfactory year. Looking further ahead we continue to believe that we have an outstanding business opportunity in the Falkland Islands.

**David Hudd**

Chairman

## Managing Director's Strategic Report

### Business Review

#### Group Overview

I am pleased to report another year of progress for the Group, with an encouraging 7.5% increase in revenues to £38.3 million (2013: £35.6 million) and a 10.8% increase in underlying pre-tax profits to £3.65 million (2013: £3.29 million).

The strong trading performance at Momart more than offset a reduced contribution from the Falklands so that underlying operating profits for the Group (before amortisation and financing costs but including the Group's £0.04m share of the SATCO joint venture results) increased by 10% to £3.85 million (2013: £3.50 million).

#### Review of Operations

Group revenue and operating profits are analysed below:

##### Group revenue

Year ended 31 March	2014 £m	2013 £m	Change %
Falkland Islands Company	15.88	15.22	4.3
Portsmouth Harbour Ferry	4.12	4.08	1.2
Momart	18.26	16.30	12.0
Total	38.26	35.60	7.5

##### Group underlying operating profit\*

Year ended 31 March	2014 £m	2013 £m	Change %
Falkland Islands Company	1.01	1.33	-23.5
Portsmouth Harbour Ferry	1.01	0.98	2.9
Momart	1.83	1.19	53.1
Total	3.85	3.50	10.0

\* operating profit is stated before amortisation of intangibles and non-trading items, and includes the Group's £0.04m share of the SATCO joint venture profit.

#### Falkland Islands Company ("FIC")

As expected the Falklands had a quieter year with the absence of offshore drilling resulting in a temporary hiatus in the economic growth experienced in recent years. Lower oil exploration demand for rental housing, provisioning, food supplies and agency services led to a downturn in revenues and profits for those activities, whilst in the wider economy, general retail demand softened as linked private sector work contracted. As a consequence, although the Group's Falklands business retains outstanding growth potential over the medium to long term, in the year just ended FIC profits had decreased to £1.01 million from £1.33 million in the prior year.

#### Oil developments

During the year, Noble Energy and Premier Oil continued to progress their plans for a new round of exploration drilling planned for 2015 in the Northern and Southern basins and in March 2014 a new temporary floating dock arrived in Stanley Harbour to support the offshore programme. In the North Falklands basin, Premier Oil, ("Premier"), the licence holder for the 300mmbbl Sea Lion field refined its plans and confirmed the engineering approach for the

ultimate commercial production of oil.

In February 2014, Premier announced that it was seeking a farm-in partner for Sea Lion and it is now clear that the Sea Lion development will not go ahead without the introduction of a third party who can help with funding, which is estimated at \$5.2 billion. Meanwhile, Premier has indicated that it is progressing the preparatory work and that contracts to develop the detailed engineering design work necessary for phase 1 of Sea Lion will be placed by mid-2014. This will ensure that once funding is in place, field development can proceed with minimum delay. Significant onshore construction activity and oil related expenditure would then be expected within 2 years with "First Oil" flowing approximately 4 years after final project sanction.

The planned drilling programme in both the Northern and Southern basins during 2015 opens up the prospect of further discoveries. This together with the impact of the Sea Lion discovery on the Falklands economy, mean that FIC has good prospects for growth over the medium term.

## Trading Review

FIC has a long established position as a leading local business and the wide range of retail and support services it can offer to Islanders, government and oil companies makes it uniquely placed to benefit from the anticipated growth in the Falklands economy.

In the year, further steps were taken in modernising FIC and strengthening local management. In addition the benefits of earlier investment were seen with good growth in both the Company's automotive business "Falklands 4x4" and in Falklands Building Services ("FBS"). As a result, despite the downturn in retail demand and freight income, overall revenue in FIC increased by £0.66 million (+4.3%) to £15.88 million (2013: £15.22 million).

However, increased freight costs and wage inflation of some 5% saw continued pressure on profits. Helped by FBS and strong demand for new 4x4 vehicles, profitability in the second half recovered to be on a par with the prior year, but the slow start to the year meant that overall underlying operating profits were £0.32 million lower at £1.01 million (2013: £1.33 million).

### FIC Operating results

Year ended 31 March	2014 £m	2013 £m	Change %
<i>Revenues</i>			
Retail	9.26	9.73	-4.8
Falklands 4x4	2.66	1.87	42.3
Freight & Port Services	1.26	1.65	-23.5
Support services	1.30	1.21	6.7
FBS (property and construction)	1.40	0.76	85.6
<b>Total FIC revenue</b>	<b>15.88</b>	<b>15.22</b>	<b>4.3</b>
<b>FIC underlying operating profit</b>	<b>1.01</b>	<b>1.33</b>	<b>-23.5</b>
Underlying operating profit margin	6.4%	8.7%	-26.7

Total retail sales fell by 4.8% to £9.26 million (2013: £9.73 million) which was accounted for by reduced warehouse sales following the departure of the Leiv Eiriksson drilling rig late last year. After a weaker first half, the Company's core West Store supermarket finished the year with sales only 1.1% lower helped by increased spending from cruise ship passengers, where visitor numbers rose by 34%, and a strengthened BHS clothing offer. In other areas, sales

at the waterfront Capstan gift shop were 6% ahead on the prior year, and further progress was seen at the satellite “West Store” at the Mount Pleasant military base. Driven by a more aggressive pricing policy, sales in construction and building materials increased by 18%, although the focus on growing market share did result in some margin erosion. This together with increased freight costs and overheads saw contribution from retailing as a whole decline and was the major factor in the decrease in FIC’s contribution in the year.

Falklands 4x4, made good progress benefiting from an increased use of HP financing to stimulate sales. Total vehicle sales increased from 48 to 79 units (+65%) helped by sales to the Falklands Government. At £2.66 million total automotive revenues were at a record level despite the absence of military orders which remain subject to central procurement from UK.

Revenues from third party freight and port services fell by 23.5% to £1.26 million (2013: £1.65 million) without the benefit of oil related cargoes, which increased revenues last year.

On a positive note Support Services revenues recovered to increase by 6.7% helped by a strong illex squid catch which boosted revenues at FIC’s Fishing Agency, an improved performance from Penguin Travel as cruise ship numbers increased and further progress at FIC’s insurance agency.

FBS has been able to establish a unique client offer that finances work in progress for first time buyers during the 3-4 month construction period. In this way FBS has delivered 8 new houses for local buyers and at 31 March 2014 had a record order book for 20 further houses. In addition to house building, FBS also undertook small general construction contracts for the Falkland Islands Government as well as progressing internal construction projects within FIC (which are not included in revenue). At the end of the year FBS had 54 employees compared to 22 in March 2013. Despite a £0.1 million decline in rental income, overall revenues from property and construction increased by 85.6% to £1.4 million.

To prepare FIC for the expected future growth in the economy, capital expenditure of £2.7 million was incurred, including £0.7 million spent on investment properties, and FBS:

- Completed the construction of four new houses in Hebe Street central Stanley which are all now occupied.
- Progressed the expansion and modernisation of office facilities at FIC’s office at Crozier Place including space for external tenants which will be available in late 2014.
- Commenced the expansion of DIY/Building Materials retail outlet Homebuilder to the rear of Crozier Place for completion in Autumn 2014.
- Commenced the construction of new warehouse/freezer facilities at Airport Road East Stanley which will replace FIC’s aging facilities and make available a prime 2 acre site on the waterfront in central Stanley.

FIC’s property rental portfolio now comprises 36 properties in central Stanley which are available for letting. In the absence of any drilling activity, rental income declined by 25% to £0.2 million in the year to 31 March 2014, rental yields reduced and overall occupancy averaged 82% during the year.

During the year the Falkland Islands Government completed its own site surveys and commissioned PWC to advise on the feasibility of financing a new deep water port at the government’s designated site at Port William in Stanley’s outer harbour. However further progress awaits the agreement of commercial terms with port users and FIG support.

We have deferred, pending further progress on the Sea Lion development, the construction of 26 apartments on Fitzroy Road and a workers’ camp at Dairy Paddock.

In the year, FIC’s construction joint venture, the South Atlantic Construction Company, (“SAAtCO”) won its first contracts undertaking infrastructure work for FIG and winning the contract to install a new floating dock in Stanley Harbour that will support Noble Energy’s exploration drilling programme in 2015. Work on the dock commenced in March 2014 and is expected to be ready by mid-2014. Connected with this contract, SAAtCO invested £1 million in crane and forklift facilities which are being leased to Noble Energy. In the year to March 2014 SAAtCO earned revenues

of £1.0 million and produced a profit before tax of £0.1 million. The Group's share of post-tax results from SAAtCO was £0.04 million. All staff were seconded as required from parent companies FIC and Trant Construction and at 31 March 2014 SAAtCO had no permanent employees.

### FIC Key Performance Indicators and Operational Drivers

Year ended 31 March	2014	2013	2012
Staff Numbers ( FTE 31 March )	165	129	119
Capital Expenditure £'000's	2,715	1,594	632
Retail Sales growth %	-4.8%	3.0%	-2.8%
Number of FIC rental properties	<b>36</b>	<b>32</b>	<b>33</b>
Average occupancy during the year	82%	88%	83%
Number of vehicles sold	<b>79</b>	<b>48</b>	<b>50</b>
Number of 3 <sup>rd</sup> party houses sold	<b>8</b>	<b>3</b>	<b>0</b>
Illex squid catch in tonnes ( 000's)	188.0	58.2	67.3
Cruise ship passengers ( 000's )	39.5	29.6	35.2

### Portsmouth Harbour Ferry Company ("PHFC")

During the period, there was a significant improvement in the underlying trend as passenger numbers fell by 1.6%, compared to the 8.9% decline seen in the prior year. Overall total ferry revenues increased by 1.2% and operating profits, (before pontoon lease finance costs of £0.23 million) increased marginally to £1.01 million (2013: £0.98 million).

#### PHFC Operating results

Year ended 31 March	2014 £m	2013 £m	Change %
<i>Revenues</i>			
Ferry fares	3.95	3.89	1.5%
Cruising and Other revenue	0.17	0.19	-5.4%
<b>Total PHFC revenue</b>	<b>4.12</b>	<b>4.08</b>	<b>1.2%</b>
<b>Underlying PHFC operating profit</b>	<b>1.01*</b>	<b>0.98*</b>	<b>2.9%</b>
<b>Underlying operating profit margin</b>	<b>24.6%</b>	<b>24.0%</b>	<b>2.2%</b>
<b>Passengers carried (000s)</b>	<b>2,986</b>	<b>3,033</b>	<b>-1.6%</b>

\*Operating profit is shown before charging finance lease interest of £0.23 million (2013: £0.24 million) relating to the new Pontoon.

Over the course of the year weekday passenger numbers declined by 2.7% whereas in contrast weekend volumes increased by 1.8%. The further decline in weekday commuter traffic reflected the ongoing economic challenges in the local economy and the impact of changes to the Ministry of Defence's policy of "Home to Duty" expenses reimbursement which saw a shift from ferry to car travel. However after persistent lobbying, support from the local MP in Gosport and the Secretary of State for Transport, the Ministry of Defence agreed to reverse its decision and from 1 May 2014 will once more reimburse travel to work on the ferry. We anticipate that this will have a positive impact on passenger numbers in 2014-15 which should go some way to offsetting the impact of 1,000 dockyard job losses announced by BAE Systems in 2014. Looking ahead the outlook for passenger growth is positive as the Naval Base expands to support the new Queen Elizabeth class carriers.

Ferry fares were increased by an average of 3.3% in June 2013, bringing the total cost of an adult return to £2.90. Discounted fares for regular customers (£1.35 per ferry journey), and lower tariffs for seniors and children (£1.90 return) reinforce the value for money offered by the ferry service compared to bus and car travel.

Average fares per passenger journey increased by 3.1% to £1.32 (2013: £1.28).

Ferry reliability was again outstanding with on time departures running at 99.7% (2013: 99.5%).

Construction is now well advanced on a third modern ferry vessel, "Harbour Spirit", which is due to enter service early in 2015. Expenditure incurred in the year on the vessel amounts to £1.8 million and the total cost will be approximately £3.3 million, this will be substantially financed by a 10 year bank loan. With three ferry vessels built since 2001 and an estimated service life of over 30 years, no further significant vessel expenditure is anticipated in the next decade.

#### PHFC Key Performance Indicators and Operational Drivers

Year ended 31 March	2014	2013	2012
Staff Numbers ( FTE at 31 March )	37	35	35
Capital Expenditure £ ' 000's	1,958	223	5,080
Ferry Reliability( on time departures)	99.7%	99.5%	99.9%
Number of weekday passengers '000	2,169	2,230	2,497
% change on prior year	-2.7%	-10.7%	-1.6%
Number of weekend passengers '000	817	803	831
% change on prior year	1.8%	-3.4%	-4.1%
<b>Total number of passengers '000's</b>	<b>2,986</b>	<b>3,033</b>	<b>3,328</b>
% change on prior year	-1.6%	-8.9%	-2.1%
Revenue growth %	1.2%	-1.9%	11.5%
Average yield per passenger journey	£1.32	£1.28	£1.19

## Momart

Momart, the Group's art handling and logistics business, again produced a strong trading performance. The growth seen in the first half of the year continued into the second half and total revenue for the year increased by 12.0% to £18.3 million (2013: £16.3 million) while underlying operating profit increased by 53.1% to £1.83 million (2013: £1.19 million).

### Momart Operating results

Year ended 31 March	2014 £m	2013 £m	Change %
<i>Revenues</i>			
Museums and public			
Exhibitions	10.86	9.01	20.4
Commercial gallery services	5.57	5.50	1.3
Storage	1.83	1.79	2.6
<b>Total Momart revenue</b>	<b>18.26</b>	<b>16.30</b>	<b>12.0</b>
<b>Underlying Momart operating profit</b>	<b>1.83</b>	<b>1.19</b>	<b>53.1</b>
<b>Underlying operating profit margin</b>	<b>10.0%</b>	<b>7.3%</b>	<b>36.6</b>

### Exhibitions

Museum exhibitions enjoyed an exceptional year both in the UK and internationally with overall revenues increasing by 20.4% to a record level of £10.86 million. Momart installed a wide variety of high quality, technically complex exhibitions, drawing on its reputation for client service, problem solving and attention to detail. This record level of activity in exhibitions includes a number of large international projects which are not expected to re-occur in the near term and some touring exhibitions which travelled to multiple locations. In the UK, Momart was involved in the installation of a number of prestigious and popular exhibitions including: Manet: Portraying Life at the Royal Academy, Ellen Gallagher: AxMe at Tate Modern, David Bowie: Is and Masterpieces of Chinese Painting at the V & A, the Portrait of Vienna at the National Gallery, Vikings: Life and Legend at the British Museum and the Houghton Revisited Exhibition at Houghton Hall, which showcased Sir Robert Walpole's personal art collection, on loan from the Hermitage Museum.

### Gallery Services

Gallery Services revenues were 1.3% ahead of 2013 at £5.57 million. Gross margins improved, helped by the appointment of a new Finance and Commercial Director and as the first benefits were realised from Momart's recent investment in improved management information systems. The final roll out of this ERP system was completed in March 2014 and further benefits are expected to be generated in the current year.

### Storage

Storage revenues increased by 2.6% and were generated from a broader client base as new commercial relationships were established. With Momart's existing storage facilities fully utilised plans are being progressed for a significant extension to existing warehouse facilities.

## General

The year saw Momart generate record levels of revenue and contribution reflecting the strength of its global reputation and its commercial and institutional relationships which have been developed over decades. With the continued strength of the global art market and the increasing importance of London as an international centre, prospects for sustained growth and underlying profits are excellent, although in the short term we do not expect to see a repetition of the exceptional results of 2013-14.

### Momart Key Performance Indicators and Operational Drivers

Year ended 31 March	2014	2013	2012
Staff Numbers ( FTE 31 March )	124.6	119.0	115.9
Capital Expenditure £ ' 000's	260	598	524
Warehouse % fill vs capacity	92.9%	94.2%	95.1%
Exhibition Order Book 31 March	£3.89m	£3.83m	£4.16m
Own labour charged out	£11.67m	£9.02m	£8.58m
Revenues from overseas clients	£8.3m	£4.6m	£5.7m
Exhibitions sales growth	20.4%	27.8%	5.7%
Gallery Services sales growth	1.3%	(12.7)%	26%
Storage sales growth	2.6%	10.5%	6.6%
<b>Total Sales growth %</b>	<b>12.0%</b>	<b>8.9%</b>	<b>13.5%</b>

### FOGL investment

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

31 March	2014
Number of shares held	12,825,000
FOGL share price (bid price)	25.5p
Market value of holding	£3.27m
Cost	£2.6m
Book cost per share	20.0p

The market value of the Group's 2.4% shareholding on 6 June 2014 was £3.30 million.

### Trading outlook

The Group's prospects for growth in the medium term remain outstanding.

In the Falklands, delays in the development of the Sea Lion oil field have slowed progress but the size of the discovery is such that its future development seems assured. With the added potential of positive results from the

2015 drilling campaign, the prospects for dramatic growth for the Falkland Islands economy over the medium term remain.

At PHFC the stabilisation in passenger numbers is encouraging and this should be helped by the recent change in travel policy by the Ministry of Defence and the longer term outlook for growth at the Portsmouth Dockyard.

At Momart, although we do not anticipate an immediate repetition of the exceptional performance seen in the year ended 31 March 2014, underlying growth prospects in this high quality business remain good.

With bank borrowings reduced to £1.0 million (2013: £2.0 million) and cash on hand of £5.7 million, together with significant further borrowing capacity, the Group has significant capacity to exploit opportunities over the medium term.

## Financial Review

### Summary income statement

Year ended 31 March	2014 £m	2013 £m	Change %
Group revenue	38.26	35.60	7.5
Underlying Operating profit*	3.85	3.50	10.0
Net financing costs	(0.20)	(0.21)	(2.8)
Underlying profit before tax	3.65	3.29	10.8
Less:			
Fund raising costs	-	(0.68)	-
Gain on sale of FOGL shares	-	0.77	-
Gain / (loss) on disposal of the PHFC pension scheme	0.06	(0.18)	(135.2)
Amortisation of intangibles	(0.31)	(0.40)	(22.9)
Profit before tax as reported	3.40	2.80	21.7

\*Underlying operating profit excludes amortisation and non-trading items but includes £0.04 million of the Group's share of the results of the SAAtCO joint venture.

### Revenue and underlying operating profit

Group revenue rose 7.5% to £38.26 million and Group and underlying operating profit increased 10.0% to £3.85 million in the year ended 31 March 2014. These are discussed in more detail above in the Review of Operations.

### Non-trading items

Non-trading items comprise a gain of £0.06 million on the final transfer of the PHFC defined benefit scheme (2013: loss £0.18 million), and a fall in the amortisation charge to £0.31 million on the intangible assets (2013: £0.40 million) due to a review of the useful life of the Momart brand name, which is now expected to have an indefinite useful life, so amortisation ceased on 30 September 2013. The prior year included a further profit of £0.77 million on the sale of FOGL shares and £0.68 million relating to the costs of the £10.0 million fund raising in July 2012.

### Net financing costs

The Group's net financing costs remain little changed with the prior year at £0.20 million, with the fall in interest

income on bank deposits following the expenditure in the year, being offset by a decrease in bank interest payable reflecting the £1.0 million reduction in bank loans.

### Underlying pre-tax profit

The Group's underlying pre-tax profits ("PBT") grew by £0.36 million (10.8%) to £3.65 million (2013: £3.29 million).

### Reported pre-tax profit

After charging £0.3 million for the amortisation of intangible assets (2013: £0.4 million), and the other non-trading items noted above, reported profit before tax for the Group increased by 21.7% to £3.40 million (2013: £2.8 million).

### Taxation

The Group pays corporation tax on its UK earnings at 23% and on earnings in the Falkland Islands at 26%. The Falklands Islands Company Limited has been granted a foreign branch exemption, and as a result no longer pays UK corporation tax and will gain the full benefit of the tax allowability in the Falkland Islands of expenditure on commercial and industrial buildings. The effective tax rate on underlying profits is 24.7% (2013: 24.2%).

### Earnings per share

Year ended 31 March	2014 £m	2013 £m	Change %
Underlying profit before tax	3.65	3.29	10.8
Taxation on underlying profit	(0.90)	(0.80)	13.2
Underlying profit after tax	2.75	2.49	10.1
Diluted average number of shares in issue (thousands)	12,461	11,704	6.5
Effective underlying tax rate	24.7%	24.2%	2.1
Diluted EPS on underlying profit	22.0p	21.3p	3.3

Fully diluted Earnings per Share ("EPS") derived from underlying profits, increased by 3.3% to 22.0p (2013: 21.3p), this was after a 6.5% increase in the diluted average number of shares, following the 33% increase in the share capital of the Company in July 2012.

### Balance sheet

The Group's Balance Sheet remains strong. Total net assets increased to £35.4 million from £34.3 million in the prior year, despite a £0.1 million fall in the market value of the Group's investment in FOGL as the share price fell slightly from 26.5 pence to 25.5 pence.

Retained earnings after the payment of tax and dividends increased by £0.2 million to £14.8 million (2013: £13.6 million). Bank borrowings were reduced to £1.0 million (2013: £2.0 million) and the Group had cash balances of £5.7 million (2013: £11.4 million).

The carrying value of intangible assets was reduced by £0.1 million to £12.2 million (2013: £12.3 million) due to the annual amortisation charge of £0.3 million on the intangible assets arising on the 2008 acquisition of Momart, and a £0.1 million amortisation charge for computer software, offset by a £0.3 million transfer from plant and machinery.

The net book value of property, plant and equipment increased by £2.9 million to £16.6 million (2013: £13.7 million) after capital investment of £4.3 million, including £2.1 million in the Falkland Islands.

The Group owns investment properties comprising commercial and residential properties in the Falkland Islands held for rental, together with approximately 400 acres in and around Stanley. This includes 18 acres for industrial

development, 25 acres of prime mixed-use land and 300 acres which is adjacent to the site proposed for a new port.

During the year, the net book value of investment property increased £0.6 million to £3.4 million (2013: £2.8 million) after £0.1 million of depreciation. These properties are all situated in the Falkland Islands, and the £0.7 million additions include £0.2 million for the purchase of a property on Ross Road, Stanley and further development of residential properties to increase the Group's portfolio.

The Group owns 36 investment properties (mainly houses) in Stanley which are held at depreciated cost. The net book value of these properties of £3.4 million has been reviewed by the Directors resident in the Falkland Islands and at 31 March 2014 the fair value of this property portfolio was estimated at £6.3 million (2013: £5.7 million). If oil development proceeds, the value of all these properties is expected to increase significantly.

The Group's 2.4% shareholding in FOGL is described above in the Business Review.

Deferred tax assets relating to future pension liabilities decreased to £0.6 million (2013: £0.7 million). These assets now only include the deferred tax on the FIC unfunded scheme calculated by applying the 26% Falklands tax rate.

Inventories, which largely represents stock held for resale in the Falkland Islands increased by £1.6 million to £6.7 million at 31 March 2014. The increase largely relates to Falklands Building Services which is experiencing significant growth.

Trade and Other Receivables were increased by £0.9 million to £7.0 million as at 31 March 2014 due to the increased activity at Momart. Average debtor days outstanding were 47.0 (2013: 57.1).

Outstanding finance lease liabilities totalled £5.2 million (2013: £5.3 million). £4.9 million of the finance leases balance is in respect of the 50 year lease from Gosport Borough Council for the Gosport Pontoon.

Corporation tax due for payment within the next 12 months is £0.4 million (2013: £0.4 million). This is lower than the £0.9 million taxation charge on underlying profit, as £0.3 million of the 2014 tax charge has been paid in instalments.

Trade and other payables increased from £10.0 million to £11.0 million at 31 March 2014 reflecting increased trading activity.

At 31 March 2014 the liability due in respect of the Group's defined benefit pension schemes was £2.5 million (2013: £2.6 million). The pension scheme in the Falkland Islands, which was closed to new entrants in 1988 and to further accrual in 2007, is unfunded and liabilities are met from operating cash flow.

The net deferred tax liabilities, excluding the pension asset at 31 March 2014 at £1.6 million remained in line with the prior year (2013: £1.7 million). £1.4 million of this balance arises on property, plant and equipment, and is principally due to properties in the Falklands, where capital allowances of 10% are available on the majority of the FIC properties. With such assets depreciated over 20-50 years a timing difference arises on which deferred tax is provided.

Net assets per share were 285p at 31 March 2014 (2013: 276p).

## Cash flows

### Operating cash flow

Net cash flow from operating activities decreased from £3.5 million last year to £2.8 million, primarily due to a further increase in working capital as the Falkland Islands prepare for future growth.

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

Year ended 31 March	2014 £m	2013 £m
Underlying profit before tax	3.6	3.3
Depreciation	1.1	1.2
Amortisation of computer software	0.1	-
Net Interest payable	0.2	0.2
<b>EBITDA</b>	<b>5.0</b>	<b>4.7</b>
Share based payments	-	0.2
Increase in working capital	(1.7)	(0.5)
Tax paid	(0.8)	(0.7)
Other	0.3	(0.2)
<b>Net cash inflow from operating activities</b>	<b>2.8</b>	<b>3.5</b>
Net proceeds of shares issued	-	9.2
Sale of 1.2 million FOGL shares	-	1.0
<i>Less:</i>		
Dividends paid	(1.4)	(1.4)
Capital expenditure	(5.0)	(2.4)
Net bank interest received	0.1	0.1
Disposal of PHFC pension scheme	-	(0.3)
Loan to joint venture	(0.5)	-
Net cash outflow on sale & purchase of treasury shares	(0.1)	-
Loan repayments	(1.4)	(1.1)
Increase in hire purchase debtors	(0.2)	(0.1)
Financing draw down loans	-	0.1
<b>Net (outflow) / inflow from financing and investing activities</b>	<b>(8.5)</b>	<b>5.1</b>
<b>Net cash (outflow) / inflow</b>	<b>(5.7)</b>	<b>8.6</b>
Cash balance b/fwd	11.4	2.8
<b>Cash balance c/fwd</b>	<b>5.7</b>	<b>11.4</b>

### *Financing outflows*

During the year the Group paid dividends of £1.4 million (2013: £1.4million) and made fixed asset investment of £5.0 million of expenditure to strengthen the Group's operating base, including instalment payments of £1.6 million on the new vessel for Gosport ferry (2013 total expenditure: £2.4 million); £2.7 million was invested in Stanley with £0.7 million of expenditure on investment land and buildings, £0.6 million on plant and machinery, £0.3 million spend refurbishing the Stanley head office and £0.5 million building a new retail warehouse at Airport Road.

Scheduled loan repayments of £1.4 million were made, including £0.3 million of payments to Gosport Council on the 50 year pontoon finance lease, £0.1m of repayments on hire purchase leases for trucks at Momart and £1.0 million of bank loan repayments reducing the Group's bank debt to £1.0 million.

**John Foster**  
Managing Director  
9 June 2014

**Consolidated Income Statement**  
**FOR THE YEAR ENDED 31 MARCH 2014**

	Before amortisation & non- trading items 2014 £'000	Amortisation & non- trading items 2014 £'000	Total 2014 £'000	Before amortisation & non- trading items 2013 £'000	Amortisation & non- trading items 2013 £'000	Total 2013 £'000
<b>Revenue</b>	<b>38,263</b>	-	<b>38,263</b>	35,596	-	35,596
Cost of sales	(22,212)	-	(22,212)	(21,178)	-	(21,178)
<b>Gross profit</b>	<b>16,051</b>	-	<b>16,051</b>	14,418	-	14,418
Other administrative expenses	(12,235)	-	(12,235)	(10,916)	-	(10,916)
Fund raising expenses	-	-	-	-	(682)	(682)
Gain on sale of FOGL shares	-	-	-	-	768	768
Net settlement gain / (loss) on the transfer of the PHFC pension scheme	-	64	64	-	(182)	(182)
Amortisation of intangible assets	-	(307)	(307)	-	(398)	(398)
<b>Operating expenses</b>	<b>(12,235)</b>	<b>(243)</b>	<b>(12,478)</b>	(10,916)	(494)	(11,410)
<b>Operating profit</b>	<b>3,816</b>	<b>(243)</b>	<b>3,573</b>	3,502	(494)	3,008
Share of results of Joint Venture	36	-	36	-	-	-
<b>Profit before net financing costs</b>	<b>3,852</b>	<b>(243)</b>	<b>3,609</b>	3,502	(494)	3,008
Finance income	220	-	220	257	-	257
Finance expense	(425)	-	(425)	(468)	-	(468)
Net financing costs (Note 3)	(205)	-	(205)	(211)	-	(211)
<b>Profit / (loss) before tax from continuing operations</b>	<b>3,647</b>	<b>(243)</b>	<b>3,404</b>	3,291	(494)	2,797
Taxation	(901)	130	(771)	(796)	(397)	(1,193)
<b>Profit / (loss) for the year attributable to equity holders of the company</b>	<b>2,746</b>	<b>(113)</b>	<b>2,633</b>	2,495	(891)	1,604
Earnings per share (Note 4)						
Basic	22.2p		21.3p	21.6p		13.9p
Diluted	22.0p		21.1p	21.3p		13.7p

**Consolidated Statement of Comprehensive Income**  
**FOR THE YEAR ENDED 31 MARCH 2014**

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Unrealised loss on the revaluation of shares in Falkland Oil and Gas	<b>(129)</b>	<b>(4,873)</b>
Transfer to the income statement on sale of shares in FOGL	-	<b>(521)</b>
Items which will ultimately be recycled to the income statement	<b>(129)</b>	<b>(5,394)</b>
PHFC actuarial loss on pension scheme	-	<b>(77)</b>
FIC actuarial gain / (loss) on pension scheme	<b>135</b>	<b>(173)</b>
Movement on deferred tax asset relating to pension schemes	<b>(35)</b>	<b>61</b>
Effect of tax rate changes on deferred tax asset relating to pension schemes	-	<b>47</b>
Items which will ultimately not be recycled to the income statement	<b>100</b>	<b>(142)</b>
<b>Other comprehensive expense</b>	<b>(29)</b>	<b>(5,536)</b>
Profit for the year	<b>2,633</b>	<b>1,604</b>
<b>Total comprehensive income / (expense)</b>	<b>2,604</b>	<b>(3,932)</b>

**Consolidated Balance Sheet**  
**AT 31 MARCH 2014**

	2014 £'000	2013 £'000
<b>Non-current assets</b>		
Intangible assets	12,238	12,315
Property, plant and equipment	16,609	13,725
Investment properties	3,396	2,786
Shares held in Falkland Oil and Gas Limited	3,270	3,399
Investment in Joint venture	86	50
Loan to Joint venture	529	-
Non-current assets held-for-sale	-	20
Other financial assets	342	121
Deferred tax assets	645	671
<b>Total non-current assets</b>	<b>37,115</b>	<b>33,087</b>
<b>Current assets</b>		
Inventories	6,692	5,099
Trade and other receivables	7,041	6,133
Other financial assets	503	486
Cash and cash equivalents	5,715	11,416
<b>Total current assets</b>	<b>19,951</b>	<b>23,134</b>
<b>TOTAL ASSETS</b>	<b>57,066</b>	<b>56,221</b>
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	(1,109)	(1,149)
Income tax payable	(419)	(364)
Trade and other payables	(10,981)	(10,012)
<b>Total current liabilities</b>	<b>(12,509)</b>	<b>(11,525)</b>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	(5,061)	(6,139)
Employee benefits	(2,480)	(2,584)
Deferred tax liabilities	(1,639)	(1,694)
<b>Total non-current liabilities</b>	<b>(9,180)</b>	<b>(10,417)</b>
<b>TOTAL LIABILITIES</b>	<b>(21,689)</b>	<b>(21,942)</b>
<b>Net assets</b>	<b>35,377</b>	<b>34,279</b>
Capital and reserves		
Equity share capital	1,243	1,243
Share premium account	17,447	17,447
Other reserves	1,162	1,162
Retained earnings	14,839	13,612
Financial assets fair value reserve	686	815
<b>Total equity</b>	<b>35,377</b>	<b>34,279</b>

**Consolidated Cash Flow Statement**  
**FOR THE YEAR ENDED 31 MARCH 2014**

	2014 £'000	2013 £'000
Cash flows from operating activities		
<b>Profit for the year</b>	<b>2,633</b>	1,604
<i>Adjusted for:</i>		
<i>(i) Non-cash items:</i>		
Depreciation	1,116	1,204
Depreciation of computer software	117	-
Amortisation	307	398
(Profit) / loss on disposal of fixed assets	(4)	56
Share of Joint Venture profit	(36)	-
Amortisation of loan fees	16	16
Past service cost of pension scheme	45	-
Expected return on pension scheme assets	-	(2)
Interest cost on pension scheme liabilities	108	111
Equity-settled share-based payment expenses	43	134
<i>Non-cash items adjustment</i>	<b>1,712</b>	1,917
<i>(ii) Other items:</i>		
Bank interest receivable	(99)	(164)
Bank interest payable	39	85
Finance lease interest payable	262	-
Gain on disposal of FOGL shares	-	(768)
Fund raising expenses	-	682
Net settlement (gain) / loss on the transfer of the PHFC pension scheme	(64)	182
Corporation and deferred tax expense	771	1,193
<i>Other adjustments</i>	<b>909</b>	1,210
<b>Operating cash flow before changes in working capital and provisions</b>	<b>5,254</b>	4,731
Increase in trade and other receivables	(888)	(513)
Increase in inventories	(1,593)	(1,108)
Increase in trade and other payables	927	1,221
Decrease in provisions and employee benefits	(122)	(129)
Changes in working capital and provisions	<b>(1,676)</b>	(529)
<b>Cash generated from operations</b>	<b>3,578</b>	4,202
Corporation taxes paid	(780)	(735)
<b>Net cash flow from operating activities</b>	<b>2,798</b>	3,467
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(4,933)	(2,415)
Purchase of computer software	(41)	-
Proceeds from the disposal of property, plant & equipment	21	17
Proceeds received from the sale of FOGL shares	-	1,005
Cash received / (paid) on transfer of pension scheme	46	(260)
Investment in Joint Venture	-	(50)
Loans to Joint Venture	(529)	-
Interest received	99	164
<b>Net cash flow from investing activities</b>	<b>(5,337)</b>	(1,539)
<b>Cash flow from financing activities</b>		
Increase in other financial assets	(238)	(72)
Repayment of secured loan	(1,396)	(1,135)
Financing loan draw downs	-	122
Interest paid	(39)	(85)
Proceeds from the issue of ordinary share capital	-	9,889
Net cashflows from sale and purchase of Treasury shares	(66)	-

Fund raising expenses paid	-	(620)
Dividends paid	(1,423)	(1,362)
<b>Net cash flow from financing activities</b>	<b>(3,162)</b>	<b>6,737</b>
<b>Net increase in cash and cash equivalents</b>	<b>(5,701)</b>	<b>8,665</b>
Cash and cash equivalents at start of year	11,416	2,751
<b>Cash and cash equivalents at end of year</b>	<b>5,715</b>	<b>11,416</b>

### Consolidated Statement of Changes in Shareholders' Equity FOR THE YEAR ENDED 31 MARCH 2014

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Shareholders' funds at the beginning of the period	<b>34,279</b>	29,488
Profit for the year	<b>2,633</b>	1,604
Change in fair value of available-for-sale financial assets	<b>(129)</b>	(4,873)
Transfer to the income statement on sale of available-for-sale equity securities	-	(521)
Actuarial loss on pension net of tax	<b>100</b>	(189)
Effect of tax rate changes to deferred tax asset relating pension schemes	-	47
Total comprehensive expense	<b>2,604</b>	(3,932)
Dividends paid	<b>(1,423)</b>	(1,362)
Net Treasury share movements	<b>(126)</b>	-
Proceeds from the issue of share capital	-	9,889
Share-based payments	<b>43</b>	196
<b>Shareholders' funds at the end of the period</b>	<b>35,377</b>	<b>34,279</b>

## NOTES

### 1. Basis of preparation

The financial statements are presented in pounds sterling, rounded to the nearest hundred thousand pounds. They are prepared on the historical cost basis except that the shares in Falkland Oil and Gas Limited are stated at their fair value.

The following amendments and revisions to IFRSs which were effective for the first time in the year ended 31 March 2014 did not have any material impact on the consolidated financial statements:

Amendments and revisions to IFRSs  
IFRS 7 Financial Instruments Disclosures  
IFRS 13 Fair Value Measurement  
IAS 19 Employee Benefits  
IAS 28 Investments in Associates and Joint Ventures  
IAS 27 Separate Financial Statements

At the date of authorisation of these financial statements, there are a number of Standards and Interpretations in issue but not yet effective that have therefore not yet been applied in these financial statements. The Directors anticipate that adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

The financial information contained in this announcement was approved by the Board on 9 June 2014. The information in this preliminary announcement does not constitute the statutory accounts of the Group within the meaning of Section 434 of the Companies Act 2006. The statutory accounts of Falkland Islands Holdings plc for the year ended 31 March 2013 have been delivered to the Registrar of Companies. KPMG Audit Plc has reported on those accounts and KPMG LLP have reported on the statutory accounts for the year ended 31 March 2014. Both audit reports were (i) unqualified, (ii) did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for the year ended 31 March 2013 nor for the year ended 31 March 2014.

### 2. Segmental analysis

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

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: general 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.

## 2. Segmental analysis (continued)

	General trading (Falklands) £'000	Ferry Services (Portsmouth) £'000	2014 Art logistics and storage (UK) £'000	Unallocated £'000	Total £'000
Revenue	15,881	4,124	18,258	-	38,263
Segment operating profit before tax, amortisation & non-trading items	977	1,013	1,826	-	3,816
Net settlement gain on the transfer of the PHFC pension scheme	-	-	-	64	64
Amortisation	-	-	(307)	-	(307)
<b>Segment operating profit</b>	<b>977</b>	<b>1,013</b>	<b>1,519</b>	<b>64</b>	<b>3,573</b>
Share of result of joint venture	36	-	-	-	36
Profit before net financing costs	1,013	1,013	1,519	64	3,609
Interest income	121	-	-	99	220
Interest expense	(108)	(246)	(29)	(42)	(425)
<b>Segment profit before tax</b>	<b>1,026</b>	<b>767</b>	<b>1,490</b>	<b>121</b>	<b>3,404</b>
<i>Assets and liabilities</i>					
Segment assets	20,129	14,437	13,492	9,008	57,066
Segment liabilities	(8,950)	(6,541)	(4,818)	(1,380)	(21,689)
Segment net assets	11,179	7,896	8,674	7,628	35,377
<i>Other segment information</i>					
Capital expenditure:					
Property, plant and equipment	2,057	1,958	260	-	4,275
Investment properties	658	-	-	-	658
Computer software	-	-	41	-	41
Depreciation					
Property, plant and equipment	429	332	307	-	1,068
Investment properties	48	-	-	-	48
Computer software	-	-	117	-	117
Amortisation of intangible assets on acquisition of Momart	-	-	307	-	307
<b>Underlying profit before tax</b>					
Segment operating profit	977	1,013	1,826	-	3,816
Share of results of joint venture	36	-	-	-	36
<b>Underlying profit before net financing costs</b>	<b>1,013</b>	<b>1,013</b>	<b>1,826</b>	<b>-</b>	<b>3,852</b>
Interest income	121	-	-	99	220
Interest expense	(108)	(246)	(29)	(42)	(425)
<b>Underlying profit before tax</b>	<b>1,026</b>	<b>767</b>	<b>1,797</b>	<b>57</b>	<b>3,647</b>

## 2. Segmental analysis (continued)

	General trading (Falklands) £'000	Ferry Services (Portsmouth) £'000	2013 Art logistics and storage (UK) £'000	Unallocated £'000	Total £'000
Revenue	15,222	4,076	16,298	-	35,596
Segment operating profit before tax, amortisation & non-trading items	1,325	984	1,193	-	3,502
Fund raising costs	-	-	-	(682)	(682)
Gain on sale of 1.175 million FOGL shares	-	-	-	768	768
Net settlement loss on the transfer of the PHFC pension scheme	-	-	-	(182)	(182)
Amortisation	-	-	(398)	-	(398)
<b>Segment operating profit</b>	<b>1,325</b>	<b>984</b>	<b>795</b>	<b>(96)</b>	<b>3,008</b>
Interest income	91	2	-	164	257
Interest expense	(118)	(263)	(29)	(58)	(468)
<b>Segment profit before tax</b>	<b>1,298</b>	<b>723</b>	<b>766</b>	<b>10</b>	<b>2,797</b>
<i>Assets and liabilities</i>					
Segment assets	15,059	12,792	13,532	14,838	56,221
Segment liabilities	(8,664)	(6,650)	(4,597)	(2,031)	(21,942)
Segment net assets	6,395	6,142	8,935	12,807	34,279
<i>Other segment information</i>					
Capital expenditure:					
Property, plant and equipment	1,332	223	598	-	2,153
Investment properties	262	-	-	-	262
Depreciation					
Property, plant and equipment	466	301	414	-	1,181
Investment properties	23	-	-	-	23
Amortisation of intangible assets on acquisition of Momart	-	-	398	-	398
<b>Underlying profit before tax</b>					
Segment operating profit	1,325	984	1,193	-	3,502
Share of results of joint venture	-	-	-	-	-
<b>Underlying profit before net financing costs</b>	<b>1,325</b>	<b>984</b>	<b>1,193</b>	<b>-</b>	<b>3,502</b>
Interest income	91	2	-	164	257
Interest expense	(118)	(263)	(29)	(58)	(468)
<b>Underlying profit before tax</b>	<b>1,298</b>	<b>723</b>	<b>1,164</b>	<b>106</b>	<b>3,291</b>

### 3. Finance income and expense

Year ended 31 March	2014 £'000	2013 £'000
Bank interest receivable	99	164
Finance lease interest receivable	121	91
Net interest income on the PHFC net defined benefit liabilities	-	2
<b>Total financial income</b>	<b>220</b>	<b>257</b>
Interest payable on bank loans	(39)	(85)
Interest cost on pension scheme liabilities	(108)	(111)
Amortisation of loan fees	(16)	(16)
Finance lease interest payable	(262)	(256)
<b>Total financial expense</b>	<b>(425)</b>	<b>(468)</b>
<b>Total net financing costs</b>	<b>(205)</b>	<b>(211)</b>

### 4. Earnings per share on underlying profit

#### *Earnings per share on underlying profit*

To provide a comparison of earnings per share on underlying performance, the table below sets out basic and diluted earnings per share based on profits after tax before amortisation ('underlying profit after tax'):

	2014 £'000	2013 £'000
Weighted average number of shares in issue	12,431,623	11,612,626
Less: shares held in Treasury	(12,764)	-
Less: shares owned by the ESOP	(37,785)	(38,364)
Average number of shares in issue excluding the ESOP	12,381,074	11,574,262
Maximum dilution with regards to share options	79,911	129,600
<b>Diluted weighted average number of shares</b>	<b>12,460,985</b>	<b>11,703,862</b>

	2014 £'000	2013 £'000
<b>Underlying profit before tax</b>	<b>3,647</b>	<b>3,291</b>
Tax thereon	(901)	(796)
<i>Tax rate</i>	<i>24.7%</i>	<i>24.2%</i>
<b>Underlying profit after tax</b>	<b>2,746</b>	<b>2,495</b>

Basic earnings per share on underlying profit	22.2p	21.6p
Diluted earnings per share on underlying profit	22.0p	21.3p

## 5. Financial assets - available for sale equity securities

### (a) At fair value

The Group has an investment of 12,825,000 shares (2013:12,825,000) in the AIM quoted company Falkland Oil and Gas Limited ('FOGL').

	2014	2013
Number of shares held by Group	12,825,000	12,825,000
FOGL share price	25.5p	26.5p
Investment stated at fair value:		
Falkland Oil and Gas Limited £'000	3,270	3,399

### (b) At cost

	31 March 2014 £'000	31 March 2013 £'000
Investment at cost:		
Falkland Oil and Gas Limited	2,586	2,586

## 6. Net cash / (debt)

	As at 1 April 2013 £'000	Cash flows £'000	As at 31 March 2014 £'000
<b>Cash at bank and in hand</b>	<b>11,416</b>	<b>(5,701)</b>	<b>5,715</b>
Debt due within one year	(1,149)	40	(1,109)
Debt due after one year - Bank loans	(1,003)	969	(34)
Debt due after one year - Hire Purchase	(250)	81	(169)
Debt due after one year - Pontoon Lease	(4,886)	28	(4,858)
Total debt	(7,288)	1,118	(6,170)
<b>Net debt at end of period</b>	<b>4,128</b>	<b>(4,583)</b>	<b>(455)</b>

## 7. Final Dividend of 7.5 pence.

The Directors recommend a dividend of 7.5p per share (2013: 7.5p) which, if approved by shareholders at the forthcoming Annual General Meeting on 4 September 2014, will be paid on 19 September 2014 to shareholders on the register at the close of business on 29 August 2014.