



FALKLAND ISLANDS HOLDINGS

Results - Year ended 31 March 2016

Solid profitability, Nav 310p per share
Record cash reserves £14m

FIH : Overview Ye/ 31 March 2016



- **Underlying Pre-Tax profits £3.08m (2015: £3.56m)**
- **Cash flow from operations £5.1m – Record levels of cash on hand : £14.0m**
- **FIC: Record trading result - PBTa £1.9m (2015 £1.6m) – modernisation of infrastructure completed**
- **Momart: Profits lower – PBTa £0.5m vs £1.2m – diluted sales mix and investment in sales and marketing**
- **PHFC: Stable revenues – profits lower by £0.1m at £0.68m**
- **NAV - 310p per share (2015: 295p)**
- **Focus on organic and acquisition led earnings growth**

FIH : Year ended 31 March 2016

Trading Overview



- **Group revenue +1.1% to £39.0m (2015: £38.6m)**
 - **FIC : PBTa up £0.4m (+24.5%) to £1.94m . Record trading result – boosted by oil exploration and record squid catch. Strong car hire and vehicle sales + record property rental**
 - **Momart: Revenue + 3.2% but weaker sales mix + investment in sales & marketing £0.5m – profits lower by £0.8m at £0.46m**
 - **PHFC: Revenue stable despite 3.3% fall in passenger numbers. Increased costs from new boat - profits down £0.1m at £0.68m**
- **Underlying pre tax profits down by £0.5m (-13.5%) to £3.08m (2015: £3.56m)**
- **EPS on underlying profits 19.2p (2015: 22.0p)**
- **Write down of SAtCO assets & non trading items – net cost of £0.3m**
- **Reported pre tax profits £2.8m (2015 £3.9m)**
- **Record cash reserves £14.0m (2015 £7.4m)**
- **Continuing search for value enhancing acquisitions**

FIH: Year ended 31 March 2016

Trading Overview



Year ended 31 March	2016 £000	2015 £000	Change +/-
Turnover – continuing operations	38,996	38,560	+1.1%
Underlying operating profit	3,301	3,763	-12.3%
Interest (net) incl. pensions costs	(223)	(204)	9.3%
Underlying pre tax profit	3,078	3,559	-13.5%
Non trading items, excluding amortisation	(143)	477	-
Amortisation of Intangibles	(136)	(142)	-4.2%
Reported Profit Before Tax	2,799	3,894	-28.1%
Diluted EPS on taxed underlying PBT	19.2p	22.0p	-12.7%
Weighted shares in issue	12,383,712	12,446,097	-0.5%

FIH : Cash & Liquidity



	31 March 2016 £000	31 March 2015 £000	Change £000
Bank Loans *	(3,264)	(735)	(2,529)
Hire Purchase & Other borrowings	(309)	(280)	(29)
Total borrowings	(3,573)	(1,015)	(2,558)
Cash	14,037	7,435	6,602
Net Cash	10,464	6,420	4,044
Pontoon Finance Lease	(4,828)	(4,858)	30
* Bank loan interest : 5 year Fix at 3.9% pa			

FIH: Segmental Analysis – year ended 31 March 2016



	2016 £000		2015 £000	Change +/-
<u>Turnover</u>				
FIC	18,495		18,506	-0.1%
PHFC	4,244		4,301	-1.3%
Momart	16,257		15,753	+3.2%
Total Turnover	38,996		38,560	+1.1%
<u>Pre Tax Profit</u>				
FIC	1,937		1,556	+24.5%
PHFC	684		796	-14.1%
Momart	457		1,207	-62.1%
Underlying Pre-Tax Profit (PBTae)	3,078		3,559	-13.5%

FIC: Record results boosted by oil exploration



FIC: Oil Exploration 2015-16



- Exploration support onshore boosted local demand – car / plant / property rental
- 4 wells drilled by Eirik Raude rig in 11 months: programme ended early in Feb 2016
 - Humpback well in Southern basin – found no commercial hydrocarbons
 - 3 positive results in Northern basin for Premier Oil (PMO) and Rockhopper
 - Sea Lion reserve estimates expanded to 520m bbls
 - Isobel complex with 420m bbl potential
- Draft Field Development Plan submitted – FEED progressing cautiously
- Sea Lion development costs and break even falling steadily – now viable at \$65/bbl
- Premier seeking partners to share capital costs \$1.8bn
- Progression to field development depends on further recovery in oil price
- Ultimate development of Falklands - oil highly likely but timing uncertain

FIC: Year ended 31 March 2016



Revenue	2016 £ million	2015 £ million	Change %
Retail	9.66	9.54	1.3%
Falklands 4x4	3.93	3.07	28.1%
Freight and port services	0.90	1.24	-27.6%
Support services	1.63	1.66	-1.8%
Property rental	0.57	0.36	59.2%
Property and construction	1.81	2.64	-31.5%
Total Revenue	18.50	18.51	-0.1%
Operating profit *	1.62	1.31	22.9%
Share of Joint Venture	0.20	0.18	11.1%
Net Interest	0.12	0.07	93.8%
Pre Tax profit	1.94	1.56	24.5%
*Operating margin %	8.7%	7.1%	+1.6%

FIC: Trading - Year ended 31 March 2016



- Revenue maintained at record levels - £18.5m - last 2 years lifted by oil related activity
- Contribution +24.5% to £1.94m (2015: £1.56m)
- Total retail revenue + 1.3% to £9.66m – West Store +4.5% -tougher in DIY Homecare
- Strong growth in Falklands 4x4 + 28.1% to £3.9m - 110 vehicles sold (2015: 76) – record year for car hire.
- Falkland Building Services –sales down 31.5% at £1.8m -12 properties sold (2015: 16) but better margins - Property rental income + 59%
- Freight activity reduced – oil preparations completed in prior year
- Agency income from fleet support - lower – poor illex catch Spring 2016
- Stronger cruise ship visitors numbers +13% to 56,500 helped H2 sales.
- Good contribution from SAtCO at £0.2m (2015: 0.18m) - Crane hire to Premier Oil

FIC : New warehouse : East Stanley



FIC: Year ended 31 March 2016



- **£1.2 m capital investment during year :**
 - **Completion New chiller and warehouse / container facilities at Airport Road**
 - **Redevelopment of the Retail facilities and the Head Office at Crozier place - creation family friendly retail destination with new Car Park & Home Living Café**
- **Modernisation of FIC substantially complete – future capex at replacement level**
- **£0.3m provision against carrying value of SAtCO assets following rig departure**
 - **Overall positive contribution from SAtCO despite truncated activity .**
- **Reduction in admin costs Jan 2016 - £178k restructuring charge – payback < 12 months**
- **Business well positioned for cash generation in quieter trading period expected ahead of any resumption in oil activity**



FIC : Expanded Home Builder DIY Store



Momart : Year ended 31 March 2016



Momart: Trading year ended 31 March 2016



Revenue	2016 £ million	2015 £ million	Change %
Museums & Public Exhibitions	8.39	8.68	-3.4%
Gallery Services	5.82	5.21	11.8%
Storage	2.05	1.86	10.1%
Total Revenue	16.26	15.75	3.2%
Operating Profit	0.46	1.24	-62.9%
Interest		(0.03)	-
Pre Tax Profit *	0.46	1.21	-62.1%
* Before amortisation of intangibles			
Operating profit margin	2.8%	7.9%	-5.1%



Momart: Trading year ended 31 March 2016

- Revenue up 3.2% to £16.3m (2015: £15.8m) Profits down to £0.46m (2015: £1.24m)
- Exhibitions revenues -£0.3m (-3.4%)
- Overseas revenues £5.8m -22.7% down on 2015 (£7.5m)
- Commercial Gallery Services revenues +11.8% to £5.82million
- Storage revenues +10.1% to £2.05m: 33% expansion of storage space arriving July 2016 .
- Strengthened management team – increased focus on sales and marketing
 - New Sales & Marketing director appointed – Jan 2016
 - Website updated Jan 2016 – (new simpler layout / foreign language option)
 - New Private Client Manager Sept 2015
 - Renewed focus on Art fairs (International Art Fair Report - June 2016) and overseas relationships
- www.momart.co.uk
- Preferred partnership with Christies backed “Collectrium” private collectors “portal” www.collectrium.com
- Further improvements in MIS (automated margin reporting by job , client etc)
- Notable exhibitions: Alexander Calder and World Goes Pop at Tate Modern; Ai WeiWei and Painting the Modern Garden at the Royal Academy; Fabric of India at the V&A , Audrey Hepburn at the National Portrait Gallery; and Egypt: Faith after the Pharaohs at the British Museum.

Momart : Investment in sales & marketing



Portsmouth Harbour Ferry Company (PHFC)





PHFC: Trading year ended 31 March 2016

Revenues	2016 £ million	2015 £ million	Change %
Ferry fares	4.09	4.13	-0.8%
Other revenue	0.15	0.17	-13.1%
Total Revenue	4.24	4.30	-1.3%
Operating Profit	1.03	1.03	-0.4%
Boat mortgage loan interest	(0.12)	(0.01)	
Pontoon lease finance interest	(0.23)	(0.23)	-0.9%
Profit before tax	0.68	0.79	-14.1%
Net margin on revenue (%)	16.1%	18.5%	-2.4 %
<i>Passenger journeys (000s)</i>	<i>2,826</i>	<i>2,923</i>	<i>-3.3%</i>



PHFC: Trading year ended 31 March 2016

- Revenue down 1.3% at £4.2 million
- PBT -14.1% to £0.68m (2015: £ 0.79m)
- Passenger journeys down 3.3% to c.2.83 m (2015: -2.1% to c.2.92m)
 - Lower petrol prices make driving around harbour relatively more affordable
 - Subsidised Park & Ride in Portsmouth – Redevelopment of Portsmouth passenger interchange
- Fares increase 3-4 % in June 2015 and June 2016
 - Adult Return fares now £3.40 / Child £2.20 /10 Trip Ticket £15.00 - £1.50 per single trip
 - Bikes Go Free promotion June – Sept – new 30 day season ticket £61.00 (£1.19 per trip)
 - Increased bike usage + 4%
- New vessel Harbour Spirit now fully operational – Cost £3.2million – 30 year life, financed by 10 year boat mortgage
- No further vessel investment for 15-20 years
- Medium term outlook for Portsmouth positive – QE2 carriers - 2017 onwards

FIH : Outlook



- **FIC**
 - Falklands economy quieter post oil – weaker illex catch Spring 2016
 - But : Lower profitability at pre oil levels - focus on cash flow – reduced capex
 - FIC well set up for eventual move to oil production
 - Significant oil upside remains (1 bn barrels of identified reserves in Northern basin)
- **Momart**
 - Improved trading on back of stronger order book and more proactive approach .
 - New storage facilities underpin longer term growth in private client market .
 - Short term hit to profits from newly opened initially “empty “ storage unit - £0.5m costs pa
 - Commercial art market still buoyant but competitive
- **PHFC**
 - Short term factors impacting passenger numbers
 - Continued promotional offers to offset cheap petrol
 - Focus on cost control and cash flow to repay loans & finance leases
 - Cyclical recovery & Dockyard expansion gives positive medium term view
- **Overall**
 - Short term decrease in profitability but medium term view remains positive
 - Strategic acquisitions using cash and bank borrowings to create critical mass

FIH : Strategy



- **FIC:** Focus on increased efficiency & cash flow pending development of oil.
- **Momart:** Secure returns from expanded storage – leverage investment in sales & marketing.
- **PHFC:** Maintain fleet, steady profits & strong cash flow
- **Group:**
 - No dividend planned - cash reinvested to accelerate earnings growth
 - Leverage cash flow to finance strategic acquisitions to create scale & critical mass





Appendices

Additional Information on Falkland Islands Holdings

FIH: Balance Sheet



	31 March 2016 £000	31 March 2015 £000	Change £000
Property, plant and equipment	19,930	19,621	309
Investment properties	3,632	3,693	(61)
Intangibles & goodwill	12,037	12,226	(189)
Deferred tax asset, HP debtors & Joint venture net assets	1,578	1,852	(274)
Investment in FOGL (2015: 5m shares @ 30.0p)	-	1,500	(1,500)
Total fixed assets and investments	37,177	38,892	(1,715)
Working capital - Net	660	1,132	(472)
Cash	14,037	7,435	6,602
Net operating assets	51,874	47,459	4,415
Income tax payable	(191)	(27)	(164)
Bank loans, Finance Leases & HP	(8,401)	(5,873)	(2,528)
Pension provisions & Deferred tax	(4,713)	(4,871)	158
Net Assets / Shareholders funds	38,569	36,688	1,881
Net assets per share	£3.10	£2.95	£0.15

FIH: Cash Flow



Year ended 31 March	2016	2015
	£000	£000
Underlying operating profit	3,301	3,763
Depreciation	1,459	1,426
Tax paid	(324)	(792)
Decrease in working capital	507	2,145
Other	(192)	(158)
Net cash flow from operating activities	4,751	6,384
Capital expenditure	(1,854)	(4,944)
Dividends paid	-	(1,424)
Loan repayments & Interest	(877)	(1,408)
FOGL shares sold	1,396	2,287
Loan repaid by Joint Venture	378	151
Bank & other loans drawn down	3,048	833
Other	(240)	(159)
Net Cash Inflow	6,602	1,720



Management Team

Edmund Rowland, Chairman

Edmund joined the Board in April 2013, and became Chairman on 9 February 2015. He currently serves as a Director of Blackfish Capital Management, a specialist asset manager based in London and as Chief Executive Officer of Banque Havilland S.A (London Branch), previously having gained experience in London and Hong Kong, as an analyst and investment manager with BNP Paribas S.A and Blackfish. He has broad experience of principal investing in both equity and credit capital markets, with a focus on special situations and he sits on the board of Banque Havilland (Monaco) SAM.

John Foster, Managing Director

John joined the Board in 2005. He is a Chartered Accountant and previously served as Finance Director for software company Macro 4 plc and toy retailer, Hamleys plc. Prior to joining Hamleys, he spent three years in charge of acquisitions and disposals at FTSE 250 company Ascot plc and before that worked for nine years as a venture capitalist with a leading investment bank in the City.

Jeremy Brade, Non Executive

Jeremy joined the Board in 2009. He is a Director of Harwood Capital Management where he is the senior private equity partner. Jeremy has served on the boards of several private and publicly listed international companies. Formerly Jeremy was a diplomat in the Foreign and Commonwealth Office, and before that an Army officer.



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