

Falkland Islands Holdings PLC
06 October 2004

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OR

FROM THE UNITED STATES, AUSTRALIA, CANADA, SOUTH AFRICA OR JAPAN

FOR IMMEDIATE RELEASE 6 October 2004

Offer by
Dawnay, Day Corporate Finance Limited
on behalf of
Falkland Islands Holdings plc
for
The Portsmouth Harbour Ferry Company Public Limited Company
and
Placing of 1,492,537 Falkland Islands Holdings plc Shares

Summary

- The Board of Falkland Islands Holdings plc ('FIH') announces the terms of an offer, to be made by Dawnay Day on behalf of FIH, for the entire issued and to be issued share capital of The Portsmouth Harbour Ferry Company PLC ('PHFC') not already owned by FIH.
- PHFC was established in 1883 and operates a ferry service across Portsmouth Harbour between Portsea and Gosport and also owns a travel agency.
FIH's main trading subsidiary, The Falkland Islands Company, has provided services to the Falkland Islands since its establishment by Royal Charter in 1851.
- The Offer will be 7 New FIH Shares for every 1 PHFC Share, with a Part Cash Alternative of £25 cash plus £8.50 in 5% Unsecured Loan Notes 2008 for every PHFC Share.
- The Offer values each PHFC Share at £44.275 and the entire existing issued share capital of PHFC at £10.18 million (based on yesterday's closing price of an FIH Share of 632.5p) .
- The FIH Share price has been volatile in recent days, increasing by 21% since 30 September 2004 when it was announced that the Falkland Oil and Gas Ltd AIM flotation was proceeding. This volatility may continue. The average FIH share price since the announcement of details of FOGL's proposed AIM flotation on 20 August 2004, is 492.69p.
- The Offer represents a premium of 121% over the highest price paid by FIH for a PHFC Share to date.
- FIH already holds 61,149 PHFC Shares representing 26.6% of PHFC's issued share capital.
- The Offer is conditional on FIH receiving acceptances which, when added to its existing holding, amount to more than 50% of PHFC's issued share capital.

• FIH has entered into a placing agreement with Evolution whereby Evolution will subscribe or procure subscribers for 1,492,537 new FIH Shares raising approximately £4.73 million net of expenses subject, inter alia, to the admission of the Placing Shares to trading to AIM. The placing price per FIH Share is 335p.

Commenting on the Offer, David Hudd, Chairman of FIH, said:

'I believe the Offer provides PHFC Shareholders with the opportunity to realise their investment in PHFC on generous terms. FIH has been looking to expand its activities outside the Falkland Islands and this acquisition will improve the spread of FIH's assets, risk profile and scope for future growth.'

'FIH's advisers have approached PHFC's advisers to seek a recommendation of the Offer. We hope that this will be forthcoming.'

Enquiries:

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Evolution Securities Limited - Tom Price 020 7071 4300
Henry Turcan

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Tony Friend

This summary should be read in conjunction with the full text of the following announcement.

The Offer will not be extended to citizens of, or persons resident in, certain overseas jurisdictions.

This announcement does not constitute or form part of an offer or an invitation to purchase securities.

The attention of PHFC Shareholders is drawn to the fact that under the Takeover Code, there are certain UK dealing disclosure requirements in respect of relevant securities during an offer period.

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1. Introduction

The Board of FIH announces the terms of an Offer to be made by Dawnay Day on behalf of FIH for the entire issued and to be issued share capital of PHFC not already owned by FIH. In addition, the Board of FIH is pleased to announce the placing of 1,492,537 new FIH Shares for cash.

2. The Placing

FIH has entered into a placing agreement with Evolution whereby Evolution will subscribe or procure subscribers for 1,492,537 new FIH Shares raising approximately £4.73 million net of expenses subject, inter alia, to the admission of the Placing Shares to trading to AIM. The placing price per FIH Share is 335p. Application for admission to AIM has been made and dealings are expected to commence on 12 October 2004. The Placing Shares will not rank for the dividend payable on 4 November 2004 to FIH Shareholders on the register of members at the close of business on 8 October 2004.

3. The Offer

The Offer, which will be made on the terms and subject to conditions set out in Appendix I to this announcement and, together with those further terms to be contained in the Offer Document and Form of Acceptance, will be to acquire all of the PHFC Shares not already owned by FIH, together with any to be issued PHFC Shares, on the following basis:

The Share Offer:

For every PHFC Share 7 New FIH Shares

or

The Part Cash Alternative:

For every PHFC Share £25 in cash and £8.50 in Loan Notes

The Share Offer values each PHFC Share at £44.275 and values the entire existing issued share capital of PHFC at £10.18 million (based on the closing price of an FIH Share on 5 October 2004 of 632.5p). The Part Cash Alternative values the entire issued share capital of PHFC at £7.7 million.

The FIH Share price has been volatile in recent days, increasing by 21% since 30 September 2004, when it was announced that the Falkland Oil and Gas Limited AIM flotation was proceeding. This volatility may continue. The average FIH share price since the announcement of details of FOGL's proposed AIM flotation on 20 August 2004, is 492.69p.

PHFC Shareholders who would like to receive a combination of FIH Shares and cash will be able to accept the Share Offer in respect of part of their holding in PHFC and elect to receive the Part Cash Alternative in respect of the balance of their holding in PHFC.

The PHFC Shares which are the subject of the Offer will be acquired by FIH fully paid and free from all liens, charges, equitable interests, encumbrances and other interests, together with all rights now or hereafter attaching thereto, including the right to receive and retain all dividends and other distributions declared, paid or made after the date of this announcement, save that the New FIH Shares will not rank for the dividend

payable on 4 November 2004 to FIH Shareholders on the register at the close of business on 8 October 2004.

The Offer will extend to all PHFC Shares unconditionally allotted or issued on the date on which the Offer is made and any further PHFC Shares unconditionally allotted or issued while the Offer remains open for acceptance (or such earlier date as FIH may, subject to the Takeover Code, decide).

4. Loan Notes

The Loan Notes will bear interest at 5% per annum payable on 30 April and 31 October in each year. The Loan Notes will be redeemed in four equal annual instalments on 31 October 2005, 31 October 2006, 31 October 2007 and 31 October 2008. This is likely to give rise to a more favourable tax treatment for PHFC Shareholders who elect to receive the Part Cash Alternative. The Loan Notes will be unsecured and will be freely transferable, but no application will be made for them to be traded on any stock exchange.

5. Background to, and reasons for, the Offer

At present, FIH's earnings and assets are almost exclusively related to its activities in the Falkland Islands and surrounding waters. As part of its stated strategy FIH has been looking to expand its activities outside the Falkland Islands. PHFC offers a long term investment opportunity in a sector which has a number of comparable features to FIH's business. As a result the acquisition will improve the spread of FIH's assets, risk profile and scope for future growth.

6. Intentions for PHFC

As part of the enlarged FIH Group, PHFC will continue to operate with a local board including members of the management, FIH recognises the importance of the ferry service provided by PHFC to the people of Portsmouth and Gosport and is fully committed to continuing and developing this service. Peter Viggers (MP for Gosport) has agreed to serve on the PHFC board as a non-executive director if the Offer is successful.

7. Information on FIH

The FIH Group provides a wide range of services to the Falkland Islands' economy including retailing, wholesale and distribution, financial services, motor vehicle distribution, shipping agency, port services and accommodation. The FIH Group is also involved, through its associated companies, Falkland Oil and Gas Limited ('FOGL') and Falkland Minerals Limited ('FML') in exploration activities in the Falklands and surrounding waters, offshore for oil and gas and onshore for minerals.

8. Information on PHFC

PHFC was established in 1883 and operates a ferry service across Portsmouth Harbour between Portsea and Gosport. It also operates a summer cruising operation and owns a single retail travel agency. PHFC's audited consolidated accounts for the year ended 31 December 2003 showed the following:

2003

2002

	£'000	£'000
Turnover	4,571	4,693
Pre-tax profit	775	915
Net assets	2,918	2,520
Earnings per share	222.87p	323.49p
Dividends per share	50p	33p
Net assets per share	£12.69	£10.95

9. Shareholding in PHFC

FIH already holds 61,149 PHFC Shares representing 26.6% of PHFC's issued share capital.

Neither FIH, nor any Director of FIH, nor so far as the Directors of FIH are aware, any person acting in concert with FIH for the purposes of the Offer, owns or controls or holds an option to purchase, or has any arrangement in relation to PHFC Shares or any securities convertible or exchangeable into PHFC Shares or options (included traded options) in respect of, or has entered into any derivative referenced to, any such shares. For these purposes, 'arrangement' includes any indemnity or option arrangement, any agreement or understanding, formal or informal, of whatever nature, relating to PHFC Shares which may be an inducement to deal or to refrain from dealing in such shares.

10. Compulsory acquisition

If the Offer is declared unconditional in all respects and subject to the acquisition of 90% of the PHFC Shares to which the Offer relates, FIH intends to apply the provisions of sections 428 to 430F (inclusive) of the Companies Act 1985 to acquire compulsorily any remaining PHFC Shares.

11. Placing and the Financing of the Part Cash Alternative

The maximum amount payable in cash if all PHFC Shareholders accept the Offer and elect for the Part Cash Alternative is £4,221,275. FIH has entered into a placing agreement with Evolution whereby Evolution will subscribe or procure subscribers for 1,492,537 new FIH Shares raising approximately £4.73 million net of expenses, subject to the admission of the Placing Shares to trading to AIM.

The placing price per FIH Share is 335p.

Dawnay, Day Corporate Finance Limited is satisfied that FIH has the financial resources to satisfy full acceptance of the Offer and election for the Part Cash Alternative.

Any proceeds of the Placing in excess of the amount required to satisfy elections for the Part Cash Alternative will be applied to cover the costs of the Offer, give FIH additional working capital and contribute to the funding of investments by the FIH Group. The chairman of FIH, David Hudd has agreed to subscribe for 18,400 FIH Shares in the Placing on the same terms as other placees. The other directors who have been so advised by Dawnay, Day Corporate Finance Limited, as Nominated Adviser to FIH, consider that the terms of this related party transaction are fair and reasonable insofar as FIH Shareholders are concerned.

12. General

The Offer Document containing the full terms of the Offer will be posted to PHFC Shareholders as soon as practicable. The conditions to the Offer are set out in Appendix I and, together with certain further terms of the Offer, will be set out in full in the Offer Document and Form of Acceptance.

The availability of the Offer to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are located. Persons who are not resident in the United Kingdom should inform themselves about, and observe, any applicable requirements. In particular, the Offer will not be made, directly or indirectly, in, into or from or by the use of the mails or any means of instrumentality (including without limitation, facsimile transmission, telex, telephone or internet) the United States, or in, into or from Canada, Australia, South Africa or Japan or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction.

Accordingly, copies of this announcement are not being, and must not be, mailed or otherwise distributed or sent in or into or from the United States, Canada, Australia, South Africa or Japan. Persons receiving this announcement (including without limitation custodians, nominees and trustees) must not distribute or send it in, or into or from the United States, Australia, South Africa, Canada or Japan.

Any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable legal or regulatory requirements. Further information in relation to overseas shareholders will be contained in the Offer Document. This announcement does not constitute an offer to sell or an invitation to purchase any securities or the solicitation of an offer to buy any securities, pursuant to the Offer or otherwise. The Offer will be made by the Offer Document and Form of Acceptance.

The full terms and conditions of the Offer (including details of how the Offer may be accepted) will be set out in the Offer Document and Form of Acceptance.

PHFC Shareholders who accept the Offer may only rely on the Offer Document and Form of Acceptance for all the terms and conditions of the Offer. In deciding whether or not to accept the Offer in relation to their PHFC Shares, PHFC Shareholders should rely only on the information contained, and procedures described, in the Offer Document and Form of Acceptance. PHFC Shareholders are strongly advised to read the Offer Document when it is available because it will contain important information.

Dawnay Day, which is authorised and regulated in the United Kingdom by the FSA, is acting exclusively for FIH and for no one else in connection with the Offer and will not be responsible to anyone other than FIH for providing the protections afforded to its customers or for providing advice in relation to the Offer.

Evolution, which is authorised and regulated in the United Kingdom by the FSA, is acting exclusively for FIH and for no one else in connection with the Offer and will not be responsible to anyone other than FIH for providing the protections afforded to its customers or for providing advice in relation to the Offer.

The attention of PHFC Shareholders and FIH Shareholders is drawn to the fact that under the Takeover Code, there are certain UK dealing disclosure requirements in respect of relevant securities during an offer period. An

offer period was deemed to have commenced on 1 October 2004 when FIH announced that it was considering the possibility of making the Offer.

The disclosure requirements referred to below are set out in more detail in Rule 8 of the Takeover Code. In particular, Rule 8.3 of the Takeover Code requires public disclosure of dealings during an offer period by persons who own or control or would as a result of a transaction, own or control 1 per cent. or more of any class of the relevant securities.

Note 5 to Rule 8 of the Takeover Code specifies the details that are to be included in a disclosure and makes reference to the Dealing Disclosure Form required to be submitted, copies of which may be obtained from the Panel at the address specified below or from the Panel's website,

www.thetakeoverpanel.org.uk

. A copy of the entire Takeover Code may also be found at the Panel's website, for further information.

The obligation for disclosure during the Offer Period that commenced on 1 October 2004 in relation to dealings in FIH Shares and/or PHFC Shares will conclude on the date on which the Offer becomes or is declared unconditional in all respects, or on the date on which the Offer lapses. Disclosure should be made on a Dealing Disclosure Form by no later than 12 noon on the business day following the date of the dealing transaction. These disclosures should be made via a regulatory information service such as the Regulatory News Service of the London Stock Exchange, by fax (fax number: +44 (0)20 7588 6057) or by electronic delivery on the appropriate form with a copy sent to the Panel (fax number: +44 (0)20 7256 9386, e-mail: monitoring@disclosure.org.uk).

If you are in any doubt as to the action that you should take with regard to Rule 8 of the Takeover Code you are requested to contact the Panel on (020) 7382 9026 for further information.

Appendix I

Conditions to and certain further terms of the Offer

1. The Offer, which will be made by Dawnay Day on behalf of FIH, will comply with all applicable rules and regulations of the FSA, the London Stock Exchange and the Takeover Code and will be subject to the terms and conditions to be set out in full in the Offer Document and Form of Acceptance, including the following conditions:

(a) valid acceptances being received (and not, where permitted, withdrawn) by not later than 3.00 p.m. on the date falling 21 days after the date on which the Offer Document is posted (the 'First Closing Date') (or such later time(s) and/ or date(s) as FIH may, with the consent of the Panel or in accordance with the Takeover Code, decide) in respect of such number of PHFC Shares which, together with PHFC Shares already held by FIH and/or acquired by FIH during the Offer period, will result in FIH holding PHFC Shares which carry in aggregate more than 50 per cent. of the voting rights then normally exercisable at general meetings of PHFC, including, for this purpose (to the extent, if any, required by the Panel), any such voting rights attaching to any PHFC Shares that are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise, and for this purpose (i) the expression 'PHFC Shares to which the Offer relates' shall be construed

in accordance with Sections 428-430F of the Companies Act 1985, (as amended) and (ii) shares which have been unconditionally allotted shall be deemed to carry the voting rights which they will carry on issue;

(b) the London Stock Exchange agreeing to admit the New FIH Shares to be issued pursuant to the Offer to trading on AIM;

(c) no government or governmental, or quasi-governmental authority (whether supra-national, national, regional, local or otherwise), statutory or regulatory body, or any court, trade agency, association, institution or professional or environmental body or (without prejudice to the generality of the foregoing) any other body or person whatsoever in any jurisdiction (including any foreign jurisdiction) ('Authorities') having taken, instituted, implemented or threatened any action, proceeding, suit, investigation or enquiry, or enacted, made or proposed any statute, regulation or order or taken any other steps which would or would be likely to (to an extent which is material in the context of the PHFC Group or the FIH Group, as defined below, each taken as a whole):

(i) make the Offer, its implementation or the acquisition or proposed acquisition by FIH or any member of the Wider FIH Group of any shares or other securities in, or control of PHFC or any member of the Wider PHFC Group, void, illegal, prohibited and/or unenforceable in or under the laws of any relevant jurisdiction, or otherwise directly or indirectly restrain, prevent, prohibit, restrict or delay or otherwise interfere with the Offer or such acquisition or impose additional conditions or obligations with respect to the Offer or such acquisition, or otherwise impede, challenge or interfere with the Offer or such acquisition, or require amendment to the terms of the Offer or the proposed acquisition of any PHFC Shares or the acquisition of control of PHFC or any member of the Wider PHFC Group by FIH;

(ii) require, prevent or delay the divestiture (or alter the terms envisaged for any proposed divestiture) by any member of the Wider FIH Group of any shares or other securities (or the equivalent) in PHFC;

(iii) require, prevent or delay the divestiture (or alter the terms envisaged for any proposed divestiture) by any member of the Wider FIH Group or by any member of the Wider PHFC Group, in any such case of all or any portion of their respective businesses, assets or properties or impose any limitation on the ability of any of them to conduct any of their respective businesses (or any of them) or to own or dispose of any of their respective assets or properties or any part thereof;

(iv) impose any limitation on, or result in a delay in, the ability of any member of the Wider FIH Group or any member of the Wider PHFC Group to acquire or to hold or to exercise effectively, directly or indirectly, all or any rights of ownership in respect of shares or loans or securities convertible into shares or other securities (or the equivalent) in, or to exercise management control over, any member of the Wider PHFC Group or any member of the Wider FIH Group;

(v) without limitation to the foregoing, require any member of the Wider FIH Group or the Wider PHFC Group to acquire, or to offer to acquire, any shares or other securities (or their equivalent) in any member of the Wider FIH Group or any member of the Wider PHFC Group or any asset owned by any third party (other than in implementation of the Offer or pursuant to Part XIII A of the Act or pursuant to Rule 9 of the Takeover Code) or to sell, or to offer to sell, any shares or other securities (or

their equivalent) or any interest in any asset owned by any member of the Wider FIH Group or the Wider PHFC Group;

(vi) impose any limitation on the ability of any member of the Wider FIH Group or any member of the Wider PHFC Group to integrate or co-ordinate its business, or any part of it, with all or any part of the businesses of any other member of the Wider FIH Group or the Wider PHFC Group;

(vii) result in any member of the Wider PHFC Group or the Wider FIH Group ceasing to be able to carry on business under any name under which it presently does so or ceasing to be able to use in its business any name, trademark or other intellectual property right which it at present uses in and uses on the same basis and terms as at present apply; or

(viii) otherwise adversely affect any or all of the business, assets, financial or trading position, profits or prospects of any member of the Wider PHFC Group or any member of the Wider FIH Group;

(d) all applicable waiting and other time periods during which any Authority could intervene in such a way under the laws of any relevant jurisdiction having expired, lapsed or been terminated;

(e) there being no provision of any arrangement, agreement, licence, permit, franchise, facility, lease or other instrument to which any member of the Wider PHFC Group is a party or by or to which any such member or any of its assets is or are or may be bound, entitled or subject or any circumstance which, in each case as a consequence of the Offer or the acquisition or proposed acquisition of any shares or other securities in, or control of, PHFC or any other member of the Wider PHFC Group by any member of the Wider FIH Group or any part thereof or any matter arising therefrom or relating thereto or otherwise, could or might reasonably be expected to result in:

(i) any monies borrowed by or any other indebtedness or liabilities, actual or contingent, of, or grant made or available to, any member of the Wider PHFC Group being or becoming repayable or being capable of being declared repayable immediately or prior to its stated maturity or repayment date or the ability of any member of the Wider PHFC Group to borrow monies or incur any indebtedness being withdrawn or inhibited or becoming capable of being withdrawn or inhibited;

(ii) the creation of any mortgage, charge or other security interest over the whole or any part of the business, property, assets or interests of any member of the Wider PHFC Group or any such mortgage, charge or other security interest (whenever arising or having arisen) becoming enforceable or being capable of being enforced;

(iii) any such arrangement, agreement, licence, permit, franchise, facility, lease or other instrument, or the rights, liabilities, obligations or interests of any member of the Wider PHFC Group thereunder, being, or becoming capable of being, terminated or adversely modified or affected or any action being taken or any onerous obligation or liability arising thereunder;

(iv) any interest, assets or property of any member of the Wider PHFC Group being or falling to be disposed of or charged or any right arising under which any such interest assets or property could be required to be

disposed of or charged otherwise than in the ordinary course of business;

(v) without limitation to the foregoing, any member of the Wider FIH Group or the Wider PHFC Group being required to acquire, or to offer to

acquire, any shares or other securities (or the equivalent) in any member of the Wider FIH Group or the Wider PHFC Group or any asset owned by any third party or to sell, or to offer to sell, any shares or other securities (or the equivalent) in or any asset owned by any member of the Wider FIH Group or the Wider PHFC Group;

(vi) any member of the Wider PHFC Group ceasing to be able to carry on business under any name under which it presently does so or ceasing to be able to use in its business any name, trademark or other intellectual property right which it at present uses, in each case on the same basis and terms as at present apply;

(vii) the creation of any liability actual or contingent by any such member;

(viii) the rights, liabilities, obligations or interests of any member of the Wider PHFC Group under any such arrangement, agreement, licence, permit, franchise, facility, lease or other instrument or the interests or business of any such member in or with any other person, firm, company or body (or any arrangement or arrangements relating to any such interests or business) being terminated, modified or affected or any obligation or liability arising or any action being taken or arising thereunder; or

(ix) the financial or trading position profits or prospects or value or, business or assets of any member of the Wider PHFC Group being prejudiced or adversely affected; and no event having occurred which, under any provision of any such arrangement, agreement, licence, permit, franchise, facility, lease or other instrument, could result in any of the events or circumstances which are referred to in paragraphs (i) to (ix) of this condition (e);

(f) all necessary filings having been made, all appropriate waiting periods under any applicable legislation or regulations of any jurisdiction having expired, lapsed or terminated in each case in respect of the Offer and the acquisition of any shares in or control of PHFC by FIH and all authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions and approvals necessary or appropriate in any jurisdiction for or in respect of the Offer or proposed acquisition of any shares in, or control of, PHFC by FIH having been obtained in terms and in a form reasonably satisfactory to FIH from all appropriate Authorities or (without prejudice to the generality of the foregoing) from any persons or bodies with whom any member of the PHFC Group has entered into contractual arrangements and such authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions and approvals together with all authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions and approvals necessary or appropriate for any member of the PHFC Group to carry on its business remaining in full force and effect at the time when the Offer becomes or is declared unconditional and all filings necessary for such purpose having been made and there being no notice or intimation of any intention to revoke or not to renew any of the same and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with;

(g) except as disclosed in PHFC's annual report and accounts for the year ended 31 December 2003 (the 'Report and Accounts') or as otherwise publicly announced by PHFC (by the delivery of an announcement to the Company Announcements Office of the London Stock Exchange or an appropriate regulatory information service) prior to the date of this announcement (such information being 'publicly announced') no member of the Wider PHFC Group having:

(i) (save as between PHFC and wholly-owned subsidiaries of

PHFC) issued or agreed to issue or authorised or proposed the issue of additional shares of any class, or securities convertible into or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible;

(ii) recommended, declared, paid or made, or proposed the recommendation, declaration or payment or making of, any bonus, dividend or other distribution whether in cash or otherwise other than to wholly owned members of the Wider PHFC Group;

(iii) made or committed to make or authorised or proposed or announced an intention to propose any change in its loan capital;

(iv) merged with or demerged or acquired any body corporate or acquired or disposed of or (save in the ordinary course of business) transferred, mortgaged or charged or created any security interest over any assets or any right, title or interest in any assets (including shares and trade investments) or authorised, proposed or announced its intention so to do;

(v) issued, authorised or proposed or announced an intention to propose the issue of any debentures or (save in the ordinary course of business) become subject to any contingent liability or incurred or increased any indebtedness or contingent liability;

(vi) purchased, redeemed or repaid or announced any proposal for the purchase, redemption or repayment of any of its own shares or other securities or reduced or made, or proposed the reduction or making of, any other change to any part of its share capital;

(vii) entered into or varied or authorised or become bound by or proposed the entry into or variation of, or announced its intention to enter into or vary, any contract, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which:

(A) is of a long term, onerous or unusual nature or magnitude; or

(B) could be restrictive to the businesses of any member of the

Wider PHFC Group or any member of the Wider FIH Group; or

(C) involves or would involve an obligation of a long term, onerous or unusual nature or magnitude or which could be restrictive to the businesses of any member of the Wider PHFC Group or any member of the Wider FIH Group; or

(D) is other than in the ordinary course of business;

(viii) entered into, implemented, effected, authorised or proposed or announced its intention to enter into, implement, effect, authorise or propose any contract, reconstruction, amalgamation, scheme, commitment or other transaction or arrangement;

(ix) entered into or varied or made any offer (which remains open for acceptance) to enter into or vary the terms of any agreement, commitment, arrangement or contract with any of the directors or senior executives of any member of the Wider PHFC Group;

(x) taken or proposed any corporate action or had any order made or legal proceedings instituted or threatened against it or petition presented for its winding-up (voluntarily or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any of its assets and revenues or for any analogous proceedings or steps having occurred in any jurisdiction or for the appointment of any analogous person in any jurisdiction;

(xi) made or agreed or consented to any change to the terms of the trust deeds constituting the pension schemes established for its directors and/ or employees and/or their dependants or to the benefits which accrue, or to the pensions which are payable, thereunder, or to the basis on which qualification for, or accrual of or entitlement to, such benefit or

pensions are calculated or determined or to the basis upon which the liabilities (including pensions) or such pension schemes are funded or made, or agreed or consented to any change to the trustees involving the appointment of a trust corporation or allowed any deficit (actual or contingent) to arise or persist in relation to the funding of any such scheme;

(xii) been unable or admitted in writing that it is unable to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;

(xiii) waived or compromised or settled any claim;

(xiv) made any alteration to its memorandum or articles of association, or any other incorporation document; or

(xv) entered into any agreement, contract, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) or proposed with respect to any of the transactions, matters or events referred to in this condition (g);

(h) except as disclosed in the Report and Accounts, or save as publicly announced prior to the date of this announcement:

(i) there having been no adverse change or deterioration in the business, assets, financial or trading position or profits, assets or prospects of any member of the Wider PHFC Group;

(ii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider PHFC Group is or may become a party (whether as claimant or defendant or otherwise) and no enquiry or investigation (save as a result of the Offer) by or against or complaint or reference to any third party having been threatened, announced or instituted by or remaining outstanding against or in respect of any member of the Wider PHFC Group;

(iii) no contingent or other liability having arisen or become apparent or increased which has or might be likely to have an adverse effect on any member of the Wider PHFC Group;

(iv) there having been no inquiry or investigation (save as a result of the Offer) by, or complaint or reference to, any third party of a material nature to PHFC in respect of any member of the Wider PHFC Group and no such inquiry, investigation, complaint or reference having been threatened, announced, implemented, instituted or remaining outstanding; and

(v) no steps having been taken which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider PHFC Group;

(i) FIH not having discovered that any:

(i) financial or business or other information concerning the Wider PHFC Group disclosed at any time by or on behalf of any member of the Wider PHFC Group, whether publicly, to any member of the Wider FIH Group or otherwise, is misleading or contains a misrepresentation of fact or omits to state a fact necessary to make any information contained therein not misleading; or

(ii) member of the Wider PHFC Group or partnership, company or other entity in which any member of the Wider PHFC Group has an interest and which is not a subsidiary undertaking of PHFC is subject to any liability (contingent or otherwise) which is not fairly disclosed in the Report and Accounts;

(j) FIH not having discovered:

(i) that any past or present member of the Wider PHFC Group has not complied with all applicable legislation or regulations of any jurisdiction with regard to the use, presence, treatment, handling, transport, storage, disposal, discharge, spillage, leak or emission of any waste or hazardous substance or any substance likely capable of causing harm or damage to the

environment or human health, or otherwise relating to environmental matters, or that there has otherwise been any such use, presence, treatment, handling, transport, storage, disposal, discharge, spillage, leak or emission (whether or not the same constituted a non-compliance by any person with any such legislation, directions, common laws, notices, orders, circulars, guidance or regulations and wherever the same may have taken place) which, in any such case, would be likely to give rise to any liability (whether actual or contingent) on the part of any member of the Wider PHFC Group;

(ii) that there is, or is likely to be, any liability, whether actual or contingent, to make good, repair, reinstate or clean up any property or land now or previously owned, occupied or made use of by any past or present member of the Wider PHFC Group or any controlled waters under any past, present or future environmental legislation, directives, common laws, notices, orders, circulars, guidance, regulation or other lawful requirement of any relevant authority or third party or otherwise or to contribute to the cost thereof or associated therewith or indemnify any person in relation thereto;

(iii) that circumstances exist which are likely to result in any actual or contingent liability of any member of the Wider PHFC Group under any of the applicable legislation referred to in sub-paragraph (i) above to improve, or modify existing or install new plant, machinery or equipment or to carry out any changes in the processes currently carried out;

(iv) that circumstances exist whereby a person or class of persons would be likely to have any claim or claims in respect of any product, by-product or process of manufacture or service or materials used therein now or previously manufactured, supplied, sold or in any way dealt with or handled by any past or present member of the Wider PHFC Group; or

(v) any circumstances which indicate that any of the sub-paragraphs (i)-(iv) above may not be satisfied.

(k) The Office of Fair Trading not having indicated to FIH that it is the intention of the Secretary of State for Trade and Industry to refer the proposed acquisition of PHFC by FIH, or any matters arising therefrom, to the Competition Commission.

2. FIH reserves the right to waive all or any of conditions (c) to (k) inclusive above, in whole or in part. The Offer will lapse unless all the above conditions are fulfilled or (if capable of waived, waived or where appropriate determined by FIH to have been or to remain satisfied by midnight on the day which is 21 days after the date on which the Offer becomes or is declared unconditional as to acceptances or such later date as FIH may wish the consent of the final decide. Conditions (d) to (k) will be waived forthwith upon the Offer being declared unconditional as to acceptances, save in the case of any prior breach of such conditions. Condition (b) and (k) must be fulfilled or satisfied within 21 days after the later of the first closing date and the date on which condition (a) is fulfilled (or in each case such later date as the Panel may agree) provided that, save as aforesaid, FIH shall be under no obligation to waive or treat as satisfied any condition by a date earlier than the latest date specified above for the satisfaction thereof notwithstanding that the other conditions of the Offer may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of fulfilment.

3. The Offer will lapse if it is referred to the Competition Commission or if the European Commission either initiates proceedings under Article 6(1)(c) of Council Regulation (EEC) 4064/89 or makes a referral to a competent authority of the United Kingdom under Article 9(1) before (in any

such case) the first closing date of the Offer or the date on which the Offer becomes or is declared unconditional as to acceptances, whichever is the later.

4. If FIH is required by the Panel to make an offer for PHFC Shares under the provisions of Rule 9 of the Takeover Code, FIH may make such alterations to the terms and conditions of the Offer as are necessary to comply with the provisions of that Rule.

Appendix II BASES AND SOURCES

In this announcement, unless otherwise stated or the context requires, the following bases and sources have been used:

1 General

Financial information relating to PHFC has been extracted from the relevant published Annual Report and Accounts of PHFC and/or public statements made by PHFC and financial information relating to FIH has been extracted from the relevant published Annual Report and Accounts of FIH and/or public statements made by FIH.

2 Value of Share Offer

The Share Offer values PHFC at approximately £10.18 million, based on the middle market price of an FIH Share of 632.5pence on 5 October 2004, the Offer consideration comprising 7 New FIH Shares for every PHFC Share and on there being 230,000 PHFC Shares in issue.
FIH is not aware of any options to subscribe for new PHFC Shares.

3 Share prices

The prices of shares on a particular date are derived from the Closing Prices for those shares for that date.

4 Time

All the times referred to in this announcement are London times.

Appendix III

DEFINITIONS

In this announcement, the following definitions apply, unless the context requires otherwise:

'Act' or the 'Companies Act' the Companies Act 1985, as amended

'AIM' The Alternative Investment Market of the London
Stock Exchange;

'Australia' the Commonwealth of Australia, its states,
territories or possessions

'Board' or 'Directors'	the board directors of FIH
'Canada' areas	Canada, its possessions and territories and all subject to its jurisdiction or any political sub-division thereof
'Closing Price' AIM	closing middle market quotation derived from the Appendix to the SEDOL
'Dawnay Day' adviser to FIH	Dawnay, Day Corporate Finance Limited, financial
'dealing day'	a day on which dealings in domestic securities takes place on and with the authority of the London Stock Exchange
'Evolution' FIH	Evolution Securities Limited, Nominated Broker to
'FIH' or the 'Offeror'	Falkland Islands Holdings PLC
'FIH Group'	FIH and its subsidiary undertakings and, where the context permits, each of them
'FIH Shares'	ordinary shares of 10p each in FIH
'FML'	Falkland Mineral Limited
'FOGL'	Falkland Oil and Gas Limited
'Form of Acceptance'	the form of acceptance and authority for use in connection with the Offer
'FSA'	the Financial Services Authority
'Japan'	Japan, its cities, prefectures, territories and possessions
'Loan Notes'	5% Unsecured Loan Notes 2008 to be issued by FIH pursuant to the Part Cash Alternative
'London Stock Exchange'	the London Stock Exchange plc
'New FIH Shares' paid,	the new FIH Shares to be issued, credited as fully as consideration pursuant to the Offer
'Offer' to Shares to the	the offer to be made by Dawnay Day on behalf of FIH acquire all of the issued and to be issued PHFC not already owned by FIH on the terms and subject

Form requires,	conditions to be set out in the Offer Document and of Acceptance, including, where the context the Cash Alternative and any subsequent revision, variation, extension or renewal of such Offer
'Offer Document'	the formal document to be sent to PHFC Shareholders making the Offer
'Official List'	the Official List of the UKLA
'Part Cash Alternative' out in	the part cash alternative of £25 in cash and £8.50 nominal of Loan Notes for each PHFC Share as set out in the Offer Document
'PHFC'	The Portsmouth Harbour Ferry Company Plc
'PHFC Group'	PHFC and its subsidiary undertakings and, where the context permits, each of them
'PHFC Shareholders'	the holders of PHFC Shares
'PHFC Shares'	ordinary shares of £1 each in the capital of PHFC
'Panel'	the Panel on Takeovers and Mergers
'Placing'	the placing of 1,492,537 FIH Shares by Evolution as described in paragraph 1
'Placing Shares'	the new FIH Shares to be issued pursuant to the Placing
'pounds' or '£'	denotes the lawful currency of Great Britain and Northern Ireland
'Regulatory Information Service'	any of the services set out in Schedule 12 of the Listing Rules of the UKLA
'SEDOL'	the London Stock Exchange Daily Official List
'South Africa' jurisdiction or	Republic of South Africa, its possessions and territories and all areas subject to its any political sub-division thereof
'Takeover Code' from	the City Code on Takeovers and Mergers as amended time to time
'subsidiary', for	shall be construed in accordance with the Act (but
'subsidiary Schedule 4A undertaking',	this purpose ignoring paragraph 20(i)(b) of
'associated undertaking' and	of the Act)
'undertaking'	

'UKLA'	FSA in its capacity as the United Kingdom Listing Authority
'United Kingdom' or 'UK'	the United Kingdom of Great Britain and Northern Ireland
'United States', 'US' or 'USA' America, subject to	the United States of America, its territories and possessions, any State of the United States of the District of Columbia and all other areas its jurisdiction
'Wider FIH Group' partnership, Group is	FIH and its subsidiary undertakings and other undertaking (including any joint venture, firm or company in which any member of the FIH interested or any undertaking in which FIH and such undertakings (aggregating their interests) have a substantial interest
'Wider PHFC Group' partnership, Group is such	PHFC and its subsidiary undertakings and other undertaking (including any joint venture, firm or company in which any member of the PHFC interested or any undertaking in which PHFC and undertakings (aggregating their interests) have a substantial interest

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