

**Falkland Islands Holdings plc
("FIH" or "The Group")**

Interim Results for the six months ended 30 September 2008

Financial Highlights

Good financial performance

- Turnover from continuing operations up 109% to £15.7 million (2007: £7.5 million)
- Profit before tax up 28% to £1.01 million (2007: £0.79 million)
- Underlying profits (profits before tax, amortisation) up 53% to £1.21 million.
- Earnings per share on reported earnings up 12.5% to 7.2p (2007: 6.4p) and earnings per share based on underlying profits were up 47% to 9.4p (2007:6.4p)
- Cash flow from operations up 5% to £0.55 million (2007: £0.52 million)
- Strong liquidity position with bank deposits of £2.2 million and unutilised committed banking facilities of a further £2 million

Operating Highlights

- Falkland Islands business achieved a 2% increase in turnover to £5.7 million (2007: £5.6 million) in line with expectations.
- Portsmouth Harbour Ferry Company performed well with revenues up 7.5% to £2.0 million
- Passenger numbers ahead by 2% compared to H1 2007, continuing positive trend seen in 2007/2008.
- Momart, acquired in March 2008, generated revenues of £8.0 million with each key business stream achieving double digit growth on the prior year. Notable contracts included :
 - The Royal Academy's Byzantine exhibition and the Tate Liverpool's Klimt exhibition
 - Sotheby's Damien Hirst auction and the Basel art fair
- Falkland Oil and Gas ("FOGL") exploration programme remains on track and the pre-drilling programme will be completed to enable drilling to start in late-2009

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

"The Group's three long established niche businesses continue to perform well and we remain confident that they will generate solid cash flow in the second half of the financial year and beyond.

"Momart, our recently acquired fine art and logistics business, achieved record levels of revenue in the first six months albeit with some pressure on margins. Since acquisition we have invested in Momart's infrastructure to ensure that we retain our leading market position and that we continue to deliver excellent customer service.

"Despite the uncertain economic conditions, the Board looks to the future with confidence."

- Ends -

Enquiries:

Falkland Islands Holdings plc

David Hudd, Chairman
John Foster, Managing Director

Tel: 07771 893 267
Tel: 01279 461 630

KBC Peel Hunt

Nominated adviser and broker to FIH
Matt Goode / Oliver Stratton

Tel: 020 7418 8900

Financial Dynamics

Billy Clegg/ Georgina Bonham/ Edward Westropp

Tel: 020 7831 3113

Chairman's and Managing Director's Review

Overview

We are pleased to report another period of progress for your Company. For the six months to 30 September 2008 profits before taxation rose 28% to £1,014,000 (2007: £794,000) and with a full six months contribution from Momart, turnover from continuing activities more than doubled to £15.7 million (2007: £7.5 million). After adding back the non-cash charge for the amortisation of intangible assets of £0.2 million, underlying profits (profits before tax, amortisation and non-recurring items) in the period rose by 53% to £1.21 million (2007: £0.79 million).

With tax accrued at 29.5% of profits before tax and amortisation, earnings per share based on reported earnings were 7.2p (2007: 6.4p) and EPS based on underlying profits were 9.4p (2007: 6.4p) an increase of 47% compared to the first half of 2007/8.

As in previous years no interim dividend is proposed.

At 30 September the Group's liquidity position remained strong with bank deposits of £2.2 million and unutilised committed banking facilities of a further £2 million. Equity shareholders' funds at 30 September 2008 were £28.3 million (2007: £36.9 million) representing net assets per share of 312p (2007: 436p per share). This puts us in a strong position to face the uncertain economic climate with a strong balance sheet and good cash reserves.

Operations

Falkland Islands (FIC)

Revenues for FIC were slightly ahead of the prior year at £5.7 million (2007: £5.6 million). Income from the fishing agency fell back somewhat compared to the high levels seen in 2007, although the illex squid catch was better than in the previous three years. Revenues from insurance and travel services continued to show steady growth in the period although sales at the West Store were flat year on year, without the boost from the 25th anniversary commemorations in 2007. Revenue from FIC's other retailing operations, Home Living, Home Builder and Basics were 7% ahead of the prior year as they benefited from the rebranding and re-launch of those outlets in 2007. The retailing sector in Stanley remains competitive and with little growth in the market this has meant continued pressure on margins. FIC's automotive operations had a satisfactory first half with solid maintenance income and vehicle sales slightly ahead of the prior year. Darwin Shipping continued to make a healthy contribution, but fell back from the exceptional volumes experienced in 2007.

The loss making Upland Goose Hotel was closed at the end of March 2008 and work has continued to convert the hotel into residential properties. This landmark site in the centre of Stanley will provide 12 distinct heritage homes which will be sold during the next financial year. In the longer term we are progressing plans for the possible development, as a joint venture, of our Dairy Paddock site which could provide further housing for the future expansion of Stanley.

In line with our expectations operating profits from the Falkland businesses were £331,000 compared with £387,000 in 2007. After the allocation of finance charges and interest, profits before tax were £267,000 (2007: £411,000).

Ferry Services (PHFC)

Sound and steady progress was again seen in the Group's ferry operations at Portsmouth Harbour with revenues increasing by 7.5% to £2.025 million (2007: £1.884 million) compared to the first half last year. Despite another damp summer overall passenger numbers were ahead by 2% in the six months to 30 September 2008 continuing the positive trend seen in 2007/8. The ferry made over 36,000 harbour crossings during the period and thanks to the professionalism of the staff in Gosport, its reliability remained at exceptional levels with over 99.8% of ferry services running to schedule. Discussions with Gosport Council over the introduction of a new pontoon continued and installation is currently expected late in 2009. In the six months to 30 September 2008 operating profits at PHFC were marginally ahead at £442,000 compared to £412,000 in the comparable period. After the allocation of finance charges and interest, profits before tax were up 11% at £426,000 (2007: £ 383,000).

Momart

Momart, our fine art logistics business, which was acquired in March 2008, generated revenues in the period of £8.0 million, with each of the company's key business streams, Exhibitions, Gallery Services and Storage achieving double digit growth on the prior year, when the company was in private ownership. Notable exhibitions included the Byzantium exhibition at the Royal Academy and the Klimt exhibition at Tate Liverpool. In Gallery Services, highlights were the Basel art fair in early June and the Damien Hirst auction at Sotheby's in September. Servicing the unprecedented workload led to reduced margins largely because of the increased use of overseas agents, and this effect was exacerbated by the steep decline in Sterling over the summer. As a result the operating profit before amortisation for the period of £703,000 only improved slightly on results for the comparative period last year. After amortisation charges of £198,000 and the allocation of interest charges and finance costs of £184,000, profits before tax were £321,000.

Since the acquisition was completed we have invested in Momart's infrastructure in order to improve capacity and better service clients in the future. This has included a move to modern offices in Whitechapel, increased warehouse space and the purchase of additional specialist vehicles.

Investments & Financial Assets

The Group continues to hold its strategic 16.2% shareholding (15 million shares) in the AIM listed oil and gas exploration company, Falkland Oil and Gas Limited (FOGL), which translates to shareholders having an interest in 1.66 FOGL shares for every FIH share owned. Following the farm in by BHP Billiton (BHPB) last year this shareholding now represents an effective 7.9% interest in the licenses.

During the period BHPB as operator has continued with preparatory work for drilling exploration wells, including further detailed analysis of seismic data to assist in the selection of drilling sites. Environmental Impact Assessments are currently being prepared and a team from BHPB recently returned from the Falklands where they were assessing the logistical requirements of the drilling programme.

In the near term, BHPB are scheduled to progress detailed site surveys, sea bed coring and oceanic measurements, which will be completed to enable drilling to start in late 2009.

The market value of the Group's 15 million shareholding in FOGL at 79p per share at 30 September 2008 was £11.9 million (2007: £24.3 million) compared to cost of £2.5 million. Under International Financial Reporting Standards (IFRS) the investment is held at market value so the decline in the share price of FOGL resulted in a reduction in Shareholders' Funds of £6.6 million, this does not however affect our ability to pay dividends.

Balance Sheet and Cash Flow

During the period the Group spent £0.6 million on capital expenditure: major projects included starting work on the conversion of the Upland Goose, and fitting out Momart's new offices in Whitechapel. After depreciation of £0.4 million the net book value of property plant and equipment increased from £7.4 million to £7.6 million at 30 September 2008. Working capital investment in inventories and trade receivables increased in line with seasonal factors.

The Group's pension liabilities under defined benefit schemes of £2.0 million were not re-valued at 30 September 2008 although regular payments to eliminate the deficit at PHFC (£197,000 as at 31 March 2008) continued. Interest bearing loans and liabilities at 30 September 2008 were unchanged at £9.1 million (31 March 2008: £9.1 million) and the Group had cash balances of £2.2 million (31 March 2008: £3.0 million) leaving net borrowings of £6.9 million.

Of the Group's £9.1 million of borrowings, £4.2 million is covered by interest rate collars which in accordance with IFRS are revalued for accounting purposes at each period end, requiring a provision of £80k at 30 September 2008. The dramatic reduction in interest rates since then is likely to increase the provision required under IFRS in the future. This accounting charge has no impact on cash flow.

People

Leonard Licht, a Non-Executive Director since 1999, has indicated that as in the future he will be spending much of his time abroad he wishes to retire from the Board and will do so on 31 December 2008. Leonard has been a source of inspiration for us as we have built the Group from its Falkland origins, and we thank him for his contribution. We have no immediate plans to replace him on the Board.

Outlook

In a period of unprecedented global uncertainty it is pleasing to note that the Group continues to generate solid cash flow supporting a progressive dividend policy. The Group is securely financed with net borrowings of £6.9 million compared to shareholders' funds of over £28 million. Bank interest cover was over seven times in the period to 30 September 2008.

Importantly the Group's long established, diverse, niche businesses provide a strong foundation from which we can weather the more challenging general economic conditions we now face. In the Falklands the main economic driver remains fishing, while our ferry business

in Portsmouth is an essential service with consistent passenger traffic. Although Momart's gallery services business will be impacted by any reduction in the volume of art market transactions, the larger exhibitions business and storage should be resilient.

Looking further ahead, the oil exploration programme in the South Atlantic basin offers real opportunity for our interests in the Falkland Islands and particularly our investment in FOGL. We look forward to further developments during 2009.

David Hudd
Chairman

John Foster
Managing Director

**Unaudited Interim Consolidated Income Statement
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2008**

| | <i>Notes</i> | 6 months to 30 September 2008 £'000 | 6 months to 30 September 2007 £'000 | Year ended 31 March 2008 £'000 |
|--|--------------|--|--|---|
| Revenue | 2 | 15,715 | 7,530 | 17,200 |
| Cost of sales | | (9,404) | (4,438) | (10,469) |
| Gross profit | | 6,311 | 3,092 | 6,731 |
| Amortisation of intangible assets | | (198) | - | (28) |
| Other administrative expenses | | (4,965) | (2,412) | (4,953) |
| Administrative expenses | | (5,163) | (2,412) | (4,981) |
| Other operating income | | 130 | 119 | 260 |
| Operating profit | | 1,278 | 799 | 2,010 |
| Finance income | | 99 | 150 | 320 |
| Finance expense | | (363) | (155) | (421) |
| Net financing costs | 3 | (264) | (5) | (101) |
| Profit before tax | | 1,014 | 794 | 1,909 |
| Taxation | 4 | (365) | (258) | (531) |
| Profit attributable to equity holders of the parent | | 649 | 536 | 1,378 |
| Earnings per share | 5 | | | |

| | | | |
|---------|------|------|-------|
| Basic | 7.2p | 6.4p | 16.3p |
| Diluted | 7.0p | 6.0p | 16.1p |

**Unaudited Consolidated Balance Sheet
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2008**

| | <i>Notes</i> | 30 September 2008 £'000 | 30 September 2007 £'000 | 31 March 2008 £'000 |
|---|--------------|-------------------------------|-------------------------------|---------------------------|
| Non-current assets | | | | |
| Intangible assets | | 16,137 | 3,979 | 16,335 |
| Property, plant and equipment | | 7,613 | 6,539 | 7,383 |
| Investment properties | | 1,613 | 1,562 | 1,557 |
| Financial assets - investments in quoted companies | 6 | 11,850 | 24,300 | 18,450 |
| Non-current assets held for sale | | 157 | - | 157 |
| Other financial assets | | 65 | 30 | 71 |
| Deferred tax assets | | 519 | 576 | 519 |
| Total non-current assets | | 37,954 | 36,986 | 44,472 |
| Current assets | | | | |
| Inventories | | 3,426 | 3,160 | 3,340 |
| Trade and other receivables | | 5,922 | 2,253 | 5,353 |
| Other financial assets | | 143 | 139 | 141 |
| Cash and cash equivalents | | 2,221 | 4,890 | 2,995 |
| Total current assets | | 11,712 | 10,442 | 11,829 |
| TOTAL ASSETS | | 49,666 | 47,428 | 56,301 |
| Current liabilities | | | | |
| Interest bearing loans and borrowings | | (2,148) | (542) | (2,064) |
| Tax payable | | (1,270) | (847) | (1,356) |
| Derivative financial instruments - interest rate collar | | (80) | - | (72) |
| Trade and other payables | | (6,848) | (4,041) | (7,595) |
| Total current liabilities | | (10,346) | (5,430) | (11,087) |
| Non-current liabilities | | | | |
| Interest bearing loans and liabilities | | (6,914) | (2,074) | (6,992) |
| Employee benefits | 7 | (1,997) | (2,246) | (2,060) |
| Deferred tax liabilities | | (2,144) | (744) | (2,134) |
| Total non-current liabilities | | (11,055) | (5,064) | (11,186) |
| TOTAL LIABILITIES | | (21,401) | (10,494) | (22,273) |

| | | | | |
|-------------------------------------|----------|---------------|---------------|---------------|
| Net assets | | 28,265 | 36,934 | 34,028 |
| Capital and reserves | | | | |
| Called up share capital | | 906 | 847 | 906 |
| Share premium account | | 7,206 | 7,206 | 7,206 |
| Other reserves | | 3,145 | 703 | 3,145 |
| Retained earnings | | 7,612 | 6,332 | 6,775 |
| Financial assets fair value reserve | | 9,396 | 21,846 | 15,996 |
| Equity shareholders' funds | 8 | 28,265 | 36,934 | 34,028 |

**Unaudited Consolidated Cash Flow
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2008**

| | <i>Notes</i> | 6 months to 30 September 2008 £'000 | 6 months to 30 September 2007 £'000 | Year ended 31 March 2008 £'000 |
|---|--------------|--|--|---|
| Profit for the period | | 649 | 536 | 1,378 |
| <i>Adjusted for:</i> | | | | |
| <i>(i) Non-cash items:</i> | | | | |
| Depreciation | | 406 | 239 | 534 |
| Amortisation | | 198 | - | 28 |
| Notional interest charge on deferred consideration | | 26 | - | 4 |
| Expected return on pension scheme assets | | (8) | 8 | (16) |
| Interest cost on pension scheme liabilities | | 80 | 60 | 145 |
| Loss on remeasurement of derivative financial instruments | | 8 | - | 72 |
| Equity-settled share-based payment expenses | | 188 | 68 | 142 |
| <i>Non-cash items adjustment</i> | | 898 | 375 | 909 |
| <i>(ii) Other items:</i> | | | | |
| Bank interest receivable | | (54) | (129) | (240) |
| Bank interest payable | | 244 | 95 | 200 |
| Gain on sale of investment properties | | - | (10) | (10) |
| Income tax expense | | 365 | 258 | 531 |
| <i>Other adjustments</i> | | 555 | 214 | 481 |
| Operating cash flow before changes in working capital and provisions | | 2,102 | 1,125 | 2,768 |
| (Increase) / decrease in trade and other receivables | | (569) | 140 | 307 |
| Increase in inventories | | (86) | (482) | (345) |
| (Decrease) / increase in trade and other payables | | (747) | (272) | 701 |
| (Decrease) / increase in provisions and employee benefits | | (151) | 11 | 8 |
| Cash generated from operations | | 549 | 522 | 3,439 |
| Income taxes paid | | (451) | - | (460) |
| Net cash from operating activities | | 98 | 522 | 2,979 |

| | | | | |
|---|----|--------------|--------------|----------------|
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | | (620) | (494) | (907) |
| Purchase of investment properties | | (72) | - | (12) |
| Costs incurred in restructuring investment holdings | | - | (34) | (34) |
| Proceeds from sale of investment properties | | - | 20 | 23 |
| Acquisition of subsidiary, net of cash acquired | 10 | - | - | (5,343) |
| Interest received | | 54 | 129 | 240 |
| Net cash from investing activities | | (638) | (379) | (6,033) |
| Cash flow from financing activities | | | | |
| Increase / (decrease) in other financial assets | | 4 | - | (34) |
| Repayment of secured loan | | (113) | (117) | (1,893) |
| Repayment of loan notes | | | | (43) |
| Proceeds from new loan | | 119 | - | 3,841 |
| Interest paid | | (244) | (95) | (200) |
| Proceeds from the issue of ordinary share capital | | - | - | 10 |
| Dividends paid | | - | - | (591) |
| Net cash from financing activities | | (234) | (212) | 1,090 |
| Net decrease in cash and cash equivalents | | (774) | (69) | (1,964) |
| Cash and cash equivalents at start of period | | 2,995 | 4,959 | 4,959 |
| Cash and cash equivalents at end of period | | 2,221 | 4,890 | 2,995 |

**Unaudited Consolidated Statement of Recognised Income and Expense
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2008**

| | <i>Notes</i> | 6 months to 30 September 2008 £'000 | 6 months to 30 September 2007 £'000 | Year ended 31 March 2008 £'000 |
|--|--------------|--|--|---|
| (Loss) / gain on valuation of available-for-sale equity securities | | (6,600) | 11,366 | 5,516 |
| Net actuarial gain on pension schemes | | - | 193 | 339 |
| Dividends paid | | - | - | (591) |
| Share-based payments | | 191 | 67 | 164 |
| Movement on deferred tax relating to share-based payments | | (3) | 1 | 3 |
| Net (expense) / income recognised directly in equity | | (6,412) | 11,627 | 5,431 |
| Profit for the period | | 649 | 536 | 1,378 |

| | | | |
|---|---------|--------|-------|
| Total recognised income and expense for the period | (5,763) | 12,163 | 6,809 |
|---|---------|--------|-------|

Notes to the Unaudited Interim Statements

1. Basis of preparation

This interim financial information comprises the consolidated balance sheets at 30 September 2008, 30 September 2007 and 31 March 2008 and consolidated statements of income, recognised income and expense and cash flows 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 2008 financial statements. As permitted, these interim financial statements have been prepared in accordance with AIM rules and not in accordance with IAS34 'Interim Financial Reporting'.

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 2009 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 2009.

The Interim Report was approved by the Board on 4 December 2008.

Section 240 Statement

The comparative figures for the financial year ended 31 March 2008 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.

2. Segmental revenue and profit analysis

| | 6 months to 30 September 2008 | | | | 6 months to 30 September 2007 ¹ | | |
|--|-------------------------------|-----------------------------|-------------------------------|---------------|--|-----------------------------|-------|
| | General Trading (Falklands) | Ferry Services (Portsmouth) | Arts logistics & storage (UK) | Total | General trading (Falklands) | Ferry Services (Portsmouth) | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| External revenue | 5,703 | 2,025 | 7,987 | 15,715 | 5,646 | 1,884 | 7,530 |
| Operating profit before amortisation and non-recurring items | 331 | 442 | 703 | 1,476 | 387 | 412 | 799 |
| Amortisation and non-recurring items | - | - | (198) | (198) | - | - | - |
| Segment operating profit | 331 | 442 | 505 | 1,278 | 387 | 412 | 799 |
| Finance expense | (111) | (62) | (190) | (363) | (115) | (40) | (155) |
| Finance income | 47 | 46 | 6 | 99 | 139 | 11 | 150 |
| Segment operating | 267 | 426 | 321 | 1,014 | 411 | 383 | 794 |

| | | | | | | | |
|------------------------------------|--------------|--------------|---------------|-----------------|--------------|--------------|---------------|
| profit before tax | | | | | | | |
| Taxation | (84) | (126) | (155) | (365) | (134) | (124) | (258) |
| Segment profit after tax | 183 | 300 | 166 | 649 | 277 | 259 | 536 |
| <i>Assets and liabilities</i> | | | | | | | |
| Segment assets | 11,225 | 11,980 | 16,717 | 39,922 | 11,083 | 10,782 | 21,865 |
| Segment liabilities | (5,971) | (3,212) | (5,641) | (14,824) | (6,635) | (2,596) | (9,231) |
| Unallocated assets and liabilities | | | | 3,167 | | | 24,300 |
| Segment net assets | 5,254 | 8,768 | 11,076 | 28,265 | 4,448 | 8,186 | 36,934 |
| <i>Other segment information</i> | | | | | | | |
| Capital expenditure: | | | | | | | |
| Property, plant and equipment | 217 | 22 | 381 | 620 | 471 | 23 | 494 |
| Investment properties | 72 | - | - | 72 | - | - | - |
| Depreciation: | | | | | | | |
| Property, plant and equipment | 151 | 105 | 134 | 390 | 121 | 102 | 223 |
| Investment properties | 16 | - | - | 16 | 16 | - | 16 |
| Amortisation | - | - | 198 | 198 | - | - | - |

Underlying profit

| | | | | | | | |
|--------------------------------------|-----|-----|-----|--------------|-----|-----|-----|
| Operating profit before tax add back | 267 | 426 | 321 | 1,014 | 411 | 383 | 794 |
| amortisation | - | - | 198 | 198 | - | - | - |
| Underlying profit before tax | 267 | 426 | 519 | 1,212 | 411 | 383 | 794 |

Underlying profit is presented to illustrate the Group's profit before tax, amortisation and non-recurring items

¹ Momart was acquired on 5 March 2008 (see note 10. Acquisition of subsidiary) and accordingly no comparative is presented for the six months ended 30 September 2007

2. Segmental revenue and profit analysis (continued)

| | Year ended 31 March 2008 | | | Total £'000 |
|--|---|---|--|----------------|
| | General trading (Falklands) £'000 | Ferry services (Portsmouth) £'000 | Arts logistics & storage (UK) £'000 | |
| External revenue | 12,603 | 3,531 | 1,066 | 17,200 |
| Operating profit before amortisation and non-recurring items | 1,209 | 717 | 112 | 2,038 |
| Amortisation and non-recurring items | | | (28) | (28) |
| Segment operating profit | 1,209 | 717 | 84 | 2,010 |

| | | | | |
|---|--------------|--------------|---------------|---------------|
| Finance expense | (222) | (170) | (29) | (421) |
| Finance income | 256 | 64 | 0 | 320 |
| Segment operating profit before tax | 1,243 | 611 | 55 | 1,909 |
| Taxation | (285) | (211) | (35) | (531) |
| Segment profit after tax | 958 | 400 | 20 | 1,378 |
| <i>Assets and liabilities</i> | | | | |
| Segment assets | 12,784 | 9,875 | 15,813 | 38,472 |
| Segment liabilities | (7,868) | (1,413) | (4,930) | (14,211) |
| Unallocated assets and liabilities | | | | 9,767 |
| Segment net assets | 4,916 | 8,462 | 10,883 | 34,028 |
| <i>Other segment information</i> | | | | |
| Capital expenditure: | | | | |
| Property, plant and equipment | 840 | 62 | 5 | 907 |
| Investment properties | 52 | - | - | 52 |
| Depreciation: | | | | |
| Property, plant and equipment | 264 | 220 | 18 | 502 |
| Investment properties | 32 | - | - | 32 |
| Amortisation | | | 28 | 28 |
| Underlying profit | | | | |
| Operating profit before tax add back: amortisation | 1,243 - | 611 - | 55 28 | 1,909 28 |
| Underlying profit before tax | 1,243 | 611 | 83 | 1,937 |

Underlying profit is presented to illustrate the Group's profit before tax, amortisation and non-recurring items.

3. Finance income and expense

| | 30 September 2008 £'000 | 30 September 2007 £'000 | 31 March 2008 £'000 |
|--|-------------------------------|-------------------------------|---------------------------|
| Bank interest receivable | 54 | 129 | 240 |
| Finance lease interest receivable | 37 | 29 | 64 |
| Expected return on pension scheme assets | 8 | (8) | 16 |
| Total financial income | 99 | 150 | 320 |
| Interest payable on bank loans | (244) | (95) | (200) |
| Finance lease interest payable | (5) | - | - |
| Interest cost on pension scheme liabilities | (80) | (60) | (145) |
| Notional interest on deferred consideration payable | (26) | - | (4) |
| Loss on remeasurement of derivative financial instrument | (8) | - | (72) |

| | | | |
|--------------------------------|--------------|-------|-------|
| Total financial expense | (363) | (155) | (421) |
| Net financing cost | (264) | (5) | (101) |

4. Taxation

The taxation charge has been estimated to be 29.5% (2007: 32%)

5. Earnings per share

Earnings per share has been calculated on profit after tax of £649,000 (6 months to 30 September 2007 : £536,000; Year to 31 March 2008: £1,378,000) based on the weighted average number of shares in issue, excluding shares held in the Employee Share Ownership Plan, of 9,024,584 (6 months to 30 September 2007: 8,433,998; Year to 31 March 2008: 8,478,354). 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-recurring items ('underlying profit after tax'):

| | 6 months to 30 September: | | Year ended |
|---|---------------------------|-------|------------|
| | 2008 | 2007 | 31 March |
| | £'000 | £'000 | 2008 |
| | | | £'000 |
| Underlying profit before tax | 1,212 | 794 | 1,937 |
| Tax thereon | (365) | (258) | (540) |
| Underlying profit after tax | 847 | 536 | 1,397 |
| Basic earnings per share on underlying profit | 9.4p | 6.4p | 16.5p |
| Diluted earnings per share on underlying profit | 9.2p | 6.0p | 16.3p |

6. Financial assets - investments in quoted companies

(a) At fair value

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

| | 30 September | 30 September | 31 March |
|----------------------------------|--------------|--------------|----------|
| | 2008 | 2007 | 2008 |
| | £'000 | £'000 | £'000 |
| FOGL share price | 79p | 162p | 123p |
| Investment stated at fair value: | | | |
| Falkland Oil and Gas Limited | 11,850 | 24,300 | 18,450 |

An unrealised loss of £6,600,000 (at 30 September 2007: gain of £11,366,000; at 31 March 2008: gain of £5,516,000) has been recognised in the period and transferred to the Financial assets fair value reserve as a component of shareholders' funds.

(b) At cost

| | £'000 | £'000 | £'000 |
|------------------------------|-------|-------|-------|
| Investment at cost: | | | |
| Falkland Oil and Gas Limited | 2,454 | 2,454 | 2,454 |

7. Employee benefits

Given the volatility in financial markets and sharp increase in medium-term bond yields, which may prove temporary in nature, the Company has decided not to revalue its pension obligations at 30 September 2008. 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 recent stock market fluctuations. At 31 March 2008 the Group's other pension fund, The Portsmouth Harbour Ferry Company Plc (1975) Retirement Scheme, showed a net deficit of £143,000.

8. Reconciliation of movement in shareholders' funds

| | 30 September 2008 £'000 | 30 September 2007 £'000 | 31 March 2008 £'000 |
|---|-------------------------------|-------------------------------|---------------------------|
| Opening shareholders' funds previously reported | 34,028 | 24,771 | 24,718 |
| Profit for the period | 649 | 536 | 1,378 |
| Dividends paid | - | - | (591) |
| Issue of shares | - | - | 59 |
| Share-based payments | 191 | 67 | 164 |
| Deferred tax on share-based payments | (3) | 1 | 3 |
| Change in fair value of available-for-sale financial assets | (6,600) | 11,366 | 5,516 |
| Premium on shares issued in the year net of expenses | - | - | 2,442 |
| Actuarial gain on pension, net of tax ¹ | - | 193 | 339 |
| Net (reduction in) / addition to shareholders' funds | (5,763) | 12,163 | 9,310 |
| Closing shareholders' funds | 28,265 | 36,934 | 34,028 |

¹ See note 7. Employee benefits.

9. Analysis of change in debt

| | As at 1 April 2008 £'000 | Cash flows £'000 | As at 30 September 2008 £'000 |
|--------------------------|--------------------------------|---------------------|-------------------------------------|
| Cash at bank and in hand | 2,995 | (774) | 2,221 |
| Debt due within one year | (2,064) | (84) | (2,148) |

| | | | |
|----------------------------------|----------------|--------------|----------------|
| Debt due after one year | (6,992) | 78 | (6,914) |
| Net debt at end of period | (6,061) | (780) | (6,841) |

10. Acquisition of subsidiary

On 5 March 2008 the Company acquired all the ordinary shares in Momart International Limited for £10,835,000, satisfied in cash and the issue of 582,666 ordinary shares of 10p each at £4.27½. The acquisition had the following effect on the Group's net assets and liabilities:

| | Pre-acquisition carrying amounts £'000 | Provisional fair value adjustments £'000 | Recognised provisional values on acquisition £'000 |
|---|---|---|--|
| Acquiree's net assets at the acquisition date: | | | |
| Property, plant and equipment | 710 | - | 710 |
| Other fixed assets | 47 | 110 | 157 |
| Intangible assets | | 4,777 | 4,777 |
| Inventories | 318 | - | 318 |
| Trade and other receivables | 3,276 | - | 3,276 |
| Cash and cash equivalents | (178) | - | (178) |
| Interest-bearing loans and borrowings | (1,395) | - | (1,395) |
| Trade and other payables | (3,083) | - | (3,083) |
| Deferred tax liabilities | (24) | (1,330) | (1,354) |
| Contingent liabilities | | | - |
| Net identifiable assets and liabilities | (329) | 3,557 | 3,228 |
| Goodwill on acquisition | | | 7,607 |
| Consideration paid (including professional fees of £566,000 satisfied in cash) | | | 10,835 |
| Less: non-cash, contingent & deferred consideration | | | (5,670) |
| Initial cash sum | | | 5,165 |
| Add: Overdraft (acquired) | | | 178 |
| Net cash outflow | | | 5,343 |

Directors and Corporate Information

Directors

David Hudd
John Foster
Leonard Licht
Sir Harry Solomon
Mike Killingley

Registered Office

Kenburgh Court
133 - 137 South Street
Bishop's Stortford
Hertfordshire CM23 3HX
T: 01279 461630
F: 01279 461631

Company Secretary

James Ivins

E: admin@fihplc.com

W: www.fihplc.com

Registered number

03416346

Corporate information*Stockbroker*

KBC Peel Hunt

111 Old Broad Street
London EC2N 1PH

Auditor

KPMG Audit Plc
St. Nicholas House, Park
Row,
Nottingham NG1 6FQ

Solicitors

Bircham, Bell and Dyson LLP
50 Broadway, Westminster

London SW1H 0BL

Registrar

Capita Registrars
34 Beckenham Road
Beckenham, Kent BR3
4TU

The Falkland Islands Company

Roger Spink, *Director and General
Manager*

T: +500 27600

E: fic@horizon.co.fk

W: www.the-falkland-islands-co.com

**The Portsmouth Harbour Ferry
Company**

Paul Fuller, *Director and General
Manager*

T: 02392 524551

E: admin@gosportferry.co.uk

W: www.gosportferry.co.uk

Momart Limited

Eugene Boyle, *Managing Director*

T: 0207 4263000

E: enquiries@momart.co.uk

W: www.momart.co.uk

This information is provided by RNS
The company news service from the London Stock Exchange

END

Close

London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. [Terms and conditions](#), including restrictions on use and distribution apply.

©2008 London Stock Exchange plc. All rights reserved