



FALKLAND ISLANDS HOLDINGS

Interim Results 6 months ended
30 September 2013



Interim Results – Sept 2013 - Overview

FIC: Quieter Trading – No oil rig in Falklands waters

Momart: Further strong growth – record H1 result

PHFC: Stable – trading in line with last year

FKL: Profits up 15% - UK operations offsetting temporarily subdued Falklands trading

FKL : 6 Months ended 30 September 2013

Trading Overview



- Revenue up by 4.4% to £17.2m (2012: £16.5m)
 - Momart : Strong growth - profits up 121% to £0.76m (2012 £0.34m)
 - FIC : Hiatus in oil related activity but continued investment - profits down £0.24m to £0.3m
 - PHFC : Robust trading in line with last year
- Group Operating profit £1.47m (2012: £1.35m) up 8.9%
- Underlying pre tax profits +14.8% to £1.37m (2012: £1.19m)
- Interim EPS on underlying profits 8.1p (2012: 7.8p)
- Maintained Interim dividend 4.0p per share payable on 24th Jan 2014
- Cash balances £8.2m (2012 £10.9m)
- FOGL holding of 12.8m shares unchanged (Mkt value £3.6m @ 28p)

FKL : Summary P&L - 6 months ended 30 September 2013



6 months ended 30 September	2013 £000	2012 £000	Change +/-
Turnover	17,239	16,518	+4.4%
Trading Profit	1,472	1,352	+8.9%
FIC Pension scheme financing costs	(60)	(66)	
Pontoon lease interest	(117)	(118)	
Net Bank / HP interest received/(paid)	76	26	
Net financing costs	(101)	(158)	
Underlying Pre Tax Profit (PBTae)*	1,371	1,194	+14.8%
Amortisation of Intangibles	(193)	(199)	+0.5%
Gain on PHFC pension scheme wind up	64		
Sale of FOGI shares / Share Issue costs	-	86	-
Profit Before Tax	1,242	1,081	+14.9%
Diluted EPS (PBTae basis)	8.1p	7.8p	+3.8%

PBTae – profit before taxation , amortisation and non trading items



FKL : Segmental Analysis - 6 months ended 30 September 2013

6 Months ended 30 September	2013 £000		2012 £000	Change +/-
<u>Turnover</u>				
FIC	6,757		6,942	-2.7%
PHFC	2,236		2,216	+0.9%
Momart	8,246		7,360	+12.0%
Total Turnover	17,239		16,518	+4.4%
<u>Pre Tax Profit</u>				
FIC	301		538	-44.1%
PHFC	311		313	-0.6%
Momart	759		343	+121.3%
Underlying Pre Tax Profit (PBTa)	1,371		1,194	+14.8%

FIC : Getting to First Oil



FIC : 6 months ended 30 September 2013



- **Absence of oil rig & 30th Anniversary visitors reduced economic activity**
 - FIC Revenue down 2.7% at £6.8m (2012 £6.9m)
 - PBTa lower by £0.24m to £0.3m (2012 £0.54m)
 - After write off of £0.1m of site survey / preparation costs
- **Overall retail sales (2/3rds of revenue) fell by 6.9% (£0.3m) despite growth at Home Builder**
 - Gross Margins under pressure - local competition and weak demand
 - 5% wage inflation led by government pay round
- **Automotive – revenue ahead by 37% to £1.16m following investment in Falklands 4x4**
 - Vehicle sales doubled (34 vs 17) helped by lease purchase finance schemes
- **Support Services revenue down 11.5% despite strong illex fishing season**
 - 3rd party freight income down by 40%
 - Property rental income down by 33% with absence of oil related tenants
- **TRADING BACK AT PRE SEA LION LEVELS – GROWTH DEPENDENT ON RENEWED OIL EXPLORATION, START OF FIELD DEVELOPMENT & INFRASTRUCUTRE SPENDING**

FIC : 6 months ended 30 September 2013



- **Continued investment in Falklands Building Services – 31 staff now employed**
 - Further work done to modernise Falklands 4x4's Servicing facilities
 - Growing WIP & Order book for commission building of kit homes
 - Modernisation of FIC offices at Crozier Place on track, offering attractive office space for external rental and improved Head Office facilities for FIC
 - Creation of new “Home Builder” Retail Warehouse under way
 - Recruitment of experienced Quantity Surveyor to head up expanded Construction team
- Delays with Sea Lion have allowed re-evaluation of Fitzroy Road Serviced Apartments project to focus on more cost effective, flexible residential development based on kit homes .
- Construction completed of 3 new residential properties in central Stanley to add to rental portfolio
- Timing & plans for Deep Water Port still unclear but FIG continuing to progress

Falklands Oil Development Timeline : Revised View – November 2013



Revised Sea Lion Timeline	Nov-13	2014	2015	2016	2017	2018	2019
Exploration Drilling		2 rigs					
Revised view			1 rig	2- 6 wells			
Field Development		Build	Develop	Develop	Construct		
Revised view Nov 2013			Prepare	Develop	Develop	Construct	
TLP will mean less onshore activity							
FIRST OIL					★		
Revised view						★	
FIRST OIL Now estimated as Mid 2018 -2019 (3.5 -4 yrs following Project Green Light)							
INFRASTRUCTURE SPEND AND DEMAND BY OIL SERVICE COMPANIES MOVES BACK WITH FIRST OIL							

FIC Summary



- Falkland Islands economy still set for dramatic growth in medium term (H2 2016)
- Key milestone will be Premier project sanction of Sea Lion – currently expected December 2014
- Short term growth prospects more limited but important preparatory work under way
- FIC in a unique position with its platform of service businesses and freehold land for development

<u>Key projects underway for 2014</u>	<u>£m</u>
• Falklands 4x4	0.3
• Builders Merchant & Garden Centre	0.5
• In fill residential	0.5
• Crozier Place Offices	0.2
• New warehouse facilities – Airport Road	1.3
• FIC Workers accommodation	0.3
• Fitzroy Road apartments (revised)	2.0
• Total	<u>5.1m</u>

- Plans being developed for more residential , warehousing , & workers camp in 2015 – pending Sea Lion sanction
- FIG Infrastructure projects – Roads , Utilities , Port likely to await Premier Green Light on Sea Lion
- SATCO joint venture well placed to bid for emerging contracts - successful with Noble Temporary Floating Port
- Further Preparatory work and investment through 2014 and 2015
- FIC fully funded for all identified capital projects – further bank borrowing capacity if required
- Returns from 2015-16 onwards.



Momart : Continued strong growth



Momart : 6 months ended 30 September 2013



- Encouraging performance with continued strong growth
- Revenue ahead by 12.0% to £8.25million (2012 £7.4m)
- PBTa + 121% at £0.76million (2012 £0.34m)
- Strong growth in UK and overseas Exhibitions
 - Revenue + 21% to £4.77million (2012 £3.95m)
 - Gross Margins strengthened further on technically demanding projects
- Gallery Services
 - Revenue ahead by 1.1% at £2.56million (2012 £2.54m)
 - Increasing work from auction houses & blue chip galleries
 - Improved gross margins
- Storage revenues saw continued growth +4.7% to £0.91 million (2012 £0.87m)
- Commercial art market remains buoyant – continued demand for Momart’s high end technical services
- Final integration of new ERP system now underway
- Office move to Canary Wharf in Spring 2013 now bedded in – improved staff retention
- New Finance & Commercial Director in place strengthening senior management team
- Notable exhibitions H1 2013-14 : Houghton Hall : Reunion , Ellen Gallagher Tate Modern
Manet at the Royal Academy and Ice Age at the British Museum

Portsmouth Harbour Ferry Company (PHFC)

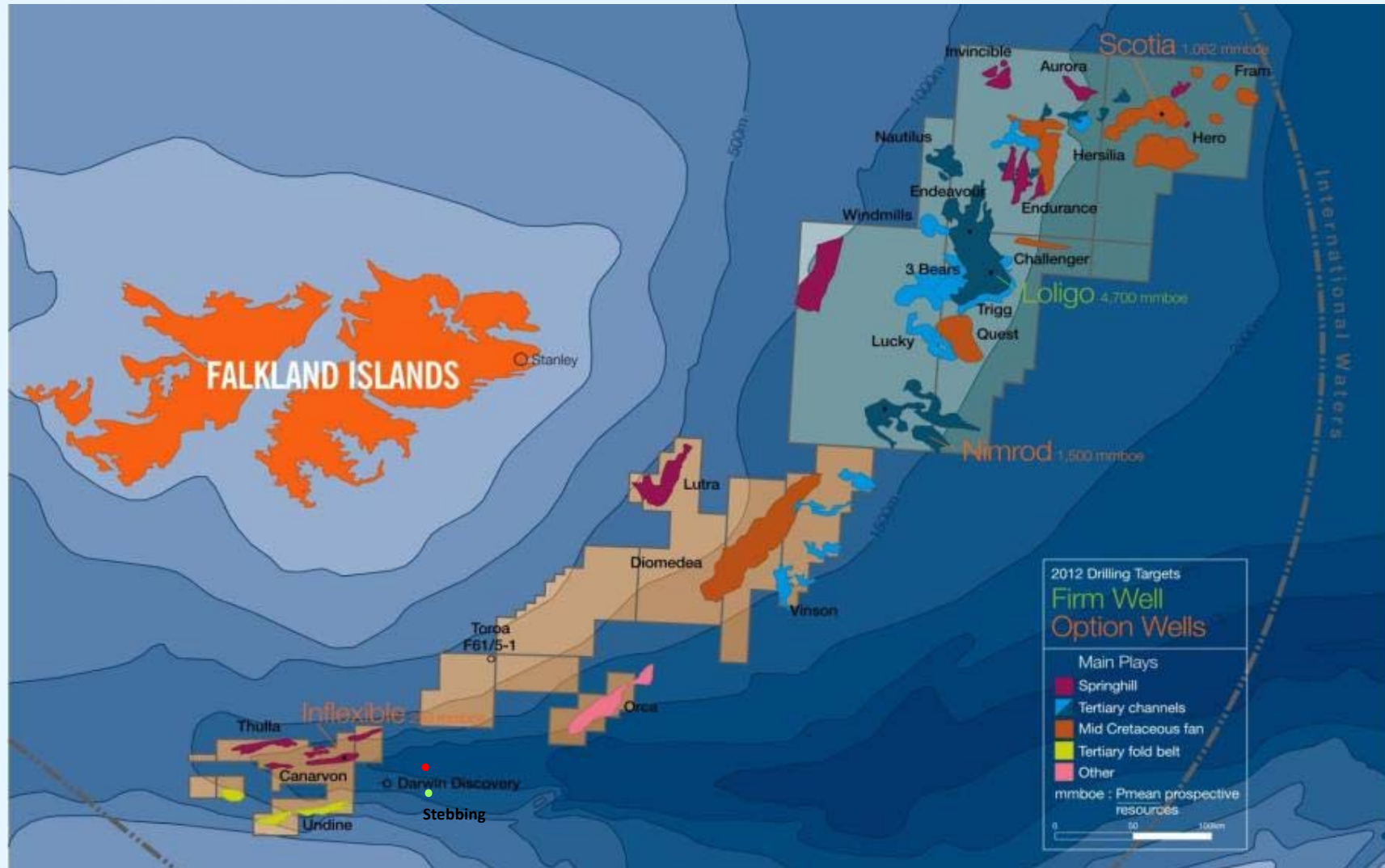


PHFC : 6 months ended 30 September 2013



- Ferry revenues ahead by 0.9% at £2.24million
- Fare rises of 3-4% in June 2013
 - Adult Return fares £2.90 (£2.80) , 10 Trip Ticket £13.50 (£13.00)
 - Child / OAP increased to £1.90 (following 2 year hold at £1.80)
- Passenger numbers fell by 1.7% vs H1 2012-13 – smaller than expected decline
- PBIT (after overhead allocation) unchanged at £0.3million in H1
- New vessel build underway in Croatia (with HSBC guarantee) to be financed on completion by £2.5m 10 year loan
 - Cost £3.2million, delivery early 2015. No further vessel investment for 15-20 years
- BAE shipyard closure unwelcome – 8% (940) dockyard jobs lost but only small minority use ferry .
- Positive medium term outlook for Portsmouth Naval Base expanding to support new Royal Navy carriers and enlarged surface fleet.

FOGL Licences: Location Map



Falkland Oil and Gas (FOGL)



- **FKL retains 12.8m FOGL shares (4.0%) – 1 FOGL share for each FKL share in issue**
 - Book cost 20p per share
 - FOGL Interest Northern licences 40% :Southern 52.5%
 - Partners : Noble Energy (Mkt cap c \$26bn) Edison International (Mkt cap EDF c \$67bn)
- **Combination with Desire will give FOGL exposure to North , East and South Basins including exposure to Sea Lion .Further 3D seismic programme in progress to identify targets**
- **FOGL fully funded for its share of planned exploration with cash and farm out arrangements with Noble , Edison and Premier/Rockhopper on North Falkland Basin wells**
- **Enhanced drilling programme planned for FOGL**
 - 2 wells in the South and 3 in the North Falkland Basin
- **Noble in talks to secure rig for late 2014**

FKL : Outlook



- **FIC**
 - Falklands economy set to remain quiet H2.
 - Key growth trigger will be Premier's final confirmation of Sea Lion development – Dec 2014 .
 - Argentine pressure on cruise ship operators likely to continue
 - House building and new vehicle sales will help offset quieter retail environment
 - Continuing investment in property assets in readiness for oil
- **PHFC**
 - BAE closure will be negative factor in short term .
 - But cyclical recovery & harbour development gives positive medium term view
- **Momart**
 - Commercial art market expected to remain buoyant – importance of London growing
 - Plans to expand storage business to remove block to further growth
 - H2 order book healthy - New ERP system will boost efficiency in 2014-15
- **Overall**
 - Spread of trading interests underpins Group's financial stability and ability to deliver earnings growth
 - Growth in UK will help offset quieter "pre- oil" period in Falklands



FKL: Strategy

- **FIC** : Preparing for long term oil led growth. Strengthen management team & increase capital investment as oil development crystallises. Develop specialist support services to maximise returns.
- **Momart** : Expand storage capacity and UK and International client base
- **PHFC** : Modernise fleet , maintain strong cash flow
- **FOGL** : Retain shareholding through next drilling campaign
- **Group** : Adopt flexible stance but with increasing focus on Falklands oil opportunity to generate maximum shareholder value while maintaining dividend



Appendices

Current Sea Lion Development Plans



- Phased Development proposed for Sea Lion
- Initial development in the north
 - 284 mm bbls from 30 development wells
 - Gas cap is assumed in the west
- Followed by a southern development
 - 110 mm bbls from 22 wells
- Will incorporate results from exploration / appraisal wells drilled in the south
- FIG/DECC supportive of this approach

Preparing for FEED

Finalising basis of design

Finalising build methodologies

Studying a Tension Leg Platform (TLP)

With FPSO as alternative

Reduced drilling and subsea costs

Greater flexibility for infill drilling

Mitigates flow assurance risks

Better motion characteristics

Initial cost estimates appear attractive

Final facility decision by year end (2013)

Targeting sanction for year end 2014

3½-4 year project (either scheme)

Source: Premier Oil website Nov 5 2013



FKL : Cash flow 6 months ended 30 September 2013



All figs £'000's	2013	2012
Operating profit	1,279	1,153
Depreciation	630	560
Amortisation of Intangibles	193	199
Provision for share based payments	51	124
Cost of July 2012 capital raising	-	(682)
Increase in working capital	(2,415)	(1,373)
Net Cash Flow from Operations	(262)	(19)
Net finance interest received / (paid)	59	(3)
Tax paid	(305)	(222)
Proceeds from share capital issued, net of expenses	-	9,878
Dividends paid	(928)	(866)
Capital expenditure	(1,058)	(1,023)
Proceeds received on sale of FOGL shares	-	1,005
Other	(54)	64
Net Cash Flow	(2,548)	8,814
Decrease in Bank Borrowings and HP	697	689
(Decrease) / Increase in Cash	(3,245)	8,125
(Reduction)/Increase in Cash net of Bank Borrowings & HP	(2,548)	8,814

FKL : Balance Sheet



All figs £'000's	30 Sept 2013	31 March 2013	30 Sept 2012
Tangible Fixed Assets	13,962	13,725	13,391
Investment properties at net book value	2,960	2,786	1,435
Goodwill & Intangibles	12,122	12,315	12,514
Quoted investments at m.v	3,623	3,399	8,400
Deferred Tax & other assets	955	862	753
Total non current assets	33,622	33,087	36,493
Working Capital - Net	4,025	1,706	3,661
Cash	8,171	11,416	10,876
Corporation tax payable	(382)	(364)	(632)
Bank Loans etc due within 1 year	(1,121)	(1,149)	(1,160)
Net Current Assets	10,693	11,609	12,745
Bank Loans etc due after 1 year	(745)	(1,253)	(1,764)
Finance Lease re Pontoon due after 1yr	(4,873)	(4,886)	(4,901)
Pension Provisions & Def. Tax	(4,278)	(4,278)	(3,607)
Equity Shareholders funds	34,419	34,279	38,966
Net Assets per share	£2.77	£2.76	£3.14

FKL: Net borrowings and liquidity



	30 Sept 2013 £000	31 March 2013 £000	30 Sept 2012 £000
Bank Loans & HP due within 1 year	(1,093)	(1,122)	(1,135)
Bank loans & HP due after 1 year	(745)	(1,253)	(1,764)
Total Bank Borrowings & HP	(1,838)	(2,375)	(2,899)
Cash	8,171	11,416	10,876
Total net cash / (debt) excl long term Pontoon lease	6,333	9,041	7,977
Long term finance lease re Pontoon	(4,901)	(4,913)	(4,926)
Total Net Cash /(Borrowings)	1,432	4,128	3,051
Net Tangible Assets	22,297	21,964	26,452

FIC: Sites for development



	Site	Location & size	Development Potential
1	Fitzroy Road	2 acres , Central Stanley	Planning permission for 2 bed apartments . Final design being developed
2	Dairy Paddock	Western Stanley 36 acres	Planning permission for 350 houses / Work camp
3	YPF site	Central Stanley, 2.25 acres	High quality residential plans being progressed
4	East Jetty	Waterfront Stanley , 3.0 acres	FIC warehousing – prime site for re-development
5	“Coastel” Road	FIPASS area, 7.5 acres	Warehousing & lay down areas with planning
6	Airport Road/FIPASS	FIPASS ,11.0 acres	Warehousing & lay down areas with planning
7	Fairy Cove	North side of Stanley Harbour, 301 acres	Adjoins site for proposed new deep water port at Navy Point

FIC: Development sites in Stanley



Dairy Paddock 36 acre site in central Stanley

Planning permission for workers camp and 350 houses

Site 2

YPF site on Stanley Harbour 2.25 acres

Prestige site for high quality residential homes

Site 3

Crozier Place and East Jetty, 3.0 acres

Prime central site for Offices, Hotel or Leisure.

Site 4

Coastal Rd site on Stanley Harbour 7.5 acres

Warehousing, lay down areas and storage

Site 5

Map of FIC Development Sites



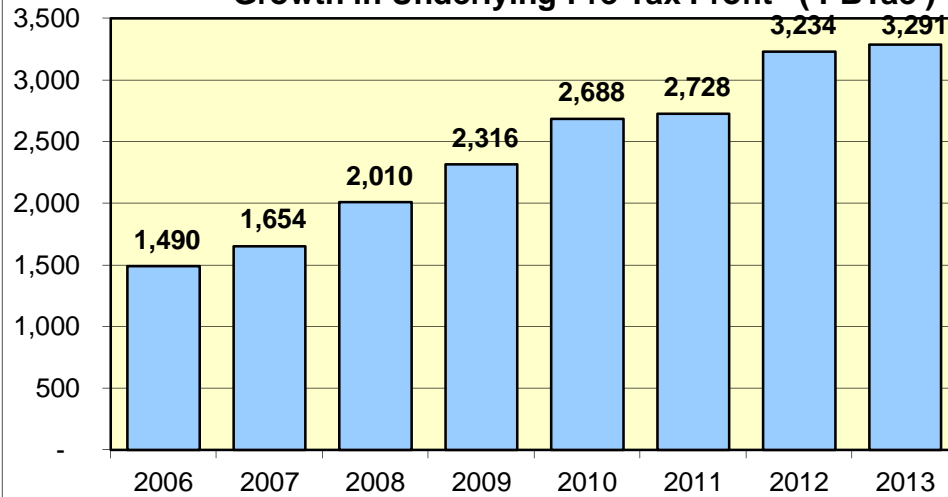
Map of FIC Development Sites



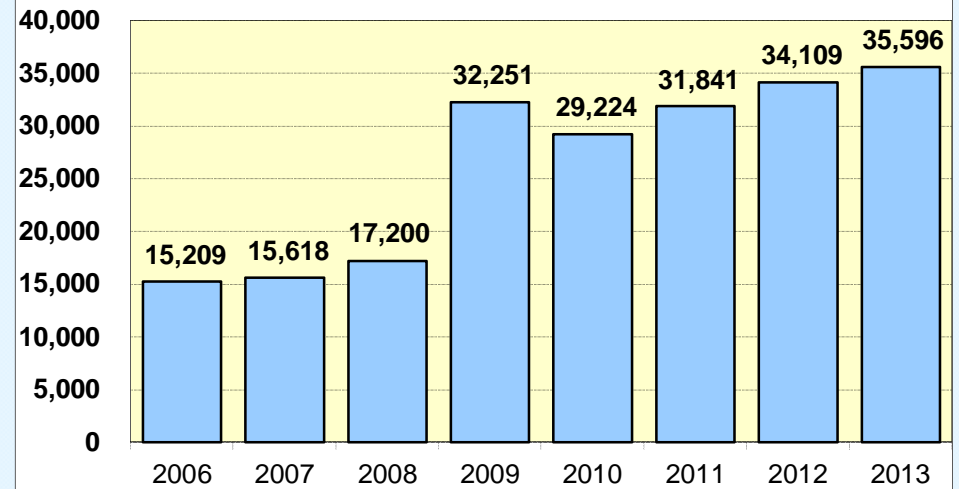
Key Financial Metrics 2006 - 2013



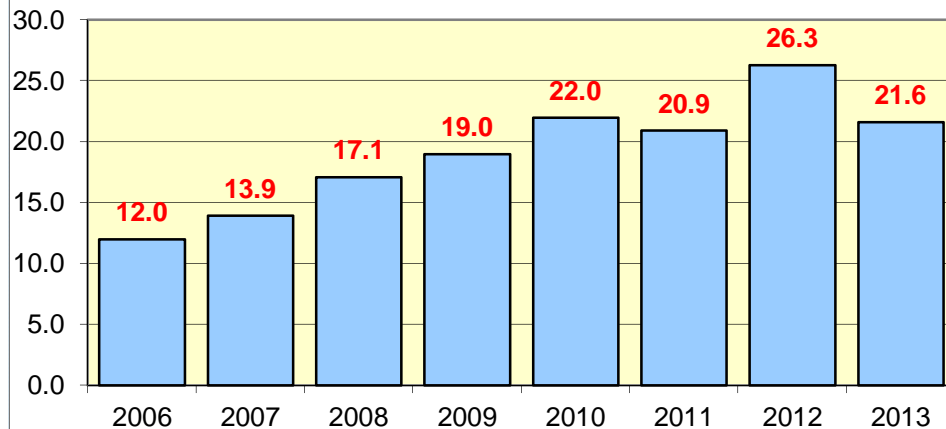
Growth in Underlying Pre Tax Profit (PBTae)



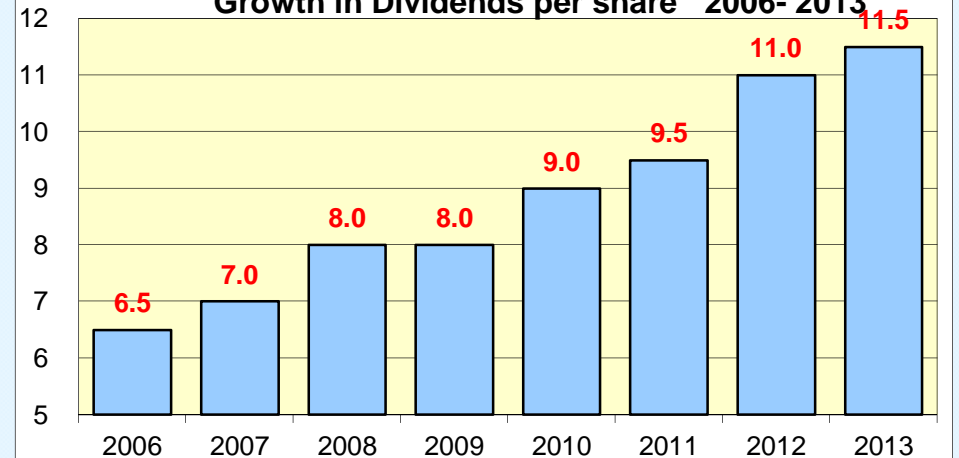
Growth in Turnover 2006 -2013



EPS Growth 2006- 2013



Growth in Dividends per share 2006- 2013





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