Falkland Islands Holdings plc
Interim Report 2013

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Chairman's and Managing Director's Review

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013

Group Overview

The Group is pleased to report encouraging trading results for the six months to 30 September 2013, with revenues ahead by 4.4% and underlying profits before tax increased by 14.8% to £1.37 million (2012: £1.19 million) compared to the same period last year.

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

Revenue

Six months ended 30 September	2013 £ million	2012 £ million	Change %
Falkland Islands Company	**6.76**	6.94	(2.7)%
Portsmouth Harbour Ferry	**2.24**	2.22	0.9%
Momart	**8.24**	7.36	12.0%
Total	**17.24**	16.52	4.4%

Underlying Profit Before Tax

Six months ended 30 September	2013 £ million	2012 £ million	Change %
Falkland Islands Company	**0.30**	0.54	(44.1)%
Portsmouth Harbour Ferry	**0.31**	0.31	(0.6)%
Momart	**0.76**	0.34	121.3%
Total	**1.37**	1.19	14.8%

After taking account of non-trading items, amortisation of intangible assets and net financing costs, reported Profit Before Tax increased by 14.9% to £1.24 million (2012: £1.08 million).

Diluted earnings per share based on reported earnings were 7.4p (2012: 6.7p) and based on underlying earnings diluted EPS were 8.1p (2012: 7.8p).

The Board is proposing an unchanged interim dividend of 4.0p per share (2012: 4.0p per share) which will be paid on 24 January 2014 to shareholders on the register at the close of business on 13 December 2013.

At 30 September 2013, bank borrowings were £1.5 million (31 March 2013: £2.0 million), and the Group had cash balances of £8.2 million (31 March 2013: £11.4 million).

Chairman's and Managing Director's Review

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013

Operating Review

Falkland Islands Company (FIC)

Total sales fell by 2.7% to £6.76 million (2012: £6.94 million) as the Falklands economy slowed down following the departure of the Leiv Eiriksson drilling rig in December 2012. At the same time labour costs increased due to a combination of inflation and the recruitment of additional personnel, as we continued to invest to strengthen the business in preparation for oil. Site development costs of £0.1 million were expensed. As a result FIC's underlying trading contribution before tax fell by £0.24 million to £0.3 million.

Reflecting the trading environment, retail sales fell by 6.9% to £4.2 million with warehouse sales impacted by the absence of a rig. West Store sales were down by 5.2% but a more aggressive pricing policy at Homebuilder saw its sales increase by an encouraging 33%. With pressure on margins from local competitors and increased labour costs the decline in retail profitability accounted for most of the reduction in FIC's contribution. Rental income from FIC's property portfolio also fell as a result of the decrease in oil activity.

On a positive note automotive sales increased by 37% to £1.16 million (2012: £0.85 million) as the Group benefited from the recent investment in *Falklands 4x4*, FIC's Land Rover dealership. FIC's Fishing Agency also enjoyed improved performance linked to a strong illex squid catch in the late Spring and the Group's insurance business continued to progress.

Activity levels in Stanley are expected to remain subdued until onshore activity related to the Sea Lion development commences. This is expected to follow after Government approval of the Field Development Plan which is expected to be in late 2014 although some uplift may result from planned increases in Falkland Islands Government capital spending.

Infrastructure work has been limited to date but FIC will see benefit from the installation of a temporary floating port in Stanley Harbour for Noble Energy to support its forthcoming drilling programme in 2014-15. The main benefits of this are not expected to arise until the next financial year.

Portsmouth Harbour Ferry Company (PHFC)

PHFC saw an improved performance with modest growth in revenue and maintained profitability following the decline seen last year. Revenue was unchanged at £2.2 million and contribution after the allocation of Group overheads and financing charges remained steady at £0.3 million (2012: £0.3 million).

As anticipated, the sharp decline in passenger numbers seen in the prior year was not repeated with a decrease of 1.7% compared with 7.6% for the same period last year. Fare increases of 3-4% were introduced in June 2013 taking the cost of a daily adult return ticket to £2.90. Weekend traffic performed well helped by warm summer weather and volumes increased by 1.3%, although weekday commuter numbers fell by 2.9% reflecting local economic conditions.

To continue to provide an efficient and reliable service for its passengers, after a rigorous tender process, PHFC commissioned the construction of a new modern ferry vessel to be named *"Harbour Spirit"* from the Croatian shipyard, Tehnomont, at a total cost of £3.2 million. Delivery is expected in early 2015, and the cost will be largely financed by a 10 year boat loan. This will complete PHFC's vessel modernisation programme for the foreseeable future.

The recent announcement by BAE Systems of the closure of its shipbuilding activities in Portsmouth with the loss of 940 jobs was unwelcome news although the proposed cuts represent only 8% of the total workforce at the naval base and of these, only a small number live in Gosport and use the ferry.

In the medium term, the planned expansion of Portsmouth naval base to accommodate the two new aircraft carriers and its support vessels (arriving in 2016-17) are expected to result in a significant boost to staffing levels at the dockyard with a positive impact on PHFC.

Momart

Momart enjoyed an outstanding first half with overall revenues growing by 12% to £8.24 million (2012: £7.36 million) and underlying PBTa increasing by over 121% to £0.76 million, a net margin of 9.2% (2012: 4.7%). Momart was able to capitalise on its technical expertise to deliver a record first half performance.

Museum Exhibition revenues increased by 21% to £4.77 million (2012: £3.95 million) and recurring storage revenues by 4.7% (from £0.87 million to £0.91 million). Revenue from commercial galleries and artists (Gallery Services) was maintained at £2.5 million.

Notable museum exhibitions delivered for UK clients in the period included: *Manet* at the Royal Academy, Houghton Hall (the brief reunion of Sir Robert Walpole's personal art collection at his old country seat in Norfolk, from the Hermitage Museum), *Ellen Gallagher* at Tate Modern, *Ice Age* at the British Museum and *Tudors and Stuarts* at the V&A. Momart was also involved in a number of important international exhibitions many of which tour to multiple destinations generating further revenues.

The commercial art market remained strong and Momart continued to develop its relationship with blue chip clients in the UK and to strengthen established relationships with leading international art handling partners.

Falkland Oil and Gas Limited (FOGL)

The Group continues to own 12.8 million shares in FOGL. At 30 September 2013, the market value of the shareholding was £3.6 million (based on a FOGL share price of 28p). The historic cost of the FOGL stake is £2.6 million or 20p per share. At 25 November 2013, the market value of the shareholding was £3.5 million.

The combination of FOGL with Desire Petroleum, which is expected to be effective in December, will transform the future for FOGL. FOGL will have exposure to Desire's interests in the North Falkland Basin, including the Sea Lion area. FOGL will be the only Falkland Islands focussed exploration, appraisal and development company with interests in the North, East and South Falkland Basins.

Together with the farm-out with Premier and Rockhopper, FOGL will have fully funded participation in an enhanced drilling programme, which is expected to commence in late 2014. The programme includes two wells in the South Falkland Basin partnered with Noble Energy and Edison International and three wells in the North Falkland Basin with Premier Oil and Rockhopper.

FOGL and its partners are currently preparing for the drilling campaign. This comprises the interpretation of 3D seismic data acquired earlier in the 2013 programme and will also include the results of a further 3D survey which has recently commenced. This work will enable the optimum drilling targets to be selected. At the same time Noble Energy is engaged in securing a rig and preparing for the campaign with the installation of a temporary port and the ordering of long lead equipment.

Chairman's and Managing Director's Review

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013

Balance Sheet and Cash Flow

During the period, £1.1 million was invested in capital projects mainly in the Falklands, to create a modern servicing facility for *Falklands 4x4*, to build additional residential properties for rental and to upgrade FIC's offices in Crozier Place, Stanley including the creation of rental space.

Trading inventories increased by £0.7 million to £6.0 million (2012: £5.3 million) to support FIC's commission building of houses in Stanley, increased vehicle sales and strong sales growth at builders merchant, Homebuilder. Properties held for resale with a net book value of £1.0 million in the prior year were transferred into fixed assets prior to 31 March 2013 and are now held for commercial rental.

After capital investment of £1.1 million, dividend and tax payments totalling £1.2 million, loan repayments of £0.7 million and seasonal working capital increases, the Group's cash balances reduced by £3.2 million to £8.2 million at 30 September 2013.

At 30 September 2013, the Group had bank borrowings of £1.5 million (31 March 2013: £2.0 million), HP liabilities of £0.3 million (31 March 2013: £0.4 million) and £4.9 million (31 March 2013: £4.9 million) in respect of the 50 year long term finance lease liabilities for the Gosport Pontoon.

Outlook

The medium and long term growth prospects in the Falklands remain exceptional, but in the near term, until onshore oil activity gains momentum, trading conditions in Stanley are likely to remain quiet.

In the current year we will continue to invest to strengthen our existing Falkland businesses and to progress development plans for FIC's key property assets. The trading performance is expected to improve in the second half and will be helped by any increase in the number of cruise ship passengers visiting the Islands.

In the UK, the order book for Momart is strong and a good result is expected for the year. At PHFC, overall performance is expected to remain solid despite the recent announcement of job losses in Portsmouth.

The benefits of the current composition of the Group with its differing profit drivers has been demonstrated in the period and we expect the trends seen in the first half to continue for the remainder of this financial year. The overall outlook for the Group remains positive and we are confident that our businesses with their differing drivers will continue to serve shareholders well.

David Hudd
Chairman

John Foster
Managing Director

25 November 2013

Condensed Interim Consolidated Income Statement

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013

Notes		Unaudited 6 months to 30 September 2013 £'000	Unaudited 6 months to 30 September 2012 £'000	Audited Year ended 31 March 2013 £'000
2	**Revenue**	**17,239**	16,518	35,596
	Cost of sales	**(9,885)**	(9,839)	(21,178)
	Gross profit	**7,354**	6,679	14,418
	Other administrative expenses	**(5,882)**	(5,327)	(10,916)
	Fund raising costs	**–**	(682)	(682)
	Gain on sale of FOGL shares	**–**	768	768
	Net settlement credit/(loss) on the transfer of the PHFC pension scheme	**64**	–	(182)
	Amortisation of intangible assets	**(193)**	(199)	(398)
	Administrative expenses	**(6,011)**	(5,440)	(11,410)
	Operating profit	**1,343**	1,239	3,008
	Finance income	**133**	92	280
	Finance expense	**(234)**	(250)	(491)
3	Net financing costs	**(101)**	(158)	(211)
	Profit before tax from continuing operations	**1,242**	1,081	2,797
4	Taxation	**(323)**	(346)	(1,193)
	Profit attributable to equity holders of the Company	**919**	735	1,604
5	**Earnings per share:**			
	Basic	**7.4p**	6.8p	13.9p
	Diluted	**7.4p**	6.7p	13.7p

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 2013

Notes		Unaudited 30 September 2013 £'000	Unaudited 30 September 2012 £'000	Audited 31 March 2013 £'000
	Non-current assets			
	Intangible assets	**12,122**	12,514	12,315
	Property, plant and equipment	**13,962**	13,391	13,725
	Investment properties	**2,960**	1,435	2,786
6	Shares held in Falkland Oil and Gas Limited	**3,623**	8,400	3,399
	Investment in joint venture	**50**	–	50
	Non-current assets held for sale	**–**	20	20
	Other financial assets	**234**	140	121
	Deferred tax assets	**671**	593	671
	Total non-current assets	**33,622**	36,493	33,087
	Current assets			
	Trading inventories	**5,973**	5,275	5,099
	Property inventories	**–**	1,010	–
	Inventories	**5,973**	6,285	5,099
	Trade and other receivables	**6,145**	5,181	6,133
	Other financial assets	**458**	426	486
	Cash and cash equivalents	**8,171**	10,876	11,416
	Total current assets	**20,747**	22,768	23,134
	TOTAL ASSETS	**54,369**	59,261	56,221
	Current liabilities			
	Interest bearing loans and borrowings	**(1,121)**	(1,160)	(1,149)
	Income tax payable	**(382)**	(632)	(364)
	Trade and other payables	**(8,551)**	(8,231)	(10,012)
	Total current liabilities	**(10,054)**	(10,023)	(11,525)
	Non-current liabilities			
	Interest bearing loans and liabilities	**(5,618)**	(6,665)	(6,139)
7	Employee benefits	**(2,584)**	(2,485)	(2,584)
	Deferred tax liabilities	**(1,694)**	(1,122)	(1,694)
	Total non-current liabilities	**(9,896)**	(10,272)	(10,417)
	TOTAL LIABILITIES	**(19,950)**	(20,295)	(21,942)
	Net assets	**34,419**	38,966	34,279
	Capital and reserves			
	Equity share capital	**1,243**	1,243	1,243
	Share premium account	**17,447**	17,436	17,447
	Other reserves	**1,162**	1,162	1,162
	Retained earnings	**13,528**	13,309	13,612
	Financial assets fair value reserve	**1,039**	5,816	815
	Total equity	**34,419**	38,966	34,279

Condensed Consolidated Cash Flow Statement

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013

	Unaudited 6 months to 30 September 2013 £'000	Unaudited 6 months to 30 September 2012 £'000	Audited Year ended 31 March 2013 £'000
Profit for the period	**919**	735	1,604
Adjusted for:			
(i) Non-cash items:			
Depreciation	**630**	560	1,204
Amortisation	**193**	199	398
Profit on disposal of fixed assets	**(34)**	–	56
Amortisation of loan fees	**8**	8	16
Expected return on pension scheme assets	**–**	–	(25)
Interest cost on pension scheme liabilities	**60**	66	134
Equity-settled share-based payment expenses	**51**	124	134
Non-cash items adjustment	**908**	957	1,917
(ii) Other items:			
Bank interest receivable	**(85)**	(47)	(164)
Bank interest payable	**26**	50	85
Finance lease interest payable	**140**	126	–
Gain on disposal of 1,175,000 FOGL shares	**–**	(768)	(768)
Fund raising expenses	**–**	–	682
Net settlement (credit)/loss on the transfer of the PHFC pension scheme	**(64)**	–	182
Income tax expense	**323**	346	1,193
Other adjustments	**340**	(293)	1,210
Operating cash flow before changes in working capital and provisions	**2,167**	1,399	4,731
Decrease/(increase) in trade and other receivables	**8**	439	(513)
Increase in trading inventories	**(874)**	(1,284)	(1,108)
(Decrease)/increase in trade and other payables	**(1,503)**	(522)	1,221
Decrease in provisions and employee benefits	**(60)**	(51)	(129)
Changes in working capital and provisions	**(2,429)**	(1,418)	(529)
Cash generated from operations	**(262)**	(19)	4,202
Income taxes paid	**(305)**	(222)	(735)
Net cash from operating activities	**(567)**	(241)	3,467
Cash flows from investing activities			
Sale of 1,175,000 FOGL shares	**–**	1,005	1,005
Purchase of property, plant and equipment	**(1,058)**	(1,023)	(2,415)
Proceeds from disposal of property, plant and equipment	**51**	–	17
Cash received/(paid) on transfer of the pension scheme	**46**	–	(260)
Investment in Joint Venture	**–**	–	(50)
Interest received	**85**	47	164
Net cash from investing activities	**(876)**	29	(1,539)
Cash flow from financing activities			
Increase in other financial assets	**(85)**	(31)	(72)
Repayment of secured loan	**(697)**	(689)	(1,135)
Proceeds from new loans	**–**	95	122
Interest paid	**(26)**	(50)	(85)
Proceeds from the issue of ordinary share capital	**–**	9,878	9,889
Net cash out on sale and purchase of Treasury shares	**(66)**	–	–
Fund raising expenses	**–**	–	(620)
Dividends paid	**(928)**	(866)	(1,362)
Net cash from financing activities	**(1,802)**	8,337	6,737
Net increase in cash and cash equivalents	**(3,245)**	8,125	8,665
Cash and cash equivalents at start of period	**11,416**	2,751	2,751
Cash and cash equivalents at end of period	**8,171**	10,876	11,416

Condensed Consolidated Statement of Comprehensive Income FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013

Notes		Unaudited 6 months to 30 September 2013 £'000	Unaudited 6 months to 30 September 2012 £'000	Audited Year ended 31 March 2013 £'000
6	Gain/(loss) in fair value in shares of FOGL	224	128	(4,873)
	Transfer to the income statement on sale of shares in FOGL	–	(521)	(521)
	Items which will ultimately be recyled to the income statement	224	(393)	(5,394)
7	Net actuarial loss on pension schemes net of tax	–	–	(142)
	Items which will ultimately not be recyled to the income statement	–	–	(142)
	Other comprehensive expense	**224**	(393)	(5,536)
	Profit for the period	**919**	735	1,604
	Total comprehensive income/(expense)	**1,143**	342	(3,932)

Condensed Consolidated Statement of Changes in Shareholders' Equity FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013

	Unaudited 6 months to 30 September 2013 £'000	Unaudited 6 months to 30 September 2012 £'000	Audited Year ended 31 March 2013 £'000
Shareholders' funds at beginning of period	**34,279**	29,488	29,488
Profit for the period	**919**	735	1,604
Gain/(loss) in fair value in shares of FOGL	**224**	128	(4,873)
Transfer to the income statement on sale of shares in FOGL	–	(521)	(521)
Net actuarial loss on pension schemes net of tax	–	–	(142)
Total comprehensive income	**1,143**	342	(3,932)
Dividends paid or approved by shareholders	**(928)**	(866)	(1,362)
Net movement in Treasury shares	**(126)**	–	–
Proceeds from the issue of share capital	–	9,878	9,889
Share based payments granted to Banque Havilliand SA on fund raising	–	62	62
Share-based payments	**51**	62	134
Shareholders' funds at end of period	**34,419**	38,966	34,279

Notes to the Unaudited Interim Statements

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013

1 Basis of Preparation

This interim financial information comprises the condensed consolidated balance sheets at 30 September 2013, 30 September 2012 and 31 March 2013 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 2013 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 2014 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 2014.

The Interim Report was approved by the Board on 25 November 2013.

Section 245 Statement

The comparative figures for the financial year ended 31 March 2013 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 2012

2 Segmental Revenue and Profit Analysis

	Unaudited 6 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
Fund raising costs	–	–	–	–	–
Gain on sale of FOGL shares	–	–	–	–	–
Net settlement credit/(loss) on PHFC pension scheme	–	–	–	64	64
Amortisation of intangible assets	–	–	(193)	–	(193)
Amortisation and non-trading items	–	–	(193)	64	(129)
Segment operating profit	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
Depreciation	270	169	191	–	630
Amortisation	–	–	193	–	193

Underlying profit before tax					
Segment operating profit before tax, amortisation and non-trading items	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

Unaudited 6 months to 30 September 2012					Audited Year ended 31 March 2013				
General trading (Falklands) £'000	Ferry services (Portsmouth) £'000	Arts logistics & storage (UK) £'000	Unallocated £'000	Total £'000	General trading (Falklands) £'000	Ferry services (Portsmouth) £'000	Arts logistics & storage (UK) £'000	Unallocated £'000	Total £'000
6,942	2,216	7,360	–	16,518	15,222	4,076	16,298	–	35,596
515	446	391	–	1,352	1,325	984	1,193	–	3,502
–	–	–	(682)	(682)	–	–	–	(682)	(682)
–	–	–	768	768	–	–	–	768	768
–	–	–	–	–	–	–	–	(182)	(182)
–	–	(199)	–	(199)	–	–	(398)	–	(398)
–	–	(199)	86	(113)	–	–	(398)	(96)	(494)
515	446	192	86	1,239	1,325	984	795	(96)	3,008
90	2	–	–	92	246	28	6	–	280
(67)	(135)	(48)	–	(250)	(118)	(286)	(87)	–	(491)
538	313	144	86	1,081	1,453	726	714	(96)	2,797
13,609	12,854	13,489	19,309	59,261	15,059	12,792	13,532	14,838	56,221
(6,698)	(6,974)	(4,307)	(2,316)	(20,295)	(8,664)	(6,650)	(4,597)	(2,031)	(21,942)
6,911	5,880	9,182	16,993	38,966	6,395	6,142	8,935	12,807	34,279
611	115	297	–	1,023	1,332	223	598	–	2,153
–	–	–	–	–	262	–	–	–	262
221	159	180	–	560	489	301	414	–	1,204
–	–	199	–	199	–	–	398	–	398

515	446	391	–	1,352	1,325	984	1,193	–	3,502
90	2	–	–	92	246	28	6	–	280
(67)	(135)	(48)	–	(250)	(118)	(286)	(87)	–	(491)
538	313	343	–	1,194	1,453	726	1,112	–	3,291

Notes to the Unaudited Interim Statements

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2013

3 Finance Income and Expense

	Unaudited 6 months to 30 September 2013 £'000	Unaudited 6 months to 30 September 2012 £'000	Audited Year ended 31 March 2013 £'000
Bank interest receivable	**85**	47	164
Finance lease interest receivable	**48**	45	91
Expected return on pension scheme assets	**–**	–	25
Total financial income	**133**	92	280
Interest payable on bank loans and other interest	**(26)**	(50)	(85)
Interest cost on pension scheme liabilities	(60)	(66)	(134)
Amortisation of loan fees	(8)	(8)	(16)
Finance lease interest payable	**(140)**	(126)	(256)
Total financial expense	**(234)**	(250)	(491)
Net financing cost	**(101)**	(158)	(211)

4 Taxation

The taxation charge has been estimated to be 26.0% (2012: 29.0%).

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 2013 Number	6 months to 30 September 2012 Number	Year ended 31 March 2013 Number
Weighted average number of shares in issue	**12,431,623**	10,798,400	11,612,626
Less: shares held under the ESOP	**(39,021)**	(37,712)	(38,364)
Average number of shares in issue excluding the ESOP	**12,392,602**	10,760,688	11,574,262
Maximum dilution with regards to share options	**74,842**	155,681	129,600
Diluted weighted average number of shares	**12,467,444**	10,916,369	11,703,862
	£'000	£'000	£'000
Underlying profit before tax	**1,371**	1,194	3,291
Tax thereon	**(356)**	(346)	(796)
Tax rate	***26%***	*29%*	*24%*
Underlying profit after tax	**1,015**	848	2,495
Basic earnings per share on underlying profit	**8.2p**	7.9p	21.6p
Diluted earnings per share on underlying profit	**8.1p**	7.8p	21.3p
Analysis of Taxation charge			
Taxation on underlying profits	**(356)**	(346)	(796)
Taxation related to amortisation and non-trading items	***33***	–	*(397)*
Total taxation charge	**(323)**	(346)	(1,193)

6 Financial Assets – Available for Sale Equity Securities

(a) At fair value

The Group has an investment of 12,825,000 (2012:12,825,000) shares in the AIM quoted company Falkland Oil and Gas Limited ('FOGL').

	30 September 2013	30 September 2012	31 March 2013
FOGL share price	**28.3p**	65.5p	26.5p
Number of shares held by Group	**12,825,000**	12,825,000	12,825,000
	£'000	£'000	£'000
Investments stated at fair value:			
Falkland Oil and Gas Limited	**3,623**	8,400	3,399

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 £224,000 (2012: gain of £128,000) 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 2013 £'000	30 September 2012 £'000	31 March 2013 £'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 2013 £'000	Cash flows £'000	**As at 30 September 2013 £'000**	As at 30 September 2012 £'000
Cash at bank and in hand	11,416	(3,245)	**8,171**	10,876
Debt due within one year – Bank loans	(1,000)	16	**(984)**	(1,000)
Debt due within one year – Hire purchase	(122)	13	**(109)**	(135)
Debt due within one year – Pontoon lease	(27)	(1)	**(28)**	(25)
Debt due after one year – Bank loans	(1,003)	476	**(527)**	(1,495)
Debt due after one year – Hire purchase	(250)	32	**(218)**	(269)
Debt due after one year – Pontoon lease	(4,886)	13	**(4,873)**	(4,901)
Net debt at end of period	4,128	(2,696)	**1,432**	3,051

Directors and Corporate Information

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John Foster *Managing Director*

Mike Killingley*
Jeremy Brade*
Edmund Rowland*

**Non-executive Directors*

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Carol Bishop

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