Falkland Islands Holdings plc
Interim Report 2010

Falkland Islands Holdings

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Chairman's and Managing Director's Review

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2010

Overall the Group's results for the six months to 30 September 2010 were satisfactory. Despite challenging economic conditions in the UK, strong growth in the Group's Falkland Islands business resulted in Group turnover increasing by 3.8% to £14.35 million (2009: £13.82 million). Pre-tax profits (before amortisation and non-trading items) were in line with our expectations at £1.15 million (2009: £1.17 million).

Revenue

	6 months ended 30 September 2010 £ million	6 months ended 30 September 2009 £ million	Change %
Falkland Islands Company	**6.49**	5.48	18.4%
Portsmouth Harbour Ferry	**2.03**	2.03	0.0%
Momart	**5.83**	6.31	–7.6%
Total	**14.35**	13.82	3.8%

Underlying Profit

	6 months ended 30 September 2010 £ million	6 months ended 30 September 2009 £ million	Change %
Falkland Islands Company	**0.59**	0.51	15.7%
Portsmouth Harbour Ferry	**0.41**	0.46	–10.9%
Momart	**0.28**	0.47	–40.4%
Underlying Operating Profit	**1.28**	1.44	–11.1%
Net finance charges	**(0.13)**	(0.27)	–51.9%
Underlying Pre-tax Profit	**1.15**	1.17	–1.7%
Interest cover	**9.9x**	5.3x	86.8%

After amortisation and in the absence of the non-trading credits seen in the prior year of £0.25 million, reported profits before tax were £0.95 million (2009: £1.22 million). Diluted earnings per share based on reported earnings were 6.7p (2009: 9.7p) and EPS based on underlying earnings were 8.9p (2009: 9.2p).

The Board is proposing an unchanged interim dividend of 4.0p per share (2009: 4.0p per share) which will be paid on 28 January 2011 to shareholders on the register at the close of business on 17 December 2010.

The Group's finances remain robust. At 30 September 2010 the Group had net borrowings of £2.3 million (31 March 2010: £1.5 million) including cash balances of £2.3 million (31 March 2010: £3.8 million). In the six months to 30 September 2010 the net finance charges payable by the Group, including charges in respect of pension liabilities, fell to £0.13 million (2009: £0.27 million).

Chairman's and Managing Director's Review

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2010

Operating Review

Falkland Islands Company (FIC)

FIC generated increased operating profits of £0.59 million (2009: £0.51 million). After the allocation of finance charges and interest, profits before tax increased by 17% to £0.55 million (2009: £0.47 million).

FIC showed strong growth over the period with revenue increasing by 18.4% to £6.5 million (2009: £5.5 million) boosted by the extension of the West Store and oil exploration activity. Retail sales, which are the largest driver of profits, increased by 23.6% to £4.4 million as the benefits of the 2009 expansion programme flowed through. Results from the new Electrical Store which opened in November 2009 were particularly encouraging, as were the results from the newly extended Right Lines general store at the Mount Pleasant military base. Automotive sales including vehicle hire increased by 17%.

Property rental income on FIC's portfolio of 30 investment properties also increased and will be further boosted by the recent completion of nine of the 12 units at our Marmont Row sea front site in central Stanley. The remaining three units will be completed by the end of the financial year. Profits from property sales were £0.04 million (2009: £0.27 million), with just one house sale during the period. Further property sales are planned for the second half but our longer term aim remains both to increase the size and to improve the quality of FIC's portfolio of rental property assets.

FIC also owns a number of centrally located sites in Stanley with potential for residential or commercial development including an attractive water front site at the East Jetty where cruise ship visitors disembark which is well situated for future leisure and visitor amenities. FIC's 38 acre site at Dairy Paddock, with planning permission for 350 homes, could also be developed over the longer term. We are currently developing the strategy for the phased development of these sites.

As previously reported, the Islands suffered from another poor illex squid catch in Spring 2010. However, increased shipping agency and stevedoring work related to oil exploration and excellent loligo squid catches helped generate an improved performance. Net income from insurance and travel services continued to improve.

Shipping costs to the Islands were increased substantially with effect from 1 April 2010 and these increased tariffs led to reduced volumes for our shipping company, Falkland Island Shipping (formerly Darwin Shipping). Third party freight revenues fell by 33% in the period however buoyant consumer demand allowed some of the increased freight charges on internal supplies to be passed on. As a result, the reduction in the overall contribution from FIC's shipping operations was not material.

Continuation of exploration activity is now expected through much of 2011 but the successful drilling by Rockhopper Exploration of its Sea Lion prospect has increased the probability that there will be commercial oil production in the Islands. It is evident that in the event of oil production, the Falklands economy and the finances of its government would be transformed. FIC is well placed to take advantage of any future growth in the economy with its long established infrastructure and broad range of commercial activities.

Portsmouth Harbour Ferry Company (PHFC)

Passenger numbers continued to be affected by the economic downturn with particular impact evident on discretionary weekend travel. Total passengers carried fell by 3.2% to 1.82 million (2009: 1.88 million). However, we were able to offset the impact of these volume declines by fare increases and, as a result, ferry revenues for the half year were unchanged at £2.03 million. Cost inflation, particularly in

fuel, led to overheads increasing marginally and in consequence PHFC operating profits fell to £0.41 million (2009: £0.46 million). After the allocation of interest charges and finance costs, PHFC's profits before tax were £0.38 million (2009: £0.40 million).

Reliability and safety remain fundamental to the ferry's success and in the half year only 20 ferry sailings out of over 35,000 failed to depart on schedule (2009: 37) representing a reliability level of over 99.9%.

Discussions have been concluded with Gosport Borough Council for a modern and cost effective replacement for the existing pontoon at Gosport. Contractors have been appointed and installation is now planned for Spring 2011. The new pontoon, with a capital cost of approximately £5 million, will be commissioned by Gosport Council and then leased at a commercial rent to PHFC for a period of 50 years. We intend to recoup the increased costs through increases in passenger fares. The installation of this new landing stage and the security of tenure which comes with the lease will underpin the continued operation of PHFC for many years.

Momart

After the modest recovery in performance in 2009/10, trading conditions worsened in the first half of the current year with a decline in work from UK and international institutions. Revenue from exhibitions fell by 30% in the period to £2.6 million as institutional spending fell.

The impact of this was partially mitigated by a healthy increase in revenues from services to commercial galleries and artists. Confidence amongst commercial art buyers and gallery owners has now recovered sharply from the nadir seen in late 2008 and Gallery Services revenues increased by over 38% in the period to £2.5 million (2009: £1.8 million). Revenues from art storage activities were unchanged at £0.67 million as capacity was fully utilised. Additional space is now being sought.

Overall, Momart's revenues for the period fell by 7.6% to £5.8 million (2009: £6.3 million).

Since the period end the management team at Momart has been strengthened with the recruitment of a new Managing Director and Finance Director. With these two new appointments the company has a well balanced team with a strong blend of experience in art, logistics, international development, finance and marketing.

Operating profits in the period fell to £0.28 million (2009: £0.47 million). Underlying profit before tax (after the allocation of interest charges and finance costs) was £0.21 million (2009: £0.30 million).

Notable exhibitions in the first half included Damien Hirst in Monaco, the Quilts exhibition at the V&A, the Maharaja exhibition travelling from London to Munich and a number of works taken to the Shanghai Expo on behalf of the British Museum, V&A and Science Museum.

FOGL

The Group continues to own 12 million shares, representing an 8.4% stake, in the AIM quoted oil and gas exploration company Falkland Oil and Gas Limited (FOGL). At 30 September 2010, the market value of the holding was £14.9 million or 124.5p per FIH share (31 March 2010: £15.5 million or 129.5p per FIH share). The historic cost of the FOGL stake is £1.9 million or 16p per FIH share.

In July 2010, FOGL's operating partner BHP Billiton (BHP) completed drilling on the Toroa prospect in its Southern licences and reported that no reservoired hydrocarbons were present. However, FOGL was able to announce that the well had yielded important further information. Although BHP decided to withdraw from the Southern licences, FOGL elected to enter Phase II and now holds a 100% interest. These licences are contiguous with those of Borders & Southern Petroleum which has a two well drilling commitment.

Chairman's and Managing Director's Review

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2010

FOGL CONTINUED

In the Northern licence area, BHP remains as operator and has a 51% equity interest to FOGL's 49%. In October 2010 the Falkland Islands Government agreed to extend Phase I of the Northern Licences by one year to 15 December 2011. The outstanding work commitment in Phase I is to drill one exploration well.

Our policy remains to continue to hold a significant stake in FOGL through the initial drilling phase in order to provide FIH shareholders with material exposure to the potential upside.

Balance Sheet and Cash Flow

At 30 September 2010 the Group had net borrowings of £2.3 million (31 March 2010: £1.5 million) including cash balances of £2.3 million (31 March 2010: £3.8 million).

Outlook

The UK economy remains subdued with the impact of the Government's recent spending review still to be felt. In the near term, Momart faces continuing challenges as institutional budgets are reduced but the resilience of the global commercial art market should offer opportunities as might any restructuring of government backed institutions. At PHFC, the economic situation makes it unlikely that passenger numbers will increase materially in the short term. However, the forthcoming installation of a new pontoon underpins the future of the business for the long term.

In the Falklands the outlook is positive with the momentum generated by oil exploration set to continue in 2011.

With net borrowings of only £2.3 million and interest cover of almost 10 times, the Group is securely financed and therefore well placed to capitalise on future opportunities.

For the second half of the year we anticipate the continuation of the trends experienced in the first half with pressure on profits in the UK being offset by a strong performance in the Falkland Islands.

David Hudd
Chairman

John Foster
Managing Director

3 December 2010

Condensed Interim Consolidated Income Statement

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2010

Notes		Unaudited 6 months to 30 September 2010 £'000	Unaudited 6 months to 30 September 2009 £'000	Audited Year ended 31 March 2010 £'000
2	**Revenue**	**14,348**	13,817	29,224
	Cost of sales	**(8,469)**	(8,017)	(17,237)
	Gross profit	**5,879**	5,800	11,987
	Other administrative expenses	**(4,607)**	(4,364)	(8,868)
	Amortisation of intangible assets	**(198)**	(198)	(398)
	Administrative expenses	**(4,805)**	(4,562)	(9,266)
	Gain on disposal of available for sale equity securities	**–**	–	3,089
	Compensation for early vacation of leasehold premises	**–**	173	245
	Other income	**1**	6	15
	Other operating income	**1**	179	3,349
	Operating profit	**1,075**	1,417	6,070
	Gain/(loss) on remeasurement of derivative financial instruments	**–**	77	45
	Finance income	**53**	59	111
	Finance expense	**(181)**	(329)	(557)
3	Net financing costs	**(128)**	(193)	(401)
	Profit/(loss) before tax from continuing operations	**947**	1,224	5,669
4	Taxation	**(315)**	(341)	(413)
	Profit/(loss) attributable to equity holders of the Company	**632**	833	5,256
5	Earnings per share:			
	Basic	**6.9p**	9.8p	58.2p
	Diluted	**6.7p**	9.7p	57.5p

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

Condensed Consolidated Balance Sheet

AT 30 SEPTEMBER 2010

Notes		Unaudited 30 September 2010 £'000	Unaudited as restated 30 September 2009 £'000	Audited 31 March 2010 £'000
	Non-current assets			
	Intangible assets	13,311	13,709	13,509
	Property, plant and equipment	7,281	7,256	7,483
	Investment properties	1,759	1,804	1,777
6	Financial assets – available for sale equity securities	14,940	18,900	15,542
	Non-current assets held for sale	20	20	20
	Other financial assets	60	62	52
	Deferred tax assets	621	516	621
	Total non-current assets	37,992	42,267	39,004
	Current assets			
	Trading inventories	3,816	2,907	3,489
	Property inventories	1,221	1,006	1,220
	Inventories	5,037	3,913	4,709
	Trade and other receivables	3,990	3,271	4,535
	Other financial assets	228	199	206
	Cash and cash equivalents	2,288	2,209	3,810
	Total current assets	11,543	9,592	13,260
	TOTAL ASSETS	49,535	51,859	52,264
	Current liabilities			
	Interest bearing loans and borrowings	(1,076)	(2,200)	(1,218)
	Income tax payable	(622)	(751)	(683)
	Derivative financial instruments	–	(329)	–
	Trade and other payables	(6,248)	(6,323)	(8,219)
	Total current liabilities	(7,946)	(9,603)	(10,120)
	Non-current liabilities			
	Interest bearing loans and liabilities	(3,521)	(5,002)	(4,055)
7	Employee benefits	(2,233)	(2,032)	(2,237)
	Deferred tax liabilities	(1,615)	(2,054)	(1,615)
	Total non-current liabilities	(7,369)	(9,088)	(7,907)
	TOTAL LIABILITIES	(15,315)	(18,691)	(18,027)
	Net assets	34,220	33,168	34,237
	Capital and reserves			
	Called up share capital	922	907	910
	Share premium account	7,615	7,219	7,324
	Other reserves	1,162	1,162	1,162
	Retained earnings	11,544	7,434	11,260
	Financial assets fair value reserve	12,977	16,446	13,581
	Total equity	34,220	33,168	34,237

Condensed Consolidated Cash Flow Statement

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2010

	Unaudited 6 months to 30 September 2010 £'000	Unaudited 6 months to 30 September 2009 £'000	Audited Year ended 31 March 2010 £'000
Profit/(loss) for the period	**632**	883	5,256
Adjusted for:			
(i) Non-cash items:			
Depreciation	**437**	424	907
Fixed asset impairment	**–**	–	(30)
Amortisation	**198**	198	398
Amortisation of loan fees	**15**	15	30
Notional interest charge on deferred consideration	**–**	31	48
Expected return on pension scheme assets	**(8)**	(8)	(17)
Interest cost on pension scheme liabilities	**80**	80	149
Gain on remeasurement of derivative financial instruments	**–**	(77)	(45)
Settlement of equity interest	**–**	–	(75)
Equity-settled share-based payment expenses	**111**	116	240
Non-cash items adjustment	**833**	779	1,605
(ii) Other items:			
Bank interest receivable	**(4)**	(12)	(16)
Bank interest payable	**86**	203	330
Gain on sale of available-for-sale equity securities	**–**	–	(3,089)
Dividend approved not paid	**(459)**	(722)	–
Income tax expense	**315**	341	413
Other adjustments	**(62)**	(190)	(2,362)
Operating cash flow before changes in working capital and provisions	**1,403**	1,472	4,499
Decrease/(increase) in trade and other receivables	**545**	1,153	(111)
Increase in property inventories	**(1)**	(278)	(581)
Increase in trading inventories	**(327)**	(337)	(919)
(Decrease)/increase in trade and other payables	**(1,971)**	(1,590)	306
Decrease in provisions and employee benefits	**(93)**	(80)	(137)
Changes in working capital and provisions	**(1,847)**	(1,132)	(1,442)
Cash generated from operations	**(444)**	340	3,057
Income taxes paid	**(376)**	(108)	(708)
Net cash from operating activities	**(820)**	232	2,349
Cash flows from investing activities			
Purchase of property, plant and equipment	**(215)**	(716)	(1,358)
Purchase of investment properties	**(2)**	(55)	(55)
Proceeds from disposal of property, plant and equipment	**–**	–	72
Acquisition of subsidiary, net of cash acquired	**–**	–	(1,621)
Proceeds from sale of available for sale equity securities	**–**	–	3,584
Interest received	**4**	12	16
Net cash from investing activities	**(213)**	(759)	638
Cash flow from financing activities			
Increase in other financial assets	**(30)**	(44)	(41)
Repayment of secured loan	**(676)**	(169)	(755)
Proceeds from new loan	**–**	134	376
Interest paid	**(86)**	(203)	(330)
Liquidation of financial derivative contract	**–**	–	(361)
Proceeds from the issue of ordinary share capital	**303**	14	14
Dividends paid	**–**	–	(1,084)
Net cash from financing activities	**(489)**	(268)	(2,181)
Net (decrease)/increase in cash and cash equivalents	**(1,522)**	(795)	806
Cash and cash equivalents at start of period	**3,810**	3,004	3,004
Cash and cash equivalents at end of period	**2,288**	2,209	3,810

Condensed Consolidated Statement of Comprehensive Income FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2010

Notes		Unaudited 6 months to 30 September 2010 £'000	Unaudited 6 months to 30 September 2009 £'000	Audited Year ended 31 March 2010 £'000
6	(Loss)/gain on valuation of available for sale equity securities	(604)	8,010	6,828
	Transfer to the income statement on sale of available for sale equity securities	–	–	(1,683)
7	Net actuarial loss on pension schemes net of tax	–	–	(126)
	Share-based payments	111	116	240
	Repurchase of equity interest	–	–	(75)
	Other comprehensive (expense)/income	(493)	8,126	5,184
	Profit for the period	632	883	5,256
	Total comprehensive income	139	9,009	10,440

Condensed Consolidated Statement of Changes in Shareholders' Equity FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2010

	Unaudited 6 months to 30 September 2010 £'000	Unaudited 6 months to 30 September 2009 £'000	Audited Year ended 31 March 2010 £'000
Shareholders' funds at beginning of period	34,237	24,867	24,867
Profit for the period	632	883	5,256
Share-based payments	111	116	240
Change in fair value of available for sale financial assets	(604)	8,010	6,828
Transfer to the income statement on sale of available for sale equity securities	–	–	(1,683)
Net actuarial loss on pension schemes net of tax	–	–	(126)
Repurchase of equity interest	–	–	(75)
Total comprehensive income	139	9,009	10,440
Dividend paid or approved by shareholders	(459)	(722)	(1,084)
Proceeds from the issue of share capital	303	14	14
Shareholders' funds at end of period	34,220	33,168	34,237

Notes to the Unaudited Interim Statements

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2010

1 Basis of Preparation

This interim financial information comprises the condensed consolidated balance sheets at 30 September 2010, 30 September 2009 and 31 March 2010 and condensed consolidated statements of income, comprehensive income, cash flows and changes in shareholders' equity for the periods then ended and related notes of Falkland Islands Holdings plc (hereinafter 'the interim financial information').

The interim financial information has been prepared in accordance with the accounting policies set out in the Group's 2010 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 2011 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 2011.

The Interim Report was approved by the Board on 3 December 2010.

Section 245 Statement

The comparative figures for the financial year ended 31 March 2010 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 498 (2) or 498 (3) of the Companies Act 2006.

Notes to the Unaudited Interim Statements

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2010

2 Segmental Revenue and Profit Analysis

	Unaudited 6 months to 30 September 2010			
	General trading (Falklands) £'000	Ferry services (Portsmouth) £'000	Arts logistics & storage (UK) £'000	Total £'000
External revenue	6,492	2,030	5,826	14,348
Segment operating profit before amortisation and non-trading items	585	412	276	1,273
Amortisation of intangible assets	–	–	(198)	(198)
Compensation for early vacation of leasehold	–	–	–	–
Unallocated gain on disposal of available for sale equity securities	–	–	–	–
Amortisation and non-trading items	–	–	(198)	(198)
Segment operating profit	585	412	78	1,075
Gain/(loss) on revaluation/liquidation of financial derivative	–	–	–	–
Finance income	41	10	2	53
Finance expense	(75)	(39)	(67)	(181)
Segment profit before tax	551	383	13	947
Taxation	(152)	(105)	(58)	(315)
Segment profit after tax	399	278	(45)	632
Assets and liabilities				
Segment assets	11,341	8,157	12,763	32,261
Segment liabilities	(7,074)	(2,410)	(3,802)	(13,286)
Unallocated assets and liabilities	–	–	–	15,245
Segment net assets	4,267	5,747	8,961	34,220
Other segment information				
Capital expenditure:				
Property, plant and equipment	167	32	16	215
Investment properties	2	–	–	2
Depreciation:				
Property, plant and equipment	177	109	131	417
Investment properties	20	–	–	20
Amortisation	–	–	(198)	(198)

Underlying profit before tax				
Segment operating profit before tax, amortisation and non-trading items	585	412	276	1,273
Finance income	41	10	2	53
Finance expense	(75)	(39)	(67)	(181)
Segment underlying profit before tax	551	383	211	1,145

Unaudited 6 months to 30 September 2009				Audited Year ended 31 March 2010			
General trading (Falklands) £'000	Ferry services (Portsmouth) £'000	Art logistics & storage (UK) £'000	Total £'000	General trading (Falklands) £'000	Ferry services (Portsmouth) £'000	Art logistics & storage (UK) £'000	Total £'000
5,483	2,028	6,306	13,817	12,434	3,718	13,072	29,224
508	458	476	1,442	1,377	800	957	3,134
–	–	(198)	(198)	–	–	(398)	(398)
–	–	173	173	–	–	245	245
–	–	–	–	–	–	–	3,089
–	–	(25)	(25)	–	–	(153)	2,936
508	458	451	1,417	1,377	800	804	6,070
–	4	73	77	–	8	37	45
39	9	11	59	78	21	12	111
(80)	(64)	(185)	(329)	(138)	(85)	(334)	(557)
467	407	350	1,224	1,317	744	519	5,669
(90)	(116)	(135)	(341)	34	(246)	(201)	(413)
377	291	215	883	1,351	498	318	5,256
10,074	8,348	13,107	31,529	11,590	8,231	13,045	32,866
(7,312)	(2,826)	(3,939)	(14,077)	(8,084)	(2,583)	(5,270)	(15,937)
–	–	–	15,716	–	–	–	17,308
2,762	5,522	9,168	33,168	3,506	5,648	7,775	34,237
779	15	200	994	1,087	37	234	1,358
55	–	–	55	55	–	–	55
136	109	159	404	324	222	321	867
20	–	–	20	40	–	–	40
–	–	198	198	–	–	398	398

508	458	476	1,442	1,377	800	957	3,134
39	9	11	59	78	21	12	111
(80)	(64)	(185)	(329)	(138)	(85)	(334)	(557)
467	403	302	1,172	1,317	736	635	2,688

Notes to the Unaudited Interim Statements

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2010

3 Finance Income and Expense

	Unaudited 6 months to 30 September 2010 £'000	Unaudited 6 months to 30 September 2009 £'000	Audited Year ended 31 March 2010 £'000
Bank interest receivable	4	12	16
Finance lease interest receivable	41	39	78
Expected return on pension scheme assets	8	8	17
Gain on remeasurement/liquidation of derivative financial instrument	–	77	45
Total financial income	53	136	156
Interest payable on bank loans	(86)	(203)	(330)
Interest cost on pension scheme liabilities	(80)	(80)	(149)
Amortisation of loan fees	(15)	(15)	(30)
Notional interest on deferred consideration payable	–	(31)	(48)
Loss on remeasurement of derivative financial instrument	–	–	–
Total financial expense	(181)	(329)	(557)
Net financing cost	(128)	(193)	(401)

4 Taxation

The taxation charge has been estimated to be 28.5% (2009: 28.5%).

5 Earnings per Share

Earnings per share has been calculated on profit after tax of £632,000 (6 months to September 2009: £883,000; year to 31 March 2010: £5,256,000) based on the weighted average number of shares in issue, excluding shares held in the Employee Share Ownership Plan, of 9,133,396 (6 months to 30 September 2009: 9,027,084; year to 31 March 2010: 9,032,271). The diluted earnings have been further adjusted to assume the full exercise of 229,960 (2009: 52,656) dilutive share options in issue.

Earnings per share on underlying profit

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

	6 months to 30 September 2010 £'000	6 months to 30 September 2009 £'000	Year ended 31 March 2010 £'000
Underlying profit before tax	1,145	1,172	2,688
Tax thereon	(315)	(334)	(705)
Underlying profit after tax	830	838	1,983
Basic earnings per share on underlying profit	9.1p	9.3p	22.0p
Diluted earnings per share on underlying profit	8.9p	9.2p	21.7p

6 Financial Assets – Available for Sale Equity Securities

(a) At fair value

The Group has an investment of 12,000,000 (2009: 15,000,000) shares in the AIM quoted company Falkland Oil and Gas Limited ('FOGL').

	30 September 2010	30 September 2009	31 March 2010
FOGL share price	**124.5p**	126.0p	129.5p
	£'000	£'000	£'000
Investments stated at fair value:			
Falkland Oil and Gas Limited	**14,940**	18,900	15,542

An unrealised gain of £602,000 (2009: gain of £8,010,000) has been recognised in the period and transferred to the Financial assets fair value reserve as a component of shareholders' funds.

(b) At cost

	30 September 2010 £'000	30 September 2009 £'000	31 March 2010 £'000
Investment at cost:			
Falkland Oil and Gas Limited	**1,963**	2,454	1,963

7 Employee Benefits

The Company has elected to follow precedent and decided not to revalue its pension obligations at the half-year end. The Group's principal pension obligation, the Falkland Islands Company Limited Pension Scheme, is unfunded and therefore not subject to valuation volatility as a result of stock market fluctuations. At 31 March 2010 the Group's other pension fund, The Portsmouth Harbour Ferry Company Plc (1975) Retirement Scheme, showed a net deficit of £161,000.

Since 30 September 2010 The Portsmouth Harbour Ferry Company has made special payments to deferred members of the PHFC Retirement Scheme to fund their transfer out of the Defined Benefit Scheme. Based on the current value of the assets and liabilities of the scheme the payments should result in a significant reduction of the pension fund net deficit.

8 Analysis of Change in Debt

	As at 1 April 2010 £'000	Cash flows £'000	**As at 30 September 2010 £'000**	As at 30 September 2009 £'000
Cash at bank and in hand	3,810	(1,522)	**2,288**	2,209
Debt due within one year	(1,218)	142	**(1,076)**	(2,200)
Debt due after one year	(4,055)	534	**(3,521)**	(5,002)
Net debt at end of period	(1,463)	(846)	**(2,309)**	(4,993)

Directors and Corporate Information

Directors
David Hudd
John Foster
Mike Killingley
Jeremy Brade

Company Secretary
James Ivins

Registered Office
Kenburgh Court
133-137 South Street
Bishop's Stortford
Hertfordshire CM23 3HX
Telephone: 01279 461630
Fax: 01279 461631
Email: admin@fihplc.com
Web: fihplc.com

Registered number 03416346

Corporate Information

Stockbroker and Nominated Adviser
Altium
30 St. James's Square
London SW1Y 4AZ

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

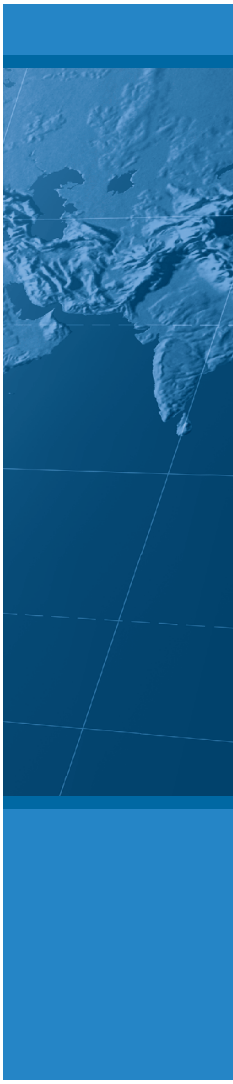
Solicitors
Bircham, Bell and Dyson LLP
50 Broadway, Westminster
London SW1H 0BL

Registrar
Capita Registrars
Northern House, Woodsome Park
Fenay Bridge, Huddersfield HD8 0GA

The Falkland Islands Company
Roger Spink *Director and General Manager*
Telephone: 00 500 27600
Email: fic@horizon.co.fk
Web: www.the-falkland-islands-co.com

The Portsmouth Harbour Ferry Company
Keith Edwards *Director and General Manager*
Telephone: 02392 524551
Email: admin@gosportferry.co.uk
Web: www.gosportferry.co.uk

Momart Limited
Ian Doherty *Managing Director*
Telephone: 020 7426 3000
Email: enquiries@momart.co.uk
Web: www.momart.co.uk



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