13 June 2005

Falkland Islands Holdings plc

Preliminary Results for the year ended 31 March 2005

Falkland Islands Holdings ("FIH"), an AIM listed company operating a range of businesses in the Falkland Islands, and the Portsmouth Harbour Ferry Company in the UK, announces preliminary results for the year ended 31 March 2005.

Financial Highlights

- Turnover up 15.1% to £12.8 million (2004: £11.1m)
- Underlying operating profits strong, up 13.6% to £963,000 (2004: £847,000)
- Profit before taxation up 6.0% to £898,000 (2004: £847,000) despite a step change in the level of central overheads, £533,000 (2004: £283,000) reflecting the increased scale of corporate activity
- Basic EPS before goodwill amortisation 8.9p (2004: 9.7p)
- Dividend per share increased by 4.4% to 6.0p (2004: 5.75p)

Operating Highlights

- Falkland Islands' operating profits increased by 13% despite third successive year of poor Illex squid catches
    - Previous investment in the West Store boosted sales
    - Hotel business underwent a significant upgrade
    - Vehicle sales increased
- Completed acquisition of Portsmouth Harbour Ferry Company (PHFC)
- Successful admission to AIM of Falkland Oil and Gas Limited ("FOGL") and Falkland Gold and Minerals Limited ("FGML") in which FIH retains 18% and 14% respectively. At the year end, the market value of FIH's interest in these exploration companies was £21.4m

Outlook

- A full year's contribution from PHFC which is set to benefit from its new ferry, The Spirit of Portsmouth, and increased activity around the International Festival of the Sea and the Trafalgar 200 celebrations
- Exposure to oil and minerals exploration through shareholdings in FOGL and FGML
- Trading in the Falklands is benefiting from the increased level of exploration activity
- Continue to seek earnings enhancing complementary acquisitions

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

"This has been a year of transformation for FIH during which its scale, valuation and prospects have moved to a higher level. The acquisition of PHFC has given the Group an excellent, cash generative business in the UK which significantly improves the quality of our earnings. It also represents a good base on which to build in the domestic maritime sector.

"With a full year's contribution from PHFC, this should be another year of progress for FIH"

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CHAIRMAN'S STATEMENT

Overview

This has been a year of transformation for your Company during which its scale, valuation and prospects have moved to a higher level. The equity base has been increased by some 36% through the issue of new shares and the Group now has a much larger institutional representation amongst its shareholders.

The flotations of Falkland Oil and Gas (FOGL) and of Falkland Gold and Minerals (FGML) have placed a substantial value on our shareholdings and they have both raised the required funds for major exploration programmes. A successful outcome for either company will increase the value of our shareholdings and they both have the potential to transform the economy of the Falklands which would be of enormous benefit to the Company.

The acquisition in December of the Portsmouth Harbour Ferry Company (PHFC) has given the Group an excellent cash generative business in the UK which significantly improves the quality of the Group's earnings. We have a strong track record in operating essential services like these.

The trading environment in the Falklands has remained subdued but with the benefit of three months trading from PHFC a satisfactory result has been achieved.

Your Board, as a sign of its confidence in the future, is pleased to recommend a 4.4% increase in the dividend from 5.75p to 6.0p.

Financial summary

Trading

In the year to 31 March 2005 turnover rose by 15.1% to £12.8m (2004: £11.1m) and the profit before taxation increased by 6.0% to £898,000 (2004: £847,000). Underlying profits before the amortisation of goodwill rose by 13.6% to £963,000 (2004: £847,000). Basic earnings per share before goodwill amortisation were 8.9 pence per share (2004: 9.7p).

PHFC, which was included for 16 weeks in what is the quietest period of its year, accounted for turnover of £1.3m and profit before tax and goodwill amortisation of £202,000.This result was in line with our expectations but profits declined marginally in 2004/5 caused by increased salary and fuel costs and also the impact on passenger numbers of the introduction of parking charges in Gosport in November 2004. To offset these factors fares were increased by 12.5% on 1 June 2005.

Turnover in the group's core Falkland Islands business increased marginally to £11.5m (2004: £11.1m) as the group saw the benefit of an earlier investment to increase the size of retailing space at the flagship West Store in Stanley. Vehicle sales remained strong and insurance income also improved. Conversely the fishing agency had a quiet year and the hotel incurred losses as a significant upgrade was carried out and the benefits of this investment will be felt in the coming years. However, despite the poor fishing season, the Falkland Islands businesses achieved a profit of £1,294,000 (2004: restated £1,130,000).

Cash Flow

Cash flow at the operating level was satisfactory at £0.8m and more closely reflected underlying profitability than the exceptionally high levels seen in 2004 which were due largely to favourable working capital movements. Tax and dividend payments totalled £0.6m in the year and were adequately covered by the net cash flow from operating activities.

During the year the group invested heavily to broaden its operating base to secure the future development of the business. In the year to March 2005, completion of the acquisition of PHFC had a cash cost of £5.7million (£0.2 million of which will be paid next year) and a further £0.6million was invested in FOGL and FGML prior to their flotations.

Within the group the cost of completing the purchase of the new ferry Spirit of Portsmouth was £1 million She entered service in June 2005 and with an estimated useful life of 30 years it will operate as both a ferry and a cruise ship in the harbour and Solent area.

The cash cost of the acquisition of PHFC together with new capital expenditure totalled £7.3million and was funded largely by share placings with new Institutional investors which raised £5.5million. The balance of £1.8m being funded by the draw down of loans (£1.0m) ,the issue of new shares and the use of existing cash resources.

Investments

The Group's shareholdings in FOGL and FGML are stated at cost of £900,000 in the accounts and their market value at 31 March 2005 was £21.4 million equivalent to £2.55 per FIH share.

Acquisition

Control of PHFC was obtained on 9 December 2004. PHFC has operated a passenger ferry service from Gosport to Portsmouth for over 125 years and its acquisition greatly strengthens the group's cash flow and profitability. The acquisition was made at a total cost of £7.5million and was funded by cash of £5.7million and the balance by the issue of new FIH shares and loan notes.

Upon acquisition, PHFC had net assets of £3.3million giving goodwill of £4.2million, which is being written off over 20 years.

Balance Sheet

The financial statements at 31 March 2005 reflect the acquisition of PHFC and the further investments in the exploration companies noted above .The year end position also reflects the strengthening of the group's Balance Sheet which saw shareholders' funds treble during the year from £3.5m to £10.9m following the expansion of the group's capital base during the year.

Tangible assets acquired with the purchase of PHFC included freehold land and buildings with a value of £1.3m, and ferries and other fixed assets totalling £2.8m. Together with the £1.0million spent on completing the purchase of the Spirit of Portsmouth, these items largely account for the £4.9m increase in tangible fixed assets in the year.

Working capital levels increased in the year in part reflecting the expansion of the business following the acquisition of PHFC. In addition stock levels increased as a result of the continued expansion of the group's retail activities in the Falklands. Other changes in working capital reflect timing differences and a return to debtor and creditor levels seen in earlier years.

The group ended the year with a strong liquidity position and at 31 March 2005, with 90% of the new ferry paid for, the group had cash balances of £914,000 and unutilised banking facilities of £3.3million

Strategic Transformation

The acquisition of a good solid business in the United Kingdom complementary to our businesses in the Falklands has been an objective since the Company moved to AIM in 2003 .The acquisition of PHFC fulfilled these criteria, and although the acquisition proved to be a difficult process, the purchase was finally completed in December .

I am pleased to say that the ferry service has continued to function without disruption and its financial performance has been in line with our expectations. The new ferry, Spirit of Portsmouth, was launched on May 11 and is now in full service. 2005 promises to be a busy year for PHFC with the International Festival of the Sea and Trafalgar 200 celebrations being based in Portsmouth.

In line with our undertakings to the people of Portsmouth and Gosport we have maintained a local Board of directors for PHFC and we thank the Board members for their contribution.

Exploration Activities

The flotations of FOGL and FGML in the last quarter of 2004 raised a total of £22million from institutions and the public. Unfortunately it was not possible to give priority in those issues to our own shareholders but through our long term shareholdings of 18.1% in FOGL and 14.4% in FGML shareholders will benefit from any future success of these exploration ventures.

Both companies have made good progress in carrying out the exploration programmes they outlined at flotation. FOGL, which raised £12 million, acquired a further 50,000 sq km acreage shortly after flotation and since then 2D seismic surveys have identified over 130 leads, compared with just 8 which had been identified at flotation. This has led its Board to expand significantly the planned exploration programme. Accordingly, the outlook for FOGL, which has an enviable position with effectively a 90% interest in 83,000 sq km (almost 20 million acres), is exciting. Shareholders can follow developments on its website www.FOGL.com

The substantial increase in the scale of the work programme has been funded in May this year by a £10 million Institutional share placing in May 2005. Your company invested £2million which marginally increased our shareholding to 18.3%. The share price has performed well since flotation and the placing was achieved despite recent adverse sentiment in the sector.

Progress at FGML which raised £10million has also made a good start. Initial set up work has included the commissioning of two drilling rigs and the establishment of a drilling base at Goose Green. A 1500km ground magnetic survey has now been completed and the company has completed three months of its initial programme drilling. The results of drilling and the survey are currently being analysed and further information will be available soon. Results will be posted on the FGML web site www.FGML.com

Your Board views shareholdings in both these companies as long term investments and believes that shareholders will benefit from their retention.

People

We were pleased to welcome John Foster, who joined the Board in January 2005 as an executive director and today he succeeds Bryan McGreal as Managing Director. John's experience over 20 years in advising, managing and investing in a variety of companies is well fitted to our future plans. Bryan, who is now 65, will be retiring from the Board at the Annual General Meeting. He has been with the Group since 1987 and has been Managing Director since 1997. His shrewd judgement and overall contribution have been of great value to shareholders and I would like to thank him most warmly on your behalf. I am delighted that his services will continue to be available to us as he has agreed to remain as a consultant for a year.

We welcome to the Group the employees of PHFC and we look forward to working with them. I would also like to express my appreciation to all our employees for their ongoing dedication to the business.

Outlook

Our strategy is to ensure that the future of your company is not wholly dependent upon our investments in the listed Falkland exploration companies. In 2005, with the PHFC acquisition, the first steps have been taken towards building a meaningful business outside the Falklands. PHFC represents a good base on which we can build in the domestic maritime sector.

The short term outlook in the Falklands remains somewhat clouded by the fallout from the third successive year of poor Illex catches. However, the much increased level of oil and minerals exploration activity is helping confidence in the Islands.With a full year's contribution from PHFC where we will benefit from the increased fares which apply from 1 June 2005, a satisfactory result should be achieved for shareholders.

David Hudd

Chairman

10 June 2005

Group profit and loss account
for the year ended 31 March 2005

	Continuing operations	Acquisitions	Total 2005	Total 2004
	£'000	£'000	£'000	£'000
Turnover	11,468	1,286	12,754	11,082
Cost of sales	(7,910)	(798)	(8,708)	(7,762)
Gross profit	3,558	488	4,046	3,320
Administrative expenses	(3,091)	(354)	(3,445)	(2,743)
Other operating income	287	4	291	283
Operating profit	754	138	892	860
Net interest expense	7	(1)	6	(13)
Profit on ordinary activities before taxation	761	137	898	847
Taxation	(247)	(62)	(309)	(255)
Profit on ordinary activities after taxation	514	75	589	592
Dividends			(520)	(351)
(Loss) / retained profit			69	241
Earnings per share				
Basic			8.0p	9.7p
Diluted			7.9p	9.4p
Basic before amortisation of goodwill			8.9p	9.7p
Dividend per ordinary share			6.0p	5.75p

Group balance sheet
as at 31 March 2005

	2005		2004	
	£'000	£'000	£'000	£'000
Fixed assets				
Intangible assets		**4,136**		89
Tangible assets		**8,501**		3,552
Investment in joint venture - share of gross assets		**-**		189
Other investments		**900**		-
		13,537		3,830
Current assets				
Stocks	**3,308**		3,079	
Debtors due within one year	**1,788**		1,336	
Debtors due after one year	**24**		42	
	1,812		1,378	
Cash at bank and in hand	**914**		1,183	
	6,034		5,640	
Creditors: amounts falling due within one year	**(5,921)**		(4,798)	
Net current assets		**113**		842
Total assets less current liabilities		**13,650**		4,672
Creditors: amounts falling due after more than one year		**(831)**		-
Provisions for liabilities and charges		**(1,895)**		(1,157)
Net assets		**10,924**		3,515
Capital and reserves				
Called up share capital		**838**		617
Share premium account		**7,061**		54
Other reserves		**703**		703
Reserve for own shares		**(83)**		(112)
Profit and loss account		**2,405**		2,253
Equity shareholders' funds		**10,924**		3,515

Group cash flow statement
for the year ended 31 March 2005

Reconciliation of operating profit to net cash inflow from operating activities

	2005	2004
	£'000	£'000
Operating profit	**892**	860
Amortisation of goodwill	**65**	-
Depreciation charges	**292**	226
Increase in stocks	**(229)**	(221)
(Increase)/Decrease in debtors	**(256)**	337
(Decrease)/Increase in creditors and provisions	**13**	542
Net cash inflow from operating activities	**777**	1,744

Cash flow statement

		2005		2004
	£'000	**£'000**	£'000	£'000
Cash flow from operating activities		**777**		1,744
Returns on investments and servicing of finance				
Interest received	**47**		12	
Interest paid	**(31)**		(25)	
		16		(13)
Taxation				
UK Corporation tax paid	**(169)**		(101)	
Overseas taxation paid	**(104)**		(207)	
		(273)		(308)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	**(1,243)**		(503)	
Purchase of investments	**(622)**		(26)	
Receipts from sale of tangible fixed assets	**144**		-	
		(1,721)		(529)
Acquisitions				
Investment in Joint Ventures	**-**		(83)	
Investment in subsidiary undertaking	**(5,556)**		-	
		(5,556)		(83)
Equity dividends paid		**(372)**		(335)
Cash (outflow)/inflow before financing		**(7,129)**		476
Financing				
Repayment of secured loan	**(279)**		(250)	
Issue of ordinary share capital	**5,472**		-	
Additional secured loan	**1,000**		-	
Share options exercised	**98**			
Sale of own shares	**112**		-	
		6,403		(250)
(Decrease)/increase in cash		**(726)**		226

Reconciliation of cash flow to movement in net funds

	2005	2004
	£'000	£'000
(Decrease)/increase in cash in the year	**(726)**	226
Cash (inflow)/outflow from (increase)/decrease in debt	**(848)**	250
Change in net debt resulting from cash flows	**(1,574)**	476
Change in net debt resulting from acquisitions	**209**	-
Net cash at start of year	**933**	457
Net cash at end of year	**(432)**	933

Analysis of changes in net funds

	As at 31 March 2004 £'000	Cash flows £'000	Acquisitions £'000	**As at 31 March 2005 £'000**
Cash at bank and in hand	1,183	(698)	429	**914**
Overdraft	-	(28)	(52)	**(80)**
	1,183	(726)	377	**834**
Debt due within one year	(250)	(97)	(88)	**(435)**
Debt due after one year	-	(751)	(80)	**(831)**
	933	(1,574)	209	**(432)**

Purchase of subsidiary

	Book value £'000	**Fair value adjustments £'000**	**Total £'000**
Net assets acquired			
Tangible fixed assets	**3,698**	**444**	**4,142**
Debtors	**146**	**-**	**146**
Taxation recoverable	**133**	**(116)**	**17**
Cash at bank and in hand	**429**	**-**	**429**
Creditors	**(570)**	**(240)**	**(810)**
Bank overdrafts	**(52)**	**-**	**(52)**
Loans and finance leases	**(168)**	**-**	**(168)**
Deferred taxation	**(452)**	**72**	**(380)**
			3324
Goodwill			**4,201**
			7525
Satisfied by			
Shares allotted			**1,658**
Cash			**5,739**
Loan notes			**128**
			7,525

Notes

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	
	2005	2004	**2005**	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Turnover	**11,468**	11,082	**1,286**	-	**12,754**	11,082
Segment Operating profit before head office costs	**1,287**	1,143	**203**	-	**1,490**	1,143
Segment profit before taxation and head office costs	**1,294**	1,130	**202**	-	**1,496**	1,130
Head office costs					**(533)**	(283)
Goodwill amortisation					**(65)**	-
Group profit before taxation					**898**	847
Net assets	**7,783**	3,515	**3,141**	-	**10,924**	3,515

2. Taxation

	2005	2004
	£'000	£'000
The tax charge based on profit for the period comprises:		
UK corporation tax at 30%	**226**	227
Less double taxation relief	**(149)**	(106)
	77	121
Overseas taxation at 25% (2004: 32.5%)	**231**	158
Adjustments in respect of prior periods	**(31)**	(24)
Total current tax	**277**	255
Deferred taxation	**32**	-
	309	255

3. The Directors recommended a dividend of 6.0p per share (2004:5.75p) payable on 3rd November 2005 to shareholders on the register at close of business on 7th October 2005.

4. Earnings per share has been calculated on profit after tax of £589,000 (2004:£592,000) and based on the weighted average number of shares in issue excluding shares held in the Employee ownership plan of 7,336,298 (2004:6,095,037). The fully diluted earnings have been further adjusted by the dilutive outstanding share options resulting in a weighted average number of shares of 7,427,648 (2004:6,322,547)

5. The Financial information does not constitute the Company's statutory accounts for the years ended 31st March 2005 or 2004 but is derived from those accounts. Statutory accounts for 2004 have been delivered to the Registrar of Companies, and those for 2005 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

6. Copies of Falkland Islands Holdings plc annual report and financial statements will be with shareholders in late June.