

1 December 2005

Falkland Islands Holdings plc

Interim Results for the six months ended 30 September 2005

Falkland Islands Holdings ("FIH"), an AIM listed company operating a range of businesses in the Falkland Islands, and the Portsmouth Harbour Ferry Company in the UK, announces its unaudited interim results for the six months ended 30 September 2005.

Financial Highlights

- Turnover up 50% to £8.1 million (2004: £5.4m)
- Profit before taxation rose to £729,000 (2004: £299,000)
- Underlying profits before exceptional profits on sale of subsidiary and goodwill amortisation rose to £747,000 (2004: £299,000)
- EPS on underlying profits increased 91% to 6.1p (2004: 3.2p)
- No interim dividend is proposed (2004: Nil)

Operating Highlights

- Satisfactory trading in Falklands Winter half despite poor illex squid catches
- First full contribution from Portsmouth Harbour Ferry Company ("PHFC") also benefiting from International Festival of the Sea and new ferry
- Cargo shipping agreement set up with UK Ministry of Defence
- Ongoing exploration activity:
 - Falkland Oil & Gas extending seismic activity and looking to identify 20 drillable prospects
 - Falkland Gold & Minerals working through 23 identified onshore targets
- Disposal of Cobham Travel

Outlook

- Second half outlook remains positive
- Future of ferry boosted by demise of SHRT plan for tunnel under Portsmouth Harbour
- Growth prospects in Falklands linked to recovery in illex fishing catches
- Solid contribution expected from PHFC in quieter winter half
- Exposure to oil and minerals exploration through shareholdings in FOGL and FGML
- Continue to seek earnings enhancing complementary acquisitions

David Hudd, Chairman of Falkland Islands Holdings plc, said:

"We have continued to make good progress in the first six months and the performance from PHFC has been especially pleasing. Whilst the poor illex fishing season continues to impact, the outlook for the second half remains positive and we are optimistic of further solid contributions from our principal trading operations."

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Chairman's Statement

Overview

We are pleased to report that Falkland Islands Holdings has continued to make good progress in the 6 months to 30 September 2005. Profits rose sharply as the full benefits of the acquisition of Portsmouth Harbour Ferry Company were seen in the first half and Earnings per Share, excluding exceptional profits on the sale of a subsidiary and the amortisation of Goodwill, increased by 91% from 3.2p in the prior period to 6.1p in the current year. As in previous years no interim dividend is proposed.

Financials

Turnover has increased from £5.4million in the first half of last year to £8.1million and Profits Before Tax rose from £299,000 to £729,000 in the 6 months to 30 September 2005. Underlying profits after stripping out profits from the sale of the Cobham Travel subsidiary and before the amortisation of Goodwill increased from £299,000 to £747,000. The profit after tax attributable to shareholders was £461,000 compared to £201,000 last year.

Operations

Trading activity in the Falkland Islands during the winter half was satisfactory. Turnover rose from £5.4million to £5.8million reflecting the reopening of the Upland Goose Hotel following its refurbishment in the summer of 2004 and insurance commission which continued to grow. Profits from the Group's Falklands business saw a small decline in the first half compared to the same period last year with contribution lower by £30,000 at £448,000. This flat performance reflected the generally less buoyant economic conditions in the Islands resulting from the poor illex fishing season in 2004/5 and the sharp increase in global vessel charter and fuel costs which saw a rise in the cost of transporting goods to the Falklands. In September 2005 the Group moved away from chartering its own vessels and started shipping cargo to the islands on UK Ministry of Defence vessels. These arrangements are expected to provide an important buffer against continuing rises in global freight and transportation costs as well as improving the efficiency of the Group's supply chain.

The 6 months to 30 September 2005 saw the first full contribution of £580,000 from the Group's main UK trading subsidiary, Portsmouth Harbour Ferry Company ("PHFC"). PHFC performed well in the summer period. Underlying passenger numbers were slightly lower than in the previous year following the introduction of car parking charges in Gosport in November 2004; however profitability benefited from an increase in ferry fares in June 2005 and in particular from the additional ferry and cruising activity linked to the Trafalgar celebrations and the International Festival of the Sea in June and July 2005. The company's pleasure cruising activity also performed well, helped by the interest surrounding these events and also by the commissioning in June of the company's new vessel, the Spirit of Portsmouth which operates as a cruise boat in the summer and a ferry in the winter. In July the Group was successful in selling its non core Cobham Travel subsidiary at a premium to Net Assets.

On 29 November 2005 the Department for Transport issued a statement confirming that it would not provide support for Hampshire County Council's longstanding plans for a Rapid Transit Scheme incorporating a tunnel under Portsmouth harbour. This announcement is seen very positively by your Board and effectively removes the threat of the SHRT, opening the door for alternative public transport schemes that will work in harmony with the existing ferry services provided by PHFC.

Investments

The Group also owns strategic stakes in the AIM listed exploration companies, Falkland Oil and Gas and Falkland Gold and Minerals.

Falkland Oil and Gas ("FOGL")

Offshore exploration work is continuing in the Falklands basin with the 2D seismic survey progressing whilst interpretation, analysis and mapping of that data is carried out in the UK.

The current 2D survey which has been extended to cover 15,000km is concentrated on the large number of leads revealed by the previous survey of 9,450km which was completed in May 2005. This survey is now 60% complete and is anticipated to be finished by the end of January and the data will be processed in the first half of 2006. Interpretation and mapping is being progressed as the data

becomes available and this will form the basis of a 3D seismic programme in the most prospective areas. The objective remains to identify around 20 drillable prospects.

Discussions have commenced to introduce potential farm-out partners in order to share the costs and accelerate the exploration of this large area.

The market value of the Group's shareholding of 16,803,000 shares in FOGL (18.3%) at 30 September 2005 was £18.9million compared to a book value of £2.7million.

Falkland Gold and Minerals ("FGML")

Onshore the two drilling rigs operated by FGML are working their way through the 23 targets identified by the aeromagnetic survey carried out in 2004. To date seven have been completed and the results have added considerably to FGML's understanding of the geology of the Islands.

The selection of the remaining drilling targets is being enhanced by ground geophysics and soil sampling and the current expectation is that the initial drilling programme will be completed by the end of 2006. The expectation is that at that stage FGML will have available cash balances of some £5.5million to carry out the further work required.

The market value of the Group's shareholding of 11,250,000 shares in FGML (14.4%) at 30 September 2005 was £ 2.2million compared to a book value of £0.2million.

Balance Sheet and Cash Flow

In the half year to September the group drew down a £2 million bank loan to help finance the acquisition of its new ferry vessel Spirit of Portsmouth and spent £0.2 million to fit out the new boat. In the period the group also subscribed £2 million for new shares in FOGL in that Company's share placing in May 2005 to increase the scope of its oil exploration programme. Cash Flow from the Group's Operating Activities was healthy at £465,000. As at 30 September 2005 the Group had net borrowings of £2.4million (£0.4m March 2005), Cash balances of £1.2million (£0.9m March 2005) and unutilised borrowing facilities of £2million.

Outlook

In the second half of the year economic conditions in the Falklands are expected to remain flat. Growth will be limited in the absence of a significant recovery in illex fishing catches although some progress is expected as a result of increased numbers of cruise ship visitors to the Falklands and other summer activity. In the UK, for PHFC the winter months are quieter with less tourist activity in the Gosport and Portsmouth area and this provides a natural balance to the normally stronger second half seen in the Falklands. Overall the outlook for the second half remains positive and we remain cautiously optimistic that further solid contributions will be delivered from both the group's principal trading operations.

David Hudd
Chairman

John Foster
Managing Director

**UNAUDITED INTERIM CONSOLIDATED
PROFIT AND LOSS ACCOUNT**

| | Unaudited 6 Months To 30 September 2005 | Unaudited 6 Months To 30 September 2004 As restated | Audited Year ended 31 March 2005 As restated |
|---|--|---|--|
| | £'000 | £'000 | £'000 |
| Turnover | 8,146 | 5,415 | 12,754 |
| Cost of sales | (5,271) | (3,779) | (8,708) |
| Gross Profit | 2,875 | 1,636 | 4,046 |
| Administrative expenses | (2,173) | (1,365) | (3,345) |
| Other Operating Income | 78 | 100 | 291 |
| Group Operating profit | 780 | 371 | 992 |
| Share of results of associated undertakings | | (22) | - |
| Total Operating profit | 780 | 349 | 992 |
| Profit on sale of subsidiary | 84 | | |
| Profit on ordinary activities before interest (Note 1) | 864 | 349 | 992 |
| Net Interest (Note 2) | (135) | (50) | (85) |
| Profit on ordinary activities before taxation (Note 3) | 729 | 299 | 907 |
| Taxation on profit on ordinary activities (Note 4) | (268) | (98) | (306) |
| Profit on ordinary activities after taxation (Note 8) | 461 | 201 | 601 |
| Dividends paid | - | - | 369 |
| Earnings per share (Note 5) | | | |
| - Basic | 5.5p | 3.2p | 8.2p |
| - Fully diluted | 5.4p | 3.1p | 8.1p |
| Underlying Profit Before Tax | 30 September 2005 | 30 September 2004 | 31 March 2005 |
| | £'000 | £'000 | £'000 |
| Profit before taxation (as above) | 729 | 299 | 907 |
| Add Amortisation of Goodwill | 102 | | 65 |
| Less profit on sale of Subsidiary | (84) | | |
| Profit Before Tax, Amortisation and Profit on Sale of Subsidiary | 747 | 299 | 972 |
| Earnings per share before sale of subsidiary and goodwill amortisation | 6.1p | 3.2p | 9.0p |

UNAUDITED CONSOLIDATED BALANCE SHEET

| | Unaudited 30 September 2005 £'000 | Unaudited 30 September 2004 As restated £'000 | Audited 31 March 2005 As restated £'000 |
|---|---|--|--|
| Fixed assets | | | |
| Intangible assets | 4,034 | - | 4,136 |
| Tangible assets | 8,520 | 3,461 | 8,501 |
| Investments (Note 6) | 2,900 | 1,828 | 900 |
| | <u>15,454</u> | <u>5,289</u> | <u>13,537</u> |
| Current assets | | | |
| Stocks | 3,519 | 2,947 | 3,308 |
| Debtors | 1,553 | 1,430 | 1,812 |
| Cash at bank and in hand | 1,222 | 181 | 914 |
| | <u>6,294</u> | <u>4,558</u> | <u>6,034</u> |
| Creditors: amounts falling due within one year | (4,989) | (3,101) | (5,419) |
| Net current assets | <u>1,305</u> | <u>1,457</u> | <u>615</u> |
| Total assets less current liabilities | 16,759 | 6,746 | 14,152 |
| Creditors: amount falling due after more than one year | (2,964) | (603) | (831) |
| Provision for liabilities and charges | (882) | (377) | (882) |
| Net pension scheme liabilities (Note 7) | <u>(1,714)</u> | <u>(1,376)</u> | <u>(1,648)</u> |
| Net Assets | <u>11,199</u> | <u>4,390</u> | <u>10,791</u> |
| Capital and reserves | | | |
| Called up share capital | 838 | 654 | 838 |
| Share Premium account | 7,061 | 927 | 7,061 |
| Other Reserves | 703 | 703 | 703 |
| Reserve for own shares | (83) | (112) | (83) |
| Profit and loss account (Note 8) | 2,680 | 2,218 | 2,272 |
| | <u>11,199</u> | <u>4,390</u> | <u>10,791</u> |

UNAUDITED CONSOLIDATED CASH FLOW

for the six months ended 30 September 2005

| | Unaudited 6 months to 30 September 2005 £'000 | Unaudited 6 months to 30 September 2004 £'000 | Audited Year to 31 March 2005 £'000 |
|---|---|---|---|
| Cash flow from operating activities | 465 | (763) | 777 |
| Returns on investment and Servicing of finance | | | |
| Interest received | 14 | 8 | 47 |
| Interest paid | (94) | (8) | (31) |
| Taxation | | | |
| UK Corporation tax | (82) | - | (169) |
| Overseas taxation paid | 0 | - | (104) |
| Capital Expenditure | | | |
| Purchase of tangible fixed assets | (242) | (36) | (1,243) |
| Purchase of intangible fixed assets | - | - | (622) |
| Disposal of fixed assets | 5 | 1 | 144 |
| Acquisitions | | | |
| Investment in joint venture | | (679) | |
| Investment in subsidiary undertakings | | | (5,556) |
| Sale of subsidiary undertaking | 158 | | |
| Purchase of investments | (2,000) | (935) | |
| Equity dividends paid | - | - | (372) |
| Cash (Outflow) / Inflow before financing | (1,776) | (2,412) | (7,129) |
| Financing | | | |
| Shares issued | | 910 | 5,472 |
| Repayment of secured loan | (102) | - | (279) |
| Sale of own shares | | | 112 |
| Share options exercised | | | 98 |
| New secured loan | 2,409 | 500 | 1,000 |
| Increase / (Decrease) in cash | 531 | (1,002) | (726) |

Statement of Recognised Gains and Losses

| | 6 months to 30 September 2005 £'000 | 6 months to 30 September 2004 £'000 | Year ended 31 March 2005 £'000 |
|---|--|--|---|
| Profit for the period after taxation | 461 | 201 | 601 |
| Actuarial (loss) / gain | 0 | 38 | (51) |
| Tax on actuarial (loss) / gain | (53) | (12) | 17 |
| Total gains and losses recognised in the period | 408 | 227 | 567 |
| Prior year adjustment FRS 17 (Note 1) | (635) | | |
| Prior year adjustment re FRS 21 | 502 | | |
| Total gains and losses recognised since last annual report | 275 | | |

The prior year adjustment in relation to FRS21 relates to the requirement to recognise dividends as paid, previously they were recognised on a proposed basis.

Notes to the interim Statement to 30 September 2005:

1. Adoption of FRS17

The Board has adopted FRS17 'Retirement Benefits' for the first time. The impact on the profit and loss account is as follows:

| | 6 Months ended 30 September 2005 | 6 Months ended 30 September 2004 | Year ended 31 March 2005 |
|---------------------------------|-------------------------------------|-------------------------------------|-----------------------------|
| | £'000 | £'000 | £'000 |
| Increase in pension provision | 59 | 62 | 120 |
| Current service cost | (9) | (10) | (20) |
| Impact on operating profit | 50 | 52 | 100 |
| Net financing costs | (55) | (47) | (91) |
| Total FRS 17 adjustments | (5) | 5 | 9 |

2. Interest

The net interest cost includes the net financing cost of the group's defined benefit pension schemes as shown in Note 1.

3. Segmental information

| | 6 Months ended 30 September 2005 | 6 Months ended 30 September 2004 | Year ended 31 March 2005 |
|---|-------------------------------------|-------------------------------------|-----------------------------|
| | £'000 | £'000 | £'000 |
| Turnover | | | |
| General trading in the Falkland Islands | 5,753 | 5,415 | 11,468 |
| Ferry Services | 2,393 | | 1,286 |
| | 8,146 | 5,415 | 12,754 |
| Profit before taxation head office costs and goodwill amortisation | | | |
| General trading in the Falkland Islands | 448 | 478 | 1,303 |
| Ferry Services | 580 | | 202 |
| | 1,028 | 478 | 1,505 |
| Head office costs | (281) | (179) | (533) |
| Profit before sale of subsidiary and goodwill amortisation | 747 | 299 | 972 |
| Profit on sale of Subsidiary | 84 | | |
| Profit before goodwill amortisation | 831 | 299 | 972 |
| Goodwill amortisation | (102) | | (65) |
| Group profit before taxation | 729 | 299 | 907 |

4. Taxation

The taxation charge has been estimated at 32.0% (2004: 32.5%)

5. Earnings per share

Earnings per share has been calculated on profit after tax of £461,000 (2004: £201,000) based on the weighted average number of shares in issue, excluding shares held in the Employee Share Ownership Plan of 8,324,063 (2004: 6,300,702). The fully diluted earnings have been further adjusted by the dilutive outstanding share options resulting in a weighted average number of shares of 8,459,491 (2004: 6,397,703).

6. Investments

The investments are stated at cost. The market value of these investments was as follows:

| | 30 September 2005 | 31 March 2005 |
|------------------------------------|-------------------|---------------|
| | £'000 | £'000 |
| Falkland Gold and Minerals Limited | 2,194 | 4,246 |
| Falkland Oil and Gas Limited | 18,903 | 17,123 |
| | <u>21,097</u> | <u>21,369</u> |

7. Pension Scheme Liabilities

The fair value of the scheme assets and the present value of the scheme liabilities were as follows:

| | 30 September 2005 | 30 September 2004 | 31 March 2005 |
|--|-----------------------|-----------------------|-----------------------|
| | £'000 | £'000 | £'000 |
| Deficit at the beginning of the period | (2,431) | (2,063) | (2,063) |
| Current service costs | (9) | (10) | (20) |
| Cash pension contributions | 47 | 43 | 84 |
| Net financing cost | (55) | (47) | (91) |
| Actuarial (loss)/gain | | 38 | (51) |
| Acquisition of subsidiary | | | (290) |
| Deficit at end of period | <u>(2,448)</u> | <u>(2,039)</u> | <u>(2,431)</u> |
| Deferred tax | 734 | 663 | 783 |
| Net pension scheme deficit | <u>(1,714)</u> | <u>(1,376)</u> | <u>(1,648)</u> |

8. Prior Year Adjustments

| | 30 September 2004 | 31 March 2005 |
|---|---------------------|---------------------|
| | £'000 | £'000 |
| Prior year adjustments | | |
| Operating Profit | 52 | 100 |
| Interest | (47) | (91) |
| Tax on profit on ordinary activities | 5 | 3 |
| Adjustment in respect of FRS 21 | 18 | 520 |
| | <u>28</u> | <u>532</u> |
| Profit previously reported | 173 | 69 |
| Restated profit transferred to reserves | <u>201</u> | <u>601</u> |
| | | |
| Actuarial gain/(loss) net of tax | 26 | (34) |
| Other recognised gains and losses | 26 | (34) |
| | <u>(577)</u> | <u>(635)</u> |
| Increase in net pension liability | | |
| Reduction in shareholder funds | <u>(577)</u> | <u>(635)</u> |

There are no prior period movements in the current period as all adjustments in respect of FRS 17 and FRS 21 have been reflected in the opening position.

| Restatement of Profit and Loss account reserves | 30 September 2005 £'000 | 30 September 2004 £'000 | 31 March 2005 £'000 |
|---|-------------------------------|-------------------------------|---------------------------|
| Opening balance as previously reported | 2,405 | 2,253 | 2,253 |
| Prior year adjustment FRS17 | (635) | (613) | (613) |
| Prior year adjustment FRS21 | 502 | 351 | 351 |
| | <u>2,272</u> | <u>1,991</u> | <u>1,991</u> |
| Retained profit for the period | 461 | 201 | 601 |
| Other gains and losses | (53) | 26 | (34) |
| Sale of own shares as previously reported | | | 83 |
| Dividends Paid | | | <u>(369)</u> |
| Closing balance | <u>2,680</u> | <u>2,218</u> | <u>2,272</u> |

9. Reconciliation of movement in shareholder funds

| | 30 September 2005 £'000 | 30 September 2004 £'000 | 31 March 2005 £'000 |
|--|-------------------------------|-------------------------------|---------------------------|
| Opening shareholder funds as previously reported | 10,924 | 3,515 | 3,515 |
| Prior year adjustment re FRS 17 | (635) | (613) | (613) |
| Prior year adjustment re FRS 21 | 502 | 351 | 351 |
| Opening shareholder funds as restated | <u>10,791</u> | <u>3,253</u> | <u>3,253</u> |
| Profit for the period | 461 | 201 | 601 |
| Dividends paid | | 0 | (369) |
| Issue of shares | | 910 | 7,228 |
| Sale of own shares | | | 112 |
| Other recognised gains and losses | (53) | 26 | (34) |
| Net addition to shareholder funds | <u>408</u> | <u>1,137</u> | <u>7,538</u> |
| Closing shareholder funds | <u>11,199</u> | <u>4,390</u> | <u>10,791</u> |

10. The interim report has been prepared on the basis of the accounting policies set out in the group's 2005 Annual Report as amended.

11. The results for the year ended 31 March 2005 as shown in the statement do not constitute statutory accounts but are an abridged version of the Company's 2005 accounts as amended which have filed with the Registrar of Companies and upon which the audit report was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985. The Interim Report was approved by the Board on 1 December 2005.

NOTES TO THE UNAUDITED CONSOLIDATED CASH FLOW

For the six months ended 30 September 2005

| | Unaudited 6 Months to 30 September 2005 £'000 | Unaudited 6 Months to 30 September 2004 As restated £'000 | Audited Year ended 31 March 2005 As restated £'000 |
|--|--|---|---|
| Reconciliation of net cash flow to movement in net debt | | | |
| Increase / (Decrease) in cash in the period | 531 | (1,002) | (726) |
| Cash outflow from decrease in debt | 102 | - | - |
| Cash inflow from increase in debt | (2,409) | (500) | (848) |
| Movement in net debt in period | (1,776) | (1,502) | (1,574) |
| Change in net debt resulting from (disposals) / acquisitions | (143) | | 209 |
| | (1,919) | (1,502) | (1,365) |
| Net (debt) / cash at start of period | (432) | 933 | 933 |
| Net (debt) cash at end of period | (2,351) | (569) | (432) |

Reconciliation of operating profit to operating cash flows

| | | | |
|--|------------|--------------|------------|
| Group operating profit | 780 | 349 | 992 |
| Amortisation of goodwill | 102 | | 65 |
| Depreciation charges | 210 | 126 | 292 |
| (Increase) / Decrease in stocks | (211) | 132 | (229) |
| Decrease / (Increase) in debtors | 94 | (52) | (256) |
| (Decrease) in creditors and provisions | (510) | (1,318) | (87) |
| Net cash inflow from operating activities | 465 | (763) | 777 |

Analysis of change in net debt

| | As at 31 March 2005 £'000 | Cash Flows £'000 | Other non-cash changes £'000 | Disposals £'000 | As at 30 September 2005 £'000 |
|--------------------------|---------------------------------|------------------------|------------------------------------|--------------------|--|
| Cash at bank and in hand | 914 | 451 | | (143) | 1,222 |
| Overdraft | (80) | 80 | | | 0 |
| Debt due within one year | (435) | 102 | (276) | | (609) |
| Debt due after one year | (831) | (2,409) | 276 | | (2,964) |
| Total | (432) | (1,776) | 0 | (143) | (2,351) |