

Falkland Islands Holdings plc
Interim Report 2012



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Chairman's and Managing Director's Review

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2012

Group Overview

The Group is pleased to report satisfactory trading results for the six months to 30 September 2012, with revenues and underlying profits at the same level as the comparable period last year. In July 2012, the Group raised £10 million through an issue of ordinary shares, which will be used to develop the Group's assets in the Falkland Islands to take advantage of the opportunities which are expected to arise from the recent hydrocarbon discoveries.

Group revenue increased marginally to £16.52 million (2011: £16.51 million) and underlying Profit Before Tax (before amortisation) was unchanged at £1.19 million (2011: £1.19 million).

A summary of Group revenue and Underlying Profit Before Tax by business is shown below:

Revenue

| Six months ended 30 September | 2012 £ million | 2011 £ million | Change % |
|-------------------------------|-------------------|-------------------|-------------|
| Falkland Islands Company | 6.94 | 6.99 | (0.7)% |
| Portsmouth Harbour Ferry | 2.22 | 2.15 | 3.3% |
| Momart | 7.36 | 7.37 | (0.1)% |
| Total | 16.52 | 16.51 | 0.1% |

Underlying Profit Before Tax

| Six months ended 30 September | 2012 £ million | 2011 £ million | Change % |
|-------------------------------|-------------------|-------------------|-------------|
| Falkland Islands Company | 0.54 | 0.51 | 5.9% |
| Portsmouth Harbour Ferry | 0.31 | 0.39 | (20.5)% |
| Momart | 0.34 | 0.29 | 17.2% |
| Total | 1.19 | 1.19 | 0.0% |

Non Trading items comprise a profit of £0.8 million on the sale of FOGL shares and the costs of the capital raising of £0.7 million.

The charge for the amortisation of intangible assets was unchanged at £0.2 million.

After a full period's lease finance expense for the Gosport Pontoon of £0.12 million (2011: £0.06 million) financing costs for the six months to 30 September 2012 increased to £0.25 million (2011: £0.22 million) but were partially offset by increased interest income of £0.09 million (2011: £0.06 million) leaving net financing costs unchanged at £0.16 million.

After taking account of non trading items, amortisation of intangible assets and net financing costs, Profit Before Tax was £1.08 million (2011: £0.99 million).

As a result of the increased number of shares in issue diluted earnings per share based on reported earnings were 6.7p (2011: 6.8p) and based on underlying earnings were 7.8p (2011: 9.0p).

The Board is proposing an unchanged interim dividend of 4.0p per share (2011: 4.0p per share) which will be paid on 25 January 2013 to shareholders on the register at the close of business on 14 December 2012.

At 30 September 2012, bank borrowings were £2.5 million (31 March 2012: £3.0 million), and the Group had cash on hand of £10.9 million (31 March 2012: £2.8 million).

Chairman's and Managing Director's Review

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2012

Operating Review

Falkland Islands Company (FIC)

Whilst local demand remained muted and inflationary cost pressure continued during the period, FIC's underlying trading performance was encouraging. Overall revenue and operating profitability were maintained at £6.94 million (2011: £6.99 million) and £0.52 million respectively (2011: £0.52 million), despite the absence of property sales and northbound oil freight which together had boosted revenue last year by £0.4 million. After the allocation of finance charges and income from cash deposits, Profit Before Tax increased to £0.54 million (2011: £0.51 million).

Total retail sales increased by 4.7% to £4.5 million and the continued success of the enlarged store at the Mount Pleasant base ('West Store at MPA') that opened in November 2011 was a key contributor. Elsewhere like for like retail sales were unchanged despite reduced clothing sales in the West Store caused by the demise of Peacocks in the UK. A supply agreement with UK retailer BHS will see a broader clothing range introduced early in 2013.

Automotive sales increased by 23% to £0.85 million (2011: £0.69 million) following investment in a new parts and accessories retail outlet and expansion of the vehicle hire fleet. In addition, £0.3 million was invested during the period to create a new Land Rover 4x4 showroom which opened in November 2012.

Rental income from FIC's property portfolio saw a small decline but we anticipate growing demand for rental accommodation and the intention is to build further properties for rental in central Stanley.

In order to meet the Group's own requirements and to bid for Falkland Islands Government and other contracts, FIC has established a joint venture (South Atlantic Construction Company (SAtCO) with a UK engineering and construction company Trant Construction Limited. There are encouraging signs of future work for SAtCO.

Portsmouth Harbour Ferry Company (PHFC)

PHFC saw continued revenue growth following the significant fare rises implemented at the end of June 2011 to fund the costs of the pontoon and a smaller fare increase in June 2012, with revenue rising 3.3% to £2.22 million (2011: £2.15 million).

Passenger numbers decreased by 7.6% to just over 1.6 million compared to a decline of 4.1% in the same period last year when fare increases were much greater (17.5% vs 3.5%). The major factor behind the decline in passengers has been a change in travel patterns by naval dockyard personnel who form a significant part of the ferry's core commuter traffic. The MoD's decision to withdraw travel to work expenses for the use of public transport has led to the loss of an estimated 300-400 regular week day ferry commuters (3-4,000 return ferry journeys per week). Combined with the poor summer weather and the economic situation, this led to a 9.8% fall in weekday traffic during the period, compared with a reduction of only 2.8% in the prior year. However, we expect this impact to be a one-off step change in traffic rather than a continuing trend, particularly given that overall employment levels in the Portsmouth area have held up reasonably well.

As a result of the decrease in passenger volumes and after absorbing a full six months of leasing costs for the Gosport Pontoon, Profit Before Tax was lower by £0.08 million at £0.31 million (2011: £0.39 million).

Momart

Following an improvement in profitability last year, Momart delivered a solid performance with first half revenues maintained at the same level as 2011 at £7.4 million, despite the absence of a one-off international contract which had accounted for sales of £0.9 million last year.

Museum Exhibition revenues increased by 15% to £3.95 million (2011: £3.44 million) and recurring storage revenues by 12.8% (from £0.77 million to £0.87 million), which offset a reduction in revenues from commercial clients and galleries of £0.63 million (20%).

Notable exhibitions delivered for clients in the period included: *The Damien Hirst Retrospective* at Tate Modern, *Pre Raphaelites* at Tate Britain, *Bronzes* at the Royal Academy, *Lucien Freud* at the National Portrait Gallery and *British Design* at the V&A.

The international commercial art market remained buoyant and Momart was increasingly able to benefit from its hard earned reputation for technical excellence and exemplary service by securing more added value work.

A 3% increase in overall gross margins more than covered an increase in costs and operating profit before amortisation increased from £0.35 million to £0.39 million with profit before tax and amortisation 17.2% ahead at £0.34 million.

Falkland Oil and Gas Limited (FOGL)

On 29 June 2012, the Group sold 1,175,000 shares in FOGL at a price of 86p per share realising £1.0 million in proceeds and generating a profit of £0.77 million. Following the sale the Group retains a holding of 12.825 million shares representing 4.0% of FOGL's issued share capital.

In the period, FOGL announced farm-outs to two substantial companies, US oil company Noble Energy Inc ('Noble') and Edison International s.p.a. As a result FOGL now has a 40% interest in its northern licences and 52.5% in its southern licences and Noble will assume the operatorship of the licences over the next two years. The resultant financial arrangements mean that at the conclusion of the 2012 drilling campaign FOGL is expected to have cash balances of approximately \$220 million which should be sufficient to fund its share of currently planned exploration work.

During the period FOGL as operator spudded two wells. In September 2012, a gas discovery was declared on its Loligo well and on 27 November the result of the Scotia well was announced confirming that a working hydrocarbon system existed in that geological play. The well results showed that Scotia was a valid stratigraphic trap but the reservoir quality was poor at that location.

Further work is underway to evaluate the results of both wells. Substantial 3D surveys are expected to commence shortly and the expectation is that they will be followed by further exploration drilling.

At 30 September 2012, the market value of FIH's shareholding in FOGL was £8.4 million (based on a FOGL share price of 65.5p) or 67.6p per FIH share. The historic cost of the FOGL stake is £2.6 million or 20p per share. At 5 December 2012 the market value of the shareholding was £3.8 million.

Chairman's and Managing Director's Review

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2012

Balance Sheet and Cash Flow

In July 2012, the Group issued 3.1 million new shares by means of a placing and open offer at 320 pence per share to raise £10 million before expenses to provide funds to invest in the Group's businesses in the Falkland Islands. The issue represented 25.1% of the enlarged share capital which has been increased to 12.4 million shares.

At 30 September 2012 the Group had bank borrowings of £2.5 million (31 March 2012: £3.0 million), HP liabilities of £0.4 million (31 March 2012: £0.4 million) and £4.9 million (31 March 2012: £4.9 million) in respect of the 50 year long term finance lease liabilities for the Gosport Pontoon. In addition the Group held cash balances of £10.9 million (31 March 2012: £2.8 million).

Outlook

Since the Group's equity fundraising in July 2012, a succession of announcements has confirmed our view that the Falkland Islands and the Group's interests there have an exciting future.

The two farm-ins to FOGL's licence area have secured the financing of further exploration to the South and East of the Islands, whilst Premier Oil's acquisition of control of the Sea Lion field should assure the exploitation of that discovery. These developments were followed in October 2012 by the Falkland Islands Government announcement that it would support the construction of a new port at Navy Point, Port William in Stanley's Outer Harbour, rather than expansion of the existing FIPASS facility in Stanley Harbour.

At FIC, we are investing now to take advantage of the economic growth which is expected to follow from the exploitation of hydrocarbon discoveries. We have added a property director to our FIC management team and are working with advisers in order to participate in the current port project. Particularly interesting is FIC's 300 acres of land that are contiguous with the Falkland Islands Government's land at Navy Point. Elsewhere in Stanley we are preparing plans for the possible development of each of our key sites encompassing residential, office and industrial uses. The related costs are being expensed which will depress profits in the short term but they are long term projects.

We are completing work on our automotive department by upgrading the service facility. We also intend to modernise our offices in Stanley which are housed in an iconic building but need refurbishment. The outlook for South Atlantic Construction (SATCO) our construction joint venture remains promising.

In the UK the order book for Momart is strong and its service level and reputation as the UK market leader has continued to deliver prestigious contracts both in the UK and internationally. At PHFC, although current passenger numbers are disappointing the earnings stream remains robust.

The general outlook for the Group remains positive and we are confident that our portfolio of businesses will continue to perform well.

David Hudd

Chairman

6 December 2012

John Foster

Managing Director

Condensed Interim Consolidated Income Statement

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2012

| Notes | Unaudited 6 months to 30 September 2012 £'000 | Unaudited 6 months to 30 September 2011 £'000 | Audited Year ended 31 March 2012 £'000 |
|---|---|---|--|
| 3 Revenue | 16,518 | 16,510 | 34,109 |
| Cost of sales | (9,839) | (10,235) | (20,131) |
| Gross profit | 6,679 | 6,275 | 13,978 |
| Other administrative expenses | (5,327) | (4,929) | (10,410) |
| Fund raising costs | (682) | – | – |
| Gain on sale of FOGL shares | 768 | – | – |
| Amortisation of intangible assets | (199) | (198) | (398) |
| Administrative expenses | (5,440) | (5,127) | (10,808) |
| Operating profit | 1,239 | 1,148 | 3,170 |
| Finance income | 92 | 64 | 123 |
| Finance expense | (250) | (222) | (457) |
| 2 Net financing costs | (158) | (158) | (334) |
| Profit before tax from continuing operations | 1,081 | 990 | 2,836 |
| 4 Taxation | (346) | (357) | (580) |
| Profit attributable to equity holders of the Company | 735 | 633 | 2,256 |
| 5 Earnings per share: | | | |
| Basic | 6.8p | 6.9p | 24.5p |
| Diluted | 6.7p | 6.8p | 24.4p |

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 2012

| Notes | Unaudited 30 September 2012 £'000 | Unaudited 30 September 2011 £'000 | Audited 31 March 2012 £'000 |
|---|--|--|--------------------------------------|
| Non-current assets | | | |
| Intangible assets | 12,514 | 12,913 | 12,713 |
| Property, plant and equipment | 13,391 | 12,839 | 12,911 |
| Investment properties | 1,435 | 1,464 | 1,452 |
| 6 Shares held in Falkland Oil and Gas Limited | 8,400 | 5,641 | 9,030 |
| Non-current assets held for sale | 20 | 20 | 20 |
| Other financial assets | 140 | 118 | 150 |
| Deferred tax assets | 593 | 554 | 593 |
| Total non-current assets | 36,493 | 33,549 | 36,869 |
| Current assets | | | |
| Trading inventories | 5,275 | 3,994 | 3,991 |
| Property inventories | 1,010 | 1,006 | 1,010 |
| Inventories | 6,285 | 5,000 | 5,001 |
| Trade and other receivables | 5,181 | 5,473 | 5,620 |
| Other financial assets | 426 | 337 | 385 |
| Cash and cash equivalents | 10,876 | 2,376 | 2,751 |
| Total current assets | 22,768 | 13,186 | 13,757 |
| TOTAL ASSETS | 59,261 | 46,735 | 50,626 |
| Current liabilities | | | |
| Interest bearing loans and borrowings | (1,160) | (1,116) | (1,140) |
| Income tax payable | (632) | (666) | (508) |
| Trade and other payables | (8,231) | (8,100) | (8,753) |
| Total current liabilities | (10,023) | (9,882) | (10,401) |
| Non-current liabilities | | | |
| Interest bearing loans and liabilities | (6,665) | (7,555) | (7,145) |
| 7 Employee benefits | (2,485) | (2,130) | (2,470) |
| Deferred tax liabilities | (1,122) | (1,415) | (1,122) |
| Total non-current liabilities | (10,272) | (11,100) | (10,737) |
| TOTAL LIABILITIES | (20,295) | (20,982) | (21,138) |
| Net assets | 38,966 | 25,753 | 29,488 |
| Capital and reserves | | | |
| Equity share capital | 1,243 | 922 | 930 |
| Share premium account | 17,436 | 7,618 | 7,871 |
| Other reserves | 1,162 | 1,162 | 1,162 |
| Retained earnings | 13,309 | 12,371 | 13,316 |
| Financial assets fair value reserve | 5,816 | 3,680 | 6,209 |
| Total equity | 38,966 | 25,753 | 29,488 |

Condensed Consolidated Cash Flow Statement

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2012

| | Unaudited 6 months to 30 September 2012 £'000 | Unaudited 6 months to 30 September 2011 £'000 | Audited Year ended 31 March 2012 £'000 |
|---|---|---|--|
| Profit for the period | 735 | 633 | 2,256 |
| <i>Adjusted for:</i> | | | |
| <i>(i) Non-cash items:</i> | | | |
| Depreciation | 560 | 507 | 1,069 |
| Amortisation | 199 | 198 | 398 |
| Profit on disposal of fixed assets | – | – | (2) |
| Amortisation of loan fees | 8 | – | 16 |
| Expected return on pension scheme assets | – | (8) | (29) |
| Interest cost on pension scheme liabilities | 66 | 73 | 138 |
| Equity-settled share-based payment expenses | 124 | 95 | 101 |
| <i>Non-cash items adjustment</i> | 957 | 865 | 1,691 |
| <i>(ii) Other items:</i> | | | |
| Bank interest receivable | (47) | (2) | (5) |
| Bank interest payable | 50 | 74 | 115 |
| Finance lease interest payable | 126 | 75 | – |
| Gain on disposal of 1,175,000 FOGL shares | (768) | – | – |
| Dividend approved not paid | – | (507) | – |
| Income tax expense | 346 | 357 | 580 |
| <i>Other adjustments</i> | (293) | (3) | 690 |
| Operating cash flow before changes in working capital and provisions | 1,399 | 1,495 | 4,637 |
| Decrease in trade and other receivables | 439 | 338 | 127 |
| Decrease in property inventories | – | 198 | 194 |
| (Increase)/decrease in trading inventories | (1,284) | 221 | 224 |
| (Decrease)/increase in trade and other payables | (522) | (232) | 419 |
| Decrease in provisions and employee benefits | (51) | – | (133) |
| <i>Changes in working capital and provisions</i> | (1,418) | 525 | 831 |
| Cash generated from operations | (19) | 2,020 | 5,468 |
| Income taxes paid | (222) | (260) | (862) |
| Net cash from operating activities | (241) | 1,760 | 4,606 |
| Cash flows from investing activities | | | |
| Purchase of 2 million FOGL shares | – | – | (860) |
| Sale of 1,175,000 FOGL shares | 1,005 | – | – |
| Purchase of property, plant and equipment | (1,023) | (5,726) | (1,277) |
| Proceeds from disposal of property, plant and equipment | – | 126 | 14 |
| Interest received | 47 | 2 | 5 |
| Net cash from investing activities | 29 | (5,598) | (2,118) |
| Cash flow from financing activities | | | |
| Increase in other financial assets | (31) | (143) | (223) |
| Repayment of secured loan | (689) | (448) | (1,110) |
| Proceeds from new loans | 95 | 4,957 | 260 |
| Interest paid | (50) | (214) | (115) |
| Proceeds from the issue of ordinary share capital | 9,878 | – | 261 |
| Dividends paid | (866) | – | (872) |
| Net cash from financing activities | 8,337 | 4,152 | (1,799) |
| Net increase in cash and cash equivalents | 8,125 | 314 | 689 |
| Cash and cash equivalents at start of period | 2,751 | 2,062 | 2,062 |
| Cash and cash equivalents at end of period | 10,876 | 2,376 | 2,751 |

Condensed Consolidated Statement of Comprehensive Income

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2012

| Notes | Unaudited 6 months to 30 September 2012 £'000 | Unaudited 6 months to 30 September 2011 £'000 | Audited Year ended 31 March 2012 £'000 |
|--|---|---|--|
| 6 Gain/(loss) in fair value in shares of FOGL | 128 | (5,069) | (2,540) |
| Transfer to the income statement on sale of shares in FOGL | (521) | – | – |
| 7 Net actuarial loss on pension schemes net of tax | – | – | (319) |
| Other comprehensive expense | (393) | (5,069) | (2,859) |
| Profit for the period | 735 | 633 | 2,256 |
| Total comprehensive income/(expense) | 342 | (4,436) | (603) |

Condensed Consolidated Statement of Changes in Shareholders' Equity

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2012

| | Unaudited 6 months to 30 September 2012 £'000 | Unaudited 6 months to 30 September 2011 £'000 | Audited Year ended 31 March 2012 £'000 |
|--|---|---|--|
| Shareholders' funds at beginning of period | 29,488 | 30,601 | 30,601 |
| Profit for the period | 735 | 633 | 2,256 |
| Gain/(loss) in fair value in shares of FOGL | 128 | (5,069) | (2,540) |
| Transfer to the income statement on sale of shares in FOGL | (521) | – | – |
| Net actuarial loss on pension schemes net of tax | – | – | (319) |
| Total comprehensive income/(expense) | 342 | (4,436) | (603) |
| Dividends paid or approved by shareholders | (866) | (507) | (872) |
| Proceeds from the issue of share capital | 9,878 | – | 261 |
| Share-based payments | 124 | 95 | 101 |
| Shareholders' funds at end of period | 38,966 | 25,753 | 29,488 |

Notes to the Unaudited Interim Statements

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2012

1 Basis of Preparation

This interim financial information comprises the condensed consolidated balance sheets at 30 September 2012, 30 September 2011 and 31 March 2012 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 2012 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 2013 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 2013.

The Interim Report was approved by the Board on 6 December 2012.

Section 245 Statement

The comparative figures for the financial year ended 31 March 2012 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 Finance Income and Expense

| | Unaudited 6 months to 30 September 2012 £'000 | Unaudited 6 months to 30 September 2011 £'000 | Audited Year ended 31 March 2012 £'000 |
|---|---|---|--|
| Bank interest receivable | 47 | 2 | 5 |
| Finance lease interest receivable | 45 | 54 | 89 |
| Expected return on pension scheme assets | – | 8 | 29 |
| Total financial income | 92 | 64 | 123 |
| Interest payable on bank loans and other interest | (50) | (74) | (115) |
| Interest cost on pension scheme liabilities | (66) | (73) | (138) |
| Amortisation of loan fees | (8) | – | (16) |
| Finance lease interest payable | (126) | (75) | (188) |
| Total financial expense | (250) | (222) | (457) |
| Net financing cost | (158) | (158) | (334) |

Notes to the Unaudited Interim Statements

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2012

3 Segmental Revenue and Profit Analysis

| | Unaudited 6 months to 30 September 2012 | | | |
|--|--|---|---|----------------|
| | General trading (Falklands) £'000 | Ferry services (Portsmouth) £'000 | Arts logistics & storage (UK) £'000 | Total £'000 |
| External revenue | 6,942 | 2,216 | 7,360 | 16,518 |
| Segment operating profit before amortisation and non-trading items | 515 | 446 | 391 | 1,352 |
| Fund raising costs | – | – | – | (682) |
| Gain on sale of FOGL shares | – | – | – | 768 |
| Amortisation of intangible assets | – | – | (199) | (199) |
| Amortisation and non-trading items | – | – | (199) | (113) |
| Segment operating profit | 515 | 446 | 192 | 1,239 |
| Finance income | 90 | 2 | – | 92 |
| Finance expense | (67) | (135) | (48) | (250) |
| Segment profit before tax | 538 | 313 | 144 | 1,081 |
| <i>Assets and liabilities</i> | | | | |
| Segment assets | 13,609 | 12,854 | 13,489 | 39,952 |
| Segment liabilities | (6,698) | (6,974) | (4,307) | (17,979) |
| Unallocated assets and liabilities | – | – | – | 16,993 |
| Segment net assets | 6,911 | 5,880 | 9,182 | 38,966 |
| <i>Other segment information</i> | | | | |
| Capital expenditure | 611 | 115 | 297 | 1,023 |
| Depreciation | 221 | 159 | 180 | 560 |
| Amortisation | – | – | 199 | 199 |

Underlying profit before tax

| | | | | |
|---|------|-------|------|-------|
| Segment operating profit before tax, amortisation and non-trading items | 515 | 446 | 391 | 1,352 |
| Finance income | 90 | 2 | – | 92 |
| Finance expense | (67) | (135) | (48) | (250) |
| Segment underlying profit before tax | 538 | 313 | 343 | 1,194 |

| Unaudited 6 months to 30 September 2011 | | | | Audited Year ended 31 March 2012 | | | |
|--|---|---|----------------|---|---|---|----------------|
| General trading (Falklands) £'000 | Ferry services (Portsmouth) £'000 | Arts logistics & storage (UK) £'000 | Total £'000 | General trading (Falklands) £'000 | Ferry services (Portsmouth) £'000 | Arts logistics & storage (UK) £'000 | Total £'000 |
| 6,989 | 2,148 | 7,373 | 16,510 | 14,979 | 4,160 | 14,970 | 34,109 |
| 518 | 482 | 346 | 1,346 | 1,510 | 1,094 | 964 | 3,568 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | (198) | (198) | - | - | (398) | (398) |
| - | - | (198) | (198) | - | - | (398) | (398) |
| 518 | 482 | 148 | 1,148 | 1,510 | 1,094 | 566 | 3,170 |
| 62 | - | 2 | 64 | 86 | 33 | 4 | 123 |
| (65) | (96) | (61) | (222) | (142) | (263) | (52) | (457) |
| 515 | 386 | 89 | 990 | 1,454 | 864 | 518 | 2,836 |
| 11,836 | 12,917 | 12,681 | 37,434 | 12,302 | 12,967 | 13,550 | 38,819 |
| (7,410) | (6,983) | (4,368) | (18,761) | (7,006) | (7,060) | (4,261) | (18,327) |
| - | - | - | 7,080 | - | - | - | 8,996 |
| 4,426 | 5,934 | 8,313 | 25,753 | 5,296 | 5,907 | 9,289 | 29,488 |
| 370 | 5,054 | 302 | 5,726 | 632 | 5,080 | 524 | 6,236 |
| 196 | 160 | 151 | 507 | 435 | 303 | 331 | 1,069 |
| - | - | 198 | 198 | - | - | 398 | 398 |
| 518 | 482 | 346 | 1,346 | 1,510 | 1,094 | 964 | 3,568 |
| 62 | - | 2 | 64 | 86 | 33 | 4 | 123 |
| (65) | (96) | (61) | (222) | (142) | (263) | (52) | (457) |
| 515 | 386 | 287 | 1,188 | 1,454 | 864 | 916 | 3,234 |

Notes to the Unaudited Interim Statements

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2012

4 Taxation

The taxation charge has been estimated to be 29.0% (2011: 30.0%).

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 2012 Number | 6 months to 30 September 2011 Number | Year ended 31 March 2012 Number |
|--|---|---|--|
| Weighted average number of shares in issue | 10,798,400 | 9,220,414 | 9,227,351 |
| Less: shares held under the ESOP | (37,712) | (36,499) | (36,499) |
| Average number of shares in issue excluding the ESOP | 10,760,688 | 9,183,915 | 9,190,852 |
| Maximum dilution with regards to share options | 155,681 | 176,504 | 48,205 |
| Diluted weighted average number of shares | 10,916,369 | 9,360,419 | 9,239,057 |

| | 6 months to 30 September 2012 £'000 | 6 months to 30 September 2011 £'000 | Year ended 31 March 2012 £'000 |
|---|--|--|---|
| Underlying profit before tax | 1,194 | 1,188 | 3,234 |
| Tax thereon | (346) | (357) | (817) |
| Tax rate | 29% | 30% | 25% |
| Underlying profit after tax | 848 | 831 | 2,417 |
| Basic earnings per share on underlying profit | 7.9p | 9.1p | 26.3p |
| Diluted earnings per share on underlying profit | 7.8p | 9.0p | 26.2p |

6 Financial Assets – Available for Sale Equity Securities

(a) At fair value

The Group has an investment of 12,825,000 (2011: 12,000,000) shares in the AIM quoted company Falkland Oil and Gas Limited ('FOGL').

| | 30 September 2012 | 30 September 2011 | 31 March 2012 |
|-----------------------------------|----------------------|----------------------|------------------|
| FOGL share price | 65.5p | 47.0p | 64.5p |
| Number of shares held by Group | 12,825,000 | 12,000,000 | 14,000,000 |
| | £'000 | £'000 | £'000 |
| Investments stated at fair value: | | | |
| Falkland Oil and Gas Limited | 8,400 | 5,641 | 9,030 |

In June 2012, the Group sold 1,175,000 shares in FOGL, for a profit of £768,000 receiving net proceeds of £1,005,000. An unrealised gain of £128,000 (2011: loss of £5,071,000) 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 2012 £'000 | 30 September 2011 £'000 | 31 March 2012 £'000 |
|------------------------------|-------------------------------|-------------------------------|---------------------------|
| Investment at cost: | | | |
| Falkland Oil and Gas Limited | 2,586 | 1,963 | 2,823 |

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 2012 the Group's other pension fund, The Portsmouth Harbour Ferry Company Plc (1975) Retirement Scheme, showed a net deficit of £49,000.

8 Analysis of Change in Debt

| | As at 1 April 2012 £'000 | Cash flows £'000 | As at 30 September 2012 £'000 | As at 30 September 2011 £'000 |
|---|-----------------------------------|------------------------|--|--|
| Cash at bank and in hand | 2,751 | 8,125 | 10,876 | 2,376 |
| Debt due within one year | (1,140) | (20) | (1,160) | (1,116) |
| Debt due after one year – Bank loans | (1,987) | 492 | (1,495) | (2,467) |
| Debt due after one year – Hire purchase | (245) | (24) | (269) | (156) |
| Debt due after one year – Pontoon lease | (4,913) | 12 | (4,901) | (4,932) |
| Net debt at end of period | (5,534) | 8,585 | 3,051 | (6,295) |

Directors and Corporate Information

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John Foster *Managing Director*

Mike Killingley*

Jeremy Brade*

**Non-executive Directors*

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Carol Bishop

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