

**Falkland Islands Holdings plc**  
**Interim Report 2011**



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# Chairman's and Managing Director's Review

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2011

## Group Overview

The Group is pleased to report encouraging results for the six months to 30 September 2011 ('the Period').

Group revenue increased by 15% to £16.51 million (H1 2010: £14.35 million) and Underlying Profit Before Tax (before amortisation) grew by 3.5% to £1.19 million (H1 2010: £1.15 million).

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

## Revenue

	6 months ended 30 September 2011 £ million	6 months ended 30 September 2010 £ million	Change %
Falkland Islands Company	6.99	6.49	7.7%
Portsmouth Harbour Ferry	2.15	2.03	5.9%
Momart	7.37	5.83	26.4%
<b>Total</b>	<b>16.51</b>	<b>14.35</b>	<b>15.0%</b>

## Underlying Profit Before Tax

	6 months ended 30 September 2011 £ million	6 months ended 30 September 2010 £ million	Change %
Falkland Islands Company	0.51	0.55	-7.3%
Portsmouth Harbour Ferry	0.39	0.39	0.0%
Momart	0.29	0.21	38.1%
<b>Total</b>	<b>1.19</b>	<b>1.15</b>	<b>3.5%</b>

After charging £0.2 million for the amortisation of intangibles, reported profits before tax were £0.99 million (H1 2010: £0.95 million). Diluted earnings per share based on reported earnings were 6.8p (H1 2010: 6.7p) and based on underlying earnings were 9.0p (H1 2010: 8.9p).

The Board is proposing an unchanged interim dividend of 4.0p per share which will be paid on 27 January 2012 to shareholders on the register at the close of business on 16 December 2011.

The Group's financial position remains strong with bank borrowings of £3.5 million at the Period end (31 March 2011: £4.0 million), cash balances of £2.4 million (31 March 2011: £2.1 million) and a positive cash flow.

Net financing costs for the six months to 30 September 2011 were £0.16 million (H1 2010: £0.13 million) and were covered 7.3 times by Operating Profit.

## Chairman's and Managing Director's Review

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2011

### Operating Review

#### *Falkland Islands Company (FIC)*

Following the strong growth experienced in 2009/10, FIC consolidated its position over the Period, with operating profits slightly lower at £0.52 million (H1: 2010: £0.59 million). After the allocation of finance charges and income, Profit Before Tax was £0.51 million (H1 2010: £0.55 million).

Helped by an encouraging illex squid catch in April/May 2011, FIC revenues grew by 7.7% to £7.0 million (H1 2010: £6.5 million). Offshore oil exploration continued to augment local demand but overall retail sales fell slightly by 1.6% to £4.3 million (H1 2010: £4.4 million) as Falkland Islanders became more cautious and local competition intensified. Significant increases in energy and other costs meant that retail profits declined by £0.3 million in the Period.

FIC's retail outlet at the Mount Pleasant military base (MPA) was transformed at a cost of £0.3 million with retail space increased by 50% and the addition of a new customer café. The new 'West Store at MPA' opened in November 2011 and initial results are encouraging.

Motor sales including vehicle hire increased by 6% to £0.7 million.

Rental income from FIC's portfolio of investment properties increased by 70% in the Period to £0.18 million, with the letting of eight of the nine retained units at Marmont Row. The sale of a third unit at Marmont Row in July 2011 resulted in profits from property sales remaining unchanged at £0.03 million. No further property sales are currently envisaged and, although government subsidies currently make the development of large scale housing uneconomic, opportunities remain to develop some viable sites in Central Stanley.

Sales from other support services activities demonstrated healthy growth. Insurance commission increased by 9%, agency revenue linked to the improved squid catch increased by 79% and stevedoring revenues rose by 12%. Total revenue from all support services activities grew by an encouraging 30% to £1.3 million (H1 2010: £1.0 million).

Third party freight revenues benefited from increased northbound cargoes linked to oil exploration increasing by 66% to £0.5 million.

During the Period there was more positive news from Rockhopper Exploration which increased its estimate of the potential recoverable reserves from its Sea Lion prospect to almost 400 million barrels. We believe that the probability that there will be commercial oil production in the Falkland Islands has now increased significantly and we are working on our plans to expand and strengthen our existing business units to take advantage of the business opportunities which will follow.

**Portsmouth Harbour Ferry Company (PHFC)**

PHFC continued to perform well and, despite difficult economic conditions, Profit Before Tax was maintained at £0.39 million.

The new Gosport pontoon was installed on 27 June 2011 and fares were raised by an average of 17.5% to offset its rental costs. The £5 million cash cost for the new pontoon was met by Gosport Borough Council which has responsibility under the 1983 Hampshire Act to ensure the provision of a ferry service across the harbour. PHFC has secured a 50 year lease from the Council with fixed rental payments. The pontoon has been capitalised in the Group's balance sheet at £5 million with a matching finance lease obligation. The lease allows us to spread the cash cost of the pontoon over a much greater period than a normal commercial mortgage and also confers security of tenure and the commercial benefits of effective ownership.

With the benefit of the pontoon related fare increases at the end of June 2011, revenues during the Period increased by 5.9% to £2.15 million (H1 2010: £2.03 million). Given the significant fare increases and weak local demand for discretionary weekend travel, passenger numbers declined by 4.1% to 1.75 million (H1 2010: 1.82 million) which was in line with our projections. However, the fare increases offset the decline in passengers and the increased rental costs such that Profit Before Tax was maintained.

**Momart**

Momart achieved a much improved performance during the Period. Overall revenue increased by 26% to £7.37 million (H1 2010: £5.83 million), helped by a large international contract which contributed £0.9 million to sales.

Notable exhibitions in the Period included: The Cult of Beauty at the V&A, Gerhard Richter at Tate Modern, George Condo at the Hayward Gallery, Wilhelm Sasnal at the Whitechapel Gallery and a Maddox Brown exhibition at the Manchester Art Gallery.

In response to the decline in Exhibition revenues last year, pricing policies were adjusted and sales to museums and institutions demonstrated a strong recovery, increasing by 30% to £3.4 million. Competitive pressure saw gross margins fall 3.8% but the increased sales helped the overall contribution from Exhibitions to increase by 13% compared to H1 2010.

Gallery Services (GS) revenue increased by 28% to £3.2 million which, despite margin dilution from the large international contract, ensured that the divisional contribution from GS increased by 18% compared to H1 2010.

Revenues from art storage activities increased by 7% to £0.77 million as rate increases were passed on to clients.

Despite margin pressure, the strong recovery in revenue, tight control over costs helped deliver a 38% increase in Profit Before Tax and amortisation for the Period to £0.29 million (H1 2010: £0.21 million).

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

The Group retains its holding of 12 million shares in AIM quoted oil and gas exploration company FOGL. Following FOGL's share placing in April 2011, which raised £32 million, the Group's holding represents 5.8% of FOGL's issued share capital.

At 30 September 2011, the market value of FIH's shareholding in FOGL was £5.6 million (based on a FOGL share price at that time of 47p) or 61p per FIH share. The historic cost of the FOGL stake is £1.9 million or 16p per share.

## Chairman's and Managing Director's Review

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2011

### **FOGL** CONTINUED

Together with Borders & Southern Petroleum, FOGL has contracted the Leiv Eiriksson, an advanced 5th generation, harsh environment, deep water exploration rig, which is expected to arrive in the South Atlantic in early February 2012. After Borders and Southern has drilled two wells, FOGL is expected to spud its first well on its Loligo prospect during Q2 2012. We look forward to the results of the 2012 drilling programme.

### **Balance Sheet and Cash Flow**

At 30 September 2011 the Group had bank borrowings of £3.5 million (31 March 2011: £4.0 million) and HP liabilities of £0.25 million (31 March 2011: £0.2 million). With cash balances of £2.4 million (31 March 2011: £2.1 million) net bank borrowings at 30 September 2011 (excluding HP liabilities) were £1.1 million (31 March 2011: £1.9 million).

At 30 September 2011, net borrowings (including the £5 million pontoon lease) amounted to £6.3 million (31 March 2011: £2.1 million).

### **Outlook**

Although the economic backdrop remains challenging, we are confident that the Group's portfolio of businesses will continue to perform well.

The government funded museum exhibitions market appears to have stabilised and the commercial art market offers Momart further opportunities for growth albeit in a competitive environment.

Further modest declines in PHFC passenger volumes are anticipated but recent fare increases should largely offset both this and the rental costs of the new pontoon.

At FIC, we anticipate a similar pattern to that seen in H2 2010, with the seasonal uplift of demand in the second half resulting from tourism and fishing. The deep water drilling programme expected to take place from February to August 2012, should ensure that the Falkland Islands remains in the spotlight. A further discovery would magnify the opportunities for the Group and your board is focussed on developing plans to fully realise that potential.

**David Hudd**

Chairman

1 December 2011

**John Foster**

Managing Director

# Condensed Interim Consolidated Income Statement

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2011

Notes	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year ended 31 March 2011 £'000
2 Revenue	16,510	14,348	31,841
Cost of sales	(10,235)	(8,469)	(19,294)
<b>Gross profit</b>	<b>6,275</b>	<b>5,879</b>	<b>12,547</b>
Other administrative expenses	(4,929)	(4,607)	(9,627)
Amortisation of intangible assets	(198)	(198)	(398)
Administrative expenses	(5,127)	(4,805)	(10,025)
Other income	–	1	15
Other operating income	–	1	15
<b>Operating profit</b>	<b>1,148</b>	<b>1,075</b>	<b>2,537</b>
Finance income	64	53	117
Finance expense	(222)	(181)	(324)
3 Net financing costs	(158)	(128)	(207)
<b>Profit before tax from continuing operations</b>	<b>990</b>	<b>947</b>	<b>2,330</b>
4 Taxation	(357)	(315)	(710)
<b>Profit attributable to equity holders of the Company</b>	<b>633</b>	<b>632</b>	<b>1,620</b>
5 <b>Earnings per share:</b>			
Basic	6.9p	6.9p	17.7p
Diluted	6.8p	6.7p	17.5p

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 2011

Notes	Unaudited 30 September 2011 £'000	Unaudited 30 September 2010 £'000	Audited 31 March 2011 £'000
<b>Non-current assets</b>			
Intangible assets	12,913	13,311	13,111
Property, plant and equipment	12,839	7,281	7,489
Investment properties	1,464	1,759	1,721
6 Financial assets – available for sale equity securities	5,641	14,940	10,710
Non-current assets held for sale	20	20	20
Other financial assets	118	60	60
Deferred tax assets	554	621	554
<b>Total non-current assets</b>	<b>33,549</b>	<b>37,992</b>	<b>33,665</b>
<b>Current assets</b>			
Trading inventories	3,994	3,816	4,215
Property inventories	1,006	1,221	1,204
Inventories	5,000	5,037	5,419
Trade and other receivables	5,473	3,990	5,811
Other financial assets	337	228	252
Cash and cash equivalents	2,376	2,288	2,062
<b>Total current assets</b>	<b>13,186</b>	<b>11,543</b>	<b>13,544</b>
<b>TOTAL ASSETS</b>	<b>46,735</b>	<b>49,535</b>	<b>47,209</b>
<b>Current liabilities</b>			
Interest bearing loans and borrowings	(1,116)	(1,076)	(1,058)
Income tax payable	(666)	(622)	(569)
Trade and other payables	(8,100)	(6,248)	(8,334)
<b>Total current liabilities</b>	<b>(9,882)</b>	<b>(7,946)</b>	<b>(9,961)</b>
<b>Non-current liabilities</b>			
Interest bearing loans and liabilities	(7,555)	(3,521)	(3,104)
7 Employee benefits	(2,130)	(2,233)	(2,130)
Deferred tax liabilities	(1,415)	(1,615)	(1,413)
<b>Total non-current liabilities</b>	<b>(11,100)</b>	<b>(7,369)</b>	<b>(6,647)</b>
<b>TOTAL LIABILITIES</b>	<b>(20,982)</b>	<b>(15,315)</b>	<b>(16,608)</b>
<b>Net assets</b>	<b>25,753</b>	<b>34,220</b>	<b>30,601</b>
<b>Capital and reserves</b>			
Equity share capital	922	922	922
Share premium account	7,618	7,615	7,618
Other reserves	1,162	1,162	1,162
Retained earnings	12,371	11,544	12,150
Financial assets fair value reserve	3,680	12,977	8,749
<b>Total equity</b>	<b>25,753</b>	<b>34,220</b>	<b>30,601</b>

# Condensed Consolidated Cash Flow Statement

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2011

	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year ended 31 March 2011 £'000
<b>Profit for the period</b>	<b>633</b>	<b>632</b>	<b>1,620</b>
<i>Adjusted for:</i>			
<i>(i) Non-cash items:</i>			
Depreciation	507	437	846
Amortisation	198	198	398
Amortisation of loan fees	–	15	30
Expected return on pension scheme assets	(8)	(8)	(29)
Interest cost on pension scheme liabilities	73	80	144
Net settlement gain recognised on pension	–	–	(10)
Equity-settled share-based payment expenses	95	111	207
<i>Non-cash items adjustment</i>	<b>865</b>	<b>833</b>	<b>1,586</b>
<i>(ii) Other items:</i>			
Bank interest receivable	(2)	(4)	(4)
Bank interest payable	74	86	138
Finance lease interest payable	75	–	–
Profit on disposal of investment property	–	–	(80)
Dividend approved not paid	(507)	(459)	–
Enhanced transfer value exercise payments	–	–	(140)
Income tax expense	357	315	710
<i>Other adjustments</i>	<b>(3)</b>	<b>(62)</b>	<b>624</b>
<b>Operating cash flow before changes in working capital and provisions</b>	<b>1,495</b>	<b>1,403</b>	<b>3,830</b>
Decrease/(increase) in trade and other receivables	338	545	(1,276)
Decrease/(increase) in property inventories	198	(1)	16
Decrease/(increase) in trading inventories	221	(327)	(726)
(Decrease)/increase in trade and other payables	(232)	(1,971)	115
(Decrease) in provisions and employee benefits	–	(93)	(134)
<i>Changes in working capital and provisions</i>	<b>525</b>	<b>(1,847)</b>	<b>(2,005)</b>
<b>Cash generated from operations</b>	<b>2,020</b>	<b>(444)</b>	<b>1,825</b>
Income taxes paid	(260)	(376)	(1,008)
<b>Net cash from operating activities</b>	<b>1,760</b>	<b>(820)</b>	<b>817</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(5,726)	(215)	(815)
Purchase of investment properties	–	(2)	–
Proceeds from disposal of property, plant and equipment	126	–	99
Interest received	2	4	4
<b>Net cash from investing activities</b>	<b>(5,598)</b>	<b>(213)</b>	<b>(712)</b>
<b>Cash flow from financing activities</b>			
Increase in other financial assets	(143)	(30)	(54)
Repayment of secured loan	(448)	(676)	(1,141)
Proceeds from new loan	4,957	–	–
Interest paid	(214)	(86)	(138)
Proceeds from the issue of ordinary share capital	–	303	306
Dividends paid	–	–	(826)
<b>Net cash from financing activities</b>	<b>4,152</b>	<b>(489)</b>	<b>(1,853)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>314</b>	<b>(1,522)</b>	<b>(1,748)</b>
Cash and cash equivalents at start of period	2,062	3,810	3,810
<b>Cash and cash equivalents at end of period</b>	<b>2,376</b>	<b>2,288</b>	<b>2,062</b>

## Condensed Consolidated Statement of Comprehensive Income

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2011

Notes	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year ended 31 March 2011 £'000
6 Loss on valuation of available-for-sale equity securities	(5,069)	(604)	(4,832)
7 Net actuarial loss on pension schemes net of tax	–	–	(111)
<b>Other comprehensive (expense)/income</b>	<b>(5,069)</b>	<b>(604)</b>	<b>(4,943)</b>
<b>Profit for the period</b>	<b>633</b>	<b>632</b>	<b>1,620</b>
<b>Total comprehensive income</b>	<b>(4,436)</b>	<b>28</b>	<b>(3,323)</b>

## Condensed Consolidated Statement of Changes in Shareholders' Equity

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2011

	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year ended 31 March 2011 £'000
Shareholders' funds at beginning of period	30,601	34,237	34,237
Profit for the period	633	632	1,620
Change in fair value of available-for-sale financial assets	(5,069)	(604)	(4,832)
Net actuarial loss on pension schemes net of tax	–	–	(111)
<b>Total comprehensive income</b>	<b>(4,436)</b>	<b>28</b>	<b>(3,323)</b>
Dividend paid or approved by shareholders	(507)	(459)	(826)
Proceeds from the issue of share capital	–	303	306
Share-based payments	95	111	207
<b>Shareholders' funds at end of period</b>	<b>25,753</b>	<b>34,220</b>	<b>30,601</b>

# Notes to the Unaudited Interim Statements

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2011

## 1 Basis of Preparation

This interim financial information comprises the condensed consolidated balance sheets at 30 September 2011, 30 September 2010 and 31 March 2011 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 2011 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 2012 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 2012.

The Interim Report was approved by the Board on 1 December 2011.

### *Section 245 Statement*

The comparative figures for the financial year ended 31 March 2011 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 2011

## 2 Segmental Revenue and Profit Analysis

	Unaudited 6 months to 30 September 2011			
	General trading (Falklands) £'000	Ferry services (Portsmouth) £'000	Arts logistics & storage (UK) £'000	Total £'000
<b>External revenue</b>	6,989	2,148	7,373	16,510
Segment operating profit before amortisation and non-trading items	518	482	346	1,346
Amortisation of intangible assets	–	–	(198)	(198)
Amortisation and non-trading items	–	–	(198)	(198)
<b>Segment operating profit</b>	518	482	148	1,148
Finance income	62	–	2	64
Finance expense	(65)	(96)	(61)	(222)
<b>Segment profit before tax</b>	515	386	89	990
Taxation	(154)	(116)	(87)	(357)
<b>Segment profit after tax</b>	361	270	2	633
<i>Assets and liabilities</i>				
Segment assets	11,836	12,917	12,681	37,434
Segment liabilities	(7,410)	(6,983)	(4,368)	(18,761)
Unallocated assets and liabilities	–	–	–	7,078
<b>Segment net assets</b>	4,426	5,934	8,313	25,751
<i>Other segment information</i>				
Capital expenditure:				
Property, plant and equipment	370	5,054	302	5,726
Investment properties	–	–	–	–
Depreciation:				
Property, plant and equipment	196	160	151	507
Investment properties	–	–	–	–
Amortisation	–	–	(198)	(198)

### Underlying profit before tax

Segment operating profit before tax, amortisation and non-trading items	518	482	346	1,346
Finance income	54	–	2	56
Finance expense	(57)	(96)	(61)	(214)
<b>Segment underlying profit before tax</b>	515	386	287	1,188

Unaudited 6 months to 30 September 2010				Audited Year ended 31 March 2011			
General trading (Falklands) £'000	Ferry services (Portsmouth) £'000	Art logistics & storage (UK) £'000	Total £'000	General trading (Falklands) £'000	Ferry services (Portsmouth) £'000	Art logistics & storage (UK) £'000	Total £'000
6,492	2,030	5,826	14,348	14,921	3,734	13,186	31,841
585	412	276	1,273	1,613	790	532	2,935
-	-	(198)	(198)	-	-	(398)	(398)
-	-	(198)	(198)	-	-	(398)	(398)
585	412	78	1,075	1,613	790	134	2,537
41	10	2	53	88	29	-	117
(75)	(39)	(67)	(181)	(129)	(70)	(125)	(324)
551	383	13	947	1,572	749	9	2,330
(152)	(105)	(58)	(315)	(314)	(326)	(70)	(710)
399	278	(45)	632	1,258	423	(61)	1,620
11,341	8,157	12,763	32,261	12,856	8,029	12,268	33,153
(7,074)	(2,410)	(3,802)	(13,286)	(7,972)	(1,993)	(4,519)	(14,484)
-	-	-	15,245	-	-	-	11,932
4,267	5,747	8,961	34,220	4,884	6,036	7,749	30,601
167	32	16	215	419	69	327	815
2	-	-	2	-	-	-	-
177	109	131	417	326	215	268	809
20	-	-	20	37	-	-	37
-	-	(198)	(198)	-	-	398	398
585	412	276	1,273	1,613	790	532	2,935
41	10	2	53	88	29	-	117
(75)	(39)	(67)	(181)	(129)	(70)	(125)	(324)
551	383	211	1,145	1,572	749	407	2,728

## Notes to the Unaudited Interim Statements

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2011

### 3 Finance Income and Expense

	Unaudited 6 months to 30 September 2011 £'000	Unaudited 6 months to 30 September 2010 £'000	Audited Year ended 31 March 2011 £'000
Bank interest receivable	2	4	4
Finance lease interest receivable	54	41	84
Expected return on pension scheme assets	8	8	29
<b>Total financial income</b>	<b>64</b>	<b>53</b>	<b>117</b>
Interest payable on bank loans	(74)	(86)	(138)
Interest cost on pension scheme liabilities	(73)	(80)	(144)
Amortisation of loan fees	–	(15)	(30)
Notional interest on deferred consideration payable	–	–	(12)
Finance lease interest payable	(75)	–	–
<b>Total financial expense</b>	<b>(222)</b>	<b>(181)</b>	<b>(324)</b>
<b>Net financing cost</b>	<b>(158)</b>	<b>(128)</b>	<b>(207)</b>

### 4 Taxation

The taxation charge has been estimated to be 30.0% (2010: 28.5%).

### 5 Earnings per Share

Earnings per share have been calculated on profit after tax of £633,000 (6 months to September 2010: £632,000; Year to 31 March 2011: £1,620,000) based on the weighted average number of shares in issue, excluding shares held in the Employee Share Ownership Plan, of 9,183,915 (6 months to 30 September 2010: 9,133,396; Year to 31 March 2011: 9,183,915). The diluted earnings have been further adjusted to assume the full exercise of share options in issue, to the extent that they are dilutive.

#### *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 2011 £'000	6 months to 30 September 2010 £'000	Year ended 31 March 2011 £'000
Underlying profit before tax	1,188	1,145	2,728
Tax thereon	(357)	(315)	(821)
Underlying profit after tax	831	830	1,907
Basic earnings per share on underlying profit	9.1p	9.1p	20.9p
Diluted earnings per share on underlying profit	9.0p	8.9p	20.6p

## 6 Financial Assets – Available for Sale Equity Securities

### (a) At fair value

The Group has an investment of 12,000,000 (2010: 12,000,000) shares in the AIM quoted company Falkland Oil and Gas Limited ('FOGL').

	30 September 2011	30 September 2010	31 March 2011
FOGL share price	47.0p	124.5p	89.3p
	£'000	£'000	£'000
Investments stated at fair value:			
Falkland Oil and Gas Limited	5,641	14,940	10,710

An unrealised loss of £5,069,000 (2010: loss of £602,000) 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 2011 £'000	30 September 2010 £'000	31 March 2011 £'000
Investment at cost:			
Falkland Oil and Gas Limited	1,963	1,963	1,963

## 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 2011 the Group's other pension fund, The Portsmouth Harbour Ferry Company Plc (1975) Retirement Scheme, showed a net deficit of £17,000.

## 8 Analysis of Change in Debt

	As at 1 April 2011 £'000	Cash flows £'000	As at 30 September 2011 £'000	As at 30 September 2010 £'000
Cash at bank and in hand	2,062	314	2,376	2,288
Debt due within one year	(1,058)	(58)	(1,116)	(1,076)
Debt due after one year – Bank loans	(2,971)	504	(2,467)	(3,451)
Debt due after one year – Hire purchase	(133)	45	(88)	(70)
Debt due after one year – Pontoon lease	–	(5,000)	(5,000)	–
<b>Net debt at end of period</b>	<b>(2,100)</b>	<b>(4,195)</b>	<b>(6,295)</b>	<b>(2,309)</b>

# Directors and Corporate Information

## Directors

David Hudd  
John Foster  
Mike Killingley  
Jeremy Brade

## Company Secretary

John Foster

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