

1 December 2005

Falkland Islands Holdings plc

Interim Results for the six months ended 30 September 2005

Falkland Islands Holdings ("FIH"), an AIM listed company operating a range of businesses in the Falkland Islands, and the Portsmouth Harbour Ferry Company in the UK, announces its unaudited interim results for the six months ended 30 September 2005.

Financial Highlights

- Turnover up 50% to £8.1 million (2004: £5.4m)
- Profit before taxation rose to £729,000 (2004: £299,000)
- Underlying profits before exceptional profits on sale of subsidiary and goodwill amortisation rose to £747,000 (2004: £299,000)
- EPS on underlying profits increased 91% to 6.1p (2004: 3.2p)
- No interim dividend is proposed (2004: Nil)

Operating Highlights

- Satisfactory trading in Falklands Winter half despite poor illex squid catches
- First full contribution from Portsmouth Harbour Ferry Company ("PHFC") also benefiting from International Festival of the Sea and new ferry
- Cargo shipping agreement set up with UK Ministry of Defence
- Ongoing exploration activity:
 - Falkland Oil & Gas extending seismic activity and looking to identify 20 drillable prospects
 - Falkland Gold & Minerals working through 23 identified onshore targets
- Disposal of Cobham Travel

Outlook

- Second half outlook remains positive
- Future of ferry boosted by demise of SHRT plan for tunnel under Portsmouth Harbour
- Growth prospects in Falklands linked to recovery in illex fishing catches
- Solid contribution expected from PHFC in quieter winter half
- Exposure to oil and minerals exploration through shareholdings in FOGL and FGML
- Continue to seek earnings enhancing complementary acquisitions

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

"We have continued to make good progress in the first six months and the performance from PHFC has been especially pleasing. Whilst the poor illex fishing season continues to impact, the outlook for the second half remains positive and we are optimistic of further solid contributions from our principal trading operations."

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Chairman's Statement

Overview

We are pleased to report that Falkland Islands Holdings has continued to make good progress in the 6 months to 30 September 2005. Profits rose sharply as the full benefits of the acquisition of Portsmouth Harbour Ferry Company were seen in the first half and Earnings per Share, excluding exceptional profits on the sale of a subsidiary and the amortisation of Goodwill, increased by 91% from 3.2p in the prior period to 6.1p in the current year. As in previous years no interim dividend is proposed.

Financials

Turnover has increased from £5.4million in the first half of last year to £8.1million and Profits Before Tax rose from £299,000 to £729,000 in the 6 months to 30 September 2005. Underlying profits after stripping out profits from the sale of the Cobham Travel subsidiary and before the amortisation of Goodwill increased from £299,000 to £747,000. The profit after tax attributable to shareholders was £461,000 compared to £201,000 last year.

Operations

Trading activity in the Falkland Islands during the winter half was satisfactory. Turnover rose from £5.4million to £5.8million reflecting the reopening of the Upland Goose Hotel following its refurbishment in the summer of 2004 and insurance commission which continued to grow. Profits from the Group's Falklands business saw a small decline in the first half compared to the same period last year with contribution lower by £30,000 at £448,000. This flat performance reflected the generally less buoyant economic conditions in the Islands resulting from the poor illex fishing season in 2004/5 and the sharp increase in global vessel charter and fuel costs which saw a rise in the cost of transporting goods to the Falklands. In September 2005 the Group moved away from chartering its own vessels and started shipping cargo to the islands on UK Ministry of Defence vessels. These arrangements are expected to provide an important buffer against continuing rises in global freight and transportation costs as well as improving the efficiency of the Group's supply chain.

The 6 months to 30 September 2005 saw the first full contribution of £580,000 from the Group's main UK trading subsidiary, Portsmouth Harbour Ferry Company ("PHFC"). PHFC performed well in the summer period. Underlying passenger numbers were slightly lower than in the previous year following the introduction of car parking charges in Gosport in November 2004; however profitability benefited from an increase in ferry fares in June 2005 and in particular from the additional ferry and cruising activity linked to the Trafalgar celebrations and the International Festival of the Sea in June and July 2005. The company's pleasure cruising activity also performed well, helped by the interest surrounding these events and also by the commissioning in June of the company's new vessel, the Spirit of Portsmouth which operates as a cruise boat in the summer and a ferry in the winter. In July the Group was successful in selling its non core Cobham Travel subsidiary at a premium to Net Assets.

On 29 November 2005 the Department for Transport issued a statement confirming that it would not provide support for Hampshire County Council's longstanding plans for a Rapid Transit Scheme incorporating a tunnel under Portsmouth harbour. This announcement is seen very positively by your Board and effectively removes the threat of the SHRT, opening the door for alternative public transport schemes that will work in harmony with the existing ferry services provided by PHFC.

Investments

The Group also owns strategic stakes in the AIM listed exploration companies, Falkland Oil and Gas and Falkland Gold and Minerals.

Falkland Oil and Gas ("FOGL")

Offshore exploration work is continuing in the Falklands basin with the 2D seismic survey progressing whilst interpretation, analysis and mapping of that data is carried out in the UK.

The current 2D survey which has been extended to cover 15,000km is concentrated on the large number of leads revealed by the previous survey of 9,450km which was completed in May 2005. This survey is now 60% complete and is anticipated to be finished by the end of January and the data will be processed in the first half of 2006. Interpretation and mapping is being progressed as the data

becomes available and this will form the basis of a 3D seismic programme in the most prospective areas. The objective remains to identify around 20 drillable prospects.

Discussions have commenced to introduce potential farm-out partners in order to share the costs and accelerate the exploration of this large area.

The market value of the Group's shareholding of 16,803,000 shares in FOGL (18.3%) at 30 September 2005 was £18.9million compared to a book value of £2.7million.

Falkland Gold and Minerals ("FGML")

Onshore the two drilling rigs operated by FGML are working their way through the 23 targets identified by the aeromagnetic survey carried out in 2004. To date seven have been completed and the results have added considerably to FGML's understanding of the geology of the Islands.

The selection of the remaining drilling targets is being enhanced by ground geophysics and soil sampling and the current expectation is that the initial drilling programme will be completed by the end of 2006. The expectation is that at that stage FGML will have available cash balances of some £5.5million to carry out the further work required.

The market value of the Group's shareholding of 11,250,000 shares in FGML (14.4%) at 30 September 2005 was £ 2.2million compared to a book value of £0.2million.

Balance Sheet and Cash Flow

In the half year to September the group drew down a £2 million bank loan to help finance the acquisition of its new ferry vessel Spirit of Portsmouth and spent £0.2 million to fit out the new boat. In the period the group also subscribed £2 million for new shares in FOGL in that Company's share placing in May 2005 to increase the scope of its oil exploration programme. Cash Flow from the Group's Operating Activities was healthy at £465,000. As at 30 September 2005 the Group had net borrowings of £2.4million (£0.4m March 2005), Cash balances of £1.2million (£0.9m March 2005) and unutilised borrowing facilities of £2million.

Outlook

In the second half of the year economic conditions in the Falklands are expected to remain flat. Growth will be limited in the absence of a significant recovery in illex fishing catches although some progress is expected as a result of increased numbers of cruise ship visitors to the Falklands and other summer activity. In the UK, for PHFC the winter months are quieter with less tourist activity in the Gosport and Portsmouth area and this provides a natural balance to the normally stronger second half seen in the Falklands. Overall the outlook for the second half remains positive and we remain cautiously optimistic that further solid contributions will be delivered from both the group's principal trading operations.

David Hudd
Chairman

John Foster
Managing Director

**UNAUDITED INTERIM CONSOLIDATED
PROFIT AND LOSS ACCOUNT**

	Unaudited 6 Months To 30 September 2005	Unaudited 6 Months To 30 September 2004 As restated	Audited Year ended 31 March 2005 As restated
	£'000	£'000	£'000
Turnover	8,146	5,415	12,754
Cost of sales	(5,271)	(3,779)	(8,708)
Gross Profit	2,875	1,636	4,046
Administrative expenses	(2,173)	(1,365)	(3,345)
Other Operating Income	78	100	291
Group Operating profit	780	371	992
Share of results of associated undertakings		(22)	-
Total Operating profit	780	349	992
Profit on sale of subsidiary	84		
Profit on ordinary activities before interest (Note 1)	864	349	992
Net Interest (Note 2)	(135)	(50)	(85)
Profit on ordinary activities before taxation (Note 3)	729	299	907
Taxation on profit on ordinary activities (Note 4)	(268)	(98)	(306)
Profit on ordinary activities after taxation (Note 8)	461	201	601
Dividends paid	-	-	369
Earnings per share (Note 5)			
- Basic	5.5p	3.2p	8.2p
- Fully diluted	5.4p	3.1p	8.1p
Underlying Profit Before Tax	30 September 2005	30 September 2004	31 March 2005
	£'000	£'000	£'000
Profit before taxation (as above)	729	299	907
Add Amortisation of Goodwill	102		65
Less profit on sale of Subsidiary	(84)		
Profit Before Tax, Amortisation and Profit on Sale of Subsidiary	747	299	972
Earnings per share before sale of subsidiary and goodwill amortisation	6.1p	3.2p	9.0p

UNAUDITED CONSOLIDATED BALANCE SHEET

	Unaudited 30 September 2005 £'000	Unaudited 30 September 2004 As restated £'000	Audited 31 March 2005 As restated £'000
Fixed assets			
Intangible assets	4,034	-	4,136
Tangible assets	8,520	3,461	8,501
Investments (Note 6)	2,900	1,828	900
	<hr/> 15,454	<hr/> 5,289	<hr/> 13,537
Current assets			
Stocks	3,519	2,947	3,308
Debtors	1,553	1,430	1,812
Cash at bank and in hand	1,222	181	914
	<hr/> 6,294	<hr/> 4,558	<hr/> 6,034
Creditors: amounts falling due within one year	(4,989)	(3,101)	(5,419)
Net current assets	<hr/> 1,305	<hr/> 1,457	<hr/> 615
Total assets less current liabilities	16,759	6,746	14,152
Creditors: amount falling due after more than one year	(2,964)	(603)	(831)
Provision for liabilities and charges	(882)	(377)	(882)
Net pension scheme liabilities (Note 7)	<hr/> (1,714)	<hr/> (1,376)	<hr/> (1,648)
Net Assets	<hr/> 11,199	<hr/> 4,390	<hr/> 10,791
Capital and reserves			
Called up share capital	838	654	838
Share Premium account	7,061	927	7,061
Other Reserves	703	703	703
Reserve for own shares	(83)	(112)	(83)
Profit and loss account (Note 8)	2,680	2,218	2,272
	<hr/> 11,199	<hr/> 4,390	<hr/> 10,791

UNAUDITED CONSOLIDATED CASH FLOW

for the six months ended 30 September 2005

	Unaudited 6 months to 30 September 2005 £'000	Unaudited 6 months to 30 September 2004 £'000	Audited Year to 31 March 2005 £'000
Cash flow from operating activities	465	(763)	777
Returns on investment and Servicing of finance			
Interest received	14	8	47
Interest paid	(94)	(8)	(31)
Taxation			
UK Corporation tax	(82)	-	(169)
Overseas taxation paid	0	-	(104)
Capital Expenditure			
Purchase of tangible fixed assets	(242)	(36)	(1,243)
Purchase of intangible fixed assets	-	-	(622)
Disposal of fixed assets	5	1	144
Acquisitions			
Investment in joint venture		(679)	
Investment in subsidiary undertakings			(5,556)
Sale of subsidiary undertaking	158		
Purchase of investments	(2,000)	(935)	
Equity dividends paid	-	-	(372)
Cash (Outflow) / Inflow before financing	(1,776)	(2,412)	(7,129)
Financing			
Shares issued		910	5,472
Repayment of secured loan	(102)	-	(279)
Sale of own shares			112
Share options exercised			98
New secured loan	2,409	500	1,000
Increase / (Decrease) in cash	531	(1,002)	(726)

Statement of Recognised Gains and Losses

	6 months to 30 September 2005 £'000	6 months to 30 September 2004 £'000	Year ended 31 March 2005 £'000
Profit for the period after taxation	461	201	601
Actuarial (loss) / gain	0	38	(51)
Tax on actuarial (loss) / gain	(53)	(12)	17
Total gains and losses recognised in the period	408	227	567
Prior year adjustment FRS 17 (Note 1)	(635)		
Prior year adjustment re FRS 21	502		
Total gains and losses recognised since last annual report	275		

The prior year adjustment in relation to FRS21 relates to the requirement to recognise dividends as paid, previously they were recognised on a proposed basis.

Notes to the interim Statement to 30 September 2005:

1. Adoption of FRS17

The Board has adopted FRS17 'Retirement Benefits' for the first time. The impact on the profit and loss account is as follows:

	6 Months ended 30 September 2005	6 Months ended 30 September 2004	Year ended 31 March 2005
	£'000	£'000	£'000
Increase in pension provision	59	62	120
Current service cost	(9)	(10)	(20)
Impact on operating profit	50	52	100
Net financing costs	(55)	(47)	(91)
Total FRS 17 adjustments	(5)	5	9

2. Interest

The net interest cost includes the net financing cost of the group's defined benefit pension schemes as shown in Note 1.

3. Segmental information

	6 Months ended 30 September 2005	6 Months ended 30 September 2004	Year ended 31 March 2005
	£'000	£'000	£'000
Turnover			
General trading in the Falkland Islands	5,753	5,415	11,468
Ferry Services	2,393		1,286
	8,146	5,415	12,754
Profit before taxation head office costs and goodwill amortisation			
General trading in the Falkland Islands	448	478	1,303
Ferry Services	580		202
	1,028	478	1,505
Head office costs	(281)	(179)	(533)
Profit before sale of subsidiary and goodwill amortisation	747	299	972
Profit on sale of Subsidiary	84		
Profit before goodwill amortisation	831	299	972
Goodwill amortisation	(102)		(65)
Group profit before taxation	729	299	907

4. Taxation

The taxation charge has been estimated at 32.0% (2004: 32.5%)

5. Earnings per share

Earnings per share has been calculated on profit after tax of £461,000 (2004: £201,000) based on the weighted average number of shares in issue, excluding shares held in the Employee Share Ownership Plan of 8,324,063 (2004: 6,300,702). The fully diluted earnings have been further adjusted by the dilutive outstanding share options resulting in a weighted average number of shares of 8,459,491 (2004: 6,397,703).

6. Investments

The investments are stated at cost. The market value of these investments was as follows:

	30 September 2005	31 March 2005
	£'000	£'000
Falkland Gold and Minerals Limited	2,194	4,246
Falkland Oil and Gas Limited	18,903	17,123
	<u>21,097</u>	<u>21,369</u>

7. Pension Scheme Liabilities

The fair value of the scheme assets and the present value of the scheme liabilities were as follows:

	30 September 2005	30 September 2004	31 March 2005
	£'000	£'000	£'000
Deficit at the beginning of the period	(2,431)	(2,063)	(2,063)
Current service costs	(9)	(10)	(20)
Cash pension contributions	47	43	84
Net financing cost	(55)	(47)	(91)
Actuarial (loss)/gain		38	(51)
Acquisition of subsidiary			(290)
Deficit at end of period	<u>(2,448)</u>	<u>(2,039)</u>	<u>(2,431)</u>
Deferred tax	734	663	783
Net pension scheme deficit	<u>(1,714)</u>	<u>(1,376)</u>	<u>(1,648)</u>

8. Prior Year Adjustments

	30 September 2004	31 March 2005
	£'000	£'000
Prior year adjustments		
Operating Profit	52	100
Interest	(47)	(91)
Tax on profit on ordinary activities	5	3
Adjustment in respect of FRS 21	18	520
	<u>28</u>	<u>532</u>
Profit previously reported	173	69
Restated profit transferred to reserves	<u>201</u>	<u>601</u>
Actuarial gain/(loss) net of tax	26	(34)
Other recognised gains and losses	26	(34)
	<u>(577)</u>	<u>(635)</u>
Increase in net pension liability	<u>(577)</u>	<u>(635)</u>
Reduction in shareholder funds	<u>(577)</u>	<u>(635)</u>

There are no prior period movements in the current period as all adjustments in respect of FRS 17 and FRS 21 have been reflected in the opening position.

Restatement of Profit and Loss account reserves	30 September 2005 £'000	30 September 2004 £'000	31 March 2005 £'000
Opening balance as previously reported	2,405	2,253	2,253
Prior year adjustment FRS17	(635)	(613)	(613)
Prior year adjustment FRS21	502	351	351
	<u>2,272</u>	<u>1,991</u>	<u>1,991</u>
Retained profit for the period	461	201	601
Other gains and losses	(53)	26	(34)
Sale of own shares as previously reported			83
Dividends Paid			<u>(369)</u>
Closing balance	<u>2,680</u>	<u>2,218</u>	<u>2,272</u>

9. Reconciliation of movement in shareholder funds

	30 September 2005 £'000	30 September 2004 £'000	31 March 2005 £'000
Opening shareholder funds as previously reported	10,924	3,515	3,515
Prior year adjustment re FRS 17	(635)	(613)	(613)
Prior year adjustment re FRS 21	502	351	351
Opening shareholder funds as restated	<u>10,791</u>	<u>3,253</u>	<u>3,253</u>
Profit for the period	461	201	601
Dividends paid		0	(369)
Issue of shares		910	7,228
Sale of own shares			112
Other recognised gains and losses	(53)	26	(34)
Net addition to shareholder funds	<u>408</u>	<u>1,137</u>	<u>7,538</u>
Closing shareholder funds	<u>11,199</u>	<u>4,390</u>	<u>10,791</u>

10. The interim report has been prepared on the basis of the accounting policies set out in the group's 2005 Annual Report as amended.

11. The results for the year ended 31 March 2005 as shown in the statement do not constitute statutory accounts but are an abridged version of the Company's 2005 accounts as amended which have filed with the Registrar of Companies and upon which the audit report was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985. The Interim Report was approved by the Board on 1 December 2005.

NOTES TO THE UNAUDITED CONSOLIDATED CASH FLOW

For the six months ended 30 September 2005

	Unaudited 6 Months to 30 September 2005 £'000	Unaudited 6 Months to 30 September 2004 As restated £'000	Audited Year ended 31 March 2005 As restated £'000
Reconciliation of net cash flow to movement in net debt			
Increase / (Decrease) in cash in the period	531	(1,002)	(726)
Cash outflow from decrease in debt	102	-	-
Cash inflow from increase in debt	(2,409)	(500)	(848)
Movement in net debt in period	(1,776)	(1,502)	(1,574)
Change in net debt resulting from (disposals) / acquisitions	(143)		209
	(1,919)	(1,502)	(1,365)
Net (debt) / cash at start of period	(432)	933	933
Net (debt) cash at end of period	(2,351)	(569)	(432)

Reconciliation of operating profit to operating cash flows

Group operating profit	780	349	992
Amortisation of goodwill	102		65
Depreciation charges	210	126	292
(Increase) / Decrease in stocks	(211)	132	(229)
Decrease / (Increase) in debtors	94	(52)	(256)
(Decrease) in creditors and provisions	(510)	(1,318)	(87)
Net cash inflow from operating activities	465	(763)	777

Analysis of change in net debt

	As at 31 March 2005 £'000	Cash Flows £'000	Other non-cash changes £'000	Disposals £'000	As at 30 September 2005 £'000
Cash at bank and in hand	914	451		(143)	1,222
Overdraft	(80)	80			0
Debt due within one year	(435)	102	(276)		(609)
Debt due after one year	(831)	(2,409)	276		(2,964)
Total	(432)	(1,776)	0	(143)	(2,351)