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Falkland Islands Holdings PLC
08 December 2008

Falkland Islands Holdings plc
("FIH" or "The Group")

Interim Results for the six months ended 30 September 2008

Financial Highlights

Good financial performance

- Turnover from continuing operations up 109% to £15.7 million (2007: £7.5 million)
- Profit before tax up 28% to £1.01 million (2007: £0.79 million)
- Underlying profits (profits before tax, amortisation) up 53% to £1.21 million.
- Earnings per share on reported earnings up 12.5% to 7.2p (2007: 6.4p) and earnings per share based on underlying profits were up 47% to 9.4p (2007:6.4p)
- Cash flow from operations up 5% to £0.55 million (2007: £0.52 million)
- Strong liquidity position with bank deposits of £2.2 million and unutilised committed banking facilities of a further £2 million

Operating Highlights

- Falkland Islandsbusiness achieved a2% increase in turnover to £5.7 million (2007: £5.6 million) in line with expectations.
- Portsmouth Harbour Ferry Company performed well with revenues up 7.5% to£2.0 million
- Passenger numbers ahead by 2% compared to H1 2007, continuing positive trend seen in 2007/2008.
- Momart, acquired in March 2008, generated revenues of £8.0 million with each key business stream achieving double digit growth on the prior year. Notable contracts included :
    - The Royal Academy’s Byzantine exhibition and the Tate Liverpool’s Klimt exhibition
    - Sotheby’s Damien Hirst auction and the Basel art fair
- Falkland Oil and Gas (“FOGL”) exploration programme remains on track and the pre-drilling programme will be completed to enable drilling to start in late-2009

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

"The Group's three long established niche businesses continue to perform well and we remain confident that they will generate solid cash flow in the second half of the financial year and beyond.

"Momart, our recently acquired fine art and logistics business, achieved record levels of revenue in the first six months albeit with some pressure on margins. Since acquisition we have invested in Momart's infrastructure to ensure that we retain our leading market position and that we continue to deliver excellent customer service.

"Despite the uncertain economic conditions, the Board looks to the future with confidence."

- Ends -

Enquiries:

Falkland Islands Holdings plc

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Chairman's and Managing Director's Review

Overview

We are pleased to report another period of progress for your Company. For the six months to 30 September 2008 profits before taxation rose 28% to £1,014,000 (2007: £794,000) and with a full six months contribution from Momart, turnover from continuing activities more than doubled to £15.7 million (2007: £7.5 million). After adding back the non-cash charge for the amortisation of intangible assets of £0.2 million, underlying profits (profits before tax, amortisation and non-recurring items) in the period rose by 53% to £1.21 million (2007: £0.79 million).

With tax accrued at 29.5% of profits before tax and amortisation, earnings per share based on reported earnings were 7.2p (2007: 6.4p) and EPS based on underlying profits were 9.4p (2007: 6.4p) an increase of 47% compared to the first half of 2007/8.

As in previous years no interim dividend is proposed.

At 30 September the Group's liquidity position remained strong with bank deposits of £2.2 million and unutilised committed banking facilities of a further £2 million. Equity shareholders' funds at 30 September 2008 were £28.3 million (2007: £36.9 million) representing net assets per share of 312p (2007: 436p per share). This puts us in a strong position to face the uncertain economic climate with a strong balance sheet and good cash reserves.

Operations

Falkland Islands (FIC)

Revenues for FIC were slightly ahead of the prior year at £5.7 million (2007: £5.6 million). Income from the fishing agency fell back somewhat compared to the high levels seen in 2007, although the illex squid catch was better than in the previous three years. Revenues from insurance and travel services continued to show steady growth in the period although sales at the West Store were flat year on year, without the boost from the 25th anniversary commemorations in 2007. Revenue from FIC's other retailing operations, Home Living, Home Builder and Basics were 7% ahead of the prior year as they benefited from the rebranding and re-launch of those outlets in 2007. The retailing sector in Stanley remains competitive and with little growth in the market this has meant continued pressure on margins. FIC's automotive operations had a satisfactory first half with solid maintenance income and vehicle sales slightly ahead of the prior year. Darwin Shipping continued to make a healthy contribution, but fell back from the exceptional volumes experienced in 2007.

The loss making Upland Goose Hotel was closed at the end of March 2008 and work has continued to convert the hotel into residential properties. This landmark site in the centre of Stanley will provide 12 distinct heritage homes which will be sold during the next financial year. In the longer term we are progressing plans for the possible development, as a joint venture, of our Dairy Paddock site which could provide further housing for the future expansion of Stanley.

In line with our expectations operating profits from the Falkland businesses were £331,000 compared with £387,000 in 2007. After the allocation of finance charges and interest, profits before tax were £267,000 (2007: £411,000).

Ferry Services (PHFC)

Sound and steady progress was again seen in the Group's ferry operations at Portsmouth Harbour with revenues increasing by 7.5% to £2.025 million (2007: £1.884 million) compared to the first half last year . Despite another damp summer overall passenger numbers were ahead by 2% in the six months to 30 September 2008 continuing the positive trend seen in 2007/8. The ferry made over 36,000 harbour crossings during the period and thanks to the professionalism of the staff in Gosport, its reliability remained at exceptional levels with over 99.8% of ferry services running to schedule. Discussions with Gosport Council over the introduction of a new pontoon continued and installation is currently expected late in 2009. In the six months to 30 September 2008 operating profits at PHFC were marginally ahead at £442,000 compared to £412,000 in the comparable period. After the allocation of finance charges and interest, profits before tax were up 11% at £426,000 (2007: £ 383,000).

Momart

Momart, our fine art logistics business, which was acquired in March 2008, generated revenues in the period of £8.0 million, with each of the company's key business streams, Exhibitions , Gallery Services and Storage achieving double digit growth on the prior year, when the company was in private ownership. Notable exhibitions included the Byzantium exhibition at the Royal Academy and the Klimt exhibition at Tate Liverpool. In Gallery Services, highlights were the Basel art fair in early June and the Damien Hirst auction at Sotheby's in September. Servicing the unprecedented workload led to reduced margins largely because of the increased use of overseas agents, and this effect was exacerbated by the steep decline in Sterling over the summer. As a result the operating profit before amortisation for the period of £703,000 only improved slightly on results for the comparative period last year. After amortisation charges of £198,000 and the allocation of interest charges and finance costs of £184,000, profits before tax were £321,000.

Since the acquisition was completed we have invested in Momart's infrastructure in order to improve capacity and better service clients in the future. This has included a move to modern offices in Whitechapel, increased warehouse space and the purchase of additional specialist vehicles.

Investments & Financial Assets

The Group continues to hold its strategic 16.2% shareholding (15 million shares) in the AIM listed oil and gas exploration company, Falkland Oil and Gas Limited (FOGL), which translates to shareholders having an interest in 1.66 FOGL shares for every FIH share owned. Following the farm in by BHP Billiton (BHPB) last year this shareholding now represents an effective 7.9% interest in the licenses.

During the period BHPB as operator has continued with preparatory work for drilling exploration wells, including further detailed analysis of seismic data to assist in the selection of drilling sites. Environmental Impact Assessments are currently being prepared and a team from BHPB recently returned from the Falklands where they were assessing the logistical requirements of the drilling programme.

In the near term, BHPB are scheduled to progress detailed site surveys, sea bed coring and oceanic measurements, which will be completed to enable drilling to start in late 2009.

The market value of the Group's 15 million shareholding in FOGL at 79p per share at 30 September 2008 was £11.9 million (2007: £24.3 million) compared to cost of £2.5 million. Under International Financial Reporting Standards (IFRS) the investment is held at market value so the decline in the share price of FOGL resulted in a reduction in Shareholders' Funds of £6.6 million, this does not however affect our ability to pay dividends.

Balance Sheet and Cash Flow

During the period the Group spent £0.6 million on capital expenditure: major projects included starting work on the conversion of the Upland Goose, and fitting out Momart's new offices in Whitechapel. After depreciation of £0.4 million the net book value of property plant and equipment increased from £7.4 million to £7.6 million at 30 September 2008. Working capital investment in inventories and trade receivables increased in line with seasonal factors.

The Group's pension liabilities under defined benefit schemes of £2.0 million were not re-valued at 30 September 2008 although regular payments to eliminate the deficit at PHFC (£197,000 as at 31 March 2008) continued. Interest bearing loans and liabilities at 30 September 2008 were unchanged at £9.1 million (31 March 2008: £9.1 million) and the Group had cash balances of £2.2 million (31 March 2008: £3.0 million) leaving net borrowings of £6.9 million.

Of the Group's £9.1 million of borrowings, £4.2 million is covered by interest rate collars which in accordance with IFRS are revalued for accounting purposes at each period end, requiring a provision of £80k at 30 September 2008. The dramatic reduction in interest rates since then is likely to increase the provision required under IFRS in the future. This accounting charge has no impact on cash flow.

People

Leonard Licht, a Non-Executive Director since 1999, has indicated that as in the future he will be spending much of his time abroad he wishes to retire from the Board and will do so on 31 December 2008. Leonard has been a source of inspiration for us as we have built the Group from its Falkland origins, and we thank him for his contribution. We have no immediate plans to replace him on the Board.

Outlook

In a period of unprecedented global uncertainty it is pleasing to note that the Group continues to generate solid cash flow supporting a progressive dividend policy. The Group is securely financed with net borrowings of £6.9 million compared to shareholders' funds of over £28 million. Bank interest cover was over seven times in the period to 30 September 2008.

Importantly the Group's long established, diverse, niche businesses provide a strong foundation from which we can weather the more challenging general economic conditions we now face. In the Falklands the main economic driver remains fishing, while our ferry business in Portsmouth is an essential service with consistent passenger traffic. Although Momart's gallery services business will be impacted by any reduction in the volume of art market transactions, the larger exhibitions business and storage should be resilient.

Looking further ahead, the oil exploration programme in the South Atlantic basin offers real opportunity for our interests in the Falkland Islands and particularly our investment in FOGL. We look forward to further developments during 2009.

David Hudd
Chairman

John Foster
Managing Director

Unaudited Interim Consolidated Income Statement
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2008

	Notes	6 months to 30 September 2008 £'000	6 months to 30 September 2007 £'000	Year ended 31 March 2008 £'000
Revenue	*2*	**15,715**	7,530	17,200
Cost of sales		(9,404)	(4,438)	(10,469)
Gross profit		**6,311**	3,092	6,731
Amortisation of intangible assets		(198)	-	(28)
Other administrative expenses		(4,965)	(2,412)	(4,953)
Administrative expenses		(5,163)	(2,412)	(4,981)
Other operating income		130	119	260
Operating profit		**1,278**	799	2,010
Finance income		99	150	320
Finance expense		(363)	(155)	(421)
Net financing costs	*3*	(264)	(5)	(101)
Profit before tax		**1,014**	794	1,909
Taxation	*4*	(365)	(258)	(531)
Profit attributable to equity holders of the parent		**649**	536	1,378
Earnings per share	*5*			

Basic	7.2p	6.4p	16.3p
Diluted	7.0p	6.0p	16.1p

Unaudited Consolidated Balance Sheet
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2008

	Notes	30 September 2008 £'000	30 September 2007 £'000	31 March 2008 £'000
Non-current assets				
Intangible assets		16,137	3,979	16,335
Property, plant and equipment		7,613	6,539	7,383
Investment properties		1,613	1,562	1,557
Financial assets - investments in quoted companies	*6*	11,850	24,300	18,450
Non-current assets held for sale		157	-	157
Other financial assets		65	30	71
Deferred tax assets		519	576	519
Total non-current assets		37,954	36,986	44,472
Current assets				
Inventories		3,426	3,160	3,340
Trade and other receivables		5,922	2,253	5,353
Other financial assets		143	139	141
Cash and cash equivalents		2,221	4,890	2,995
Total current assets		11,712	10,442	11,829
TOTAL ASSETS		49,666	47,428	56,301
Current liabilities				
Interest bearing loans and borrowings		(2,148)	(542)	(2,064)
Tax payable		(1,270)	(847)	(1,356)
Derivative financial instruments - interest rate collar		(80)	-	(72)
Trade and other payables		(6,848)	(4,041)	(7,595)
Total current liabilities		(10,346)	(5,430)	(11,087)
Non-current liabilities				
Interest bearing loans and liabilities		(6,914)	(2,074)	(6,992)
Employee benefits	*7*	(1,997)	(2,246)	(2,060)
Deferred tax liabilities		(2,144)	(744)	(2,134)
Total non-current liabilities		(11,055)	(5,064)	(11,186)
TOTAL LIABILITIES		(21,401)	(10,494)	(22,273)

Net assets		**28,265**	**36,934**	**34,028**
Capital and reserves				
Called up share capital		906	847	906
Share premium account		7,206	7,206	7,206
Other reserves		3,145	703	3,145
Retained earnings		7,612	6,332	6,775
Financial assets fair value reserve		9,396	21,846	15,996
Equity shareholders' funds	*8*	**28,265**	**36,934**	**34,028**

Unaudited Consolidated Cash Flow
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2008

	Notes	6 months to 30 September 2008 £'000	6 months to 30 September 2007 £'000	Year ended 31 March 2008 £'000
Profit for the period		**649**	536	1,378
Adjusted for:				
(i) Non-cash items:				
Depreciation		406	239	534
Amortisation		198	-	28
Notional interest charge on deferred consideration		26	-	4
Expected return on pension scheme assets		(8)	8	(16)
Interest cost on pension scheme liabilities		80	60	145
Loss on remeasurement of derivative financial instruments		8	-	72
Equity-settled share-based payment expenses		188	68	142
Non-cash items adjustment		898	375	909
(ii) Other items:				
Bank interest receivable		(54)	(129)	(240)
Bank interest payable		244	95	200
Gain on sale of investment properties		-	(10)	(10)
Income tax expense		365	258	531
Other adjustments		555	214	481
Operating cash flow before changes in working capital and provisions		**2,102**	1,125	2,768
(Increase) / decrease in trade and other receivables		(569)	140	307
Increase in inventories		(86)	(482)	(345)
(Decrease) / increase in trade and other payables		(747)	(272)	701
(Decrease) / increase in provisions and employee benefits		(151)	11	8
Cash generated from operations		549	522	3,439
Income taxes paid		(451)	-	(460)
Net cash from operating activities		**98**	522	2,979

Cash flows from investing activities				
Purchase of property, plant and equipment		(620)	(494)	(907)
Purchase of investment properties		(72)	-	(12)
Costs incurred in restructuring investment holdings		-	(34)	(34)
Proceeds from sale of investment properties		-	20	23
Acquisition of subsidiary, net of cash acquired	*10*	-	-	(5,343)
Interest received		54	129	240
Net cash from investing activities		**(638)**	(379)	(6,033)
Cash flow from financing activities				
Increase / (decrease) in other financial assets		4	-	(34)
Repayment of secured loan		(113)	(117)	(1,893)
Repayment of loan notes				(43)
Proceeds from new loan		119	-	3,841
Interest paid		(244)	(95)	(200)
Proceeds from the issue of ordinary share capital		-	-	10
Dividends paid		-	-	(591)
Net cash from financing activities		**(234)**	(212)	1,090
Net decrease in cash and cash equivalents		**(774)**	(69)	(1,964)
Cash and cash equivalents at start of period		2,995	4,959	4,959
Cash and cash equivalents at end of period		**2,221**	4,890	2,995

Unaudited Consolidated Statement of Recognised Income and Expense
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2008

	Notes	6 months to 30 September 2008 £'000	6 months to 30 September 2007 £'000	Year ended 31 March 2008 £'000
(Loss) / gain on valuation of available-for-sale equity securities		(6,600)	11,366	5,516
Net actuarial gain on pension schemes		-	193	339
Dividends paid		-	-	(591)
Share-based payments		191	67	164
Movement on deferred tax relating to share-based payments		(3)	1	3
Net (expense) / income recognised directly in equity		(6,412)	11,627	5,431
Profit for the period		649	536	1,378

Total recognised income and expense for the period	(5,763)	12,163	6,809

Notes to the Unaudited Interim Statements

1. Basis of preparation

This interim financial information comprises the consolidated balance sheets at 30 September 2008, 30 September 2007 and 31 March 2008 and consolidated statements of income, recognised income and expense and cash flows 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 2008 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 2009 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 2009.

The Interim Report was approved by the Board on 4 December 2008.

Section 240 Statement
The comparative figures for the financial year ended 31 March 2008 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 237(2) or (3) of the Companies Act 1985.

2. Segmental revenue and profit analysis

	6 months to 30 September 2008				6 months to 30 September 2007 [1]		
	General Trading (Falklands)	Ferry Services (Portsmouth)	Arts logistics & storage (UK)	Total	General trading (Falklands)	Ferry Services (Portsmouth)	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
External revenue	5,703	2,025	7,987	**15,715**	5,646	1,884	7,530
Operating profit before amortisation and non-recurring items	331	442	703	**1,476**	387	412	799
Amortisation and non-recurring items	-	-	(198)	**(198)**	-	-	-
Segment operating profit	331	442	505	**1,278**	387	412	799
Finance expense	(111)	(62)	(190)	**(363)**	(115)	(40)	(155)
Finance income	47	46	6	**99**	139	11	150
Segment operating	267	426	321	**1,014**	411	383	794

profit before tax

Taxation	(84)	(126)	(155)	**(365)**	(134)	(124)	(258)
Segment profit after tax	183	300	166	**649**	277	259	536
Assets and liabilities							
Segment assets	11,225	11,980	16,717	**39,922**	11,083	10,782	21,865
Segment liabilities	(5,971)	(3,212)	(5,641)	**(14,824)**	(6,635)	(2,596)	(9,231)
Unallocated assets and liabilities				**3,167**			24,300
Segment net assets	5,254	8,768	11,076	**28,265**	4,448	8,186	36,934
Other segment information							
Capital expenditure:							
Property, plant and equipment	217	22	381	**620**	471	23	494
Investment properties	72	-	-	**72**	-	-	-
Depreciation:							
Property, plant and equipment	151	105	134	**390**	121	102	223
Investment properties	16	-	-	**16**	16	-	16
Amortisation	-	-	198	**198**	-	-	-

Underlying profit

Operating profit before tax add back	267	426	321	**1,014**	411	383	794
amortisation	-	-	198	**198**	-	-	-
Underlying profit before tax	267	426	519	**1,212**	411	383	794

Underlying profit is presented to illustrate the Group's profit before tax, amortisation and non-recurring items

[1] Momart was acquired on 5 March 2008 (see note 10. Acquisition of subsidiary) and accordingly no comparative is presented for the six months ended 30 September 2007

2. Segmental revenue and profit analysis (continued)

	Year ended 31 March 2008			
	General trading (Falklands) £'000	Ferry services (Portsmouth) £'000	Arts logistics & storage (UK) £'000	Total £'000
External revenue	12,603	3,531	1,066	17,200
Operating profit before amortisation and non-recurring items	1,209	717	112	2,038
Amortisation and non-recurring items			(28)	(28)
Segment operating profit	1,209	717	84	2,010

Finance expense	(222)	(170)	(29)	(421)
Finance income	256	64	0	320
Segment operating profit before tax	1,243	611	55	1,909
Taxation	(285)	(211)	(35)	(531)
Segment profit after tax	958	400	20	1,378
Assets and liabilities				
Segment assets	12,784	9,875	15,813	38,472
Segment liabilities	(7,868)	(1,413)	(4,930)	(14,211)
Unallocated assets and liabilities				9,767
Segment net assets	4,916	8,462	10,883	34,028
Other segment information				
Capital expenditure:				
Property, plant and equipment	840	62	5	907
Investment properties	52	-	-	52
Depreciation:				
Property, plant and equipment	264	220	18	502
Investment properties	32	-	-	32
Amortisation			28	28

Underlying profit				
Operating profit before tax add back:	1,243	611	55	1,909
amortisation	-	-	28	28
Underlying profit before tax	1,243	611	83	1,937

Underlying profit is presented to illustrate the Group's profit before tax, amortisation and non-recurring items.

3. Finance income and expense

	30 September 2008 £'000	30 September 2007 £'000	31 March 2008 £'000
Bank interest receivable	54	129	240
Finance lease interest receivable	37	29	64
Expected return on pension scheme assets	8	(8)	16
Total financial income	**99**	150	320
Interest payable on bank loans	(244)	(95)	(200)
Finance lease interest payable	(5)	-	-
Interest cost on pension scheme liabilities	(80)	(60)	(145)
Notional interest on deferred consideration payable	(26)	-	(4)
Loss on remeasurement of derivative financial instrument	(8)	-	(72)

Total financial expense	**(363)**	(155)	(421)
Net financing cost	**(264)**	(5)	(101)

4. Taxation

The taxation charge has been estimated to be 29.5% (2007: 32%)

5. Earnings per share

Earnings per share has been calculated on profit after tax of £649,000 (6 months to 30 September 2007 : £536,000; Year to 31 March 2008: £1,378,000) based on the weighted average number of shares in issue, excluding shares held in the Employee Share Ownership Plan, of 9,024,584 (6 months to 30 September 2007: 8,433,998; Year to 31 March 2008: 8,478,354). 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 and non-recurring items ('underlying profit after tax'):

	6 months to 30 September:		Year ended 31 March
	2008 £'000	2007 £'000	2008 £'000
Underlying profit before tax	**1,212**	794	1,937
Tax thereon	**(365)**	(258)	(540)
Underlying profit after tax	**847**	536	1,397
Basic earnings per share on underlying profit	**9.4p**	6.4p	16.5p
Diluted earnings per share on underlying profit	**9.2p**	6.0p	16.3p

6. Financial assets - investments in quoted companies

(a) At fair value

The Group has an investment of 15,000,000 shares in the AIM quoted company Falklands Oil and Gas Limited ('FOGL').

	30 September 2008 £'000	30 September 2007 £'000	31 March 2008 £'000
FOGL share price	79p	162p	123p
Investment stated at fair value:			
Falkland Oil and Gas Limited	11,850	24,300	18,450

An unrealised loss of £6,600,000 (at 30 September 2007: gain of £11,366,000; at 31 March 2008: gain of £5,516,000) has been recognised in the period and transferred to the Financial assets fair value reserve as a component of shareholders' funds.

(b) At cost

	£'000	£'000	£'000
Investment at cost:			
Falkland Oil and Gas Limited	2,454	2,454	2,454

7. Employee benefits

Given the volatility in financial markets and sharp increase in medium-term bond yields, which may prove temporary in nature, the Company has decided not to revalue its pension obligations at 30 September 2008. 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 recent stock market fluctuations. At 31 March 2008 the Group's other pension fund, The Portsmouth Harbour Ferry Company Plc (1975) Retirement Scheme, showed a net deficit of £143,000.

8. Reconciliation of movement in shareholders' funds

	30 September 2008 £'000	30 September 2007 £'000	31 March 2008 £'000
Opening shareholders' funds previously reported	**34,028**	24,771	24,718
Profit for the period	649	536	1,378
Dividends paid	-	-	(591)
Issue of shares	-	-	59
Share-based payments	191	67	164
Deferred tax on share-based payments	(3)	1	3
Change in fair value of available-for-sale financial assets	(6,600)	11,366	5,516
Premium on shares issued in the year net of expenses	-	-	2,442
Actuarial gain on pension, net of tax[1]	-	193	339
Net (reduction in) / addition to shareholders' funds	**(5,763)**	12,163	9,310
Closing shareholders' funds	**28,265**	36,934	34,028

[1] See note 7. Employee benefits.

9. Analysis of change in debt

	As at 1 April 2008 £'000	Cash flows £'000	As at 30 September 2008 £'000
Cash at bank and in hand	2,995	(774)	2,221
Debt due within one year	(2,064)	(84)	(2,148)

Debt due after one year	(6,992)	78	(6,914)
Net debt at end of period	**(6,061)**	**(780)**	**(6,841)**

10. Acquisition of subsidiary

On 5 March 2008 the Company acquired all the ordinary shares in Momart International Limited for £10,835,000, satisfied in cash and the issue of 582,666 ordinary shares of 10p each at £4.27½. The acquisition had the following effect on the Group's net assets and liabilities:

	Pre-acquisition carrying amounts £'000	Provisional fair value adjustments £'000	Recognised provisional values on acquisition £'000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	710	-	710
Other fixed assets	47	110	157
Intangible assets		4,777	4,777
Inventories	318	-	318
Trade and other receivables	3,276	-	3,276
Cash and cash equivalents	(178)	-	(178)
Interest-bearing loans and borrowings	(1,395)	-	(1,395)
Trade and other payables	(3,083)	-	(3,083)
Deferred tax liabilities	(24)	(1,330)	(1,354)
Contingent liabilities			-
Net identifiable assets and liabilities	(329)	3,557	3,228
Goodwill on acquisition			7,607
Consideration paid (including professional fees of £566,000 satisfied in cash)			10,835
Less: non-cash, contingent & deferred consideration			(5,670)
Initial cash sum			5,165
Add: Overdraft (acquired)			178
Net cash outflow			5,343

Directors and Corporate Information

Directors
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Leonard Licht
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Mike Killingley

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END

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