

6 December 2006

Falkland Islands Holdings plc

Interim Results for the six months ended 30 September 2006

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 interim results for the six months ended 30 September 2006.

Financial Highlights

- Turnover from continuing activities was £7.3 million (2005: £7.6million)
- Underlying profits before tax were £696,000* (2005: £747,000)
- EPS on underlying profits were 5.6p (2005: 6.1p)
- Gross cash resources increased to £4.1 million (31 March 2006 £3.6m)
- No interim dividend is proposed

Operating Highlights

- Falkland Islands' businesses produced satisfactory results:
 - Encouraging illex squid catches.
 - West Store continued to make progress
 - Homecare impacted by reduction in housing starts and increased competition
 - Insurance broking & financial services income increased
- Good results from Portsmouth Harbour Ferry Company ("PHFC") despite the absence of maritime festivals. PHFC was also awarded a 3 year contract to operate a water taxi service for Berkeley Homes
- Exploration investments :
 - Falkland Oil & Gas now funded for 2007 and work continues to define, and prioritise the top prospects with a view to drilling in 2008
 - Falkland Gold & Minerals is now concentrating on three areas of interest

Outlook

- Economic conditions in the Falklands expected to remain unchanged.
- Trading is expected to continue to benefit from exploration activity and the 25th Commemoration.
- Solid performance from PHFC anticipated, despite entering slow Winter period
- Substantial exposure to oil and minerals exploration through shareholdings in FOGL and FGML.
- Continue to seek earnings enhancing complementary acquisitions.

* Before the amortisation of goodwill, charges for share based payments and exceptional items.

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

"The Group has made satisfactory progress in the first six months. Activity on the islands was as anticipated, whilst the improvement in illex catches in April and May was encouraging. PHFC made a solid contribution after last year's exceptional first half.

For the full year we anticipate a similar level of underlying profit for the Group to that achieved in 2005/6."

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Chairman's Statement and Review of Operations

Overview

We are pleased to report satisfactory interim results for the half year to 30 September 2006. Underlying profits before tax, and before the amortisation of goodwill and charges for share based payments were in line with our expectations at £696,000 (2005: £747,000).

Profits on ordinary activities before taxation (after goodwill amortisation, share based payment charges and in the prior year, profits on the sale of discontinued operations) were £549,000 (2005: £699,000). Earnings per share, on reported profits were 4.0p per share (2005:5.2p) and earnings per share on underlying profits before tax excluding exceptional items the amortisation of goodwill, and share based payment charges were 5.6 p per share (2005: 6.1 p). As in previous years no interim dividend is proposed.

Group turnover from continuing activities was down 4.4% at £7.3 million (2005: £7.6 million).The reduction was largely accounted for by timing differences on fleet vehicle sales in the Falklands and the absence of maritime festivals in Portsmouth

Operations

In the Falklands the year started encouragingly with much improved illex squid catches in April and May which had a positive impact on the fishing agency. In retail operations sales in the Group's flagship West Store continued to make progress but the Homecare business was impacted by a reduction in new housing starts and increased competition. The Group's financial services operations, insurance broking and property rental activities all performed well. Motor vehicle sales were low in the first half with over 80% of sales expected in the second half of the year. Underlying profits before tax from Falkland operations fell back from £340,000 to £316,000 in the 6 months to 30 September 2006 on turnover of £5.5 million(2005: £5.8million)

The Portsmouth Harbour Ferry Company achieved a good result and despite the absence of the maritime festivals of 2005 generated underlying profits before tax of £380,000 compared with £407,000 in 2005. Turnover declined by 3.7% in the absence of the boost provided by the IFOS and Trafalgar events. However selective fare rises in June 2006 mitigated the impact on profits. In August we were successful in winning a 3 year contract to operate a water taxi service across the harbour on behalf of Berkeley Homes and this made a small contribution in the current period.

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")

The key exploration objectives for FOGL in 2006/7 are to define and prioritise the top prospects for drilling. The analysis of the results of the seismic work carried out over the last Austral Summer has been completed and exploration work is shortly to commence in the Falklands. That analysis continues to support the presence of hydrocarbons in FOGL's licence area and work is now focussed on the best prospects which will generate the targets for drilling in 2008.

TRACS International have also recently published an independent technical report indicating that in their opinion FOGL's top 10 prospects have an unrisks resource potential of 10 billion barrels and the risks reserves attributable to FOGL were 863 million barrels. This report which is available on FOGL's web site gives an indication of the huge potential upside which exists for us as shareholders.

The Summer field work, which will start later this month, comprises a programme of Electromagnetic logging ("CSEM") and further 2D which will be guided by the CSEM results. CSEM is fairly new technology which has proved effective in confirming the presence of hydrocarbons in prospects identified by positive seismic results. The analysis of this further work will become available during 2007 and will provide the data necessary for further farm out discussions and rig acquisition negotiations.

FOGL secured additional financing in December when RAB, their largest shareholder, agreed to subscribe a total of £8 million for 5 year 6% convertible loan notes. Their commitment means that FOGL will have sufficient cash to finance the current exploration programme and additional work through 2007. The notes are convertible into FOGL shares at 80p per share and RAB was also issued with 6 million warrants to subscribe for new FOGL shares at 100p per share. Full exercise of these securities would increase the issued capital of FOGL by 16 million shares (17%).

The market value at 30 September 2006 of the Group's 15 million shares in FOGL (16.3%) at 30 September 2006 was £12.1 million compared to a book value of £2.4 million.

Falkland Gold and Minerals ("FGML")

Exploration drilling and sampling have continued through the Austral winter and efforts are now being concentrated on three distinct areas of interest known as Target 11 (Glorious Hill) Black Shale and Target 25. They are all on the East Falklands and within easy reach of FGML's Goose Green base.

FGML had cash balances of £5.8 million at 30 September 2006 and exploration expenditure is continuing at a cash cost of some £150,000 per month.

The market value at 30 September 2006 of the Group's shareholding of 11,250,000 shares in FGML (14.4%) at 30 September 2006 was £ 928,000 compared to cost of £200,000.

Balance Sheet and Cash Flow

With the new shipping arrangements with the Ministry of Defence and DHL in place since October 2005 we were able to take advantage of the more frequent supply schedule to reduce stock levels from £3.5 million to just over £2.7 million at 30 September 2006. As a result the Group's cash resources increased to over £4.1 million at 30 September 2006 (2005: £1.2 million) and bank loans were reduced by £116,000 to £3.2 million.

Outlook

The Group has a strong cash position and we continue to search for suitable opportunities to make acquisitions to increase shareholder value. Little change is expected in economic conditions in the Falklands and for the Group underlying profits for the full year are expected to be at a similar level to those achieved in 2005/6.

David Hudd
Chairman

John Foster
Managing Director

**UNAUDITED INTERIM CONSOLIDATED
PROFIT AND LOSS ACCOUNT**

| | Unaudited 6 Months to 30 September 2006 £'000 | Unaudited 6 Months to 30 September 2005 As restated £'000 | Audited Year ended 31 March 2006 As restated £'000 |
|--|--|--|---|
| Turnover | | | |
| Continuing operations | 7,285 | 7,619 | 15,209 |
| Discontinued operations | - | 527 | 527 |
| | 7,285 | 8,146 | 15,736 |
| Cost of sales | (4,521) | (5,271) | (9,855) |
| Gross Profit | 2,764 | 2,875 | 5,881 |
| Administrative expenses | (2,167) | (2,101) | (4,471) |
| Amortisation of goodwill | (102) | (102) | (204) |
| Administrative expenses - exceptional costs | - | - | (487) |
| Total Administrative Expenses | (2,269) | (2,203) | (5,162) |
| Other Operating Income | 124 | 78 | 344 |
| Continuing operations | 619 | 749 | 1062 |
| Discontinued operations | - | 1 | 1 |
| Group Operating profit (Note 1) | 619 | 750 | 1,063 |
| Profit on sale of discontinued operations | - | 84 | 84 |
| Profit on sale of fixed asset investment | - | - | 2,135 |
| Net Interest (Note 2) | (70) | (135) | (264) |
| Profit on ordinary activities before taxation | 549 | 699 | 3,018 |
| Taxation on profit on ordinary activities (Note 3) | (208) | (268) | (374) |
| Profit on ordinary activities after taxation | 341 | 431 | 2,644 |
| Earnings per share (Note 4) | | | |
| - Basic | 4.0p | 5.2p | 31.8p |
| - Fully diluted | 4.0p | 5.1p | 31.3p |

UNAUDITED CONSOLIDATED BALANCE SHEET

| | Unaudited 30 Sept 2006 £'000 | Unaudited 30 Sept 2005 £'000 | Audited 31 March 2006 £'000 |
|---|---|---|--|
| Fixed assets | | | |
| Intangible assets | 3,877 | 4,034 | 3,979 |
| Tangible assets | 7,929 | 8,520 | 8,042 |
| Investments (Note 5) | 2,610 | 2,900 | 2,610 |
| | <hr/> 14,416 <hr/> | <hr/> 15,454 <hr/> | <hr/> 14,631 <hr/> |
| Current assets | | | |
| Stocks | 2,751 | 3,519 | 3,107 |
| Debtors | 1,466 | 1,553 | 1,837 |
| Cash at bank and in hand | 4,160 | 1,222 | 3,601 |
| | <hr/> 8,377 <hr/> | <hr/> 6,294 <hr/> | <hr/> 8,545 <hr/> |
| Creditors: amounts falling due within one year | (3,442) | (4,989) | (4,797) |
| | <hr/> 4,935 <hr/> | <hr/> 1,305 <hr/> | <hr/> 3,748 <hr/> |
| Net current assets | | | |
| | <hr/> 4,935 <hr/> | <hr/> 1,305 <hr/> | <hr/> 3,748 <hr/> |
| Total assets less current liabilities | 19,351 | 16,759 | 18,379 |
| Creditors: amounts falling due after more than one year | (3,193) | (2,964) | (2,765) |
| Provision for liabilities and charges | (855) | (882) | (853) |
| | <hr/> 15,303 <hr/> | <hr/> 12,913 <hr/> | <hr/> 14,761 <hr/> |
| Net assets excluding pension liabilities | | | |
| | <hr/> 15,303 <hr/> | <hr/> 12,913 <hr/> | <hr/> 14,761 <hr/> |
| Net pension scheme liabilities | (1,918) | (1,714) | (1,909) |
| | <hr/> 13,385 <hr/> | <hr/> 11,199 <hr/> | <hr/> 12,852 <hr/> |
| Net Assets | | | |
| | <hr/> 13,385 <hr/> | <hr/> 11,199 <hr/> | <hr/> 12,852 <hr/> |
| Capital and reserves | | | |
| Called up share capital | 847 | 838 | 838 |
| Share Premium account | 7,207 | 7,061 | 7,064 |
| Other Reserves | 703 | 703 | 703 |
| Revenue Reserves | 4,628 | 2,597 | 4,247 |
| | <hr/> 13,385 <hr/> | <hr/> 11,199 <hr/> | <hr/> 12,852 <hr/> |
| Equity shareholders' funds | | | |
| | <hr/> 13,385 <hr/> | <hr/> 11,199 <hr/> | <hr/> 12,852 <hr/> |

UNAUDITED CONSOLIDATED CASH FLOW
for the six months ended 30 September 2006

| | Unaudited 6 months to 30 Sept 2006 £'000 | Unaudited 6 months to 30 Sept 2005 £'000 | Audited Year to 31 March 2006 £'000 |
|---|---|---|--|
| Cash flow from operating activities (Note 9) | 722 | 465 | 1,665 |
| <i>Returns on investment and servicing of finance</i> | | | |
| Interest received | 21 | 14 | 38 |
| Interest paid | (51) | (94) | (203) |
| <i>Taxation</i> | | | |
| UK Corporation tax | (53) | (82) | (250) |
| Overseas taxation paid | - | - | (141) |
| <i>Capital Expenditure</i> | | | |
| Purchase of tangible fixed assets | (116) | (242) | (505) |
| Purchase of investments | - | (2,000) | (2,000) |
| Receipts from sale of tangible fixed assets | - | 5 | 15 |
| Receipts from sale of investment | - | - | 2,427 |
| <i>Acquisitions</i> | | | |
| Sale of subsidiary undertaking | - | 158 | 178 |
| Dividends paid | - | - | (502) |
| Cash (Outflow) / Inflow before financing | 523 | (1,776) | 722 |
| <i>Financing</i> | | | |
| Shares issued | 152 | - | 3 |
| Repayment of secured loan | (116) | (102) | (524) |
| Repayment of loan notes | - | - | (43) |
| New secured loan | - | 2,409 | 2,609 |
| Increase in cash (Note 9) | 559 | 531 | 2,767 |

**Consolidated Statement of Total
Recognised Gains and Losses**

| | Unaudited 6 months to 30 September 2006 £'000 | Unaudited 6 months to 30 September 2005 £'000 | Audited Year ended 31 March 2006 £'000 |
|---|--|--|---|
| Profit for the period after taxation | 341 | 431 | 2,644 |
| Actuarial (loss) / gain | (7) | - | (31) |
| Tax on actuarial (loss) / gain | - | (53) | - |
| Movement on deferred tax asset relating to pension scheme | 2 | - | (123) |
| Total gains and losses recognised in the period | 336 | 378 | 2,490 |
| Prior year adjustment FRS 20 | (70) | | |
| Total gains and losses recognised since last annual report | 266 | | |

Falkland Islands Holdings plc
Segmental information
Six months to 30 September 2006

| | <i>General trading in the Falkland Islands</i> | | <i>Ferry services in the United Kingdom</i> | | <i>Total</i> | | | | |
|--|--|--------------|---|--------------|-------------------------------------|---------------|--------------------------------|--------------|---------------|
| | 6 months to 30 September | | 6 months to 30 September | | 6 months to 30 September | | Year Ended 31 March | | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2006 | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Turnover | | | | | | | | | |
| - continuing operations | 5,487 | 5,753 | 1,797 | 1,866 | 7,284 | 7,619 | 11,902 | 3,307 | 15,209 |
| Discontinued operations | | | | | | | | | |
| -Cobham Travel | - | - | - | 527 | - | 527 | - | 527 | 527 |
| | 5,487 | 5,753 | 1,797 | 2,393 | 7,284 | 8,146 | 11,902 | 3,834 | 15,736 |
| Segment operating profit before exceptional items | 351 | 395 | 268 | 355 | 619 | 750 | 1,043 | 507 | 1,550 |
| Exceptional costs | - | - | - | - | - | - | (435) | (52) | (487) |
| Segment operating profit | 351 | 395 | 268 | 355 | 619 | 750 | 608 | 455 | 1,063 |
| Profit on sale of fixed asset investments | - | - | - | - | - | - | 2,135 | - | 2,135 |
| Profit on sale of discontinued operations | - | - | - | 84 | - | 84 | - | 84 | 84 |
| Net Interest Payable | (75) | (82) | 5 | (53) | (70) | (135) | (212) | (52) | (264) |
| Group profit before taxation | 276 | 313 | 273 | 386 | 549 | 699 | 2,531 | 487 | 3,018 |
| Net assets | 11,754 | 7,394 | 1,631 | 3,805 | 13,385 | 11,199 | 8,941 | 3,911 | 12,852 |

| | <i>General trading in the Falkland Islands</i> | | <i>Ferry services in the United Kingdom</i> | | <i>Total</i> | | <i>Total</i> | <i>Falklands</i> | <i>Ferry</i> | <i>Total</i> |
|---|--|--------------|---|--------------|-------------------------------------|--------------|--------------------------------|------------------|--------------|--------------|
| | 6 months to 30 September | | 6 months to 30 September | | 6 months to 30 September | | Year Ended 31 March | | | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | | | |
| Underlying Profit Before Tax | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Segment profit before tax as above | 276 | 313 | 273 | 386 | 549 | 699 | 2,531 | 487 | 3,018 | |
| FRS 20 Charge re share options | 40 | 27 | 5 | 3 | 45 | 30 | 62 | 8 | 70 | |
| Amortisation of goodwill | - | - | 102 | 102 | 102 | 102 | - | 204 | 204 | |
| Exceptional costs | - | - | - | - | - | - | 435 | 52 | 487 | |
| Profit on sale of fixed asset investments | - | - | - | - | - | - | (2,135) | - | (2,135) | |
| Profit on sale of discontinued operations | - | - | - | (84) | - | (84) | - | (84) | (84) | |
| Underlying Profit Before Tax | 316 | 340 | 380 | 407 | 696 | 747 | 893 | 667 | 1,560 | |
| EPS on Underlying PBT | | | | | | | | | | |
| - basic | | | | | 5.6p | 6.1p | | | | 12.7p |
| - fully diluted | | | | | 5.6p | 6.0p | | | | 12.5p |

Notes to the Interim Statement to 30 September 2006

1. Adoption of FRS 20

The Board has adopted FRS 20 'Share Based Payments' for the first time. The impact on the profit and loss account is as follows:

| | 6 Months to 30 September 2006 £'000 | 6 Months to 30 September 2005 £'000 | Year ended 31 March 2006 £'000 |
|---|--|--|---|
| Increase in administrative expenses | 45 | 30 | 70 |
| Decrease in operating profit and profit transferred to reserves | 45 | 30 | 70 |
| Total FRS 20 adjustments | 45 | 30 | 70 |

2. Interest

In addition to bank interest payable, the net interest cost includes the net financing cost of the Company's defined benefit pension schemes.

3. Taxation

The taxation charge has been estimated at 32.0% (2005: 32.0%)

4. Earnings per share

Earnings per share has been calculated on profit after tax of £341,000 (2005: £431,000) based on the weighted average number of shares in issue, excluding shares held in the Employee Share Ownership Plan of 8,453,324 (2005: 8,324,063). The fully diluted earnings have been further adjusted by the dilutive outstanding share options resulting in a weighted average number of shares of 8,470,867 (2005: 8,459,491).

5. Investments

The Group has investments in AIM quoted businesses, Falkland Oil & Gas Limited (FOGL) and Falkland Gold & Minerals Limited.

The investments are stated at cost.

| | 30 September | 30 September | 31 March |
|------|---------------------|---------------------|-----------------|
| | 2006 | 2005 | 2006 |
| | £'000 | £'000 | £'000 |
| FGML | 200 | 200 | 200 |
| FOGL | 2,410 | 2,700 | 2,410 |
| | <u>2,610</u> | <u>2,900</u> | <u>2,610</u> |

| | 30 September | 30 September | 31 March |
|---|---------------------|---------------------|-----------------|
| The market value of the investments was: | 2006 | 2005 | 2006 |
| | £'000 | £'000 | £'000 |
| FGML | 928 | 2,194 | 1,800 |
| FOGL | 12,113 | 18,903 | 21,500 |
| | <u>13,041</u> | <u>21,097</u> | <u>23,300</u> |

The market value per FIH share of these investments was

| | 30 September | 30 September | 31 March |
|------|----------------------|----------------------|----------------------|
| | 2006 | 2005 | 2006 |
| | Pence / share | Pence / share | Pence / share |
| FGML | 11 | 26 | 21 |
| FOGL | 143 | 226 | 257 |
| | <u>154</u> | <u>252</u> | <u>278</u> |

6. Reconciliation of movement in shareholder funds

| | 30 September | 30 September | 31 March |
|--|----------------------|----------------------|----------------------|
| | 2006 | 2005 | 2006 |
| | £'000 | £'000 | £'000 |
| Opening shareholder funds as previously reported | <u>12,852</u> | <u>10,791</u> | <u>10,791</u> |
| Profit for the period | 341 | 431 | 2,644 |
| Dividends paid | - | - | (502) |
| Issue of shares | 152 | - | 3 |
| Provision for share based payments | 45 | 30 | 70 |
| Other recognised gains and losses | (5) | (53) | (154) |
| Net addition to shareholder funds | <u>533</u> | <u>408</u> | <u>2,061</u> |
| Closing shareholder funds | <u>13,385</u> | <u>11,199</u> | <u>12,852</u> |

7. The interim report has been prepared on the basis of the accounting policies set out in the Group's 2006 Annual Report as amended.

8. The results for the year ended 31 March 2006 as shown in the statement do not constitute statutory accounts but are an abridged version of the Company's 2006 accounts as amended which have been 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 x December 2006.

9. Notes to the Unaudited Consolidated Cash Flow

Reconciliation of net cash flow to movement in net debt

| | Unaudited 6 Months to 30 September 2006 £'000 | Unaudited 6 Months to 30 September 2005 £'000 | Audited Year ended 31 March 2006 £'000 |
|--|---|---|--|
| Increase in cash in the period | 559 | 531 | 2,767 |
| Cash outflow from decrease in debt | 116 | 102 | - |
| Cash inflow from increase in debt | - | (2,409) | (2,042) |
| Movement in net debt in period | 675 | (1,776) | 725 |
| Change in net debt resulting from acquisitions | - | (143) | - |
| Net cash/(debt) at start of period | 293 | (432) | (432) |
| Net (debt) / cash at end of period | 968 | (2,351) | 293 |

Reconciliation of operating profit to operating cash flows

| | | | |
|---|---------|-------|-------|
| Group operating profit | 619 | 750 | 1,063 |
| Profit on sale of fixed assets | - | - | (12) |
| Amortisation of goodwill | 102 | 102 | 204 |
| Depreciation & impairment charges | 234 | 210 | 838 |
| (Increase) / decrease in stocks | 356 | (211) | 201 |
| (Increase) / decrease in debtors | 371 | 94 | (12) |
| (Decrease) in creditors & provisions | (1,005) | (510) | (687) |
| Provision for share-based payments | 45 | 30 | 70 |
| Net cash inflow from operating activities | 722 | 465 | 1,665 |

Analysis of change in net debt

| | As at 1 April 2006 £'000 | Cash Flows £'000 | As at 30 September 2006 £'000 |
|--------------------------|-----------------------------------|------------------------|--|
| Cash at bank and in hand | 3,601 | 559 | 4,160 |
| Debt due within one year | (542) | 116 | (426) |
| Debt due after one year | (2,766) | - | (2,766) |
| Total | 293 | 675 | 968 |