Falkland Islands Holdings plc
Interim Report 2009

Falkland Islands Holdings

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Chairman's and Managing Director's Review

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2009

Overall the results for the first half are in line with our expectations. Underlying pre-tax profits, defined as profits before tax, amortisation and non-trading items declined marginally to £1,172,000 (2008: £1,220,000).

Results from the Falkland Islands were impacted by the failure of the illex squid catch but boosted by the inclusion of a profit of £272,000 from the sale of a property. Property development is now a significant part of our business in the Islands so the results of that activity are now included in revenue and reflected in underlying profits.

With the inclusion of non trading items, reported profits before tax rose 21% to £1,224,000 (2008: £1,014,000). Group turnover fell by 13% from £15.8 million to £13.8 million reflecting a return to more sustainable levels of business for Momart and subdued trading in the Falklands.

Non-trading items resulted in a net credit of £52,000 (2008: charge of £206,000) and included in both years a goodwill amortisation charge of £198,000. The other items were the revaluation of the interest rate collar on borrowings (2009: credit of £77,000; 2008 charge of £8,000) and compensation received for the early termination of a lease in the UK of £173,000 (2008: nil).

Earnings per share based on reported earnings were 9.8p (2008: 7.2p). EPS based on underlying profits were 9.3p (2008: 9.5p).

As in previous years no interim dividend is proposed.

On 30 September 2009 the Group had net borrowings of £5.0 million (31 March 2009: £4.2 million) including cash balances of £2.2 million (31 March 2009: £3.0 million). Subsequently on 30 November 2009 the liquidity position of the Group was strengthened by the sale of 3 million shares in Falkland Oil and Gas Limited (FOGL) which generated net proceeds of £3.6 million. The Group retains 12 million shares in FOGL following the sale.

Operating Review

Falkland Islands (FIC)

Revenues at FIC declined to £5.5 million (2008: £5.8 million) as the absence of illex at the start of the financial year affected both the income of the fishing agency and consumer confidence. However, profits were boosted by the sale of a large un-modernised house from FIC's property portfolio which generated a profit of £272,000 (2008: nil). Retailing turnover was 2.4% lower than the prior year as competition exacerbated the impact of the weak economy and vehicle sales fell sharply as Government agencies reduced capital spending. However, revenues from insurance and travel services remained stable and net income from the residential property portfolio increased as maintenance costs fell. Darwin Shipping continued to perform well with revenues slightly ahead of 2008.

Operating profits for FIC increased to £508,000 compared with £331,000 in 2008. After the allocation of finance charges and interest, FIC's profits before tax was £467,000 (2008: £267,000).

Chairman's and Managing Director's Review

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2009

The September announcement of the first offshore drilling campaign since 1998 has energised the economy. This has been evidenced by increased demand for support services from the oil exploration programme and the positive trend has been helped by the start of the first de-mining contract where FIC are providing a range of services.

At the same time there has been a substantial improvement in our retail businesses as the benefits of management change have begun to be felt and like for like results moved into positive territory at the end of the half year. Excellent progress was also made with the transformational extension of the West Store complex, which increased retail selling space by 50%. The complex now includes a discrete electrical / home entertainment store, a cafe and for the first time, a car park with trolley access to the newly created rear entrance. The "new" West Store was opened on 18 November in good time for Christmas trading and the start of the cruise ship season.

During the period work also continued on conversion of the loss making Upland Goose Hotel at Marmont Row into 12 separate, residential properties for sale or rental. Work on four of the properties is nearing completion with a further six expected to be ready for sale or letting within the next few months.

FIC also has a portfolio of properties in Stanley and 3 significant development sites including the former YPF depot in East Stanley and the former butchery in West Stanley both of 2 acres, which have the benefit of established services and work is currently starting on plans for the development of these sites. FIC also owns a further 38 acre site at Dairy Paddock, with planning permission for 350 homes which can be developed over the longer term.

Ferry Services (PHFC)

The ferry operation at Portsmouth Harbour performed steadily in the half year. As expected, passenger numbers were affected by the economic downturn falling 5% compared to the first half of 2008/9 but the effect of the reduction was largely offset by fare increases in June and consequently ferry revenues for the half year were unchanged at £2.0 million. Effective cost control was helped by lower fuel prices. As a result, operating profits improved slightly to £458,000 (2008: £442,000). After the allocation of finance charges and interest, profits before tax were down slightly at £403,000 (2008: £422,000).

Reliability and safety remains the cornerstone of the ferry's success and in the period only 37 ferry journeys failed to depart on schedule representing a reliability level of 99.9% (2008: 99.8%). Our thanks are once more due to the professionalism and conscientiousness of the staff at Gosport for the safe and effective running of this vital local service.

Discussions have continued with Gosport Borough Council in order to secure a functional, cost effective replacement for the existing pontoon at Gosport which is leased from the Council. Discussions are now progressing well and installation is expected late in 2010.

Momart

After the difficult trading conditions experienced at the end of the last financial year, Momart, our fine art logistics business, saw activity levels stabilise and the company generated profits and cash flow ahead of budget in the period. Notable exhibitions included Damien Hirst in Ukraine, Baroque at the Victoria and Albert Museum and Anish Kapoor at the Royal Academy.

However, revenues at Momart were some 21% lower than the record levels seen in the first half of 2008 with double digit falls seen in both Exhibitions (20%) and Gallery Services (28%). Storage revenues which accounted for 12% of sales were at the same level compared to the prior period. Operating profit before amortisation and non-trading items for the period amounted to £476,000, down on the record level achieved in the prior year of £703,000. After the allocation of interest charges and finance costs of £174,000 (2008: £172,000), underlying profits before tax were £302,000 (2008: £531,000).

FOGL

The Group continues to hold a major stake in the AIM listed oil and gas exploration company, Falkland Oil and Gas Limited (FOGL). The market value of the Group's holding of 15 million shares at 30 September 2009 was £18.9 million (126p per share) (2008: £11.9 million; 79p per share) compared to a historic cost of 16p per share (£2.5 million).

During the period BHP Billiton the operator which has a 51% interest in the licences completed detailed site surveys and submitted Environmental Impact Assessments for 4 prospects.

FOGL announced on 26 November 2009 that discussions were at an advanced stage with Desire Petroleum to contract the Ocean Guardian rig to drill a well in the first half of 2010 on the Toroa prospect. The Toroa prospect is located approximately 100km south of the Falkland Islands and could contain very large quantities of oil. On the same day FOGL announced that £50 million, before expenses, had been raised by the placing of 43.7 million shares at 115p to finance the company's share of costs for its two licence commitment wells, possible other discretionary wells and working capital requirements through 2011.

Following these announcements the FIH Board determined that it would be prudent to diversify the risk profile of the Group and therefore on 30 November 2009 sold 3 million FOGL shares, reducing the Group's shareholding to 12 million shares (8.2%). The sale generated net proceeds of £3.6 million and a profit after tax of £3.1 million. The proceeds of sale will be used to reduce borrowings and provide the Group with the financial flexibility to take advantage of investment opportunities in operating activities. The Board has no current intention of selling any further shares in FOGL and has given a specific undertaking in this regard that no further share sales will be made in advance of completion of the drilling of the Toroa prospect.

Chairman's and Managing Director's Review

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2009

Balance Sheet and Cash Flow

During the half year the Group invested £1.0 million in the Falkland Islands principally on the West Store extension and the Marmont Row development. After depreciation of £0.4 million the net book value of property plant and equipment increased from £7.7 million to £8.3 million at 30 September 2009. Working capital investment in inventories and trade receivables increased in line with seasonal factors.

Interest bearing loans and liabilities at 30 September 2009 were unchanged at £7.2 million (31 March 2009: £7.2 million) and the Group had cash balances of £2.2 million (31 March 2009: £3.0 million) leaving net borrowings of £5.0 million (31 March 2009: £4.2 million).

Of the Group's £7.2 million of borrowings, £4.2 million is covered by interest rate collars which in accordance with IFRS are re-valued for accounting purposes at each period end, requiring a release of provision of £77,000 at 30 September 2009. This accounting charge has no impact on cash flow.

People

Sir Harry Solomon (72), a Non-Executive Director since 1999, has indicated that he wishes to retire from the Board and will do so on 31 December 2009. Sir Harry has been an invaluable source of advice and counsel over the last 10 years as he has helped guide the Group's growth from its Falkland origins. We thank him for his very considerable contribution and wish him well. With the addition to the Board in September of Jeremy Brade we have no immediate plans to replace Sir Harry.

Outlook

The economic backdrop remains difficult but the Group has three resilient businesses with good cash generative characteristics. With net borrowings of only £5.0 million prior to proceeds of £3.6 million from the FOGL share sale, the Group is securely financed and well placed for the future.

For the second half of the year revenues at the ferry business are expected to remain steady while Momart has established a firm base at lower levels of activity, has a solid order book for the second half and should benefit from any improvement in the art market. FIC looks set to enjoy more buoyant trading in the second half as oil exploration gathers momentum and the benefits of the "new" West Store flow through.

Looking to the future, the Group draws strength from its well established, and diverse, niche businesses. In addition shareholders have a direct financial exposure to oil exploration in the Falklands through the shareholding in FOGL and an indirect one through FIC's trading businesses in Stanley.

David Hudd
Chairman

John Foster
Managing Director

7 December 2009

Condensed Interim Consolidated Income Statement

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2009

Notes		Unaudited 6 months to 30 September 2009 £'000	Unaudited As restated 6 months to 30 September 2008 £'000	Audited As restated Year ended 31 March 2009 £'000
2	**Revenue**	**13,817**	15,828	32,251
	Cost of sales	**(8,017)**	(9,404)	(20,158)
	Gross profit	**5,800**	6,424	12,093
	Other administrative expenses	**(4,364)**	(4,965)	(9,214)
	Amortisation of intangible assets	**(198)**	(198)	(398)
	Goodwill impairment	**–**	–	(1,983)
	Restructuring costs	**–**	–	(228)
	Administrative expenses	**(4,562)**	(5,163)	(11,823)
	Compensation for early vacation of leasehold premises	**173**	–	–
	Other operating income	**6**	17	15
	Other operating income	**179**	17	15
	Operating profit	**1,417**	1,278	285
	Gain/(loss) on remeasurement of derivative financial instruments	**77**	(8)	(334)
	Finance income	**59**	99	172
	Finance expense	**(329)**	(355)	(750)
3	Net financing costs	**(193)**	(264)	(912)
	Profit/(loss) before tax from continuing operations	**1,224**	1,014	(627)
4	Taxation	**(341)**	(365)	(526)
	Profit/(loss) attributable to equity holders of the Company	**883**	649	(1,153)
5	Earnings per share:			
	Basic	**9.8p**	7.2p	(12.8)p
	Diluted	**9.7p**	7.0p	(12.8)p

See note 5 for an analysis of earnings per share on underlying profit (defined as profit after tax before amortisation and non-trading items).

Condensed Consolidated Balance Sheet

AT 30 SEPTEMBER 2009

Notes		Unaudited 30 September 2009 £'000	Unaudited 30 September 2008 £'000	Audited 31 March 2009 £'000
	Non-current assets			
	Intangible assets	13,709	16,137	13,907
	Property, plant and equipment	8,262	7,613	7,672
	Investment properties	1,804	1,613	1,769
6	Financial assets – available for sale equity securities	18,900	11,850	10,890
	Non-current assets held for sale	20	157	20
	Other financial assets	62	65	58
	Deferred tax assets	516	519	516
	Total non-current assets	43,273	37,954	34,832
	Current assets			
	Inventories	2,907	3,426	2,570
	Trade and other receivables	3,271	5,922	4,424
	Other financial assets	199	143	159
	Cash and cash equivalents	2,209	2,221	3,004
	Total current assets	8,586	11,712	10,157
	TOTAL ASSETS	51,859	49,666	44,989
	Current liabilities			
	Interest bearing loans and borrowings	(2,200)	(2,148)	(2,142)
	Income tax payable	(751)	(1,270)	(518)
	Derivative financial instruments	(329)	(80)	(406)
	Trade and other payables	(6,323)	(7,570)	(7,913)
	Total current liabilities	(9,603)	(11,068)	(10,979)
	Non-current liabilities			
	Interest bearing loans and liabilities	(5,002)	(6,914)	(5,053)
7	Employee benefits	(2,032)	(1,997)	(2,036)
	Deferred tax liabilities	(2,054)	(2,144)	(2,054)
	Total non-current liabilities	(9,088)	(11,055)	(9,143)
	TOTAL LIABILITIES	(18,691)	(22,123)	(20,122)
	Net assets	33,168	27,543	24,867
	Capital and reserves			
	Called up share capital	907	906	906
	Share premium account	7,219	7,206	7,206
	Other reserves	1,162	3,145	1,162
	Retained earnings	7,434	6,890	7,157
	Financial assets fair value reserve	16,446	9,396	8,436
	Total equity	33,168	27,543	24,867

Condensed Consolidated Cash Flow Statement

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2009

	Unaudited 6 months to 30 September 2009 £'000	Unaudited 6 months to 30 September 2008 £'000	Audited Year ended 31 March 2009 £'000
Profit/loss for the period	**883**	649	(1,153)
Adjusted for:			
(i) Non-cash items:			
Depreciation	**424**	406	840
Fixed asset impairment	**–**	–	40
Amortisation	**198**	198	398
Goodwill impairment	**–**	–	1,983
Amortisation of loan fees	**15**	–	30
Notional interest charge on deferred consideration	**31**	26	104
Expected return on pension scheme assets	**(8)**	(8)	(22)
Interest cost on pension scheme liabilities	**80**	80	152
Gain/(loss) on remeasurement of derivative financial instruments	**(77)**	8	334
Equity-settled share-based payment expenses	**116**	188	297
Non-cash items adjustment	**779**	898	4,156
(ii) Other items:			
Bank interest receivable	**(12)**	(54)	(76)
Bank interest payable	**203**	244	464
Dividend approved not paid	**(722)**	(722)	–
Loss on disposal of fixed assets	**–**	–	3
Gain on sale of investment properties	**(272)**	–	(242)
Income tax expense	**341**	365	526
Other adjustments	**(462)**	(167)	675
Operating cash flow before changes in working capital and provisions	**1,200**	1,380	3,678
Decrease/(increase) in trade and other receivables	**1,153**	(569)	929
(Increase)/decrease in inventories	**(337)**	(86)	770
(Decrease)/increase in trade and other payables	**(1,590)**	(25)	318
Decrease in provisions and employee benefits	**(80)**	(151)	(79)
Changes in working capital and provisions	**(854)**	(831)	1,938
Cash generated from operations	**346**	549	5,616
Income taxes paid	**(108)**	(451)	(1,427)
Net cash from operating activities	**238**	98	4,189
Cash flows from investing activities			
Purchase of property, plant and equipment	**(994)**	(620)	(1,317)
Purchase of investment properties	**(55)**	(72)	(100)
Proceeds from disposal of property, plant and equipment	**–**	–	1
Proceeds from sale of investment properties	**272**	–	274
Acquisition of subsidiary, net of cash acquired	**–**	–	(1,697)
Proceeds from sale of assets held for sale	**–**	–	186
Interest received	**12**	54	76
Net cash from investing activities	**(765)**	(638)	(2,577)
Cash flow from financing activities			
(Increase)/decrease in other financial assets	**(44)**	4	(5)
Repayment of secured loan	**(169)**	(113)	(608)
Proceeds from new loan	**134**	119	166
Interest paid	**(203)**	(244)	(434)
Proceeds from the issue of ordinary share capital	**14**	–	–
Dividends paid	**–**	–	(722)
Net cash from financing activities	**(268)**	(234)	(1,603)
Net (decrease)/increase in cash and cash equivalents	**(795)**	(774)	9
Cash and cash equivalents at start of period	**3,004**	2,995	2,995
Cash and cash equivalents at end of period	**2,209**	2,221	3,004

Condensed Consolidated Statement of Comprehensive Income FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2009

Notes		Unaudited 6 months to 30 September 2009 £'000	Unaudited 6 months to 30 September 2008 £'000	Audited Year ended 31 March 2009 £'000
6	Gain/(loss) on valuation of available-for-sale equity securities	8,010	(6,600)	(7,560)
	Share-based payments	116	191	297
	Movement on deferred tax relating to share-based payments	–	(3)	–
7	Net actuarial gain on pension schemes	–	–	(23)
	Net income/(expense) recognised directly in equity	**8,126**	(6,412)	(7,286)
	Profit/(loss) for the period	**883**	649	(1,153)
	Total recognised income and expense for the period	**9,009**	(5,763)	(8,439)

Condensed Consolidated Statement of Changes in Shareholders' Equity FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2009

	Unaudited 6 months to 30 September 2009 £'000	Unaudited 6 months to 30 September 2008 £'000	Audited Year ended 31 March 2009 £'000
Shareholders' funds at beginning of period	24,867	34,028	34,028
Total recognised income and expense for the period	9,009	(5,763)	(8,439)
Dividends paid or approved by shareholders	(722)	(722)	(722)
Proceeds from the issue of share capital	14	–	–
Shareholders' funds at end of period	**33,168**	27,543	24,867

Notes to the Unaudited Interim Statements

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2009

1 Basis of Preparation

This interim financial information comprises the condensed consolidated balance sheets at 30 September 2009, 30 September 2008 and 31 March 2009 and condensed consolidated statements of income, comprehensive income, cash flows and changes in shareholders' equity for the periods then ended and related notes of Falkland Islands Holdings plc (hereinafter 'the interim financial information').

The interim financial information has been prepared in accordance with the accounting policies set out in the Group's 2009 financial statements with the exception noted in the paragraph below. As permitted, these interim financial statements have been prepared in accordance with AIM rules and not in accordance with IAS34 'Interim Financial Reporting'.

The management and development of the Group's property portfolio in the Falkland Islands is now a significant part of the Group's trading activity. Accordingly, the Board has decided prospectively to report receipts from the disposal of investment property and rents received from its portfolio of residential and commercial properties as a trading activity within turnover. Associated gains and losses on the disposal of rental properties are accordingly recognised within gross profit. Prior year comparatives have been amended accordingly.

The adopted International Financial Reporting Standards ('IFRS') that will be effective (or available for early adoption) in the annual financial statements for the year ending 31 March 2010 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31 March 2010.

IFRS8 'Operating Segments', has been adopted from 1 April 2009 and reflected in the comparative figures. The Standard introduces a management approach to segment reporting and segment information is consistent with internal management reporting.

The Interim Report was approved by the Board on 7 December 2009.

Section 240 Statement

The comparative figures for the financial year ended 31 March 2009 are not the Company's full statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Notes to the Unaudited Interim Statements

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2009

2 Segmental Revenue and Profit Analysis

	Unaudited 6 months to 30 September 2009			
	General trading (Falklands) £'000	Ferry services (Portsmouth) £'000	Arts logistics & storage (UK) £'000	Total £'000
External revenue	5,483	2,028	6,306	13,817
Segment operating profit before amortisation and non-trading items	508	458	476	1,442
Amortisation of intangible assets	–	–	(198)	(198)
Goodwill impairment	–	–	–	–
Restructuring costs	–	–	–	–
Compensation for early vacation of leasehold	–	–	173	173
Amortisation and non-trading items	–	–	(25)	(25)
Segment operating profit	508	458	451	1,417
Gain/(loss) on revaluation of financial derivative	–	4	73	77
Finance expense	(80)	(64)	(185)	(329)
Finance income	39	9	11	59
Segment profit before tax	467	407	350	1,224
Taxation	(90)	(116)	(135)	(341)
Segment profit after tax	377	291	215	883
Assets and liabilities				
Segment assets	10,074	8,348	13,107	31,529
Segment liabilities	(7,312)	(2,826)	(3,939)	(14,077)
Unallocated assets and liabilities	–	–	–	15,716
Segment net assets	2,762	5,522	9,168	33,168
Other segment information				
Capital expenditure:				
Property, plant and equipment	779	15	200	994
Investment properties	55	–	–	55
Depreciation:				
Property, plant and equipment	136	109	159	404
Investment properties	20	–	–	20
Impairment – ships	–	–	–	–
Amortisation	–	–	198	198

Underlying profit before tax (see note 5)				
Segment operating profit before tax, amortisation and non-trading items	508	458	476	1,442
Finance expense	(80)	(64)	(185)	(329)
Finance income	39	9	11	59
Segment underlying profit before tax	467	403	302	1,172

Unaudited As restated 6 months to 30 September 2008				Audited As restated Year ended 31 March 2009			
General trading (Falklands) £'000	Ferry services (Portsmouth) £'000	Art logistics & storage (UK) £'000	Total £'000	General trading (Falklands) £'000	Ferry services (Portsmouth) £'000	Art logistics & storage (UK) £'000	Total £'000
5,816	2,025	7,987	15,828	12,991	3,716	15,544	32,251
331	442	703	1,476	1,256	782	856	2,894
–	–	(198)	(198)	–	–	(398)	(398)
–	–	–	–	–	–	(1,983)	(1,983)
–	–	–	–	(124)	–	(104)	(228)
–	–	–	–	–	–	–	–
–	–	(198)	(198)	(124)	–	(2,485)	(2,609)
331	442	505	1,278	1,132	782	(1,629)	285
–	4	(12)	(8)	–	(57)	(277)	(334)
(111)	(66)	(178)	(355)	(119)	(220)	(411)	(750)
47	46	6	99	84	80	8	172
267	426	321	1,014	1,097	585	(2,309)	(627)
(84)	(126)	(155)	(365)	(131)	(209)	(186)	(526)
183	300	166	649	966	376	(2,495)	(1,153)
11,225	11,980	16,717	39,922	9,363	8,487	14,024	31,874
(5,971)	(3,212)	(5,641)	(14,824)	(7,081)	(2,834)	(4,870)	(14,785)
–	–	–	2,445	–	–	–	7,778
5,254	8,768	11,076	27,543	2,282	5,653	9,154	24,867
217	22	381	620	655	51	611	1,317
72	–	–	72	100	–	–	100
151	105	134	390	305	215	284	804
16	–	–	16	36	–	–	36
–	–	–	–	–	40	–	40
–	–	198	198	–	–	2,381	2,381

331	442	703	1,476	1,256	782	856	2,894
(111)	(66)	(178)	(355)	(119)	(220)	(411)	(750)
47	46	6	99	84	80	8	172
267	422	531	1,220	1,221	642	453	2,316

Notes to the Unaudited Interim Statements

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2009

3 Finance Income and Expense

	Unaudited 6 months to 30 September 2009 £'000	Unaudited 6 months to 30 September 2008 £'000	Audited Year ended 31 March 2009 £'000
Bank interest receivable	12	54	76
Finance lease interest receivable	39	37	74
Expected return on pension scheme assets	8	8	22
Gain on remeasurement of derivative financial instrument	77	–	–
Total financial income	136	99	172
Interest payable on bank loans	(203)	(234)	(464)
Interest cost on pension scheme liabilities	(80)	(80)	(152)
Amortisation of loan fees	(15)	(15)	(30)
Notional interest on deferred consideration payable	(31)	(26)	(104)
Loss on remeasurement of derivative financial instrument	–	(8)	(334)
Total financial expense	(329)	(363)	(1,084)
Net financing cost	(193)	(264)	(912)

4 Taxation

The taxation charge has been estimated to be 28.5% (2008: 29.5%).

5 Earnings per Share

Earnings per share has been calculated on profit after tax of £883,000 (6 months to September 2008: £649,000; year to 31 March 2009: loss of £1,153,000) based on the weighted average number of shares in issue, excluding shares held in the Employee Share Ownership Plan, of 9,027,084 (6 months to 30 September 2008: 9,024,584; year to 31 March 2009: 9,024,297). The diluted earnings have been further adjusted to assume the full exercise of share options in issue, to the extent that they are dilutive.

Earnings per share on underlying profit

To provide a comparison of earnings per share on underlying performance, the table below sets out basic and diluted earnings per share based on profits after tax before amortisation and non-trading items ('underlying profit after tax'):

	6 months to 30 September 2009 £'000	6 months to 30 September 2008 £'000	Year ended 31 March 2009 £'000
Underlying profit before tax (see note 2)	1,172	1,220	2,316
Tax thereon	(334)	(365)	(605)
Underlying profit after tax	838	855	1,711
Basic earnings per share on underlying profit	9.3p	9.5p	19.0p
Diluted earnings per share on underlying profit	9.2p	9.2p	18.8p

6 Financial Assets – Available for Sale Equity Securities

(a) At fair value

The Group has an investment of 15,000,000 shares in the AIM quoted company Falkland Oil and Gas Limited ('FOGL').

	30 September 2009 £'000	30 September 2008 £'000	31 March 2009 £'000
FOGL share price	**126.0p**	79.0p	72.6p
Investments stated at fair value:			
Falkland Oil and Gas Limited	**18,900**	11,850	10,890

An unrealised gain of £8,010,000 (2008: loss of £6,600,000) has been recognised in the period and transferred to the Financial assets fair value reserve as a component of shareholders' funds.

Subsequent to the half year end, on 30 November 2009 the Group sold 3,000,000 FOGL shares at 120.0p per share, generating net proceeds of £3.58 million and a profit on disposal of £3.1 million. The Group holding after disposal is 12,000,000 shares.

(b) At cost

	30 September 2009 £'000	30 September 2008 £'000	31 March 2009 £'000
Investment at cost:			
Falkland Oil and Gas Limited	**2,454**	2,454	2,454

7 Employee Benefits

The Company has elected to follow the precedent established at 30 September 2008 and decided not to revalue its pension obligations at the half-year end. The Group's principal pension obligation, the Falkland Islands Company Limited Pension Scheme, is unfunded and therefore not subject to valuation volatility as a result of stock market fluctuations. At 31 March 2009 the Group's other pension fund, The Portsmouth Harbour Ferry Company Plc (1975) Retirement Scheme, showed a net deficit of £172,000.

8 Analysis of Change in Debt

	As at 1 April 2009 £'000	Cash flows £'000	**As at 30 September 2009 £'000**	As at 30 September 2008 £'000
Cash at bank and in hand	3,004	(795)	**2,209**	2,221
Debt due within one year	(2,142)	(58)	**(2,200)**	(2,148)
Debt due after one year	(5,053)	51	**(5,002)**	(6,914)
Net debt at end of period	(4,191)	(802)	**(4,993)**	(6,841)

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