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Falkland Islands Holdings plc

("FIH" or "The Group")

Final Results for the year ended 31 March 2008

Falkland Islands Holdings, an AIM quoted international services Group which owns essential services businesses focused on transport and logistics and which has a major shareholding in Falkland Oil and Gas ("FOGL"), is pleased to announce final results for the year ended 31 March 2008.

Financial Highlights

Good financial performance

- Revenue up 10.1% to £17.20 million (2007: £15.62 million)
- Underlying profit before tax* up 17.6% to £1.94 million (2007: £1.65 million)
- Pre-tax profit £1.91 million (2007: £2.03 million) and EPS 16.3p (2007: 18.8p) are both slightly lower than last year when an exceptional profit of £0.49 million was realised on the sale of an investment
- Diluted earnings per share before goodwill amortisation and non-recurring items up 17.3% to 16.3p (2007: £13.9p)
- Dividend per share up 14.3% to 8.0p (2007: 7.0p)
- Cash flow from operations up 50.0% to £3.0 million (2007: £2.0m)
- Net asset value per share up 28.7% to 376p (2007: 292p)

* Defined as profit before tax, amortisation and non-recurring items

Operating Highlights

Further organic and acquisitive growth

Robust performance across all operating businesses with increases in revenue and underlying profits delivered by our Falklands operations and by the Portsmouth Harbour Ferry Company

- Acquisition of Momart for £10.3 million, a UK market leader in fine art logistics in March 2008:
 - Immediately earnings enhancing - revenue of £1.07 million included in period to date
 - Strengthens Group's portfolio of market leading businesses
- Falkland Islands business achieved a 2.8% increase in turnover to £12.6 million reflecting:
 - Strong Illex squid catch in April / May 2007
 - Record automotive sales and buoyant third party freight and carriage revenues achieved in the second half
 - Sales from core retail activity increased by 1.9% to £10.0 million
- Portsmouth Harbour Ferry Company performed well with revenue up 5% to £3.5 million
 - Total passenger numbers increased by 1% to 3.66 million
- Prospects for FOGL (in which FIH holds a 16.3% interest) were transformed by the introduction of BHPBilliton as a farm-in partner in October

Outlook

- The new financial year has started in line with the Board's expectations
- The Group is well positioned to make further progress during the year

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

"We are very pleased to be able to bring you these results from a year that has seen growth in all our business areas as well as the significantly earnings enhancing acquisition of Momart.

"We have also seen a value uplift from our strategic investment in FOGL, which in October 2007 announced BHPBilliton as a farm-in partner, with exploration drilling expected to take place before the end of 2009.

"The new financial year has started in line with the Board's expectations and the Group is well positioned to make further progress during the year."

- Ends -

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Chairman's Statement

Overview

I am pleased to report that 2007/8 has been another good year for Falkland Islands Holdings (FIH) with significant growth in underlying profits and earnings. We were particularly pleased to announce the acquisition of Momart International Ltd ("Momart"), a UK market leader in fine art logistics in March 2008. The acquisition met our strategic objective of strengthening the Group's portfolio of market leading businesses. The acquisition, which was immediately earnings enhancing, brings increased scale and improves the Group's growth potential without compromising the financial position.

Our three businesses achieved solid organic growth during the period and the prospects for Falkland Oil and Gas (FOGL) (in which FIH holds a 16.3% interest) were transformed by the introduction of BHPBilliton as a farm-in partner in October. These achievements have been received positively and this has contributed to the 53% increase in the FIH share price over the financial year.

Results

In the year to 31 March 2008, the Group's sales increased by 10.1% to £17.20 million from £15.62 million while underlying profit, defined as profit before tax, amortisation and non-recurring items was up by 17.6% to £1.94 million from £1.65 million. Profit after tax, but before amortisation and non-recurring items increased by 19.7% to £1.40 million from £1.17 million.

Operating profit before non-recurring items increased by 14.8% to £2.01 million from £1.75 million in 2006/7, of which Momart contributed £84,000 in the short period of ownership. Both the Falklands Islands Company ("FIC") and the Portsmouth Harbour Ferry Company ("PHFC") achieved improved results. In the Falklands, auto sales, fishing agency, property income and shipping volumes were positive factors while other retailing profits declined. The ferry benefited from a 1% increase in passenger numbers.

Falkland Oil and Gas

The Group holds 15 million ordinary shares (16.3%) in FOGL which has a 49% interest in licences covering 49,000 sq km to the South and East of the Falklands. BHPBilliton has been the operator since 1 January 2008 and they have a licence commitment to drill two exploration wells. BHPBilliton have reimbursed FOGL with US\$12.75 million in respect of prior costs and they will be funding 68% of costs through the drilling programme. The introduction of such an experienced Company underpins the exploration effort as we move closer to drilling, which is expected to take place in 2009.

Earnings and Dividend

Earnings per share (EPS) on underlying profits rose by 18.7% to 16.5p per share (2007: 13.9p) and diluted EPS calculated on all earnings after amortisation were 16.1p per share, compared with 18.8p per share last year, which included a profit on the sale of an investment.

The Board is recommending to shareholders a dividend of 8p per share, an increase of 14.3% on last year (2007: 7p). The dividend is twice covered by earnings.

Net Assets

The purchase of Momart for £10.3 million comprised cash (£4.6 million), contingent consideration payable in 2009 and 2010 (£3.2 million) and new FIH shares (£2.5 million). The consideration was financed from existing cash resources and a new term bank loan of £4.0 million. However, the Group remains in a strong financial position with good interest cover. At the year end, interest bearing obligations totalled £9.1 million and cash balances were £3.0 million.

The application of IFRS has meant that the investment in FOGL is now stated in the accounts at market value at the year end (123.5p) of £18.5 million (2007: £12.9 million) equivalent to 204p per FIH share.

Strategy and Outlook

In the coming year we anticipate solid performances from our three businesses which should be relatively defensive to global economic difficulties. The new financial year has started in line with the Board's expectations and the Group is well positioned to make further progress during the year. We look forward to FOGL's future drilling campaign with keen anticipation since any success would have a transformational impact on the value of the investment and of your Company.

We thank our employees for their commitment and contributions to building the business, and we thank our shareholders for their support.

David Hudd

Chairman

Managing Director's Business Review

The year to 31 March 2008 was a year of progress and development for FIH. Our existing businesses performed well and increases in revenue and underlying profits were delivered by both FIC and by PHFC.

The results to 31 March 2008 also reflect a contribution from Momart which was acquired on 5 March 2008. Momart is a specialist provider of transport and logistics services to the art world and is a market leader in the UK with an international reputation for excellence.

This is the first year that the Group has been required to report its results under International Financial Reporting Standards (IFRS) and the financial statements, notes and prior year comparative figures have been shown under IFRS. The greatest impact arises in the balance sheet where the holding in FOGL is now shown at its market value. This has the effect of producing a significant increase in the Group's reported assets and reserves.

Group performance

Including nearly a month of post acquisition trading from Momart, the Group's revenues in the year to 31 March 2008 rose by 10.1% to £17.20 million (2007: £15.62 million). On a like for like basis, revenue increased by 3.3%, as steady progress was delivered by FIC and PHFC in the year.

In the Falklands, FIC started well helped by another very strong Illex squid catch in April and May 2007, and first half activity was also boosted by visitors to the islands in May and June to commemorate the 25th anniversary of the liberation of the islands. Despite a generally sluggish local economy, FIC posted a strong second half with record automotive sales and buoyant 3rd party freight and carriage revenues, which helped to increase revenue in the Falklands business by 2.8% for the year. In the UK, PHFC's ferry business benefited from an increase in passengers, and revenues increased by 5.0% during the year. The revenue of £1.07 million generated by Momart in the 27 days following the acquisition reflected healthy trading and the continued buoyancy of the UK art market.

Revenue

Year ended 31 March	2008 £ million	2007 £ million	Change %
<i>Falklands</i>	12.60	12.26	2.8%
<i>PHFC Ferry</i>	3.53	3.36	5.1%
	16.13	15.62	3.3%
<i>Momart</i>	1.07	-	
Total	17.20	15.62	10.1%

Underlying Profit

In the year to 31 March 2008, Underlying Profit, defined as profit before tax, amortisation and non-recurring items (PBTA), increased by 17.6% to £1.94 million (2007: £1.65 million), reflecting increases at both PHFC and FIC and a first contribution from Momart. On a like for like basis Underlying Profit increased by 12.1% to £1.85 million.

In the current year, reported profits have been largely unaffected by one off items or amortisation charges, whereas in 2006/7, profits before tax were increased by the sale of FIH's shares in Falkland Gold and Minerals Limited. To show the underlying position before non-recurring profits and the amortisation of intangible assets, a separate column has been included on the face of the Consolidated Income Statement. An analysis of underlying profit is shown in the table below:

Underlying Profit

Year ended 31 March	2008 £ million	2007 £ million	Change %
<i>Falkland Islands - FIC</i>	1.24	1.09	13.8 %
<i>Ferry - PHFC</i>	0.61	0.56	8.9%
	1.85	1.65	12.1%
<i>Momart</i>	0.09	-	
Underlying Profit (PBTA)	1.94	1.65	17.6%
Amortisation	(0.03)	-	
Exceptional costs	-	(0.11)	
Profit on sale of investments	-	0.49	
Profit Before Tax	1.91	2.03	-5.9%

Amortisation

Under IFRS, the Group is required to amortise the intangible assets acquired upon the acquisition of Momart (see Note 1. Acquisition of subsidiary) and in a full year the amortisation charge relating to these assets is expected to be approximately £400,000. The charge for the post acquisition period to 31 March 2008 amounted to £28,000. No amortisation charge is required in respect of goodwill, relating to Momart or to PHFC, since there had been no diminution of value in those assets during the year.

Non-recurring items

There were no non-recurring items in the current year. In 2006/7 the Group incurred costs of £105,000 to close the small defined benefit pension scheme in the Falklands and a profit of £485,000 was realised from the sale of the Group's holding in Falkland Gold and Minerals Limited.

Profit before Tax

After taking account of charges for the amortisation of intangibles of £28,000 the Group's profit before tax for the year ended 31 March 2008 was £1.91 million (2007:£2.03 million).

Earnings per share

Earnings per share based on Underlying Profit before non-recurring items and amortisation charges (PBTA) saw a healthy 18.7% increase in the year to 16.5 pence per share.

Year ended 31 March	2008 £ million	2007 £ million	Change %
Underlying Profit as above	1.94	1.65	17.6%
<i>Tax thereon</i>	(0.54)	(0.48)	
<i>Underlying profit after tax</i>	1.40	1.17	19.7%
<i>Average no. of shares in issue (thousands)</i>	8,478	8,417	
Basic EPS	16.5p	13.9p	18.7%

Group Structure

Momart became a 100% owned subsidiary of FIH with the Group's holdings in FIC and PHFC remaining unchanged. The Group also retained its strategic 16.3% shareholding in FOGL of 15 million shares. On 7 September 2007 these shares were transferred to Erebus Limited a wholly-owned subsidiary incorporated in the Falkland Islands.

Acquisition of Momart International Limited

On 5 March 2008, FIH completed the acquisition of Momart Limited and its parent company Momart International Limited. The total consideration payable, including transaction costs of £566,000 was £10.8 million comprising cash, shares in FIH, contingent consideration payable over 2 years, linked to the continuing employment of the directors of Momart, and a small sum paid on a deferred basis linked to the value of certain art works to be sold by Momart.

	£ million	
Cash	Sum paid to vendors	4.6
Professional Fees		0.6
Ordinary Shares in FIH		2.5
Contingent Consideration		3.0
Deferred consideration		0.1
Total Consideration		10.8

The consideration paid represented a multiple of 7.9 times the reported PBTA of Momart for the year ended 31 August 2007.

582,666 FIH shares were issued in respect of the acquisition representing 6.8% of the issued share capital prior to the transaction.

At the time of the acquisition, Momart had identifiable net tangible operating assets of £1.2 million and bank borrowings of £1.6 million. In addition, the Group also acquired intangible assets of £4.8 million and related deferred tax liabilities of £1.3 million. Goodwill on acquisition amounted to £7.6 million.

	£m
Consideration Payable	10.8
Net Tangible Assets on acquisition	1.3
Existing bank borrowings	(1.6)
Intangible assets (trade name etc.)	4.8
Deferred tax linked to Intangibles	(1.3)
	<u>3.2</u>
Goodwill on acquisition	7.6

Momart is a leading provider of specialist transport, storage logistics and consultancy services for the art market. The Company has been established for some 35 years and has administration offices in Whitechapel and a secure storage facility of 78,000 square feet in Leyton, East London. Momart has 112 employees and in the year to 31 August 2007 reported revenue of £12.3 million and PBTA of £1.4 million.

Momart enjoys an enviable reputation for its professionalism and specialist expertise amongst its blue chip client base, which includes many of the world's leading museums and art galleries (e.g., the British Museum, The Victoria and Albert Museum, Tate, and the Royal Collection. Momart's overseas clients include the Metropolitan Museum of New York, The J. Paul Getty Museum Los Angeles, and the Hermitage St Petersburg).

Services to public galleries and museums accounted for approximately 56% of Momart's revenues in 2007. In addition to its public sector clients, Momart provides specialist storage and transportation services for many of the UK's leading commercial art galleries and collectors. Services to private galleries accounted for approximately 34% of Momart's revenues in 2007. Storage rental income represented 10% of revenue.

In recent years Momart has enjoyed strong growth in both revenue and profit, with the continued expansion of the global art market further growth is expected over the medium term.

Portsmouth Harbour Ferry Company

PHFC performed well in the second half of the year, building on the solid performance reported in the interim results. The core passenger ferry service continued to account for more than 90% of revenue. Whilst the encouraging increase in passenger numbers seen in the first half of the year slowed a little in the second half, for the year as a whole the total number of passengers carried by the ferry increased by 1% to 3.66 million. PHFC also continued to provide water taxi services for Berkeley Homes, with a small 72 passenger vessel operating at peak times during weekdays taking residents from Royal Clarence Yard on the Gosport shore to our pontoon at Portsea.

PHFC also enjoyed success with a smaller, more focussed programme of summer leisure cruises in Portsmouth harbour and along the Solent, and this made a small positive contribution for the first time in several years. A similarly focussed programme is scheduled for this summer.

As in the prior year, fares were increased on 1 June 2007, with normal daily adult return fares rising by 5% to £2.10 and fares for regular users buying open 10 trip tickets increasing from £8.00 to £8.40. In addition, the Company continued to offer concessionary fares to children and seniors over 60.

With the 1% increase in passengers and fare rises in June, partially offset by the elimination of loss making cruises, total revenue from PHFC increased by 5% to £3.53 million.

2007/8 saw continued cost inflation with particularly large increases in the price of fuel, but efficiency improvements and active cost management mitigated their impact. As a result, after the allocation of head office costs, the profit before tax of the ferry operations increased from £0.55 million to £0.61 million in the year to 31 March 2008.

The ferry currently benefits from the free use of the pontoon on the Gosport side of the harbour which is owned by Gosport Borough Council. The Council are moving ahead with plans to replace the existing pontoon which is now expected to be delivered in late-2009. It now seems clear that the Council will seek to finance the cost of the pontoon by charging a full commercial rent for its use. With installation of the new pontoon now delayed into late-2009 these additional pontoon rental costs will not affect the current financial year. However, the Group will be required to implement significant increases to fares to offset these additional operating costs next year.

The ferry service continues to be popular with local residents and this was confirmed during the year by a customer satisfaction survey which revealed that 89% of passengers felt the service was good or very good. The

key to this high level of passenger satisfaction is the ferry's exceptional reliability and in 2007/8 over 99.6% of all 72,000 ferry trips departed on time. The value placed on PHFC's operations by the people of Gosport and Portsmouth was also emphasised when the company was awarded the prestigious "Service to the Community" award at the "Go Gosport" awards ceremony in December 2007. This award was a welcome recognition of PHFC's unique contribution to the local community which it serves and underlines the value local people place on a service which is:

- Safe;
- Reliable;
- Quicker;
- Cheaper; and
- More environmentally friendly than using a car.

With spiralling costs of petrol, and increased awareness of green issues, the excellent value for money, combined with the convenience of the shorter harbour crossing, mean that the Gosport Ferry remains an attractive and compelling choice for local commuters and tourists.

Falklands Operations (FIC)

Total revenue in the Group's Falklands' businesses in the year to 31 March 2008 increased by 2.8% to £12.60 million (2007: £12.26 million).

The economy of the Falkland Islands is not directly linked to the business cycle in the UK, but is subject to the same increases in raw material prices, food and energy costs. In particular oil, which despite the recent introduction of a small farm of wind turbines, continues to form the basis for almost all the Islands' electricity generation, saw sharp price rises in the year and these increases were more acutely felt by consumers without the dampening effect of the high government duty seen in the UK. In general terms, economic activity in the Falklands remained largely flat in the year, constrained by rising costs and restricted government spending. Retailing remained competitive and margins, particularly in the West Store supermarket, came under renewed pressure. However, continued growth in the numbers of cruise ship visitors provided an important stimulus to the Group's Capstan gift shop. Automotive sales were buoyant with continuing strong military orders supported by increased sales of newly introduced budget 4x4's. In addition, the Company's freight business, Darwin Shipping, benefited from exceptional volumes of third party cargoes being shipped to the Islands during the year.

After allocating head office costs, the Group's Falklands business activities generated a profit before tax and non-recurring items of £1.24 million, an increase of £0.15 million on the prior year (2007: £1.09 million).

Retailing - Sales £10.0 million (2007: £9.8 million)

Retailing is the most important business activity undertaken by the Group in the Falklands and accounts for 80% of local revenue.

Despite increased competition and a generally flat local economy in the year to 31 March 2008, overall retail sales increased by 1.9% to £10.0 million.

Helped by a reorganisation of management responsibilities and improvements in store layout, sales at the flagship West Store supermarket increased by 1.2%. However, competition from local independent retailers remained fierce and this put pressure on margins during the year. At the Capstan gift shop a refreshed product line up and continued increases in tourist activity, particularly of cruise ship passengers, saw sales increase by 10.2%. During the year the Company's Gallery clothing store was closed for refurbishment and re-opened in September 2007 re-branded as "Basics". With a simplified offer of clothing staples, customer reaction was positive and both sales and margins at the renamed "Basics" store improved in the second half.

The Group's DIY business, Homecare, was also re-branded during the year and its two constituent parts, selling building materials and home furnishings and accessories, were split off into separate trading areas and renamed "Home Builder" and "Home Living". The refurbishment was completed in December 2007 and the new outlets re-opened in time for Christmas. Customer reaction was positive and again sales increased in aggregate by 9.7% for the year to 31 March 2008, reversing the trend of decline seen in the prior year.

FIC's automotive dealership had another excellent year with record numbers of vehicle sales (95 compared to 84 in the previous year). Increased sales of the newly introduced budget Ford 4x4 models complemented the Company's more traditional Land Rover sales, targeted at local businesses and the military, which still form the bedrock of the auto section's activities.

Other Activities - Sales £2.6 million (2007: £2.4 million)

Overall sales in FIC's other activities increased by £0.2 million to £2.6 million in the year to 31 March 2008.

The Fishing Agency had a good year with revenues and net income marginally ahead of 2006/7 thanks to another strong performance from the Illex squid fishery.

Revenues from FIC's insurance agency and property rental activities saw steady growth in the year, and with lower property maintenance costs in 2007/8 the contribution from FIC's property arm increased significantly. At the year end, FIC had a portfolio of 28 commercial and residential properties, all of which are let. Port Services which provides stevedoring services also increased its contribution in 2007/8.

Darwin Shipping, which charters space on UK Ministry of Defence supply vessels, benefited from exceptional levels of third party cargos during the year, most notably its carriage of 3 huge wind turbines for the newly installed wind farm on the outskirts of Stanley, which will help reduce the Islands' reliance on expensive fossil fuels. Despite an increase in MoD shipping rates in November 2007, a strong increase in volumes of third party freight and a continued tight control on costs, enabled Darwin to make a welcome advance in the year.

The Upland Goose Hotel benefited from the 'Falklands 25' visitors in the first quarter, but in the remainder of the year, as expected, demand for beds fell away and occupancy levels dropped, resulting in increased losses for the year as a whole. After a careful review of the prospects for the Goose it was decided to close the hotel at the end of March 2008 and convert the building back into its original use as residential accommodation. Planning permission for 11 residential units has been granted and work commenced on the conversion in April 2008. The project will capitalise on the site's excellent sea front location in the centre of Stanley, and produce prestigious premium priced heritage cottages and apartments, available for sale or letting in 2009.

During the year the Company was also granted planning permission to build up to 350 residential units at its 37 acre site at Dairy Paddock, on the Southwest edge of central Stanley, part of which was received in exchange for FIC's Racecourse site. Discussions are progressing with a UK house builder, Galliford Try plc, and the Falklands Islands Government to assess the potential for the profitable phased development of this site. If successful, this would see a substantial increase in the size and the quality of the housing stock in Stanley, and would provide a significant boost to the value of FIC's property portfolio.

Trading Outlook for 2008/9

With the acquisition of Momart, the overall profitability of the Group is set to increase significantly in the current financial year as the Group benefits from a full year's contribution from the art logistics company. Although the general economic outlook in the UK is more uncertain than for some time, both Momart and PHFC have seen a solid start to the new financial year, with both companies seeing year on year increases in revenue in the first 2 months. In the Falklands, the first quarter has experienced a slower start, with a fall in the squid catch in April and May and a corresponding reduction in the income generated by the Fishing Agency. In addition, the first two months of 2007/8 benefited from the 25th anniversary commemorations, and as a result in comparison FIC has not enjoyed as strong a start this year.

The outlook for the remainder of the year remains positive, and although it is unlikely that FIC will match the exceptional level of profitability seen in 2007/8, a solid contribution from Stanley is anticipated. In the UK further strengthening of the central management function will take place following the near doubling in size of the Group brought on by the recent acquisition. In the UK operating companies both PHFC and Momart are expected to make further progress.

Falkland Oil and Gas (FOGL)

The Group continues to hold its strategic stake in FOGL of 15 million shares which represents a 16.3% interest. At 31 March 2008 the bid price of FOGL shares was 123p giving a market value for FIC's shareholding of £18.5 million (2007: £12.9 million). The investment has a cost value to the Group of £2.5 million.

In the year the exploration programme continued with expenditure of £11 million in FOGL's calendar year. The major components were the Controlled Source Electromagnetic (CSEM) Survey and the 2D infill survey.

The 2D survey, which was completed in May 2007, was designed to infill the existing seismic grid in order to get clearer definition of the leads and prospects and covered 9,950 km.

In August 2007 the CSEM survey of 750 km was completed covering 12 prospects. FOGL reported that positive anomalies were detected over 7 of the prospects, which also showed seismically derived direct hydrocarbon indicators. The largest of these could contain on a mean un-risked basis up to 3.5 billion barrels. The results of the CSEM survey were then integrated with the 2D results to help define the best prospects for drilling.

One of the key objectives for FOGL was to secure a credible farm-in partner and in October 2007 it was announced that a farm-in had been agreed with BHPBilliton and that transaction was completed in December. BHPBilliton acquired a 51% interest in the entire licence area and assumed the operatorship. The financial terms of the farm-in were that FOGL received US\$12.75 million in reimbursement of historic costs and that BHPBilliton will pay 68% of exploration costs up to, and including, the drilling of two exploration wells. Their participation provides external corroboration of the prospectivity of the licence area.

Final preparatory work prior to drilling, comprising site surveys and environmental impact assessment is expected to take place in the Austral Summer of 2008/9 with drilling in 2009.

The positive news flow led to FOGL's share price increasing by 42% over the financial year from 86.5p to 123p.

Balance Sheet

As a result of the introduction of IFRS and the acquisition of Momart the consolidated balance sheet has undergone considerable change. The net effect of these changes is that the Group has seen an increase in its reported net assets from £24.7 million to £34.0 million as at 31 March 2008 and the Group ended the year with net bank borrowings of £6.1 million (2007: £2.2 million net cash).

Intangible assets at 31 March 2008 of £16.4 million (2007: £4.0 million) include intangible assets and goodwill of £12.4 million linked to the acquisition of Momart and £4.0 million related to goodwill on the acquisition of PHFC in December 2004.

The £4.8 million of other intangible assets relate to those assets with a specifically identifiable commercial value to the company.

The net book value of property, plant and equipment increased by £1.1 million from £6.3 million to £7.4 million to 31 March 2008. During the year fixed asset additions of £0.9 million were made to improve the infrastructure of the operating companies, principally in the Falkland Islands, and a further £0.7 million of tangible assets (mainly vehicles and plant and equipment) were acquired with the purchase of Momart in March 2008. The depreciation charge for the year amounted to £0.5 million.

The Group's investment properties comprise commercial and residential properties in the Falkland Islands held for rental. The net book value was essentially unchanged in the year at £1.6 million (2007: £1.6 million). The directors estimate that the fair value of this property portfolio at 31 March 2008 was £2.8 million.

Under IFRS, deferred tax assets relating to future pension liabilities are classified separately and unlike UK GAAP are not netted off the gross pension liability. As at 31 March 2008 the Group's deferred tax assets fell from £0.6 million to £0.5 million largely as a result of the reduction of UK corporation tax from 30% to 28%.

Inventories increased from £2.7 million to £3.3 million at 31 March 2008. £162,000 of this relates to work in progress at Momart and the balance of £3.2 million represented stock held for resale in the Group's retail operations in the Falklands. Over £0.3 million of the £0.5 million increase in stock levels in the Falklands related to higher levels of vehicle stocks which rose to £0.7 million at the year end. These increases were in response to higher levels of customer demand, particularly for budget 4x4 models. Levels of retail inventories were also deliberately increased by some 5% to increase buffer stocks and avoid stock outs and lost sales.

Trade and other receivables balances increased from £2.4 million in March 2007 to over £5.3 million as at 31 March 2008. The increase relates largely to the acquisition of trade debtors in Momart with balances due from museums and galleries and overseas agents. The Company has a good history of receivables collection and many of its overseas agency customers have amounts payable to them in trade creditors, which offset the receivable due to Momart. In addition, many of the museums and institutions owing monies have long standing relationships with Momart and have assets held in storage on their behalf at Momart's warehouse in Leyton. Approximately £1.7 million of trade receivables was due in the Falkland Islands (2007: £2.4 million) mainly relating to fishing companies.

Despite the payment of £5.3 million in consideration for Momart, the Group retained healthy cash balances of £3.0 million at 31 March 2008 (2007: £5.0 million).

As part of the acquisition of Momart, the Group drew down an additional £4 million of bank borrowings in the form of a term loan repayable over 7 years with an initial 2 year repayment holiday. In addition, a further £3.0 million is due to the Momart vendors in contingent consideration, which will be payable over the next 2 years. At 31 March 2008 the Group's total interest bearing loans and borrowings amounted to £9.1 million (2007: £2.7 million), representing the £7 million linked to the purchase of Momart and a further £2.1 million of residual bank borrowings that pre-dated the acquisition.

Income tax payable of £1.36 million (2007: £0.57 million) relates to corporation tax due within the next 12 months.

At the year end the Group hedged its interest rate exposure by taking out a structured collar to cap against adverse movements in interest rates. Under IFRS these instruments are included in the balance sheet at fair value, which as at 31 March 2008 represented a liability of £72,000 (2007: £1,000).

Trade and other payables increased significantly from £4.2 million to £7.6 million as a result of the acquisition of Momart, but as in prior years, also include extended credit arrangements with long standing suppliers connected to the Group's Falklands business.

As at 31 March 2008 the liability due in respect of the Group's defined benefit pension schemes had reduced from £2.5 million as at 31 March 2007 to £2.1 million, principally due to an increase in long term bond rates from 5.4% to 6.6%, which in turn has led to a reduction in the discounted net present value of the schemes' liabilities.

Deferred tax liabilities increased from £0.8 million as at 31 March 2007 to £2.1 million as at 31 March 2008. £1.3 million of this increase was attributable to the tax amortisation benefit created by the acquisition of £4.8 million of intangible assets stemming from the purchase of Momart. The benefit of the effect of the reduction in the rate of UK corporation tax from 30% to 28% as from 1 April 2008 has been offset by an increase in provisions in respect of other timing differences.

As at 31 March 2008 the net assets of the FIH Group under IFRS had increased to £34.0 million (2007: £24.7million). The uplift of £9.3 million can be summarised as follows:

	£ million
Profit for the year	1.4
Dividend paid	(0.6)
Issue of shares	2.5
Increase in fair value of FOGL	5.5
Actuarial gain on pension schemes	0.3
Other	0.2
Total increase in shareholders funds	9.3

Net assets per share were 375 pence per share at 31 March 2008 (2007: 292 pence per share).

Cash Flow

Cash flow from operating activities

The Group experienced a strong positive cash flow in the year to March 2008, with net cash flow from operating activities increasing to over £2.9 million compared to the £2.0 million generated in 2006/7. This reflected the increase in the Group's underlying profitability and the management of working capital.

The Operating cash flow can be summarised as follows:

Year ended 31 March	2008 £'000	2007 £'000
PBT as reported	1,909	2,034
Add:		
Depreciation	534	468
Amortisation	28	
Net interest expense	101	97
Share based payments expense	142	101
Gain on sale of FGML		(485)
EBITDA	2,714	2,215
Add:		
Decrease in working capital	671	92
Other	54	(4)
Less:		
Tax paid	(460)	(338)
Net cash flow from operating activities	2,979	1,965

Cash flow from investing and financing activities

During the year a cash dividend of £591,000 was paid, which equates to 7p per share (2007: 6.5p). Capital expenditure amounted to £919,000 (2007: £282,000). The major items were the renovation of retail outlets and the construction of residential properties to let in the Falklands. The Company enjoyed net bank interest received of £40,000 in the year as its liquidity position remained strong (2007: £31,000 paid). With the continued strengthening of its liquidity position, surplus cash resources were placed on deposit.

During the year the Group paid the final £43,000 instalment on the loan notes issued in connection with the acquisition of PHFC in December 2004 and made scheduled repayments of bank loans of £0.5 million. After drawing down additional bank loans of £4 million (net £3.8 million) to help finance the cash costs of acquisition of Momart of £5.3 million, the £1.4 million of bank debt extant in Momart at the time of the acquisition was repaid. After taking into account all cash flows linked to the Group's financing and investing activities, the net cash flow for the year amounted to an outflow of £2.0 million (2007: inflow of £1.4 million) and the Group ended the year with cash balances reduced to £3.0 million from £5.0 million at 31 March 2007 and net debt of £6.1 million (2007: £2.2 million cash).

Year ended 31 March	2008 £'000	2007 £'000
Net cash flow from operating activities	2,979	1,965
Less:		
Dividends paid	(591)	(545)
Capital expenditure	(919)	(282)
Net bank interest	40	(31)
Repayment of loan notes	(43)	(43)
Scheduled loan repayments	(498)	(532)
Repayment of Momart loan	(1,395)	-
Draw down of loan	3,841	-
Acquisition of Momart	(5,343)	-
Sale of FGML	-	675
Other	(35)	151
Net cash flow	(1,964)	1,358
Cash balance b/fwd	4,959	3,601
Cash balance c/fwd	2,995	4,959

Business Drivers, Risk Factors and Key Performance Indicators

Business Drivers

All the Group's businesses are consumer oriented operations and their success is linked to the general economic conditions in their markets. Inflation, employment levels, interest rates and government spending programmes all have an effect on disposable income and consumer confidence. The Group's businesses in the Falklands and Gosport have strong ties to the local communities they serve and activity is linked in turn to the local demand for their goods and services. In addition demand in these local markets is boosted by wider tourist activity and both locations have benefited from increasing tourist numbers in recent years. In the Falklands the strength of the local economy is closely linked to the fortunes of the fishing industry and in particular the success of the more variable Illex squid season which runs from February to May. In the future the outcome of the oil exploration programme is likely to have a major impact on the Falklands economy.

At Momart, general economic factors are also important but in addition there is an increasing trend for the outsourcing of specialist services by museums and institutions. At a wider level the use of art works as cultural ambassadors and as revenue generating assets has led to a steady increase in the number and frequency of major travelling international exhibitions. In addition, the art market itself is being significantly expanded by the emergence of new buyers, patrons and artists in the rapidly developing economies of the Middle and Far East and Russia.

Risk Factors

PHFC and FIC are both sensitive to changes in local economic conditions. The level of local competition also affects their performance. In the Falklands, FIC faces local competition in almost every area of its operations but due to the Company's long established position and accumulated expertise, in most sectors FIC has the largest market share. The situation is fluid and maintaining leadership depends on continued innovation, investment and a commitment to excellence in customer service.

For the ferry operations in Portsmouth the situation is different. Although there is no other directly competing ferry operator, customers do have a choice and are able to travel by car or public transport round the harbour. Maintaining and promoting the relative attractions of using the ferry whether for commuting to work, shopping or for tourism is a key focus of our strategy and PHFC will continue to work closely with local authorities and other public transport providers to reinforce its position as a, faster more cost effective, and environmentally friendly alternative to travelling by car.

For Momart the physical security of artworks is of paramount importance and the Company goes to great lengths to guard against the risk of theft or damage to the priceless works in its care. Beyond physical security and the related risk to the Company's reputation, the risks faced by Momart are less local in nature and include any global factors impacting continued growth of the global art market. In particular those factors which could result in a contraction of personal or institutional budgets which could then lead to a reduction in the movement and display of art. The emergence of new competitors could also impact the business adversely.

Key Performance Indicators

At a Group level management attention is focussed on revenue, costs and the contribution generated by each sub group of businesses. In the Falklands businesses like for like revenue growth is a key measure of performance, especially for the retail outlets which account for 80% of sales. In addition to sales trends gross margins by product and general costs are also kept under close review.

At PHFC, passenger numbers and the average fare yield are monitored on a weekly basis, and other key concerns are ferry reliability and passenger safety as well as a focus on costs and net profitability.

In Momart, forward sales projections are monitored and updated and these are an important leading indicator which facilitates forward planning. In addition, order intake and the conversion rate in bidding for contracts are reviewed on a regular basis. Direct costs and the gross contribution of individual contracts are monitored closely as are the level of indirect costs and the overall amount of overtime being worked.

John Foster

Managing Director

Consolidated Income Statement FOR THE YEAR ENDED 31 MARCH 2008

Notes	Before amortisation & non- recurring items	Amortisation & non- recurring items (Note 3)	Total	Before amortisation & non- recurring items	Amortisation & non- recurring items (Note 3)	Total
	2008	2008	2008	2007	2007	2007
	£'000	£'000	£'000	£'000	£'000	£'000
2 Revenue	17,200	—	17,200	15,618	—	15,618

Cost of sales	(10,469)	—	(10,469)	(9,531)	—	(9,531)
Gross profit	6,731	—	6,731	6,087	—	6,087
Pension scheme restructuring costs	—	—	—	—	(105)	(105)
Other administrative expenses	(4,953)	(28)	(4,981)	(4,623)	—	(4,623)
Administrative expenses	(4,953)	(28)	(4,981)	(4,623)	(105)	(4,728)
Other operating income	260	—	260	287	485	772
Operating profit	2,038	(28)	2,010	1,751	380	2,131
Finance income	320	—	320	269	—	269
Finance expense	(421)	—	(421)	(366)	—	(366)
Net financing costs	(101)	—	(101)	(97)	—	(97)
Profit before tax from continuing operations	1,937	(28)	1,909	1,654	380	2,034
Taxation	(540)	9	(531)	(481)	32	(449)
Profit for the year attributable to equity holders of the company	1,397	(19)	1,378	1,173	412	1,585
4 Earnings per share						
Basic			16.3p			18.8p
Diluted			16.1p			18.8p

Consolidated Balance Sheet AT 31 MARCH 2008

Notes	2008 £'000	2007 £'000
Non-current assets		
Intangible assets	16,335	3,979
Property, plant and equipment	7,383	6,268
Investment properties	1,557	1,588
Financial assets - available for sale equity securities	18,450	12,900
Non-current assets held for sale	157	-
Other financial assets	71	45
Deferred tax assets	519	648
Total non-current assets	44,472	25,428
Current assets		
Inventories	3,340	2,677
Trade and other receivables	5,353	2,384
Other financial assets	141	133
Cash and cash equivalents	2,995	4,959
Total current assets	11,829	10,153
TOTAL ASSETS	56,301	35,581
Current liabilities		
5 Interest bearing loans and borrowings	(2,064)	(542)
Tax payable	(1,356)	(570)
Derivative financial instruments	(72)	(1)
Trade and other payables	(7,595)	(4,247)
Total current liabilities	(11,087)	(5,360)
Non-current liabilities		
5 Interest bearing loans and borrowings	(6,992)	(2,191)

Employee benefits	(2,060)	(2,517)
Deferred tax liabilities	(2,134)	(795)
Total non-current liabilities	(11,186)	(5,503)
TOTAL LIABILITIES	(22,273)	(10,863)
Net assets	34,028	24,718
Capital and reserves		
Equity share capital	906	847
Share premium account	7,206	7,206
Other reserves	3,145	703
Retained earnings	6,775	5,482
Financial assets fair value reserve	15,996	10,480
Total equity	34,028	24,718

**Consolidated Cash Flow Statement
FOR THE YEAR ENDED 31 MARCH 2008**

Notes	2008 £'000	2007 £'000
Cash flows from operating activities		
Profit for the period	1,378	1,585
<i>Adjusted for:</i>		
<i>(i) Non-cash items:</i>		
Depreciation	534	468
Amortisation	28	-
Notional interest charge on deferred consideration	4	-
Expected return on pension scheme assets	(16)	(13)
Interest cost on pension scheme liabilities	145	137
Loss / (gain) on remeasurement of derivative financial instruments	72	(7)
Equity-settled share-based payment expenses	142	101
<i>Non-cash items adjustment</i>	909	686
<i>(ii) Other items:</i>		
Bank interest receivable	(240)	(205)
Bank interest payable	200	236
Gain on disposal of fixed asset investments		(485)
Gain on sale of investment properties	(10)	-
Income tax expense	531	394
<i>Other adjustments</i>	481	(60)
Operating cash flow before changes in working capital and provisions	2,768	2,211
Decrease / (increase) in trade and other receivables	307	(725)
(Increase) / decrease in inventories	(345)	429
Increase in trade and other payables	701	316
(Decrease) in provisions and employee benefits	8	72
Cash generated from operations	3,439	2,303
Income taxes paid	(460)	(338)
Net cash flow from operating activities	2,979	1,965
Cash flows from investing activities		
Purchase of property, plant and equipment	(907)	(282)
Purchase of investment properties	(12)	-
Costs incurred in restructuring investment holdings	(34)	-
Proceeds from sale of investment properties	23	-
1 Acquisition of subsidiary, net of cash acquired	(5,343)	-
Proceeds from sale of equity securities		675
Interest received	240	205
Net cash flow from investing activities	(6,033)	598
Cash flow from financing activities		
Increase / (decrease) in other financial assets	(34)	-
Repayment of secured loan	(1,893)	(532)
Repayment of loan notes	(43)	(43)
Proceeds from new loan	3,841	-
Interest paid	(200)	(236)
Proceeds from the issue of ordinary share capital	10	151
Dividends paid	(591)	(545)

Net cash flow from financing activities	1,090	(1,205)
Net increase in cash and cash equivalents	(1,964)	1,358
Cash and cash equivalents at start of period	4,959	3,601
Cash and cash equivalents at end of period	2,995	4,959

**Consolidated Statement of Recognised Income and Expense
FOR THE YEAR ENDED 31 MARCH 2008**

	2008 £'000	2007 £'000
Gain / (loss) on valuation of available-for-sale equity securities	5,516	(8,625)
PHFC actuarial gain on pension scheme	147	61
FIC actuarial gain on pension scheme	301	118
Movement on deferred tax asset relating to pension schemes	(109)	(48)
Dividends paid	(591)	(545)
Share-based payments	164	101
Movement on deferred tax relating to share-based payments	3	(43)
Net income / (expense) recognised directly in equity	5,431	(8,981)
Profit for the period	1,378	1,585
Total recognised income and expense for the period attributable to shareholders of the parent	6,809	(7,396)

Notes

1. Acquisition of subsidiary

On 5 March 2008, the Company acquired all of the ordinary shares in Momart International Limited for £10,835,000, satisfied in cash and the issue of 582,666 ordinary shares of 10p each at £4.27½ being the average closing price of the shares for the three days preceding completion of the purchase. Momart International Limited is the parent company of Momart Limited, a leading UK expert in the transportation and storage of fine art. In the twenty-seven days since 5 March 2008 the subsidiary contributed net profit after tax of £20,000 to the consolidated net profit for the year. If the acquisition had occurred on 1 April 2007, Group revenue would have been an estimated £29 million and net profit after tax would have been an estimated £1.6 million (before amortisation: £2 million). In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2007.

Consideration paid

Comprises:

	£'000
Initial cash sum	5,165
Contingent consideration ¹	3,022
Deferred consideration payable ²	157
Ordinary shares	2,491
Total consideration payable	<u>10,835</u>

¹ Contingent consideration shown in the above table as £3,022,000 represents, in accordance with IFRS 3, the net present value of £3,173,000 payable in two annual instalments. These payments are contingent on certain of the vendors remaining Group employees for two years from the date of acquisition.

² Deferred consideration payable estimated at £157,000 represents the estimated proceeds from the future disposal of certain items of artwork accumulated by Momart International Limited prior to acquisition and shown as non-current assets held-for-sale on the balance sheet.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Pre-acquisition carrying amounts £'000	Provisional fair value adjustments £'000	Recognised provisional values on acquisition £'000
--	---	---	---

Acquiree's net assets at the acquisition date:			
Property, plant and equipment	710	-	710
Other fixed assets ¹	47	110	157
Intangible assets ²	-	4,777	4,777
Inventories	318	-	318
Trade and other receivables	3,276	-	3,276
Cash and cash equivalents	(178)	-	(178)
Interest-bearing loans and borrowings	(1,395)	-	(1,395)
Trade and other payables	(3,083)	-	(3,083)
Deferred tax liabilities ²	(24)	(1,330)	(1,354)
Net identifiable assets and liabilities	(329)	3,557	3,228
Goodwill on acquisition			7,607
Consideration paid (including professional fees of £566,000 satisfied in cash)			10,835
Less: non-cash, contingent & deferred consideration			(5,670)
Initial cash sum			5,165
Add: Overdraft acquired			178
Net cash outflow			5,343

Fair value adjustments

¹ Relates to recognising certain items of artwork accumulated by Momart International Limited prior to acquisition at auctioneer's estimate prior to disposal.

² Relates to the recognition of the following intangible assets at fair value:

Trade name	£'000
Customer relationships	2,823
Non-compete agreements	1,882
	<u>72</u>
	<u>4,777</u>

Included in £7,607,000 of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the skills and technical talent of the acquired business' workforce.

2. Segmental information

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. 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.

Primary reporting format - business

Year Ended 31 March 2008	Ferry Services (Portsmouth) £'000	Art logistics and storage (UK) £'000	General trading (Falklands) £'000	Total £'000
External revenue	3,531	1,066	12,603	17,200
Segment operating profit before tax, amortisation & non-recurring items	717	112	1,209	2,038
Amortisation and non-recurring items	-	(28)	-	(28)
Segment operating profit	717	84	1,209	2,010
Interest expense	(170)	(29)	(222)	(421)
Interest income	64	-	256	320
Segment profit before tax	611	55	1,243	1,909
Taxation	(211)	(35)	(285)	(531)
Segment profit after tax	400	20	958	1,378

Assets and liabilities

Segment assets	9,875	15,813	12,784	38,472
Segment liabilities	(1,413)	(4,930)	(7,868)	(14,211)
Unallocated assets and liabilities				9,767
Segment net assets	8,462	10,883	4,916	34,028

Other segment information

Capital expenditure:				
Property, plant, equipment	62	5	840	907
Investment properties	-	-	52	52
Depreciation - property, plant and equipment	220	18	264	502
Depreciation - investment properties	-	-	32	32
Amortisation	-	28	-	28

Year Ended 31 March 2007	Ferry Services (Portsmouth) £'000	General trading (Falklands) £'000	Total £'000
External revenue	3,362	12,256	15,618
Segment operating profit before tax, amortisation & non-recurring items	592	1,159	1,751
Amortisation and non-recurring items	-	380	380
Segment operating profit	592	1,539	2,131
Interest expense	(139)	(214)	(353)
Interest income	99	157	256
Segment profit before tax	552	1,482	2,034
Tax	(87)	(362)	(449)
Segment profit after tax	465	1,120	1,585
<i>Assets and liabilities</i>			
Segment assets	8,779	15,395	24,174
Segment liabilities	(706)	(11,413)	(12,119)
Unallocated assets and liabilities			12,663
Segment net assets	8,073	3,982	24,718
<i>Other segment information</i>			
Capital expenditure:			
Property, plant, equipment	65	217	282
Depreciation - property, plant & equipment	194	242	436
Depreciation - investment properties	-	32	32

3. Amortisation and non-recurring items

	2008 £'000	2007 £'000
Amortisation charge on Momart intangible assets acquired	(28)	-
Gain on disposal of available-for-sale equity securities	-	485
Pension scheme restructuring costs	-	(105)
Amortisation and non-recurring items (charge) / gain	(28)	380
Profit before tax as reported	1,909	2,034
add: amortisation and non-recurring charges / (gains) from above	28	(380)
Underlying profit ¹	1,937	1,654

¹ The Group defines underlying profit as profit before tax, amortisation and non-recurring items

4. Earnings per share

The calculation of basic earnings per share is based on profits on ordinary activities after taxation and the weighted average number of shares in issue in the period, excluding shares held under the Employee Share Ownership Plan ('ESOP').

The calculation of diluted earnings per share is based on profits on ordinary activities after taxation and the weighted average number of shares in issue in the period, excluding shares held under the ESOP, adjusted to assume the full issue of share options outstanding, to the extent that they are dilutive.

	2008 £'000	2007 £'000
Profit on ordinary activities after taxation	1,378	1,585
	2008 Number	2007 Number
Weighted average number of shares in issue	8,514,566	8,466,060
Less: shares held under the ESOP	(36,212)	(48,917)
Average number of shares in issue excluding the ESOP	8,478,354	8,417,143

<i>Maximum dilution with regards to share options</i>	100,644	30,927
<i>Diluted weighted average number of shares</i>	8,578,998	8,448,070

	2008	2007
Basic earnings per share	16.3p	18.8p
Diluted earnings per share	16.1p	18.8p

To provide a comparison of earnings per share on underlying performance, the calculation below sets out basic and diluted earnings per share based on profits before amortisation and non-recurring items.

Earnings per share on underlying profit

	2008	2007
	£'000	£'000
Profit after tax before non-recurring items and amortisation (see note 3)	1,397	1,173
Weighted average number of shares in issue excluding ESOP (from above)	8,478,354	8,417,143
Diluted weighted average number of shares (from above)	8,578,998	8,448,070
Basic earnings per share on underlying profit	16.5p	13.9p
Diluted earnings per share on underlying profit	16.3p	13.9p

5. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

	2008	2007
	£'000	£'000
<i>Non-current liabilities</i>		
Secured bank loans	5,458	2,191
Finance lease liabilities	17	-
Contingent consideration on acquisition	1,517	-
Total non-current interest bearing loans and borrowings	6,992	2,191
<i>Current liabilities</i>		
Current portion of secured bank loans	536	499
Finance lease liabilities	23	-
Current portion of contingent consideration on acquisition	1,505	-
Unsecured loan notes	-	43
Total current interest-bearing loans and borrowings	2,064	542

Net debt / (funds)

	2008	2007
	£'000	£'000
Total interest bearing loans and borrowings	9,056	2,733
less: cash balances (see note 21)	(2,995)	(4,959)
Net debt / (funds)	6,061	(2,226)

Finance lease liabilities

	2008	2007
	£'000	£'000
Future minimum lease payments due:		
within one year	23	-
after more than one year but within five years	17	-
after more than five years	-	-
Total minimum lease payments due	40	-

6. Statutory Information

The financial information does not constitute the Company's statutory accounts for the years ended 31 March 2008 and 2007 but is derived from those accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies, and those for 2008 will be delivered following the Company's Annual General Meeting. The auditors have reported on those; their reports were unqualified and do not contain statements under section 237(2) or 237(3) of the Companies Act 1985. Copies of the Falkland Islands Holdings plc annual report and financial statements will be with shareholders in July.

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