

Falkland Islands Holdings PLC  
11 October 2004

Offer update

Falkland Islands Holdings plc  
offer for  
The Portsmouth Harbour Ferry Company PLC

For immediate release

11 October 2004

On 6 October 2004 the board of Falkland Islands Holdings plc ('FIH') announced an offer to be made by Dawnay, Day Corporate Finance Limited on behalf of FIH for the whole of the issued share capital of The Portsmouth Harbour Ferry Company public limited company ('PHFC') not already owned by FIH ('the Offer').

The original Offer consideration comprised 7 new FIH shares for each PHFC share ('the Share Offer') or a Part Cash Alternative of £25 in cash and £8.50 in Loan Notes (ie £33.50) each PHFC share. The Loan Notes were to be redeemed in instalments over four years.

Since the Offer was announced, discussions have taken place between FIH and its advisers and Grant Thornton Corporate Finance, the independent financial adviser to the board of PHFC which led to FIH agreeing to improve the terms of the Part Cash Alternative and to Grant Thornton Corporate Finance agreeing to advise the PHFC board to recommend PHFC shareholders to accept the revised Part Cash Alternative.

The Board of FIH announces that the consideration payable for each PHFC Share under the Part Cash Alternative will be £25 in cash and £10 in Loan Notes (an increase of £1.50 in Loan Notes). The Loan Notes will be redeemed in instalments over three years. The Share Offer is unchanged.

Grant Thornton Corporate Finance has advised the PHFC Board that it considers the terms of the revised Part Cash Alternative under the Offer to be reasonable so far as PHFC shareholders are concerned and that it advises the board of PHFC to recommend PHFC shareholders to accept it. Grant Thornton Corporate Finance understands that whilst the directors of PHFC have taken its advice into account, they are unable to recommend acceptance of the Offer because, amongst other things, they consider that it falls short of a price that fully reflects the future potential of the Company in the light of recent transactions in the domestic ferry sector.

David Hudd, Chairman of FIH said: 'The uncertainty inherent in any bid situation distracts management and staff from the operations of the business. I said in last thursday's BBC South interview that there was some uncertainty as to the ownership of the ferry company and that we were looking to resolve that uncertainty by making a bid for it. What I meant by this was that I believe that now that FIH has announced its formal Offer, this period of uncertainty as to the future ownership of The Portsmouth Harbour Ferry Company will soon be over. If the Offer succeeds, the company will become a subsidiary of FIH, and if it should fail the Takeover Code will limit FIH's ability to make another offer for 12 months.'

I believe that the Offer is a generous one and am pleased that Grant Thornton Corporate Finance considers the £35 per share Part Cash Alternative to be reasonable and that it has advised the board of PHFC to recommend that PHFC shareholders accept it. The value of the Share Offer fluctuates with the FIH share price and today values each PHFC Share at over £40.'

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The Offer Document containing the full terms of the Offer will be posted to PHFC Shareholders as soon as practicable.

The persons responsible for this announcement are the directors of FIH.

Dawnay, Day Corporate Finance Limited ('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.

Dawnay Day has approved the contents of this announcement for the purposes of s21 of the Financial Services and Markets Act 2000 and has given its consent to the publication of this announcement containing references to its name in the form and context in which they appear.

Grant Thornton Corporate Finance has given its consent to the publication of this announcement containing references to its name in the form and context in which they appear. Grant Thornton Corporate Finance, division of Grant Thornton UK LLP, which is authorised and regulated in the United Kingdom by the FSA, is acting exclusively for PHFC and for no one else in connection with the Offer and will not be responsible to anyone other than PHFC for providing the protections afforded to its clients or for providing advice in relation to the Offer.

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