23 June 2011

Falkland Islands Holdings plc

(“FIH” or “the Group”)

Preliminary results for the year ended 31 March 2011

FIH, the AIM quoted international services group, which owns essential services businesses focused on transport and logistics and which has a material shareholding in AIM quoted oil exploration company Falkland Oil and Gas Limited (**“**FOGL**”**), is pleased to announce preliminary results for the year ended 31 March 2011.

Financial Highlights

- Group revenue increased by 9.0% to £31.8 million (2010: £29.2 million)
- Underlying pre-tax profits* up 1.5% to £2.73 million (2010: £2.69 million)
- Earnings per share on underlying profits* of 20.9p (2010: 22.0p)
- Net borrowings at 31 March 2011 of £2.1 million (2010: £1.5 million)
- Net financing costs of £0.2 million covered more than 14 times by underlying profits*
- Increased final dividend of 5.5p per share
- Total dividends for the year of 9.5p per share, up 5.6% (2010: 9.0p per share)

* excluding amortisation and non-trading items

Operating Highlights

The Group’s trading businesses performed well despite tough trading conditions in the UK:

- *Falklands Islands Company (“FIC”)*
    - Revenue up 20% to a record £14.9 million (2010: £12.4 million)
    - Buoyant retail sales resulted from recent investment in West Store and oil exploration activity
    - Operating profit up 16.7% to £1.61 million (2010: £1.38 million)
- *Portsmouth Harbour Ferry Company (“PHFC*”)
    - Revenue unchanged at £3.7 million (2010: £3.7million)
    - Passenger numbers down 2.7% mainly due to reduced weekend traffic
    - Operating profit stable at £0.79 million (2010: £0.80 million)
- *Momart*
    - Overall revenue 0.9% ahead at £13.2 million (2010: £13.1 million)
    - Encouraging growth in commercial gallery activity -revenues ahead by 29.5% to £5.0 million
    - Exhibition activity remains subdued, revenues down 13.7% to £6.7million
    - Operating profit down to £0.53 million (2010: £0.95 million)

- *FOGL*
    - FIH’s holding unchanged at 12 million FOGL shares, representing 5.8% of FOGL’s issued share capital following April 2011 placing
    - Market value of FIH’s holding at 31 March 2011, £10.7 million (2010: £15.5 million)
    - FOGL has contracted a rig to drill two wells commencing in Q1 2012

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

“I am pleased to report another successful year for the Group, with underlying pre-tax profits increasing to a record £2.73 million despite challenging trading conditions. The Group’s trading businesses remain well positioned in their respective markets and, although near term market conditions in the UK remain tough, we are confident that all three will perform well over the medium term.

“FOGL has now put in place the funding, rig and other resources required to drill two exploration wells commencing in the first quarter of 2012 and we have undertaken to retain our entire holding of 12 million shares through its drilling programme. Continued exploration drilling will underpin the Falklands’ economy, and our spread of interests will continue to generate solid earnings. We should have greater visibility on the prospects of the Falkland Islands becoming an oil province during 2012.

“The Board is pleased to recommend a final dividend of 5.5p per share, bringing the total dividend for the year to 9.5p per share, an increase of 5.6% on 2010.”

David Hudd
Chairman

- Ends -

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Chairman's Statement

I am pleased to report that, despite tough trading conditions in the UK, the year ended 31 March 2011 saw another encouraging performance from the Group, with underlying pre-tax profits increasing for the sixth consecutive year to a record level of £2.73 million.

Results

Underlying profits before tax (excluding amortisation, impairment of intangibles and non-trading items) increased by 1.5% to £2.73 million (2010: £2.69 million). There were no sales of any FOGL shares during the year (2010: profit of £3.1 million) and, with the absence of non-trading income, reported profits before tax were £2.3 million (2010: £5.7 million). Underlying earnings per share were 20.9p (2010: 22.0p) and reported earnings per share, after taking account of the amortisation of intangibles, were 17.7p (2010: 58.2p). The effective tax rate on underlying earnings has returned to a more normal level (30.1%) after benefitting last year from a number of non-recurring items.

Dividends

The Board is pleased to recommend a final dividend of 5.5p per share which, together with the Group's interim dividend of 4p per share, makes a total dividend for the year of 9.5p per share, an increase of 5.6% (2010: 9.0p per share).

If approved by shareholders at the Annual General Meeting on 8 September 2011, the 5.5p per share final dividend will be paid on 14 October 2011 to shareholders on the register at the close of business on 16 September 2011.

Operations

All of the Group's trading businesses were profitable in the year. Trading at FIC was buoyant as the Group benefitted from the recent expansion of its retail operations and the boost to demand created by oil exploration. The revenue and contribution from FIC rose to record levels despite substantial increases in shipping costs from the UK. At Momart, despite a modest growth in overall revenues, the squeeze on museum budgets and related pricing pressure saw a contraction in the core exhibition business, although this was partially offset by growth in the commercial gallery sector. The Group's passenger ferry business at Gosport performed well, maintaining revenue and profitability despite a small decline in passenger numbers.

FOGL

The Group's holding of 12 million FOGL shares was unchanged during the year. At 31 March 2011, the market value of the holding was £10.7 million (89.25p per FOGL share) compared with £15.5 million at 31 March 2010 (129.5p per FOGL share).

Following the withdrawal of BHP Billiton in March 2011, FOGL is the operator and now has an undivided interest in its licences and has secured the necessary licence extensions from the Falkland Islands' Government. In April 2011, FOGL raised £32 million and contracted the Leiv Eiriksson deep water rig to drill two wells, with the first expected to spud in the first quarter of 2012. FOGL is now funded for a deep well on its Loligo prospect, which has mean prospective resources of 4.7 billion barrels, and for a second well on either Loligo (as an appraisal well), or on one of its other high ranked prospects.

We were founder shareholders in FOGL in 2002 and since then we have recouped our entire cost of investment and have recycled over £3 million from share sales into our trading businesses. We have undertaken to retain our entire holding of 12 million shares through the current drilling programme. Your Board will continue to manage the affairs of the Group to maximise value and will be developing strategies appropriate for alternative exploration outcomes in the Falklands.

Assets

The Group's Balance Sheet remains strong. At 31 March 2011, shareholders' funds were £30.6 million (2010: £34.2 million), cash balances were £2.1 million (2010: £3.8 million) and total borrowings were reduced to £4.2 million (2010: £5.3 million). Net assets per share at 31 March 2011, including intangibles, were 332p (2010: 376p per share).

Staff

On behalf of shareholders I would like to thank our colleagues throughout the Group for their continued hard work and commitment which has enabled us to produce a good result.

Outlook

In the Falklands, with oil exploration continuing, general economic confidence and demand should be maintained. The four deep water wells due to be drilled in late 2011 and early 2012 should provide further stimulus to the Falklands economy and our FIC business, although the dramatic growth seen in the year ended 31 March 2011 is expected to moderate and rising inflation is putting pressure on margins.

The UK market for exhibitions appears to be stabilising, although competition for business is fierce and margins at Momart are expected to remain under pressure in the current year. The commercial gallery market is stronger and further growth is anticipated. Momart's market leading position is intact and we remain confident about its prospects for improvement.

The arrival of PHFC's new pontoon and landing stage at Gosport this month provides a secure operating platform for the foreseeable future. The pontoon is being leased from Gosport Council over a 50 year period with the additional lease rental and depreciation costs being recovered by increased fares. Even after these increases, the ferry continues to offer compelling value for money, convenience and reliability and will continue to provide the Group with a good cash flow and income stream.

In summary, current economic conditions in the UK remain difficult but the Group's businesses are well established and we expect them to demonstrate continued resilience in the current year. Whilst interest in the FOGL drilling programme is likely to have greater influence on the Group's share price than the trading performance of the Group, it is worth noting that if a commercial oil discovery is confirmed by any one of the five companies active in Falkland Islands' waters, the prospects for FIC will be transformed.

Trading in the year to date has been satisfactory and in line with the Board's expectations.

David Hudd
Chairman

Managing Director's Business Review

Group Overview

Despite subdued demand in the UK, Group revenues increased by 9.0% to £31.8 million (2010: £29.2 million) due principally to buoyant trading conditions in the Falkland Islands. Oil exploration activity commenced in Falklands' waters in early 2010 and the additional demand for local services and supplies allowed FIC to benefit from the recent modernisation and expansion of its retail operations. As a result revenue from FIC increased by 20% in the year. In contrast in the UK, where demand remained weaker, Momart and PHFC saw more restricted revenue growth of just 0.9% and 0.3% respectively.

Underlying operating profits (before amortisation, impairment of intangibles and non-trading items) were impacted by the weaker UK economy and fell by 6.4% to £2.9 million (2010:£3.1 million) as margins, in particular at Momart, were squeezed. However, with net interest costs reduced to just £0.2 million (2010: £0.4 million), underlying pre-tax profits increased by 1.5% to £2.73 million (2010: £2.69 million).

Review of Operations

A summary of Group revenue and operating profit by business is shown below:

Revenue

Year ended 31 March	**2011** **£ million**	2010 £ million	Change %
Falkland Islands Company	**14.92**	12.43	20.0%
Portsmouth Harbour Ferry	**3.73**	3.72	0.3%
Momart	**13.19**	13.07	0.9%
Total Revenue	**31.84**	29.22	9.0%

Underlying Operating Profit

Year ended 31 March	**2011** **£ million**	2010 £ million	Change %
Falkland Islands Company	**1.61**	1.38	16.7%
Portsmouth Harbour Ferry	**0.79**	0.80	-1.3%
Momart	**0.53**	0.95	-44.2%
Total Operating Profit	**2.93**	3.13	-6.4%

Each of the Group's businesses is reviewed in detail below:

Falkland Islands Company (FIC)

FIC produced very encouraging results, taking advantage of the stimulus from oil exploration. Revenues grew 20% and operating profits increased 16.7% to a record £1.61 million (2010: £1.38 million).

Operating results

Year ended 31 March	**2011** **£ million**	2010 £ million	Change %
Revenues			
Retail	**9.72**	8.07	20.5%
Automotive	**1.91**	1.43	33.6%
Freight	**0.69**	0.99	-30.3%
Property sales	**0.45**	0.36	25.0%
Other services	**2.15**	1.58	36.1%
Total FIC revenue	**14.92**	12.43	20.0%
Underlying FIC operating profit	**1.61**	1.38	16.7%
Underlying operating profit margin	**10.8%**	11.1%	-0.3%

The year under review started slowly with another poor illex squid catch and low fishing licence revenues. However, the arrival in Falkland waters of the Ocean Guardian oil rig in February 2010 stimulated the economy with local supplies and services in demand. In May 2010 confidence was lifted further when Rockhopper Exploration PLC announced an oil discovery in the Northern Falklands basin. The continuation of a drilling programme throughout the year by Rockhopper and Desire Petroleum together with seismic programmes conducted by FOGL, Argos Resources and Borders & Southern generated significant additional spending and created a positive backdrop for trading.

FIC's retail business benefitted from the increase in demand; with a 50% increase in its selling space in November 2009 and the introduction in November 2010 of a new Peacocks' clothing offer within the West Store, retail sales increased by over 20% compared to 2009/10 and margins were lifted by a wider product range, improved sales mix and better availability.

Sales growth was most notable in FIC's "warehouse" sales to local businesses and oil rig suppliers which increased by over 42% to £1.8million. Retail supermarket sales from the West Store, the main driver of retail volume, increased by 16%, helped by Peacocks' clothing sales, and the tourist focussed Capstan gift shop saw its sales up by 12%. However, the year saw a further reduction in the number of cruise ship visitors to the Falkland Islands, following the sharp declines seen in the previous year. However, FIC's tourism and trips business, Penguin Travel, had a record year benefitting from the strength of its relationship with leading cruise line operator Holland & America Lines. Growth was also seen at Right-Lines, FIC's general store at the MPA military base, where a modest extension of the sales area saw revenues increase by 16%.

Increased construction activity boosted sales at FIC's builders merchant "Home Builder" which increased by an encouraging 24% compared to the prior year.

The automotive business also had a better year with a recovery in sales of fleet vehicles for the military and their contractors and more used vehicle sales. We sold 78 vehicles (2010: 41) and sales rose by 33% to £1.9 million.

Falkland Island Shipping (formerly Darwin Shipping) experienced sharply increased freight tariffs from the Ministry of Defence for space on their Falklands supply ships. This reduced the competitiveness of FIC's third party freight business and revenues from shipping freight fell by over 30% with a commensurate reduction in contribution.

FIC's fishing agency had a slightly better year with a strong finish linked to a more promising illex catch in March 2011. Agency revenues improved by 15% but remained well below the levels seen in some previous years.

FIC's insurance broking operation once again made progress and saw an increase in both revenue and contribution in the year. Stevedoring activities benefitted from oil exploration cargoes and revenue increased by 39%.

During the year the conversion of the Upland Goose Hotel into heritage seafront cottages at Marmont Row was completed. Two of these properties were subsequently sold with the sale of a third due to complete in July 2011. One other older property on the edge of Stanley was sold during the year, bringing total revenues from property sales to £0.45

million (2010: £0.36 million). FIC has retained nine of the twelve Marmont properties which are all being rented to companies involved in oil exploration thereby maximising rental income and capital appreciation.

Portsmouth Harbour Ferry Company (PHFC)

PHFC performed satisfactorily with stable revenues and operating profits in difficult market conditions.

Operating results

Year ended 31 March	**2011**	2010	Change
	£ million	£ million	%
Revenues			
Ferry fares	**3.59**	3.50	2.6%
Other revenue	**0.14**	0.22	-36.4%
Total PHFC revenue	**3.73**	3.72	0.3%
Underlying PHFC operating profit	**0.79**	0.80	-1.3%
Underlying operating profit margin	**21.2%**	21.5%	-0.3%
Passenger numbers (000s)	**3,421**	3,516	-2.7%

In line with the local economy the number of ferry passengers continued to see a modest decline although the year on year reduction slowed to 2.7% (2010: 4.2%).

As in the prior year, ferry travel at weekends linked to discretionary retail and leisure activity was most affected with an overall decline of 6.3%. However, daily commuting remained relatively robust with the fall in the number of weekday journeys restricted to just 1.6%.

The annual fare increase became effective on 1st June 2010 with the standard daily adult return fare rising by 4.3% to £2.40 and the price for a book of 10 trip tickets for regular travellers lifted by 5.2% to £10.00. At this level ferry fares continued to offer excellent value for money whilst still allowing the company to maintain its policy of offering discounted ticket prices for seniors and children under 16. The overall fare increases put through in June 2010 of 4.5% effectively offset the impact of the decline in passenger numbers and resulted in revenues from ferry fares rising 2.6% to £3.59 million.

Other revenue of £0.14 million (2010: £0.22 million) was earned principally from PHFC's programme of summer leisure cruises in the Solent area. Revenues declined in the year as demand for leisure trips weakened but they produced a small positive contribution and form an important part of the ferry company's service to the community.

Ferry overheads increased during the year with inflationary rises in wages, salaries and fuel costs. As a result, PHFC's underlying operating profit decreased marginally by 1.3% to £0.79 million (2010: £0.80 million).

During the year agreement was reached with Gosport Borough Council (GBC) to replace the ageing pontoon at Gosport with a modern structure. Local contractors, Trant Construction, were appointed in summer 2010 using specialist pontoon fabricator Ravestein, in Holland. The new pontoon is scheduled for installation in June 2011. The initial cash cost was met by GBC and PHFC will now lease the pontoon from them under a finance lease for a period of 50 years as the sole ferry operator. Under the new arrangements PHFC will be responsible for maintenance, insure the pontoon and pay a quarterly rental to the Council to cover the finance and capital costs. The resultant increase in operating costs arising from the new pontoon will be met by a one off increase in fares from June 2011 with adult return fares increasing by 12.5% (30p) to £2.70 and senior and child daily 10 trip tickets up to £7.50 or 75p per crossing. Even after these necessary fare increases, the Board believes that the ferry still offers excellent value to passengers compared to alternative modes of transport.

The ferry service was able to maintain its exceptional record of reliability with over 99.9% of some 70,000 ferry trips (operating 364 days per annum) departing on time. This impressive level of reliability and the exemplary safety record of the ferry service are founded on the very high levels of commitment and expertise of the ferry's staff who are proud to be a part of the community they serve.

Momart

Operating results

Year ended 31 March	**2011** **£ million**	2010 £ million	Change %
Revenues			
Museums & Public Exhibitions	**6.67**	7.73	-13.7%
Commercial Galleries Services	**5.00**	3.86	29.5%
Storage	**1.52**	1.48	2.7%
Total Momart revenue	**13.19**	13.07	0.9%
Underlying Momart operating profit	**0.53**	0.95	-44.2%
Underlying operating profit margin	**4.0%**	7.3%	-3.3%

The Group's art handling and logistics business, Momart, had a more difficult year. Revenues in the first half were lower by 7.6% although they improved in the second half, increasing by 8.8% to produce a 0.9% increase in revenue for the year as a whole. In a difficult trading environment margins declined and operating profits fell back to just £0.53 million (2010: £0.95 million). Management changes have been made at Momart, the costs of which are reflected in the results.

Exhibitions

As indicated in our interim announcement, the UK art handling market saw a sharp reversal in the early part of the financial year and Momart's Exhibitions' revenues fell by over 30% in the first half as institutional budgets came under pressure and fierce price competition developed in the face of weaker demand. Pressure on margins continued in the second half but sales volumes recovered, helped in part by the large Gauguin exhibition at the Tate Modern in October and others including the "Cult of Beauty", the travelling "Maharaja" exhibition at the V&A, the Gossaert exhibition at the National Gallery and the British Sculpture and Watteau exhibitions at the Royal Academy. As a result Exhibition revenues in the second half saw a modest 1.9% year on year increase to just over £4 million, well ahead of the disappointing £2.6 million of revenue seen in the first half. Despite this recovery, for the year as a whole Exhibitions' revenues fell by over 13% and the associated squeeze on margins was largely responsible for the overall decline in company profitability. At £6.67 million, Exhibition sales in year were over 27% below the record level of museum related revenues experienced in 2008/9. The exhibitions market is expected to remain stable in the near term, albeit with continuing pressure on margins, with recovery anticipated in the medium term.

Gallery Services

The commercial art market continued to grow through the year. Linked to renewed confidence, particularly in emerging markets, commercial activity grew strongly with record auction sales seen in both India and Hong Kong. This trend was confirmed once more by the continued success in established markets of the major international fairs including, Art Basel in June, Frieze in London in October and Miami Basel in December.

The company's commercial Gallery Services division was again actively involved in a number of high profile overseas exhibitions of Damien Hirst's work and this was complemented by increased activity with private collectors and major UK commercial galleries such as White Cube and Haunch of Venison.

Gallery Services sales grew strongly in the first half with revenues ahead by 38%, helped by large commercial exhibitions of Damien Hirst's works in Berlin and Monaco. In the second half growth continued albeit at a more moderate rate with revenues ahead by over 21%, taking annual revenues for the division to £5.0 million, an increase of 29.5% on 2009-10.

Storage

Storage revenues increased by 2.7% in the year to £1.52 million with a marked recovery seen in the second half generated by activity in the commercial art market and by large collectors. Storage revenue accounted for 11.5% of revenue in the year (2010: 11.3%).

FOGL

The Group owns a significant shareholding in AIM quoted oil exploration company Falkland Oil and Gas Limited (FOGL). Details of the Group's shareholding in FOGL are set out below:

31 March	2011	2010
Number of shares held	**12,000,000**	12,000,000
FOGL share price	**89.3p**	129.5p
Market Value	**£10.7 million**	£15.5 million
Cost	**£2.0 million**	£2.0 million

During the year FOGL's share price varied between a high of 244p and low of 76p and at 31 March 2011 the Group's shareholding represented 8.2% of FOGL's share capital. Following a successful share placing by FOGL in April 2011, to raise funding for its 2012 drilling programme, FOGL's share capital increased to 207.2 million shares and the Group's unchanged holding of 12 million shares represented an interest of 5.8% in the enlarged share capital. Under IFRS, the investment is shown at market value using the bid price.

Trading Outlook

We remain cautious about the immediate prospects for the Group. In the UK the economic backdrop remains problematic with generally weak consumer demand exacerbated by on-going cuts in the budgets of government funded institutions. Although the picture is more encouraging in the Falkland Islands, after a step change in 2010/11 the current year will see rising freight, fuel and labour costs and this will put pressure on margins. Continued strong growth will therefore depend on further positive news on oil exploration.

The Group's financial position remains strong with modest borrowings of £4.2 million, low interest charges and a healthy cash position.

We remain confident about the prospects for the Group over the medium term and with the leading market positions of the Group's trading businesses we are well placed to take full advantage of any growth in the UK economy.

Financial Review

Summary Income Statement

Year ended 31 March	**2011 £ million**	2010 £ million	Change %	
Total Revenue	**31.84**	29.22	9.0%	
Operating Profit	**2.93**	3.13	-6.4%	
Net Financing costs	**(0.20)**	(0.45)	-55.6%	
Underlying profit before tax	**2.73**	2.69	1.5%	
Add / (deduct) non-trading and exceptional Items				
Profit on the sale of FOGL shares		3.09		
Profit on the surrender of lease		0.25		
Revaluation of interest rate collar		0.04		(0.33
Amortisation of intangibles	**(0.40)**	(0.40)		(0.40
	(0.40)	2.98		
Profit before tax as reported	**2.33**	5.67		(0.63

Revenue and Operating Profit

These are discussed in detail in the Review of Operations above.

Net Financing Costs
The Group's net financing costs fell sharply to £0.20 million (2010: £0.45 million) as bank borrowings were reduced and with the closing out of its interest rate collar in the prior year, the Group was able to take full advantage of lower bank interest rates.

Underlying Pre-Tax Profit
With operating profit lower by just £0.2 million and reduced financing costs, the Group's underlying pre-tax profits grew £0.04 million (1.5%) to a record level of £2.73 million.

Underlying pre-tax profit excludes the amortisation of intangible assets, and any non-trading items which in the prior year included profit on sale of shares, profits from the early surrender of a lease, and fair value movements on derivative financial instruments. During the year there were no exceptional non-trading items.

Reported Pre-Tax Profit
During the year there were no sales of any of the Group's shares in FOGL and there was no non-trading income (2010: £3.3million). After charging £0.4 million for the amortisation of intangible assets (2010: £0.4 million) reported profit before tax for the Group was £2.33 million (2010: £5.67 million).

Taxation
The Group pays corporation tax on its UK earnings at the standard rate of 28% while in the Falkland Islands the Group pays tax at the rate of 25%. However, because of double taxation arrangements Falkland Islands earnings are ultimately taxed at the UK rate of 28%. There is no Capital Gains Tax in the Falkland Islands. For the year ended 31 March 2011 due largely to the lower taxable profits on property sales and a deferred tax asset being recognised for the first time in 2010 in respect of share based payments, the Group's effective tax rate on its underlying trading activities increased to 30.1% (2010: 26.2%).

Earnings per share

Year ended 31 March	**2011** **£ million**	2010 £ million	Change %
Underlying profit as above	**2.73**	2.69	1.5%
Tax thereon	**(0.82)**	(0.71)	-15.5
Underlying profit after tax	**1.91**	1.98	-3.5%
Average no. of shares in issue (thousands)	***9,237***	*9,147*	1.0%
Diluted EPS	**20.6p**	21.7p	-5.1%

With a small increase in the number of shares in issue and a higher effective tax rate fully diluted earnings per share derived from underlying profits decreased by 5.1% to 20.6p (2010: 21.7p).

Balance Sheet

The Group's Balance Sheet had net assets as at 31 March 2011 of £30.6 million (2010: £34.2 million) borrowings of £4.2 million (2010: £5.3 million) and cash balances of £2.1 million (2010: £3.8 million).

The carrying value of intangible assets was reduced by normal annual amortisation charges of £0.4 million to £13.1 million as at 31 March 2011 (2010: £13.5 million).

The net book value of property, plant and equipment was unchanged at £7.5 million after capital expenditure of £0.8 million and depreciation of £0.8 million in the year.

The Group's investment properties comprise land and commercial and residential properties in the Falkland Islands held for rental. The net book value of the properties at 31 March 2011 after the disposal and sale of a small older property on the edge of Stanley was at £1.0 million (2010: £1.1 million). The directors estimate that the fair value of the property portfolio at 31 March 2011 was £2.5million. The Group also owns 670 acres of land in Stanley which is included in investment properties at its net book value of £0.7 million (2010: £0.7 million). Due to the restricted market for freehold land in the Falklands it is not possible to determine its fair value.

The Group's holding of 12 million shares in FOGL is shown under "Financial assets – available-for-sale equity securities". The Group's shareholding remained unchanged during the year and at 31 March 2011 represented 8.2% of FOGL's share capital. Under IFRS, the investment is shown at market value which at 31 March 2011 with a FOGL share price of 89.3 pence per share, amounted to £10.7 million (2010: £15.5 million). However, following a successful share placing by FOGL in April 2011 to raise funding for its 2012 drilling programme, FOGL's share capital increased to 207.2 million shares and the Group's shareholding represented 5.8% of the enlarged share capital.

Deferred tax assets relating to future pension liabilities decreased marginally to £0.55 million.

Non-property related inventories increased from £3.5 million to £4.2 million at 31 March 2011. Of this £0.3 million of the £4.2 million relates to work in progress at Momart (2010: £0.4 million) and the balance of £3.9 million represented stock held for resale in the Group's retail operations in the Falkland Islands, which rose by £0.8 million due to increased trading activity and additional retail selling space.

Property related inventories are shown at cost and represent expenditure incurred to complete the conversion of the former Upland Goose Hotel in Marmont Row back into a terrace of heritage cottages on the waterfront in Stanley. After final conversion work costing £0.3 million and the sale of two properties with a net book value of £0.3 million the total cost of completed properties at 31 March 2011 was unchanged at £1.2 million (2010: £1.2 million).

Trade and other receivables balances increased from £4.5 million to £5.8 million as at 31 March 2011 due principally to an increase in sales on credit terms to business customers in the Falkland Islands.

At 31 March 2011 the Group retained cash balances on deposit with UK banks of £2.1 million (2010: £3.8 million).

During the year the Group made loan repayments of £1.1 million and at 31 March 2011 had bank borrowings and finance leases outstanding of £4.2 million (2010: £5.3 million). £1.1 million of these loans are due for repayment in the coming year and are shown under current liabilities.

Income tax payable within the next 12 months was £0.6 million (2010: £0.7 million) reflecting the increase in the Group's taxable profits offset by increased payments on account to HMRC during the year.

Trade and other payables increased from £8.2 million to £8.3 million at 31 March 2011 reflecting increased trading activity.

As at 31 March 2011 the liability due in respect of the Group's defined benefit pension schemes decreased to £2.1 million (2010: £2.2 million). The scheme in the Falkland Islands is unfunded and liabilities are met as they fall due from operating cash flow. The net present value of the liability due in respect of the Falkland Islands scheme increased by £0.1 million in the year to £2.1 million due principally to a reduction in long term interest rates. At PHFC an enhanced cash offer was made to eligible deferred members which resulted in a permanent reduction of scheme liabilities of £0.15 million. Following this buy out exercise, at 31 March 2011 the scheme's net deficit had been almost eliminated; net liabilities were reduced by £0.2 million to £0.02 million.

The net deferred tax liabilities at 31 March 2011 decreased compared to the prior year to £1.4 million (2010: £1.6 million).

Net assets per share decreased to 332p at 31 March 2011 (2010: 376p) reflecting a decrease in the carrying value of the Group's holding in FOGL.

Cash Flows

The Group's cash position was satisfactory throughout the year. Bank loans outstanding were reduced by £1.1million to £4.0 million and after paying dividends of £0.8 million (2010: £1.1 million) and corporation tax of £1.0 million (2010: £0.7 million) the Group retained cash balances of £2.1 million at year end.

Cash generation from operations remained healthy but reduced by £1.6 million to £0.8 million in the year (2010: £2.4 million). EBITDA decreased marginally, in line with the £0.2 million reduction in underlying operating profit, but working capital levels increased sharply in response to the strong growth seen at FIC.

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

Year ended 31 March	**2011**	2010
	£million	£million
Underlying PBT	**2.7**	2.7
Depreciation	**0.9**	0.9
Interest payable	**0.2**	0.4
EBITDA	**3.8**	4.0
Share based payments	**0.2**	0.2
Increase in working capital	**(2.0)**	(1.4)
Tax paid	**(1.0)**	(0.7)
Other	**(0.2)**	0.3
Net cash flow from operating activities	**0.8**	2.4
Proceeds from sale of shares in FOGL	**-**	3.6
Draw down of loan	**-**	0.4
Proceeds from shares issued under option schemes	**0.3**	
Less:		
Dividends paid	**(0.8)**	(1.1)
Capital expenditure	**(0.8)**	(1.4)
Net bank interest paid	**(0.1)**	(0.3)
Loan repayments	**(1.1)**	(0.8)
Liquidation of financial derivative	**-**	(0.4)
Deferred consideration re Momart	**-**	(1.6)
Other	**-**	-
Net outflows from financing etc	**(2.5)**	(1.6)
Net cash flow	**(1.7)**	0.8
Cash balance b/fwd	**3.8**	3.0
Cash balance c/fwd	**2.1**	3.8

During the year the Group paid dividends of £0.8 million and received £0.3 million from the proceeds of shares issued following the exercise of share options. Investment in fixed assets continued with £0.8 million of expenditure to strengthen the Group's operating base (2010: £1.4 million); £0.4 million was invested in Stanley with further improvements to the West Store and FIC's general store at the MPA military base. At Momart two replacement vehicles were acquired and at PHFC capital expenditure was kept to a minimum in advance of the substantial investment to come in the new pontoon. In addition to fixed asset expenditure, final conversion works on Marmont Row were completed at a cost of £0.3 million and these properties are included in inventories as assets held-for-sale.

With steadily reducing borrowings and low variable interest rates, bank interest paid over the year decreased to £0.1 million (2010: £0.3 million). Scheduled loan repayments of £1.1 million were made during the year and at 31 March 2011 total bank borrowings had reduced to £4.0 million.

With net outflows from financing and investment of £2.5 million (2010: £1.6 million) the Group's net cash flow for the year was an outflow of £1.7 million (2010: £0.8million inflow) leaving cash balances of £2.1 million at year end (2010: £3.8million).

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 general economic conditions in their markets. Inflation, employment levels, interest rates and government spending programmes all have an effect on disposable incomes and consumer confidence.

The Group's businesses in the Falkland Islands 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 is boosted by tourist activity and both locations have benefited from increasing tourist numbers in recent years. In the Falkland Islands the strength of the economy is closely linked to the fortunes of the fishing industry, in particular the success of the unpredictable illex squid season which runs from February to May, and more recently to oil exploration activity. In the year ended 31 March 2011 the expansion of oil exploration had a positive impact on the local economy and this benefit is expected to continue in the current year. If the programme proves unsuccessful this stimulus will cease and activity will revert to more normal levels whereas if commercial quantities of oil are found the positive impact on the Falkland Islands economy will be very significant.

At Momart activity in the art market is closely correlated with the performance of the wider global economy albeit with a time lag. In the commercial art market, levels of disposable income among high net worth individuals are a key driver and in the museums sector government and corporate sponsorship are important sources of funding in addition to public admissions revenue which is on an increasing trend. In addition, pressures on institutional budgets have increased as the full extent of government fiscal problems both in the UK and overseas become clear. In the longer term this may lead to the out-sourcing of specialist services by museums and institutions but in the near term a further reduction in the level of government subsidised exhibitions seems likely.

Income generated from travelling international exhibitions is an important source of revenue for museums and galleries and is attractive as a means of informal diplomacy for those nations with major cultural inventories although in the near term privately sponsored exhibitions are likely to prove more common than government funded activity. In addition, despite the global downturn, the art market is still continuing to develop with the emergence of new buyers, patrons and artists in the Middle East, 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 Falkland Islands, FIC faces competition in almost every area of its operations but due to the company's long history and accumulated expertise, in most sectors in which it operates FIC has a leading market position. The situation is fluid and maintaining leadership depends on continued innovation, investment and a commitment to excellence in customer service.

Argentina continues to make a claim against the UK's sovereignty of the Falkland Islands and in early 2010 imposed restrictions on vessels heading to or from the Falklands passing through Argentinian waters. However, the British government has re-affirmed its sovereignty in unequivocal terms and key trade and logistic links with the UK are unaffected. The existing tension with Argentina is not considered likely to lead to any significant threat to the independence of the Falkland Islands in the foreseeable future although Argentina's continuing protests have set back the development of further commercial links to the Falkland Islands' South American neighbours.

Although there is no other directly competing service to PHFC, 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 PHFC's strategy and we 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 works in its care. Beyond physical security and the resulting risk to the company's reputation, the risks faced by Momart tend to be those global factors which could impact the global art market. In particular the reduction in the personal wealth of collectors and investors will be likely to result in a contraction of personal or institutional budgets which would lead to a reduction in the movement and display of art. The emergence of new competitors could also impact the business adversely. In addition, because much of Momart's business involves working with overseas partners, volatility in the Sterling/Dollar and Sterling/Euro exchange rates has a direct effect on its cost base and profitability.

Key Performance Indicators

At Group level management attention is focussed on revenue, costs and the contribution generated by each sub group of businesses.

In the Falkland Islands businesses like-for-like revenue growth is a key measure of performance, especially for the retail outlets which account for 2/3rds of revenues. 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. Other key concerns are ferry reliability and passenger safety as well as a focus on costs and net profitability.

At Momart, forward sales projections are monitored and updated and these are an important predictive 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 2011

	Before amortisation & non-trading items 2011 £'000	Amortisation & non-trading items (Note 1) 2011 £'000	Total 2011 £'000	Before amortisation & non-trading items 2010 £'000	Amortisation & non-trading items (Note 1) 2010 £'000	Total 2010 £'000
Revenue	**31,841**	**-**	**31,841**	29,224	-	29,224
Cost of sales	**(19,294)**	**-**	**(19,294)**	(17,237)	-	(17,237)
Gross profit	**12.547**	**-**	**12.547**	11,987	-	11,987
Other administrative expenses	**(9,627)**	**-**	**(9,627)**	(8,868)	-	(8,868)
Amortisation of intangible assets	**-**	**(398)**	**(398)**		(398)	(398)
Operating expenses	**(9,627)**	**(398)**	**(10,025)**	(8,868)	(398)	(9,266)
Gain on disposal of available-for-sale equity securities	**-**	**-**	**-**	-	3,089	3,089
Compensation for early vacation of leasehold premises	**-**	**-**	**-**	-	245	245
Other income	**15**		**15**	15	-	15
Other operating income	**15**	**-**	**15**	15	3,334	3,349
Operating profit	**2,935**	**(398)**	**2,537**	3,134	2,936	6,070
Finance income	**117**	**-**	**117**	111	45	156
Finance expense	**(324)**	**-**	**(324)**	(557)	-	(557)
Net financing costs (Note 4)	**(207)**	**-**	**(207)**	(446)	45	(401)
Profit / (loss) before tax from continuing operations	**2,728**	**(398)**	**2,330**	2,688	2,981	5,669
Taxation	**(821)**	**111**	**(710)**	(705)	292	(413)
Profit / (loss) for the year attributable to equity holders of the company	**1,907**	**(287)**	**1,620**	1,983	3,273	5,256
Earnings per share (Note 3)						
Basic	**20.9p**		**17.7p**	22.0p		58.2p
Diluted	**20.6p**		**17.5p**	21.7p		57.5p

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2011

	2011 **£'000**	2010 £'000
(loss)/gain on valuation of available-for-sale equity securities	**(4,832)**	6,828
Transfer to the income statement on sale of available-for-sale equity securities	**-**	(1,683)
Share-based payments	**207**	240
Repurchase of equity interest	**-**	(75)
PHFC actuarial loss on pension scheme	**(10)**	(55)
FIC actuarial (loss) / gain on pension scheme	**(82)**	(195)
Movement on deferred tax asset relating to pension schemes	**24**	124
Effect of tax rate changes on deferred tax asset relating to pension schemes	**(43)**	-
Other comprehensive (expenses) / income	**(4,736)**	5,184
Profit for the year	**1,620**	5,256
Total comprehensive (expenses) / income	**(3,116)**	10,440

Consolidated Balance Sheet
AT 31 MARCH 2011

	2011 £'000	2010 £'000
Non-current assets		
Intangible assets	**13,111**	13,509
Property, plant and equipment	**7,489**	7,483
Investment properties	**1,721**	1,777
Financial assets – available-for-sale equity securities	**10,710**	15,542
Non-current assets held-for-sale	**20**	20
Other financial assets	**60**	52
Deferred tax assets	**554**	621
Total non-current assets	**33,665**	39,004
Current assets		
Trading inventories	**4,215**	3,489
Property inventories	**1,204**	1,220
Inventories	**5,419**	4,709
Trade and other receivables	**5,811**	4,535
Other financial assets	**252**	206
Cash and cash equivalents	**2,062**	3,810
Total current assets	**13,544**	13,260
TOTAL ASSETS	**47,209**	52,264
Current liabilities		
Interest-bearing loans and borrowings	**(1,058)**	(1,218)
Income tax payable	**(569)**	(683)
Trade and other payables	**(8,334)**	(8,219)
Total current liabilities	**(9,961)**	(10,120)
Non-current liabilities		
Interest-bearing loans and borrowings	**(3,104)**	(4,055)
Employee benefits	**(2,130)**	(2,237)
Deferred tax liabilities	**(1,413)**	(1,615)
Total non-current liabilities	**(6,647)**	(7,907)
TOTAL LIABILITIES	**(16,608)**	(18,027)
Net assets	**30,601**	34,237
Capital and reserves		
Equity share capital	**922**	910
Share premium account	**7,618**	7,324
Other reserves	**1,162**	1,162
Retained earnings	**12,150**	11,260
Financial assets fair value reserve	**8,749**	13,581
Total equity	**30,601**	34,237

Consolidated Cash Flow Statement
FOR THE YEAR ENDED 31 MARCH 2011

	2011 **£'000**	2010 £'000
Cash flows from operating activities		
Profit for the year	**1,620**	5,256
Adjusted for:		
(i) Non-cash items:		
Depreciation	**846**	907
Fixed asset impairment	**-**	(30)
Amortisation	**398**	398
Amortisation of loan fees	**30**	30
Notional interest charge on deferred consideration	**-**	48
Expected return on pension scheme assets	**(29)**	(17)
Interest cost on pension scheme liabilities	**144**	149
Net settlement gain recognised on pension transfers	**(10)**	-
Loss on re-measurement of derivative financial instruments	**-**	(45)
Settlement of equity interest	**-**	(75)
Equity-settled share-based payment expenses	**207**	240
Non-cash items adjustment	**1,586**	1,605
(ii) Other items:		
Bank interest receivable	**(4)**	(16)
Bank interest payable	**138**	330
Gain on disposal of available for sale equity securities	**-**	(3,089)
Profit on disposal of investment property	**(80)**	-
Enhanced transfer value exercise payments	**(140)**	-
Income tax expense	**710**	413
Other adjustments	**764**	(2,362)
Operating cash flow before changes in working capital and provisions	**3,830**	4,499
(Increase) / decrease in trade and other receivables	**(1,276)**	(111)
Decrease/ (increase) in property inventories	**16**	(581)
(Increase) / decrease in other inventories	**(726)**	(919)
Increase in trade and other payables	**115**	306
Decrease in provisions and employee benefits	**(134)**	(137)
Changes in working capital and provisions	**(2,005)**	(1,442)
Cash generated from operations	**1,825**	3,057
Income taxes paid	**(1,008)**	(708)
Net cash flow from operating activities	**817**	2,349
Cash flows from investing activities		
Purchase of property, plant and equipment	**(815)**	(1,358)
Purchase of investment properties	**-**	(55)
Proceeds from the disposal of property, plant & equipment	**99**	72
Acquisition of subsidiary, net of cash acquired	**-**	(1,621)
Proceeds from the sale of available for sale equity securities	**-**	3,584
Interest received	**4**	16
Net cash flow from investing activities	**(712)**	638
Cash flow from financing activities		
Increase in other financial assets	**(54)**	(41)
Repayment of secured loan	**(1,141)**	(755)
Proceeds from new loan	**-**	376
Interest paid	**(138)**	(330)
Liquidation of financial derivative contracts	**-**	(361)
Proceeds from the issue of ordinary share capital	**306**	14

Dividends paid	**(826)**	(1,084)
Net cash flow from financing activities	**(1,853)**	(2,181)
Net (decrease) / increase in cash and cash equivalents	**(1,748)**	806
Cash and cash equivalents at start of year	**3,810**	3,004
Cash and cash equivalents at end of year	**2,062**	3,810

Consolidated Statement of Changes in Shareholders' Equity

FOR THE YEAR ENDED 31 MARCH 2011

	2011 £'000	2010 £'000
Shareholders' funds at the beginning of the period	**34,237**	24,867
Profit for the year	**1,620**	5,256
Share-based payments	**207**	240
Change in fair value of available-for-sale financial assets	**(4,832)**	6,828
Transfer to the income statement on sale of available-for-sale equity securities	**-**	(1,683)
Actuarial loss on pension net of tax	**(68)**	(126)
Effect of tax rate changes to deferred tax asset relating pension schemes	**(43)**	-
Repurchase of equity interest	**-**	(75)
Total comprehensive (expense) / income	**(3,116)**	10,440
Dividends paid	**(826)**	(1,084)
Proceeds from the issue of share capital	**306**	14
Shareholders' funds at the end of the period	**30,601**	34,237

NOTES

1. Underlying Pre Tax Profit

The Group's underlying pre-tax profits (PBT) grew £0.04 million over the prior year as shown below, rising 1.5% to a record level of £2.73 million.

Year ended 31 March	**2011** **£ million**	2010 £ million
Underlying operating profit	**2.94**	3.13
Less: net underlying financing costs	**(0.21)**	(0.44)
Underlying Pre-tax profit	**2.73**	2.69
Add (deduct) non-trading and exceptional Items		
Profit on the sale of FOGL shares	**-**	3.09
Profit on the surrender of lease	**-**	0.25
Revaluation of interest rate collar	**-**	0.04
Amortisation of intangibles	**(0.40)**	(0.40)
Profit before tax as reported	**2.33**	5.67

Note: Underlying profit before tax excludes the amortisation of intangible assets, any impairment of goodwill and non-trading items (profit on sale of shares, profits from the early surrender of a lease, and fair value movements on derivative financial instruments).

Further details of these non trading items are given below:

Non-trading items

Profit on sale of shares in Falkland Oil and Gas Limited - nil (2010: £3.09 million):
On 30 November 2009 the Group reduced its stake in Falkland Oil and Gas Limited selling 3 million shares producing cash proceeds of £3.6 million and realising a profit of £3.1 million.

Profit on the early surrender of a property lease - nil (2010: £0.25million):
During the prior year the Group received compensation for the early vacation of leasehold premises by Momart, which had been the subject of litigation with the landlords.

Revaluation of interest rate collars - nil (2010: £0.04 million):
In previous years the Group entered into two interest rate collars as a hedge against possible increases in interest rates. These instruments produced an effective floor on the bank base rate payable by the Group of 4.25% and led to increased interest rate costs in the first half of the year. In January 2010 these instruments were liquidated, eliminating what had become onerous interest costs. This resulted in a small accounting gain of £0.04 million and from January 2010 the Group has been able to take full advantage of current low rates.

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. The secondary reporting format is determined to be geographical.

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

	2011			
	General trading (Falklands) £'000	Ferry Services (Portsmouth) £'000	Art logistics and storage (UK) £'000	Total £'000
Revenue	14,921	3,734	13,186	31,841
Segment operating profit before tax, amortisation & non-trading items	1,613	790	532	2,935
Amortisation of intangible assets			(398)	(398)
Amortisation and non-trading items	-	-	(398)	(398)
Segment operating profit	**1,613**	**790**	**134**	**2,537**
Interest income	88	29	-	117
Interest expense	(129)	(70)	(125)	(324)
Segment profit before tax	**1,572**	**749**	**9**	**2,330**
Taxation	(314)	(326)	(70)	(710)
Segment profit after tax	**1,258**	**423**	**(61)**	**1,620**
Assets and liabilities				
Segment assets	12,856	8,029	12,268	33,153
Segment liabilities	(7,972)	(1,993)	(4,519)	(14,484)
Unallocated assets and liabilities				11,932
Segment net assets	4,884	6,036	7,749	30,601
Other segment information				
Capital expenditure:				
Property, plant, equipment	419	69	327	815
Depreciation - property, plant and equipment	326	215	268	809
Depreciation - investment properties	37	-	-	37
Amortisation	-	-	398	398

Underlying profit before tax	**1,613**	**790**	**532**	**2,935**
Segment operating profit before tax, amortisation & non-trading items				
Interest expense	(129)	(70)	(125)	(324)
Interest income	88	29	-	117
Underlying profit before tax	**1,572**	**749**	**407**	**2,728**

	2010			
	General trading (Falklands) £'000	Ferry Services (Portsmouth) £'000	Art logistics and storage (UK) £'000	Total £'000
Revenue	12,434	3,718	13,072	29,224
Segment operating profit before tax, amortisation & non-trading items	1,377	800	957	3,134
Amortisation of intangible assets	-	-	(398)	(398)
Compensation for early vacation of leasehold premises	-	-	245	245
Unallocated gain on disposal of available-for-sale equity securities				3,089
Amortisation and non-trading items	-	-	(153)	2,936
Segment operating profit	1,377	800	804	6,070
Gain on liquidation of financial derivative	-	8	37	45
Interest income	78	21	12	111
Interest expense	(138)	(85)	(334)	(557)
Segment profit before tax	1,317	744	519	5,669
Taxation	34	(245)	(201)	(413)
Segment profit after tax	1,351	499	318	5,256
Assets and liabilities				
Segment assets	11,590	8,231	13,045	32,866
Segment liabilities	(8,084)	(2,583)	(5,270)	(15,937)
Unallocated assets and liabilities				17,308
Segment net assets	3,506	5,648	7,775	34,237
Other segment information				
Capital expenditure:				
Property, plant, equipment	1,087	37	234	1,358
Investment properties	55	-	-	55
Depreciation - property, plant and equipment	324	222	321	867
Depreciation - investment properties	40	-	-	40
Amortisation	-	-	398	398

Underlying profit before tax				
Segment operating profit before tax, amortisation & non-trading items	**1,377**	**800**	**957**	**3,134**
Interest expense	(138)	(85)	(334)	(557)
Interest income	78	21	12	111
Underlying profit before tax	**1,317**	**736**	**635**	**2,688**

3. Earnings per share on underlying profit

Year ended 31 March	**2011** **£ million**	2010 £ million
Underlying profit as above	**2.73**	2.69
Tax thereon	**(0.82)**	(0.71)
Underlying profit after tax	**1.91**	1.98
Average no. of shares in issue (thousands)	***9,140***	*9,032*
Diluted average no. of shares in issue (thousands)	***9,237***	*9,147*
Basic EPS on underlying profit	**20.9p**	22.0p
Diluted EPS on underlying profit	**20.6p**	21.7p

4. Net financing costs

As shown below the Group's net financing costs fell sharply to £0.2 million (2010: £0.4 million). Net bank interest payable amounted to £134,000 (2010: £314,000).

Year ended 31 March	**2011** **£'000**	2010 £'000
Net financing costs as shown in Income Statement	**(207)**	(401)
Made up of :		
Pension finance costs net	**(115)**	(132)
Notional interest on deferred consideration	**-**	(48)
Amortisation of bank fees	**(30)**	(30)
Total non-cash items	**(145)**	(210)
Lease interest receivable	**84**	78
Other Interest payable	**(12)**	-
Net bank interest paid	**(134)**	(314)
Total net underlying financing costs	**(207)**	(446)
Interest collar revaluation	**-**	45
Total net financing cost	**(207)**	(401)

Bank interest cover

Year ended 31 March	**2011**	2010
Underlying operating profit as above	**£2.94 m**	£3.13 m
Net bank interest payable £m	**£0.13 m**	£0.31 m
Bank interest cover	***22.6x***	*10.1x*

Since the liquidation of the interest collar in January 2010 interest costs have fallen sharply. In the current financial year if Bank of England base rates remain unchanged at 0.5% with total borrowings of £4.2 million the Group's pro-forma bank interest charge with average rates of c. 2.4% for the year would be c. £0.10 million.

5. 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 available for sale financial instruments and derivative financial instruments are stated at their fair value.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU (adopted IFRS). During the year, the Group has adopted:

- Amendments to IFRS 2 Group cash-settled share based payments
- Amendments to IAS 27(2008) Consolidated and Separate Financial Statements
- Amendments to IFRS3 (2008) Business Combinations
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 17 Distributions of non-cash assets to owners

At the date of authorisation of these financial statements, there are a number of Standards and Interpretations in issue but not yet effective and 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 preliminary announcement was approved by the Board on 23 June 2011. 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 plc for the year ended 31 March 2010 have been delivered to the Registrar of Companies. KPMG Audit Plc has reported on those accounts and on the statutory accounts for the year ended 31 March 2011. 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 2010 nor for the year ended 31 March 2011.