**19th November 2014**

**Falkland Islands Holdings plc**

**(“FIH” or the “Group”)**

**Results for the six months ended 30 September 2014**

FIH, the AIM quoted group that owns essential services businesses in the Falkland Islands and the UK, is pleased to announce its unaudited results for the six months ended 30 September 2014 (“the period”). Comparisons shown below are for the same period in 2013 unless otherwise stated.

**Group Financial Highlights**

* Group revenue up by 5.8% to £18.24million (2013: £17.24million)
* Underlying Profit Before Tax\* slightly lower as expected at £1.30million (2013: £1.37million)
* Diluted earnings per share based on underlying earnings were 8.0p (2013: 8.1p)
* The Board is proposing an unchanged interim dividend of 4.0p per share (2013: 4.0p)
* Bank borrowings at 30 September 2014 were £0.5million (31 March 2014: £1.0million)
* Group had cash balances of £4.1million at 30 September 2014 (31 March 2014: £5.7million)

\*Underlying Profit Before Tax is defined as profit before tax, amortisation and non-trading items. There were no non-trading items in either the current or prior period.

**Operating Highlights**

***Falkland Islands Company (“FIC”)***

* Record first half sales of £8.48million 25.5% up on the prior period (2013: £6.76million)
* Underlying Profit Before Tax ahead by £0.24million at £0.54million (2013: £0.3million)
* Further investment made to upgrade FIC’s business infrastructure in preparation for oil development.

***Portsmouth Harbour Ferry Company (“PHFC”)***

* Sales up 2.6% to £2.29million (2013: £2.24million)
* Underlying Profit Before Tax up 12% to £0.35million (2013: £0.31million)
* Passenger numbers 2.0% lower

***Momart***

* Sales lower as expected at £7.5million (2013: £8.2million)
* Underlying Profit Before Tax £0.41million (2013: £0.76million)
* Major UK exhibitions included: Italian Fashion and Constable at the V&A, Anselm Keifer at the Royal Academy, Matisse Cut Outs and Kazimir Malevich at Tate Modern, The Viking World at the British Museum and Virginia Woolf at the National Portrait Gallery.

***Falkland Oil & Gas Limited (“FOGL”)***

* The Group’s 2.4% shareholding in FOGL of 12,825,000 shares was unchanged
* The market value of the holding on 19 November 2014 was £3.56million
* FOGL has a substantial interest in the drilling campaign which is expected to commence in March 2015.

**David Hudd, Chairman of FIH, said:**

“The outlook for the Group remains positive and we expect the trends seen in the first half to continue for the remainder of this financial year. We are confident that the Group’s diverse range of high quality, niche service businesses with their differing drivers will continue to produce healthy returns for shareholders.”

**-**

**Enquiries:**

|  |  |
| --- | --- |
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Copies of the Interim Report will be available on the Company's website [www.fihplc.com](http://www.fihplc.com)

**Chairman’s and Managing Director’s Review**

**Group overview**

The Group is pleased to report satisfactory trading results for the six months to 30 September 2014, with revenues ahead by 5.8% and Underlying Profit Before Tax at £1.30million marginally down on last year’s £1.37million.

An analysis by business is shown below:

|  |  |  |  |
| --- | --- | --- | --- |
| ***Revenue*** |  |  |  |
| **Six months ended 30 September** | **2014**  **£ million** | 2013  £ million | Change  % |
|  |  |  |  |
| *Falkland Islands Company* | **8.48** | 6.76 | 25.5% |
| *Portsmouth Harbour Ferry* | **2.29** | 2.24 | 2.6% |
| *Momart* | **7.47** | 8.24 | -9.4% |
| **Total** | **18.24** | 17.24 | 5.8% |

|  |  |  |  |
| --- | --- | --- | --- |
| ***Underlying Profit Before Tax***  **Six months ended 30 September** | **2014**  **£ million** | 2013  £ million | Change  % |
|  |  |  |  |
| *Falkland Islands Company* | **0.54** | 0.30 | 78.7% |
| *Portsmouth Harbour Ferry* | **0.35** | 0.31 | 12.2% |
| *Momart* | **0.41** | 0.76 | -45.1% |
| **Total** | **1.30** | 1.37 | -4.9% |

After taking account of non-trading items, amortisation of intangible assets and net financing costs, reported Profit Before Tax was lower by 0.8% at £1.23million (2013: £1.24million).

Diluted earnings per share (EPS) based on reported earnings were 7.5p (2013: 7.4p) and based on underlying earnings diluted EPS were 8.0p (2013: 8.1p).

The Board is proposing an unchanged interim dividend of 4.0p per share (2013: 4.0p per share) which will be paid on 23 January 2015 to shareholders on the register at the close of business on 12 December 2014.

At 30 September 2014, bank borrowings were £0.5million (31 March 2014: £1.0million), and the Group had cash balances of £4.1million (31 March 2014: £5.7million).

**Operating Review**

**Falkland Islands Company (FIC)**

Total revenue for FIC increased by 25.5% to £8.48million (2013: £6.76million), a record level as the company benefited from renewed economic growth in the Falklands resulting from a record illex squid catch at the start of the year and the forthcoming oil exploration campaign. Profit Before Tax and amortisation (“PBTa”) increased sharply to £0.54million, up 78.7% on the prior period (2013: £0.3million).

Total retail sales grew by 5% with revenue at FIC’s flagship West Store ahead by 11.8% helped by a new range of BHS clothing and strong electrical and grocery sales. Warehouse sales to other retailers in the Islands were lower by £0.2m (39%) as one significant customer switched to direct ordering from the UK. Disruption resulting from the redevelopment and expansion of the Home Builder store saw sales 20% lower ahead of re-opening in December 2014. However, sales at FIC’s furnishing store “Home Living” increased by 67% helped by new housing starts and government orders. Strengthening demand also saw improved margins and, together with the overall sales growth noted above, this reinforced the prominence of retailing activity as the major profit contributor within FIC.

The automotive business, Falklands 4x4, had a good first half with total sales ahead by 28% at £1.49million (2013: £1.16million) with 43 vehicle sales compared to 27 in the prior year. The auto servicing and repairs business also benefitted from the August combination with a leading local garage “Turbo Tim” and early results are encouraging.

Rental income from FIC’s property portfolio improved over the period as corporate lets increased as a result of the build up to the drilling planned for March 2015.Average occupancy increased to 91% compared to 80% in the prior year and rental yields also rose. As a result of the construction of 3 new properties FIC’s rental portfolio now comprises 39 units at 30 September 2014 with a net book value of £3.37million (2013: £2.96million).

FIC’s construction business made good progress recording a first half profit compared to a small loss in the first half last year. The building of kit homes for first time buyers on government plots was an important factor with the completion and sale of five properties. The Company also benefited from subcontracted work related to the construction of a new temporary dock in Stanley Harbour for the drilling campaign in 2015.

SAtCO, the construction Joint Venture with Trant Engineering, enjoyed an encouraging first half benefitting from construction contracts undertaken for oil companies and the Falklands Government. FIC’s 50% share produced an after tax contribution of £77,000 (2013 Nil).

The Fishing Agency had another strong trading period as a result of a record illex catch, the best since the start of the current Fishery in the late 1980’s.The Group’s insurance brokerage business also continued to make progress. Revenue from southbound third party freight increased by 51% but was largely offset by a fall in the northbound cargoes seen last year at the end of the previous drilling round.

During the period, work progressed on key capital projects with the completion of the refurbishment of FIC’s iconic Crozier Place offices in the heart of Stanley and substantial completion of a much enlarged Home Builder builders merchant and lifestyle store. Also 10 new mobile homes were installed on government land to ease staff accommodation problems. Further work upgrading Falklands 4x4 facilities was undertaken and good progress was also made on the construction of a new modern warehouse and chiller facilities on the outskirts of Stanley for FIC’s retail business. In total, capital expenditure increased by 77% to £1.26million (2013: £0.71million).

FIC’s management team in the Islands was strengthened with the appointment of new Construction and Retail directors and by further expansion of the middle management team. Overall staff numbers (full time equivalent) increased to an average of 168 compared to 130 in the prior period. At the end of September, FIC’s headcount had expanded to over 185 of whom 80% are involved in retailing and construction. On 1 November 2014 a leading local businessman and former Member of the Falklands Legislative Assembly, Dick Sawle, was appointed as non-executive Chairman of FIC to further strengthen the team.

Activity in the Falklands is expected to remain buoyant for the remainder of the financial year with demand expected to stay strong at least until the 2015 drilling programme is completed.

**Portsmouth Harbour Ferry Company**

PHFC continued to trade satisfactorily with revenues ahead by 2.6% to £2.29million (2013: £2.24million) and profitability after the allocation of Group overheads and financing charges (PBTa), improved to £0.35million (2013: £0.31million).

Passenger numbers saw a welcome increase in the early part of the period but were impacted over the summer holiday period by the introduction of a heavily subsidised “Park & Ride” scheme by Portsmouth Council which offered commuters and shoppers a combined bus and car parking ticket for only £2. Despite this adverse development, and 900 job losses in Portsmouth announced by BAE Systems, passenger volumes declined by only 2% over the six month period compared to 2013.

Above inflation fare increases of 5-6% were introduced in June 2014 to help finance the cost of PHFC’s new ferry vessel, “Harbour Spirit” which is nearing completion in Pula, Croatia. The vessel is scheduled for launch in late November with sea trials followed by delivery by ship carrier to the UK in early 2015; the total cost of £3.2million will be largely financed by a 10 year boat loan. This will mean PHFC will have three modern vessels and Harbour Spirit’s arrival will complete the vessel modernisation programme for the foreseeable future.

In June 2014, daily adult return fares were increased to £3.10 from £2.90 with commuter 10 trip tickets moving to £14.50 (or £2.90 per return trip). In addition special discounted weekend and family tickets were introduced to help drive volumes. Discounted fares were also introduced for serving military personnel and, in August, PHFC was the first non-bus company to join the new electronic multi modal travel card scheme for South Hampshire, “Solent Go”. Initial uptake has been modest, however as other transport providers join the scheme, Solent Go is expected to help drive volumes over the medium term. Focussed local advertising was undertaken on buses and bus shelters in order to market these promotional schemes.

Although the closure of BAE shipbuilding activities in Portsmouth was unwelcome, plans for substantial development and expansion of the Portsmouth Naval Base by the end of the decade offer the prospect of a more positive local backdrop for medium term growth in passenger numbers.

**Momart**

As anticipated, activity at Momart reverted to more normal levels with revenues of £7.47million down 9.4% on the prior year (2013 £8.24million) following an exceptional year in 2013/14.

As expected, underlying PBTa was lower at £0.42million, compared to £0.76million in H1 2013-14. However, the current period performance compared well to 2012 profits of £0.34million. Net margins of 5.6% also showed progress compared to 2012 (4.7%) but were well down on the exceptional levels of 2013 (9.2%).

|  |  |  |  |
| --- | --- | --- | --- |
| **Momart : Revenue Analysis**  **Six months ended 30 September** | **2014**  **£ million** | 2013  £ million | Change  % |
|  |  |  |  |
| *Museums & Exhibitions* | **4.01** | 4.77 | -15.9% |
| *Commercial Galleries and Auction Houses* | **2.55** | 2.56 | -0.5% |
| *Art Storage* | **0.91** | 0.91 | -0.4% |
| **Total** | **7.47** | 8.24 | -9.4% |

Museum Exhibition revenues were as expected substantially down on the record levels seen in 2013 which had increased by 21% on revenues in 2012. The Global art market remains strong and Momart’s market share was maintained but there was no repetition of the large overseas contracts seen in the prior period.

Revenues from commercial galleries and auction houses (Gallery Services) were essentially unchanged from 2013 levels at £2.55million (2013: £2.56million). Storage revenues were also unchanged at £0.9million reflecting an effective 100% capacity utilisation.

Although overheads were tightly controlled overall gross margins fell by 2.2% as the sales mix was diluted by the increase in lower margin work subcontracted to overseas agents.

Notable museum exhibitions delivered for UK clients in the period included: Italian Fashion and Constable at the V&A, Anselm Keifer at the Royal Academy, Matisse Cut Outs and Kazimir Malevich at Tate Modern, The Viking World at the British Museum and Virginia Woolf at the National Portrait Gallery.

The commercial art market continues to remain buoyant and Momart has made further progress in developing its relationships with leading galleries and auction houses with additional management resources being deployed in this area.

During the period, plans were also further advanced to expand the company’s warehouse facilities at Leyton in East London. Commercial heads of terms have been agreed with landlords for a new air conditioned warehouse. Planning is in progress and construction is expected to commence early in 2015.

**Falkland Oil and Gas Limited (FOGL)**

The Group continues to own 12.8million shares in FOGL. At 30 September 2014, the market value of the shareholding was £3.6million (based on a FOGL share price of 28p). The historic cost of the FOGL stake is £2.6million or 20p per share. At 19 November 2014 the market value of the shareholding was £3.56million.

The Operators of the drilling programme Noble Energy and Premier Oil continue to mobilise services and equipment prior to the arrival of the drilling rig Eirik Raude in March 2015.

We anticipate significant newsflow as the wells are completed and their results will have a significant impact on the economic prospects for the Falkland Islands.

**Balance Sheet and Cash Flow**

During the period total capital expenditure amounted to £1.86million of which the major commitment was to the Falklands accounting for £1.26million. At Momart further investment of £0.21million was made in trucks and upgrading IT systems and at PHFC £0.39million was spent on further instalment payments for the new ferry, Harbour Spirit.

Total inventories increased by £0.8million to £6.8million (2013: £6.0million) reflecting increased construction activity and increased vehicle stocks to cater for a rapid expansion in demand. Retail inventories in Stanley increased from £3.5million to £4.2million mainly due to increased holdings in Home Builder for its re-launch and a wider, improved range of clothing. Inventory included construction inventories and work in progress of £1.0million (2013 £0.8million)

Operating cash flow (Operating Profit plus amortisation & depreciation) at £2.2million was unchanged from the prior period. The Group’s cash balances fell by £1.6million to £4.1million at 30 September 2014 following capital investment of £1.9million, dividend and tax payments totalling £1.3million, and bank loan and finance lease repayments of £0.7million.

At 30 September 2014 the Group had bank borrowings of £0.5million (31 March 2014: £1.0million), HP liabilities of £0.3million (31 March 2014: £0.3million) and long term finance lease liabilities in respect of the Gosport Pontoon of £4.9million (31 March 2014: £4.9million).

**Board Change**

Edmund Rowland who has been a non-executive director since April 2013 has been appointed as non – executive Deputy Chairman.

**Outlook**

Near term prospects for growth in the Falkland Islands are good: a strong second half for FIC is anticipated as retail activity benefits from tourism over the Austral Summer and the build up to the drilling programme continues. Longer term growth prospects remain exceptional, and they have been improved by the announcement that Premier Oil are going to move forward with a phased development of the Sea Lion field, with first oil production expected in 2019. Any exploration success from the 2015 drilling programme will further enhance the outlook.

In the current year we will continue to strengthen the infrastructure of our existing Falkland businesses and prepare for the transformation that will come from oil development.

The UK order book for Momart remains strong although overall trading is expected to fall short of the record levels of last year. At PHFC, performance is expected to remain satisfactory and we look forward to the arrival of our new vessel “Harbour Spirit” early in 2015.

The outlook for the Group remains positive and we expect the trends seen in the first half to continue for the remainder of this financial year. We are confident that the Group’s diverse range of high quality, niche service businesses with their differing drivers will continue to produce healthy returns for shareholders.

|  |  |
| --- | --- |
| **David Hudd** | **John Foster** |
| **Chairman** | **Managing Director** |

**19 November 2014**

**Condensed Interim Consolidated Income Statement**

**FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2014**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Notes* | | Unaudited  6 months to  30 September  2014  £'000 | Unaudited  6 months to  30 September  2013  £'000 | Audited  Year ended  31 March  2014  £'000 |
|  |  |  |  |  |
| *2* | **Revenue** | **18,242** | 17,239 | 38,263 |
|  |  |  |  |  |
|  | Cost of sales | **(10,786)** | (9,885) | (22,212) |
|  | **Gross profit** | **7,456** | 7,354 | 16,051 |
|  |  |  |  |  |
|  | Other administrative expenses | **(6,122)** | (5,882) | (12,235) |
|  | Net settlement credit on the transfer of the PHFC pension scheme | **-** | 64 | 64 |
|  | Amortisation of intangible assets | **(72)** | (193) | (307) |
|  |  |  |  |  |
|  | Administrative expenses | **(6,194)** | (6,011) | (12,478) |
|  |  |  |  |  |
|  | **Operating profit** | **1,262** | 1,343 | 3,573 |
|  | Share of result of joint venture | **77** | - | 36 |
|  | **Profit before finance income and expense** | **1,339** | 1,343 | 3,609 |
|  |  |  |  |  |
|  | Finance income | **97** | 133 | 220 |
|  | Finance expense | **(204)** | (234) | (425) |
|  |  |  |  |  |
| *3* | Net financing costs | **(107)** | (101) | (205) |
|  |  |  |  |  |
|  | **Profit before tax from continuing operations** | **1,232** | 1,242 | 3,404 |
|  |  |  |  |  |
| *4* | Taxation | **(297)** | (323) | (771) |
|  |  |  |  |  |
|  | **Profit attributable to equity holders of the Company** | **935** | 919 | 2,633 |
|  |  |  |  |  |
| *5* | **Earnings per share** |  |  |  |
|  |  |  |  |  |
|  | Basic | **7.5p** | 7.4p | 21.3p |
|  |  |  |  |  |
|  | Diluted | **7.5p** | 7.4p | 21.1p |

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 2014**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Notes* | | Unaudited  30 September  2014  £'000 | Unaudited  30 September  2013  £'000 | Audited  31 March  2014  £'000 |
|  | **Non-current assets** |  |  |  |
|  | Intangible assets | **12,243** | 12,122 | 12,238 |
|  | Property, plant and equipment | **17,759** | 13,962 | 16,609 |
|  | Investment properties | **3,366** | 2,960 | 3,396 |
| *6* | Shares held in Falkland Oil and Gas Limited | **3,623** | 3,623 | 3,270 |
|  | Investment in joint venture | **163** | 50 | 86 |
|  | Loan to joint venture | **378** | - | 529 |
|  | Hire purchase debtors | **396** | 234 | 342 |
|  | Deferred tax assets | **645** | 671 | 645 |
|  | **Total non-current assets** | **38,573** | 33,622 | 37,115 |
|  |  |  |  |  |
|  | **Current assets** |  |  |  |
|  | Inventories | **6,819** | 5,973 | 6,692 |
|  | Trade and other receivables | **5,482** | 6,145 | 7,041 |
|  | Hire purchase debtors | **619** | 458 | 503 |
|  | Cash and cash equivalents | **4,097** | 8,171 | 5,715 |
|  | **Total current assets** | **17,017** | 20,747 | 19,951 |
|  | **TOTAL ASSETS** | **55,590** | 54,369 | 57,066 |
|  |  |  |  |  |
|  | **Current liabilities** |  |  |  |
|  | Interest bearing loans and borrowings | **(679)** | (1,121) | (1,109) |
|  | Income tax payable | **(327)** | (382) | (419) |
|  | Trade and other payables | **(9,618)** | (8,551) | (10,981) |
|  | **Total current liabilities** | **(10,624)** | (10,054) | (12,509) |
|  | **Non-current liabilities** |  |  |  |
|  | Interest bearing loans and liabilities | **(5,061)** | (5,618) | (5,061) |
| *7* | Employee benefits | **(2,480)** | (2,584) | (2,480) |
|  | Deferred tax liabilities | **(1,639)** | (1,694) | (1,639) |
|  | **Total non-current liabilities** | **(9,180)** | (9,896) | (9,180) |
|  | **TOTAL LIABILITIES** | **(19,804)** | (19,950) | (21,689) |
|  |  |  |  |  |
|  | **Net assets** | **35,786** | 34,419 | 35,377 |
|  | **Capital and reserves** |  |  |  |
|  | Equity share capital | **1,243** | 1,243 | 1,243 |
|  | Share premium account | **17,447** | 17,447 | 17,447 |
|  | Other reserves | **1,162** | 1,162 | 1,162 |
|  | Retained earnings | **14,895** | 13,528 | 14,839 |
|  | Financial assets fair value reserve | **1,039** | 1,039 | 686 |
|  | **Total equity** | **35,786** | 34,419 | 35,377 |

**Condensed Consolidated Cash Flow Statement**

**FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2014**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Notes* | | Unaudited  6 months to  30 September  2014  £'000 | Unaudited  6 months to  30 September  2013  £'000 | Audited  Year ended  31 March  2014  £'000 |
|  | **Profit for the period** | **935** | 919 | 2,633 |
|  | *Adjusted for (i) Non-cash items:* |  |  |  |
|  | Depreciation | **592** | 630 | 1,233 |
|  | Amortisation | **72** | 193 | 307 |
|  | Loss / (profit) on disposal of fixed assets | **143** | (34) | (4) |
|  | Share of joint venture profit | **(77)** | - | (36) |
|  | Amortisation of loan fees | **8** | 8 | 16 |
|  | Past service cost of pension scheme | **-** | - | 45 |
|  | Interest cost on pension scheme liabilities | **60** | 60 | 108 |
|  | Equity-settled share-based payment expenses | **50** | 51 | 43 |
|  | *Non-cash items adjustment* | **848** | 908 | 1,712 |
|  | *(ii) Other items:* |  |  |  |
|  | Bank interest receivable | **(17)** | (85) | (99) |
|  | Bank interest payable | **13** | 26 | 39 |
|  | Finance lease interest payable | **123** | 140 | 262 |
|  | Net settlement credit on the transfer of the PHFC pension scheme | - | (64) | (64) |
|  | Income tax expense | **297** | 323 | 771 |
|  | *Other adjustments* | **416** | 340 | 909 |
|  | **Operating cash flow before changes in working capital and provisions** | **2,199** | 2,167 | 5,254 |
|  |  |  |  |  |
|  | Decrease / (increase) in trade and other receivables | **1,559** | 8 | (888) |
|  | Increase in trading inventories | **(127)** | (874) | (1,593) |
|  | (Decrease)/increase in trade and other payables | **(1,475)** | (1,503) | 927 |
|  | Decrease in provisions and employee benefits | **(60)** | (60) | (122) |
|  | *Changes in working capital and provisions* | **(103)** | (2,429) | (1,676) |
|  |  |  |  |  |
|  | **Cash generated from operations** | **2,096** | (262) | 3,578 |
|  | Income taxes paid | **(389)** | (305) | (780) |
|  | **Net cash from operating activities** | **1,707** | (567) | 2,798 |
|  |  |  |  |  |
|  | **Cash flows from investing activities** |  |  |  |
|  | Purchase of property, plant and equipment | **(1,809)** | (1,058) | (4,933) |
|  | Purchase of computer software | **(51)** | - | (41) |
|  | Proceeds from disposal of property, plant & equipment | **40** | 51 | 21 |
|  | Cash received on transfer of the pension scheme | **-** | 46 | 46 |
|  | Cash inflow / (outflow) on loans to joint venture | **151** | - | (529) |
|  | Interest received | **17** | 85 | 99 |
|  | **Net cash from investing activities** | **(1,652)** | (876) | (5,337) |
|  |  |  |  |  | |
|  |  |  |  |  | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Condensed Consolidated Cash Flow Statement (Continued)**  **FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2014** |  |  |  |
|  |  | Unaudited  6 months to  30 September  2014  £'000 | Unaudited  6 months to  30 September  2013  £'000 | Audited  Year ended  31 March  2014  £'000 |
|  | Increase in hire purchase debtors | **(170)** | (85) | (238) |
|  | Repayment of secured loans | **(693)** | (697) | (1,396) |
|  | Proceeds from new loans | **132** | - | - |
|  | Interest paid | **(13)** | (26) | (39) |
|  | Net cashflows from sale and purchase of Treasury shares | **-** | (66) | (66) |
|  | Dividends paid | **(929)** | (928) | (1,423) |
|  | **Net cash from financing activities** | **(1,673)** | (1,802) | (3,162) |
|  |  |  |  |  |
|  | **Net decrease in cash and cash equivalents** | **(1,618)** | (3,245) | (5,701) |
|  | Cash and cash equivalents at start of period | **5,715** | 11,416 | 11,416 |
|  | **Cash and cash equivalents at end of period** | **4,097** | 8,171 | 5,715 |

**Condensed Consolidated Statement of Comprehensive Income**

**FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2014**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *Notes* | | Unaudited  6 months to  30 September  2014  £'000 | Unaudited  6 months to  30 September  2013  £'000 | Audited  Year ended  31 March  2014  £'000 |
|  | |  |  |  |
| *6* | Gain/(loss) in fair value in shares of Falkland Oil and Gas Limited | 353 | 224 | (129) |
|  |  | - |  |  |
|  |  |  |  |  |
|  | **Items which will ultimately be recycled to the income statement** | **353** | **224** | **(129)** |
|  |  |  |  |  |
| *7* | Net actuarial gain on pension schemes net of tax | - | - | 100 |
|  | Items which will not ultimately be recycled to the income statement | - | - | 100 |
|  |  |  |  |  |
|  | **Other comprehensive income / (expense)** | 353 | 224 | (29) |
|  | **Profit for the period** | 935 | 919 | 2,633 |
|  | **Total comprehensive income** | **1,288** | **1,143** | **2,604** |
|  |  |  |  |  |

**Condensed Consolidated Statement of Changes in Shareholders' Equity**

**FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2014**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Unaudited  6 months to  30 September  2014  £'000 | Unaudited  6 months to  30 September  2013  £'000 | Audited  Year ended  31 March  2014  £'000 |
|  |  |  |  |
| Shareholders' funds at beginning of period | 35,377 | 34,279 | 34,279 |
|  |  |  |  |
| Profit for the period | 935 | 919 | 2,633 |
| Gain/(loss) in fair value in shares of Falkland Oil and Gas Limited | 353 | 224 | (129) |
| Net actuarial gain on pension schemes net of tax | - | - | 100 |
|  |  |  |  |
| Total comprehensive income | **1,288** | **1,143** | **2,604** |
|  |  |  |  |
| Dividends paid or approved by shareholders | **(929)** | **(928)** | **(1,423)** |
| Net movement in Treasury shares | - | **(126)** | **(126)** |
| Share-based payments granted to employees | **50** | **51** | **43** |
|  |  |  |  |
| **Shareholders' funds at end of period** | **35,786** | **34,419** | **35,377** |

**Notes to the Unaudited Interim Statements**

**1. Basis of preparation**

This interim financial information comprises the condensed consolidated balance sheets at 30 September 2014, 30 September 2013 and 31 March 2014 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 2014 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 2015 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 2015.

The Interim Report was approved by the Board on 19 November 2014.

Section 245 Statement

The comparative figures for the financial year ended 31 March 2014 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.

**2. Segmental revenue and profit analysis**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Unaudited - Six months to 30 September 2014 | | | | |
|  | General  trading  (Falklands)  £'000 | Ferry  services  (Portsmouth)  £'000 | Arts  logistics &  storage  (UK)  £'000 | Unallocated  £’000 | Total  £'000 |
| **External revenue** | **8,478** | **2,295** | **7,469** | **-** | **18,242** |
|  |  |  |  |  |  |
| Operating profit before amortisation and non-trading items | **441** | **469** | **424** | **-** | **1,334** |
|  |  |  |  |  |  |
| Net settlement gain on transfer of the PHFC pension scheme | **-** | **-** | **-** | **-** | **-** |
| Amortisation of intangible assets | **-** | **-** | **(72)** | **-** | **(72)** |
|  |  |  |  |  |  |
| Amortisation and non-trading items | **-** | **-** | **(72)** | **-** | **(72)** |
|  |  |  |  |  |  |
| **Segment operating profit** | **441** | **469** | **352** | **-** | **1,262** |
| Share of results of joint venture | **77** | **-** | **-** |  | **77** |
| **Profit before finance income and expense** | **518** | **469** | **352** | **-** | **1,339** |
| Finance income | **80** | **-** | **-** | **17** | **97** |
| Finance expense | **(60)** | **(120)** | **(7)** | **(17)** | **(204)** |
|  |  |  |  |  |  |
| **Segment profit before tax** | **538** | **349** | **345** | **-** | **1,232** |
|  |  |  |  |  |  |
| *Assets and liabilities* |  |  |  |  |  |
| Segment assets | **20,843** | **14,626** | **12,392** | **7,729** | **55,590** |
| Segment liabilities | **(8,134)** | **(6,531)** | **(4,309)** | **(830)** | **(19,804)** |
| **Segment net assets** | **12,709** | **8,095** | **8,083** | **6,899** | **35,786** |
| *Other segment information* |  |  |  |  |  |
| Capital expenditure |  |  |  |  |  |
| Property, plant and equipment | **1,115** | **384** | **162** | **-** | **1,661** |
| Investment properties | **148** | **-** | **-** | **-** | **148** |
| Computer Software | **-** | **-** | **51** | **-** | **51** |
| Depreciation | **268** | **169** | **155** | **-** | **592** |
| Amortisation | **-** | **-** | **72** | **-** | **72** |
|  |  |  |  |  |  |
| **Underlying profit before tax** | General  trading  (Falklands)  £'000 | Ferry  services  (Portsmouth)  £'000 | Arts  logistics &  storage  (UK)  £'000 | Unallocated  £’000 | Total  £'000 |
| Segment operating profit before tax, |  |  |  |  |  |
| amortisation and non-trading items | **441** | **469** | **424** | **-** | **1,334** |
| Share of results of Joint Venture | **77** | **-** | **-** | **-** | **77** |
| Profit before finance income and expense | **518** | **469** | **424** | **-** | **1,411** |
| Finance income | **80** | **-** | **-** | **17** | **97** |
| Finance expense | **(60)** | **(120)** | **(7)** | **(17)** | **(204)** |
| **Segment underlying profit before tax** | **538** | **349** | **417** | **-** | **1,304** |

**2. Segmental revenue and profit analysis (continued)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Unaudited - Six months to 30 September 2013 | | | | |
|  | General  trading  (Falklands)  £'000 | Ferry  services  (Portsmouth)  £'000 | Arts  logistics &  storage  (UK)  £'000 | Unallocated  £’000 | Total  £'000 |
|  |  |  |  |  |  |
| **External revenue** | 6,757 | 2,236 | 8,246 | - | 17,239 |
|  |  |  |  |  |  |
| Operating profit before amortisation and non-trading items | 235 | 434 | 803 | - | 1,472 |
|  |  |  |  |  |  |
| Net settlement gain on transfer of the PHFC pension scheme | - | - | - | 64 | 64 |
| Amortisation of intangible assets | - | - | (193) | - | (193) |
|  |  |  |  |  |  |
| Amortisation and non-trading items | - | - | (193) | 64 | (129) |
|  |  |  |  |  |  |
| **Profit before finance income and expense** | 235 | 434 | 610 | 64 | 1,343 |
| Finance income | 128 | - | - | - | 128 |
| Finance expense | (62) | (123) | (44) | - | (229) |
|  |  |  |  |  |  |
| **Segment profit before tax** | 301 | 311 | 566 | 64 | 1,242 |
|  |  |  |  |  |  |
| *Assets and liabilities* |  |  |  |  |  |
| Segment assets | 16,086 | 12,778 | 13,680 | 11,825 | 54,369 |
| Segment liabilities | (7,341) | (6,716) | (4,199) | (1,694) | (19,950) |
| **Segment net assets** | 8,745 | 6,062 | 9,481 | 10,131 | 34,419 |
| *Other segment information* |  |  |  |  |  |
| Capital expenditure |  |  |  |  |  |
| Property, plant and equipment | 527 | 130 | 215 | - | 872 |
| Investment properties | 186 | - | - | - | 186 |
| Computer software | - | - | - | - | - |
| Depreciation | 270 | 169 | 191 | - | 630 |
| Amortisation | - | - | 193 | - | 193 |
|  |  |  |  |  |  |
| **Underlying profit before tax** | General  trading  (Falklands)  £'000 | Ferry  services  (Portsmouth)  £'000 | Arts logistics & storage  (UK)  £'000 | Unallocated £’000 | Total  £'000 |
| Segment operating profit before tax, |  |  |  |  |  |
| amortisation and non-trading items | 235 | 434 | 803 | - | **1,472** |
| Share of results of joint venture | - | - | - | - | **-** |
| **Profit before finance income and expense** | 235 | 434 | 803 | - | **1,472** |
| Finance income | 128 | - | - | - | **128** |
| Finance expense | (62) | (123) | (44) | - | **(229)** |
| **Segment underlying profit before tax** | **301** | **311** | **759** | **-** | **1,371** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **2. Segmental revenue and profit analysis (continued)** |  | Audited - Year ended 31 March 2014 | | | |
|  | General  trading  (Falklands)  £'000 | Ferry  services  (Portsmouth)  £'000 | Arts  logistics &  storage  (UK)  £'000 | Unallocated  £’000 | Total  £'000 |
| **External revenue** | 15,881 | 4,124 | 18,258 | - | 38,263 |
|  |  |  |  |  |  |
| Operating profit before amortisation and non-trading items | 977 | 1,013 | 1,826 | - | 3,816 |
|  |  |  |  |  |  |
| Net settlement gain on transfer of the PHFC pension scheme | - | - | - | 64 | 64 |
| Amortisation of intangible assets | - | - | (307) | - | (307) |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Amortisation and non-trading items | - | - | (307) | 64 | (243) |
|  |  |  |  |  |  |
| **Segment operating profit** | 977 | 1,013 | 1,519 | 64 | 3,573 |
| Share of results of joint venture | 36 | - | - | - | 36 |
| Profit before finance income and expense | 1,013 | 1,013 | 1,519 | 64 | 3,609 |
| Finance income | 121 | - | - | 99 | 220 |
| Finance expense | (108) | (246) | (29) | (42) | (425) |
|  |  |  |  |  |  |
| **Segment profit before tax** | 1,026 | 767 | 1,490 | 121 | 3,404 |
|  |  |  |  |  |  |
| *Assets and liabilities* |  |  |  |  |  |
| Segment assets | 20,129 | 14,437 | 13,492 | 9,008 | 57,066 |
| Segment liabilities | (8,950) | (6,541) | (4,818) | (1,380) | (21,689) |
| **Segment net assets** | 11,179 | 7,896 | 8,674 | 7,628 | 35,377 |
| *Other segment information* |  |  |  |  |  |
| Capital expenditure |  |  |  |  |  |
| Property, plant and equipment | 2,057 | 1,958 | 260 | - | 4,275 |
| Investment properties | 658 | - | - | - | 658 |
| Computer software | - | - | 41 | - | 41 |
| Depreciation | 477 | 332 | 424 | - | 1,233 |
| Amortisation | - | - | 307 | - | 307 |
|  |  |  |  |  |  |
| **Underlying profit before tax** | General  trading  (Falklands)  £'000 | Ferry  services  (Portsmouth)  £'000 | Arts logistics & storage  (UK)  £'000 | Unallocated £’000 | Total  £'000 |
| Segment operating profit before tax, |  |  |  |  |  |
| amortisation and non-trading items | 977 | 1,013 | 1,826 | - | 3,816 |
| Share of results of Joint venture | 36 | - | - | - | 36 |
| Profit before finance income and expense | 1,013 | 1,013 | 1,826 | - | 3,852 |
| Finance income | 121 | - | - | 99 | 220 |
| Finance expense | (108) | (246) | (29) | (42) | (425) |
| **Segment underlying profit before tax** | 1,026 | 767 | 1,797 | 57 | 3,647 |

**3. Finance income and expense**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Unaudited  6 months  to 30 September  2014  £'000 | Unaudited  6 months to 30 September  2013  £'000 | Audited  Year ended  31 March  2014  £'000 |
|  |  |  |  |
| Bank interest receivable | 17 | 85 | 99 |
| Finance lease interest receivable | 80 | 48 | 121 |
|  |  |  |  |
| **Total finance income** | **97** | **133** | **220** |
|  |  |  |  |
| Interest payable on bank loans | (13) | (26) | (39) |
| Interest cost on pension scheme liabilities | (60) | (60) | (108) |
| Amortisation of loan fees | (8) | (8) | (16) |
| Finance lease interest payable | (123) | (140) | (262) |
|  |  |  |  |
| **Total finance expense** | **(204)** | **(234)** | **(425)** |
|  |  |  |  |
| **Net financing cost** | **(107)** | **(101)** | **(205)** |

**4.** **Taxation**

The taxation charge has been estimated to be 24.0% (2013: 26.0%).

**5. Earnings per share**

***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 ('underlying profit after tax'):

|  |  |  |  |
| --- | --- | --- | --- |
|  | 6 months to  30 September  2014  £'000 | 6 months to  30 September  2013  £'000 | Year ended  31 March  2014  £'000 |
|  |  |  |  |
| Weighted average number of shares in issue | 12,431,623 | 12,431,623 | 12,431,623 |
| Less: shares held in Treasury | (18,381) | - | (12,764) |
| Less: shares held under the ESOP | (28,016) | (39,021) | (37,785) |
| Average number of shares in issue excluding the ESOP | 12,385,226 | 12,392,602 | 12,381,074 |
| Maximum dilution with regards to share options | 79,092 | 74,842 | 79,911 |
| Diluted weighted average number of shares | 12,464,318 | 12,467,444 | 12,460,985 |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | | Year ended  31 March  2014  £'000 |
| 6 months to 30 September: | |
| 2014  £'000 | 2013  £'000 |
| **Underlying profit before tax** | **1,304** | 1,371 | 3,647 |
|  |  |  |  |
| Tax thereon | **(310)** | (356) | (901) |
| *Tax rate* | 24% | 26% | 25% |
| Underlying profit after tax | **994** | 1,015 | 2,746 |
|  |  |  |  |
| Basic earnings per share on underlying profit | **8.0p** | 8.2p | 22.2p |
|  |  |  |  |
| Diluted earnings per share on underlying profit | **8.0p** | 8.1p | 22.0p |
|  |  |  |  |
| Analysis of Taxation charge |  |  |  |
| Taxation on underlying profits | **(310)** | (356) | (901) |
| Taxation related to amortisation and non-trading items | **13** | 33 | 130 |
| Total taxation charge | **(297)** | **(323)** | **(771)** |

**6 Financial assets - available for sale equity securities**

**(a) At fair value**

The Group has an investment of 12,825,000 (2013:12,825,000) shares in the AIM quoted company Falkland Oil and Gas Limited ('FOGL').

|  |  |  |  |
| --- | --- | --- | --- |
|  | 30 September  2014  £'000 | 30 September  2013  £'000 | 31 March  2014  £'000 |
|  |  |  |  |
| FOGL share price | 28.3p | 28.3p | 25.5p |
| Number of shares held by Group | 12,825,000 | 12,825,000 | 12,825,000 |
|  |  |  |  |
| Investment stated at fair value: |  |  |  |
| Falkland Oil and Gas Limited | 3,623 | 3,623 | 3,270 |

**(b) At cost**

|  |  |  |  |
| --- | --- | --- | --- |
|  | 30 September  2014  £'000 | 30 September  2013  £'000 | 31 March  2014  £'000 |
| Investment at cost: |  |  |  |
| Falkland Oil and Gas Limited | 2,586 | 2,586 | 2,586 |

**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 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.

**8 Analysis of change in debt**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | As at  1  April  2014  £'000 | Cash  flows  £'000 | As at  30 September  2014  £'000 | As at  30 September  2013  £'000 |
|  |  |  |  |  |
| Cash at bank and in hand | 5,715 | (1,618) | **4,097** | 8,171 |
|  |  |  |  |  |
| Debt due within one year - Bank loans | (985) | 458 | **(527)** | (984) |
| Debt due within one year - Hire purchase | (96) | (27) | **(123)** | (109) |
| Debt due within one year - Pontoon Lease | (28) | (1) | **(29)** | (28) |
| Debt due after one year - Bank loans | (34) | 34 | **-** | (527) |
| Debt due after one year - Hire Purchase | (169) | (49) | **(218)** | (218) |
| Debt due after one year - Pontoon Lease | (4,858) | 15 | **(4,843)** | (4,873) |
| **Net debt at end of period** | (455) | (1,188) | **(1,643)** | 1,432 |
|  |  |  |  |  |
| Bank Debt | (1,019) | 492 | **(527)** | (1,511) |
| Hire Purchase Leases | (265) | (76) | **(341)** | (327) |
| Pontoon Lease | (4,886) | 14 | **(4,872)** | (4,901) |
| Total debt at end of period | (6,170) | 430 | **(5,740)** | (6,739) |
| Cash | 5,715 | (1,618) | **4,097** | 8,171 |
| Net debt at end of period | (455) | (1,188) | **(1,643)** | 1,432 |
|  |  |  |  |  |
|  |  |  |  |  |

**9 Capital commitments**

At 30 September 2014 the company had a capital commitment of £604,000 (2013: £2.4 million) due to the boat yard for the new vessel, which has not been provided for in these financial statements. **Directors and Corporate Information**

|  |  |
| --- | --- |
| **Directors**  David Hudd *Chairman*  John Foster *Managing Director*  Mike Killingley\*  Jeremy Brade\*  Edmund Rowland\*  *\*Non-executive Directors*  **Company Secretary**  Carol Bishop | **Registered Office**  Kenburgh Court,  133-137 South Street,  Bishop’s Stortford,  Hertfordshire CM23 3HX  T: 01279 461630  F: 01279 461631  E: admin@fihplc.com  W: www.fihplc.com  Registered number 03416346 |
| **Corporate Information** |  |
| **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 | **Stockbroker and Nominated Adviser**  W.H. Ireland Limited  24 Martin Lane,  London EC4R 0DR |
| **The Portsmouth Harbour Ferry Company**  Keith Edwards *Director and General Manager*  T: 02392 524551  E: admin@gosportferry.co.uk  W: www.gosportferry.co.uk | **Solicitors**  Bircham Dyson Bell LLP  50 Broadway,  Westminster,  London SW1H 0BL |
| **Momart Limited**  Kenneth Burgon *Director*  Anna Maris *Director*  Peter Brayshaw*, Director*  T: 020 7426 3000  E: enquiries@momart.co.uk  W: www.momart.com | **Auditor**  KPMG Audit LLP  St. Nicholas House, 31 Park Row,  Nottingham NG1 6FQ |
|  | **Registrar**  Capita Asset Services  The Registry, 34 Beckenham Road,  Beckenham,  Kent BR3 4TU |
|  |  |
|  | **Financial PR**  FTI Consulting  200 Aldersgate,  London EC1A 4HD |

**www.fihplc.com**