

## **QUAYLE MUNRO HOLDINGS PLC**

### **Results for the six months to 31 December 2008.**

Thursday 5 March 2009

Quayle Munro, the independent merchant bank, announces results for the six months to 31 December 2008.

- Revenue was £4.5m compared with £7.5m the previous year – a decrease of 40%. However the previous year included £3.36m from Submersible Technology Services (Holdings) Limited (“STSH”) and £0.55m representing a special incentive fee from The PFI Infrastructure Company plc. On a like for like basis, i.e. after stripping out the contribution from STSH, revenue rose from £4.1m to £4.5m an increase of 9.8%.
- The Group operating loss was £(0.5)m, compared to a profit of £2.1m for the same period the previous year. The decrease was largely due to impairment £(1.4)m of listed shares in the banking sector.
- Group profit before tax for the half year was £0.6m compared with £3.2m in the previous year, a decrease of 81%. This was largely due to the impairment charge in respect of the banking shares. Diluted earnings per share were 2.9p compared to 60.5p the previous year. Excluding the effect of the impairment charge, basic earnings per share were 34p and fully diluted 32p.
- An interim dividend of 10p per share has been declared and will be paid in April but the amount of the final dividend is uncertain at this stage and will be dependent upon profits in the second half.
- There was a negative total return of (43)p per share, compared with (164)p in the previous year.
- Net assets fell during the half year by £2.6m. Net assets per share were 772p compared with 829p at 30 June 2008. Liquidity remains strong.
- The major unlisted investments have performed satisfactorily. In the case of Morris Homes, the company remains profitable and is meeting its banking covenants. The other major unlisted investment, STSH, has had a strong year, producing profit before tax of £2.98m compared to £1.1m the previous year.
- A cautious approach is necessary for the second six months, notwithstanding a very satisfactory workload.

#### **Ian Jones, Executive Chairman, commented:**

“Our book of advisory business is very satisfactory but there has to be uncertainty in predicting the timescale for successful completions when fees are received. Morris continues to be resilient with modest signs that the Spring has shown an improvement in sales compared to the Autumn and early Winter but it is difficult to know whether it will be sustained for the rest of the calendar year. Overall, caution must be the guiding principle for our business. At this stage it is difficult to predict the outcome for the year as a whole”.

**For further information:**

Ian Jones, Executive Chairman, Quayle Munro:	0131 226 4421
Peter Norris, Chief Executive, Quayle Munro:	020 7907 4200
John Kiely / Gemma Froggatt, Smithfield:	020 7360 4900

## CHAIRMAN'S STATEMENT

When we last reported to shareholders in respect of the financial year ended 30 June 2008 reference was made to the severe uncertainty affecting all financial markets and the inevitable frustrations as corporate mandates proved very difficult to implement. Immediately after that report was issued the problems in the United States, particularly the collapse of Lehman Brothers, led to a fall in value in the entire financial sector on a scale that few expected. In Scotland in particular the collapse in confidence and the very significant losses in the two Scottish banks is an event of historical significance.

It is against this background that I have to report profits below our original expectations, a significant charge resulting from our shareholdings in the banking sector, a further fall in net assets and a cautionary approach to the second six months.

Notwithstanding negative underlying sentiment there are a number of redeeming features. In the second half of its financial year ended on 31 December 2008 Submersible Technology Services (Holdings) Limited ("STSH") performed strongly. Corporate Finance has completed a number of significant transactions and our professional teams are very busy and continue to be productive. Our major investment in housebuilding, Morris Homes ("Morris") whilst operating at lower levels of profitability than last year, continues to trade satisfactorily in a difficult market. Last but by no means least, we continue to hold significant cash reserves.

### Profits

For the six months ended 31 December 2008 group profit before taxation was £0.6m compared with £3.2m for the same period last year, a fall of 81%. These profits were significantly affected by our need under International Financial Reporting Standards ("IFRS") to write-off the fall in our listed banking portfolio to its current market price, involving a write down taken through the profit and loss account of £1.4m. Group turnover was £4.5m compared with £7.5m the previous year. The Group operating result was a loss of £0.5m compared with a profit of £2.1m the previous year. Profit after tax was £0.1m against £2.6m giving basic earnings per share of 3.1p as against 60.9p the previous year, a fall of 95%. Diluted earnings per share were 2.9p compared with 60.5p for the previous year. Excluding the effect of the impairment charge, basic earnings per share were 34p and fully diluted 32p.

I should point out that professional revenue (i.e. excluding STSH) for the six months ending on 31 December 2008 was £4.5m and this compares to £4.1m for the same period in the previous year, an increase of 9.8%. Revenue for the same period the previous year also included £0.55m in respect of the net incentive fee for The PFI Infrastructure Company plc ("PFICo"). I mentioned in the Annual Report for the year which ended on 30 June 2008 that accounting for STSH is somewhat complicated. In that financial year we consolidated 93.3 % of the revenue, costs and net assets of STSH but this ceased following the restructuring in April 2008 and we now show only the equity accounted net profit after tax. In the comparative figures for the six months to 31 December 2007 revenue from continuing operations included a contribution of £3.36m from STSH.

The provision of £1.4m which is in respect of our shareholdings in The Royal Bank of Scotland and Lloyds Banking Group is taken against profits because, in both cases, we have decided that there has occurred a potentially prolonged and significant impairment. In such circumstances under IFRS we are required to charge the entire loss at the point where the impairment became "prolonged or significant" even though a significant proportion of the loss occurred in an earlier financial year and was then taken through the Revaluation Reserve. We have decided that the triggering point was the recent collapse in confidence in both Banks. The actual loss occurring in the six month period ending on 31 December 2008 was £0.77m.

### Net Assets

The Group balance sheet as at 31 December 2008 shows net assets of £35.4m which is equivalent to 772.2p per share and this compares with 864.4p as at 31 December 2007 and 828.6p as at 30 June 2008. Net asset value per share has therefore decreased by 6.8% since 30 June 2008 and 10.7% since

31 December 2007. The negative return per share for the six months is (43)p compared with a negative return of (164)p for the same period last year and a negative return of (194)p for the full year to 30 June 2008.

The continued reduction in net assets results from a further reduction in the valuation of Morris, and in certain of our other smaller unlisted investments. The potential for a significant increase in the valuation of our 49.9% interest in STSH is not reflected in net assets.

### **Dividends**

In view of the Company's strong balance sheet the Directors have decided to pay an unchanged interim dividend of 10p per share. This will be paid on 9 April 2009 to shareholders on the register at the close of business on 13 March 2009.

At this stage there is some doubt as to whether we will be able to maintain the final dividend of 20p per share paid in 2008. The level of the final payment will be determined by profits in the second half of the year and these are at present difficult to forecast.

### **The Portfolio**

As reported previously Morris is having to cope with an extremely challenging housing market with many competitors reporting significantly lower reservation levels together with material impairments of their land banks.

Historically Morris has concentrated on traditional middle market housing and has avoided city centre apartment schemes. As such its level of activity and margins have been more resilient during the downturn of the last eighteen months. At the end of week 46 of its current financial year the company reported that net reservations were down only 24% and that operating margins were being maintained at 16% as a result of extensive cost cutting. For the nine months ended on 31 December 2008 operating profits were £15.7m compared to £23.5m the previous year.

Despite its extensive land bank Morris continues to operate within its existing banking facilities and due to the historically high gross margins on its land bank it would appear to have no issues with impairment. It is too early to make a clear judgement on the state of the housing market in 2009 but there have been some modest signs of revival in the last few weeks with good gross reservations. However there is still a severe shortage of mortgage funding and Morris is anticipating another difficult year.

The resilience of Morris has been a redeeming feature as has the trading performance of STSH. STSH is a specialist underwater contractor with a fleet of remotely operated vehicles operating across the world but with current emphasis on the Middle and Far East. In April 2008 we completed a restructuring taking a 49.9% shareholding in STSH with the management taking the balance of 50.1%. We also hold £1.89m 8% loan stock 2009/12 issued by STSH at the time of the restructuring. For the first six months of the financial year which ended on 30 June 2008 STSH showed profits before shareholder loan interest and tax of £0.8m but in the second six months management accounts suggest profits of £2.2m reflecting full utilisation of its fleet with supporting personnel. Prospects for the new financial year which commenced on 1 January 2009 appear excellent and although all contracts have not yet been finally concluded it would suggest a high level of utilisation of the fleet with very good levels of profitability.

In the Autumn the Directors of STSH resolved to explore prospects for sale and Quayle Munro Limited was instructed as financial adviser in respect of the sale process. That process is currently ongoing but at this stage it is uncertain whether a satisfactory sale will be concluded.

As I have advised, accounting for STSH has been complicated. In the accounts for the period ended 30 June 2007 and the interim statement for the six months ended 31 December 2007 we consolidated 93.3% of the net assets in our balance sheet. Consolidation ceased following the restructuring completed in April 2008 and our balance sheet now shows only the rolled over equity component plus the loan stock received as part of that transaction together with our equity share of profits since April 2008. The figure which is currently shown in respect of the loan stock and our 49.9% interest is £3.3m. We do not undertake a market valuation of our significant equity interest in STSH.

There have been mixed fortunes in respect of the smaller investments in our portfolio. Cath Kidston has continued to make good progress in a difficult marketplace. Tayside Flow Technologies after successful clinical trials is now entering the distribution and sales phase of its development. AMG Systems is anticipating that, after the drop in revenues in 2008, there will be a modest increase in revenues in 2009. Duncton Group experienced difficulties in the second half of 2008 following a significant reduction in resale prices of second-hand cars, but the situation has since improved.

### **Corporate Finance**

The acquisitions of New Boathouse Capital Limited and The van Tulleken Company Limited have transformed the business. In both cases, following acquisition, there were significant increases in professional revenue as transactions inherited with them came through to completion resulting in the receipt of significant fee income. The teams have been consolidated into one unit operating as Quayle Munro from a single office at 22 Berners Street, W1. In the Autumn we added a senior corporate finance team from Landsbanki Securities (formerly Bridgewell). We are pleased to welcome Andrew Tuckey, John Craven and Rashmi Sinha as senior executives, enhancing our capacity to advise large and mid-cap companies. With the recruitment of Rob Cormie we have also added capacity in Edinburgh to develop traditional private sector corporate finance work in the Scottish market. Although markets remain weak, our current professional workload is strong. A consequence of weak markets has been a general lengthening of project timetables as financing, in particular bank finance has become more difficult to source.

### **Public Finance**

Our Public Finance business based in Edinburgh has maintained a steady level of activity. In Scotland the flow of new projects financed through Public Private Partnerships (PPP) has been adversely affected by the uncertainties surrounding the new Scottish Futures Trust but work continues on our pipeline of PPPs both north and south of the border and for a good number of institutions in the tertiary education sector. As in Corporate Finance, difficulties in securing financing commitments have slowed the rate of project completions.

### **Fund Management**

Our contract to manage PFICo has entered its wind-down phase, with progressive transfer of our responsibilities for managing the underlying project companies. The management agreement for PFICo will come to an end in June 2009. We continue to work on new opportunities for specialist fund management but none have yet come to fruition.

### **Prospects for the second six months**

I have already referred to the difficulty in completing transactions. Our book of advisory business is very satisfactory but there has to be uncertainty in predicting the timescale for successful completions when fees are received. Morris continues to be resilient with modest signs that the Spring has shown an improvement in sales compared to the Autumn and early Winter but it is difficult to know whether it will be sustained for the rest of the calendar year. Overall, caution must be the guiding principle for our business. At this stage it is difficult to predict the outcome for the year as a whole.

I Q JONES  
Executive Chairman  
4 March 2009

**GROUP  
INCOME  
STATEMENT**

FOR THE SIX MONTHS ENDED  
31 DECEMBER 2008

	Six Months 31 December 2008 Unaudited £'000	Six Months 31 December 2007 Unaudited £'000	Year 30 June 2008 Audited £'000
<b>REVENUE</b>			
From continuing operations	4,519	5,377	14,004
Arising from acquisitions	-	2,114	-
	<u>4,519</u>	<u>7,491</u>	<u>14,004</u>
Distribution costs	-	(1,652)	(2,791)
Administrative expenses	(4,094)	(3,463)	(6,131)
Impairment of investments held as available-for-sale	(1,423)		
Other expenses	(373)	(275)	(853)
	<u>(5,890)</u>	<u>(5,390)</u>	<u>(9,775)</u>
Share of profits of associate accounted for using the equity method	866	-	318
<b>GROUP OPERATING (LOSS)/PROFIT</b>			
From continuing operations	(505)	1,375	4,547
Arising from acquisitions	-	726	-
	<u>(505)</u>	<u>2,101</u>	<u>4,547</u>
Gain on subsidiary becoming an associate	-	-	83
Finance revenue	1,209	1,268	1,845
Finance costs	(12)	(82)	(106)
Other finance costs - pensions	(75)	(68)	(146)
	<u>1,122</u>	<u>1,118</u>	<u>1,676</u>

	<b>Six Months</b>	Six Months	Year
	<b>31 December</b>	31 December	30 June
	<b>2008</b>	2007	2008
	<b>Unaudited</b>	Unaudited	Audited
	<b>£'000</b>	£'000	£'000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<b>617</b>	3,219	6,223
Taxation	<b>(474)</b>	(626)	(1,393)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	<b>143</b>	2,593	4,830
Profit attributable to shareholders of the company	<b>143</b>	2,559	4,787
Profit attributable to minority interests	-	34	43
	<b>143</b>	2,593	4,830
Basic earnings per share	<b>3.1p</b>	60.9p	111.7p
Diluted earnings per share	<b>2.9p</b>	60.5p	108.7p
Ordinary dividends per share	<b>10p</b>	10p	30p
Special dividend per share	-	150p	150p

**GROUP  
STATEMENT OF RECOGNISED INCOME  
AND EXPENDITURE**

For the six months ended  
31 December 2008

	<b>Six Months</b>	Six Months	Year
	<b>31 December</b>	31 December	30 June
	<b>2008</b>	2007	2008
	<b>Unaudited</b>	Unaudited	Audited
	<b>£'000</b>	£'000	£'000
<b>INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>			
(Losses) on valuation of available-for-sale financial assets	(1,737)	(9,395)	(13,527)
Actuarial (Loss)/gain on defined benefit pension scheme	(375)	(43)	74
<b>NET (EXPENSE) RECOGNISED DIRECTLY IN EQUITY</b>	<b>(2,112)</b>	<b>(9,438)</b>	<b>(13,453)</b>
<b>PROFIT FOR THE PERIOD</b>	<b>143</b>	<b>2,593</b>	<b>4,830</b>
<b>TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD</b>	<b>(1,969)</b>	<b>(6,845)</b>	<b>(8,623)</b>
Attributable to:	<b>(1,969)</b>	<b>(6,879)</b>	<b>(8,666)</b>
Equity holders of the parent	-	34	43
Minority interest	<b>(1,969)</b>	<b>(6,845)</b>	<b>(8,623)</b>
Return per share	<b>(43.0)p</b>	(163.6)p	(194.1)p
Diluted return per share	<b>(40.3)p</b>	(162.6)p	(188.9)p

**GROUP  
BALANCE  
SHEET**

AS AT 31 DECEMBER 2008

	<b>Six Months 31 December 2008 Unaudited £'000</b>	Six Months 31 December 2007 Unaudited £'000	Year 30 June 2008 Audited £'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2,675	6,353	2,310
Intangible assets - goodwill	11,713	6,913	11,713
Financial assets	10,330	17,539	13,612
Share of net assets of Associate	3,296	-	2,430
Defined benefit pension scheme surplus	324	429	679
	<u>28,338</u>	<u>31,234</u>	<u>30,744</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	1,417	10,697	1,554
Current tax asset	326	275	380
Cash and short term deposits	8,696	5,367	9,700
	<u>10,439</u>	<u>16,339</u>	<u>11,634</u>
<b>TOTAL ASSETS</b>	<u><b>38,777</b></u>	<u><b>47,573</b></u>	<u><b>42,378</b></u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	1,391	2,902	2,446
Financial liabilities	-	1,366	-
Deferred income	-	1,108	-
Current tax liabilities	926	2,138	909
	<u>2,317</u>	<u>7,514</u>	<u>3,355</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income	-	1,108	-
Financial liabilities	597	948	597
Deferred tax liabilities	467	1,379	463
	<u>1,064</u>	<u>3,435</u>	<u>1,060</u>
<b>TOTAL LIABILITIES</b>	<u><b>3,381</b></u>	<u><b>10,949</b></u>	<u><b>4,415</b></u>
<b>NET ASSETS</b>	<u><b>35,396</b></u>	<u><b>36,624</b></u>	<u><b>37,963</b></u>

	<b>Six Months</b>	Six Months	Year
	<b>31 December</b>	31 December	30 June
	<b>2008</b>	2007	2008
	<b>Unaudited</b>	Unaudited	Audited
	<b>£'000</b>	£'000	£'000
<b>CAPITAL AND RESERVES</b>			
Equity share capital	9,305	6,514	9,305
Revaluation reserve	7,831	13,700	9,568
Other reserves	2,209	1,469	1,900
Retained earnings	<u>16,051</u>	<u>14,782</u>	<u>17,190</u>
	<b>35,396</b>	36,465	37,963
Minority interests	<u>-</u>	<u>159</u>	<u>-</u>
<b>TOTAL EQUITY</b>	<b><u><u>35,396</u></u></b>	<b><u><u>36,624</u></u></b>	<b><u><u>37,963</u></u></b>
NAV per share	<b>772.2p.</b>	864.4p.	828.6p.

These interim financial statements were approved for issue by the Board of Directors and signed on their behalf by:

.....

I Q Jones

Executive Chairman

4 March 2009

# GROUP CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED  
31 DECEMBER 2008

	<b>Six Months</b>	Six Months	Year
	<b>31 December</b>	31 December	30 June
	<b>2008</b>	2007	2008
	<b>Unaudited</b>	Unaudited	Audited
	<b>£'000</b>	£'000	£'000
<b>OPERATING ACTIVITIES</b>			
Profit before tax	617	3,219	6,223
ADJUSTMENTS TO RECONCILE PROFIT FOR THE YEAR TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Finance revenue	(1,086)	(327)	(1,741)
Finance expense	12	82	106
Depreciation	64	275	361
Adjustments on subsidiary	-	(177)	(83)
Share of profit of associate	(866)	-	(318)
Share based payments	309	62	493
Loss on disposal of fixed assets	19	-	-
Gains on disposals of financial assets	(69)	(42)	(42)
Impairment of investments held as available-for-sale	1,423	-	-
Foreign exchange losses	100	-	-
Movement in pensions	(21)	(43)	17
Decrease/(Increase) in assets	137	(1,572)	5,904
(Decrease)/Increase in liabilities	(1,056)	841	(3,038)
Cash generated from operations	(417)	2,318	7,882
Taxation (paid)	(345)	(389)	(2,216)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(762)</b>	<b>1,929</b>	<b>5,666</b>
<b>INVESTING ACTIVITIES</b>			
Finance revenue received	1,086	327	1,741
Proceeds from sales of available-for-sale financial assets	531	446	458
Payments to acquire subsidiary undertakings	-	-	(2,957)
Receipts from subsidiary undertakings	-	-	1,181
Payments to acquire plant and equipment	(437)	(495)	(464)
Payments to acquire available-for-sale financial assets	(430)	(2,381)	(2,488)
Acquisition of goodwill	-	(6,913)	-
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>750</b>	<b>(9,016)</b>	<b>(2,529)</b>

	<b>Six Months</b>	Six Months	Year
	<b>31 December</b>	31 December	30 June
	<b>2008</b>	2007	2008
	<b>Unaudited</b>	Unaudited	Audited
	<b>£'000</b>	£'000	£'000
<b>FINANCING ACTIVITIES</b>			
Dividends paid to equity shareholders of the parent	<b>(905)</b>	(7,095)	(7,517)
Proceeds from share issues	-	4,799	115
Repayment of borrowings	-	(114)	(875)
Finance expense paid	<b>(12)</b>	(82)	(106)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(917)</b>	(2,492)	(8,383)
<b>(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(929)</b>	(9,579)	(5,246)
Effect of exchange rates on cash and cash equivalents	<b>(75)</b>	-	-
Cash and cash equivalents at the beginning of the period	<b>9,700</b>	14,946	14,946
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>8,696</b>	5,367	9,700

## NOTES

### 1. Basis of preparation

Quayle Munro Holdings PLC (“the Company”) is registered in Scotland. This interim report contains the financial information of the Company and its subsidiaries (together “the Group”) for the six month period ended 31 December 2008.

The consolidated financial statements are prepared in accordance with all relevant International Financial Reporting Standards (“IFRS”) adopted for use in the European Union and comply with the requirements of IAS 34 “Interim Financial Reporting”.

### 2. Accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2008.

#### Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its fair value is transferred from equity to the profit and loss account. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the profit and loss account.

### 3. Impairment of available-for-sale assets

At 31 December 2008 the Group’s management took the view that certain available-for-sale assets were impaired. This resulted in an impairment loss of £1.4m being booked to the income statement as a result of reducing the carrying value of these assets to their recoverable amount. The assets were listed equities held in the banking sector and fair value was determined by reference to their current market value.

### 4. Segment information

Primary reporting format – Geographical segments

The Group’s geographical segments are based on the location of the Group’s assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

The following tables present revenue, expenditure and certain asset information regarding the Group’s geographical segments for the period ended 31 December 2008 and the year ended 30 June 2008.

PERIOD ENDED 31 DECEMBER 2008	Asia	Europe	United States	Total
	£'000	£'000	£'000	£'000
Revenue - external	-	3,913	606	4,519
Segment assets	-	35,544	(148)	35,396
Segment property, plant and equipment acquisitions	-	437	-	437

YEAR ENDED 30 JUNE 2008	Asia	Europe	United States	Total
	£'000	£'000	£'000	£'000
Revenue - external	4,940	8,896	168	14,004
Segment assets	-	37,859	104	37,963
Segment property, plant and equipment acquisitions	-	662	-	662
Intangibles acquisitions	-	11,713	-	11,713

## 5. Financial instruments

### Interest Rate Risk

The Group's cash balances are held in accounts that bear interest directly related to bank base rate. The period has seen a decrease in the bank base rate of 4% in total.

### Credit Risk

There are no significant concentrations of credit risk within the Group. The Group has established procedures to minimise the risk of default by trade debtors including detailed client adoption checks. Historically, these procedures have proved effective in minimising the level of impaired and past due debtors.

### Liquidity Risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial obligations as they fall due. The Group's strategy to managing liquidity risk is to ensure that the Group has sufficient liquid funds to meet all its potential liabilities as they fall due, including anticipated shareholder distributions. Risk is mitigated by maintaining significant cash balances. The Group did not carry any borrowings at 31 December 2008.

### Equity Price Risk

The Group's listed investment portfolio comprises companies included in the FTSE-100 index. The value of the listed and unlisted investment portfolio could increase as well as decrease.

During the period the impairment of certain listed investments held in the banking sector resulted in a £1.4 million write off in the profit and loss account.

### Currency Risk

The Group has an investment in a US subsidiary entity. This interest is not hedged. This investment is considered long term in nature.

6. The interim dividend of 10p per share will be paid on 9 April 2009 to members on the register at 13 March 2009 and will absorb £458,381.
7. The calculation of return per share for the six months to 31 December 2008 of (43)p per share is based on total recognised income and expenses of (£1.97m) (2007 - £(6.9 million)) and on 4,582,775 ordinary shares, being the weighted average number of shares in issue during the period (2007 – 4,203,318). This return per share compares with (164)p for the six months ended 31 December 2007.

The calculation of return per share when diluted for options granted of (40)p per share is based on the weighted average of 4,887,482 ordinary shares (2007 – 4,231,487) and on the average share price during the period. This diluted return per share compares with (163)p for the six months ended 31 December.

8. The calculation of basic earnings per share for the six months to 31 December 2008 is based on earnings of £143,000 (2007 - £2,559,000) and on 4,582,775 ordinary shares, being the weighted average number of shares in issue during the period (2007 – 4,203,318).

The calculation of fully diluted earnings per share is based on the weighted average of 4,887,482 ordinary shares (2007 – 4,231,487) and the average share price during the period.

9. The net assets per share are based on 4,583,814 ordinary shares in issue as at 31 December 2008 (30 June 2008 – 4,581,689), (31 December 2007 – 4,218,442).
10. The financial information contained in this interim statement does not constitute statutory accounts as defined in section 240 of The Companies Act 1985.
11. This report will be circulated to all shareholders, and copies will be available from the Company Secretary at 8 Charlotte Square, Edinburgh EH2 4DR

# **INDEPENDENT REVIEW REPORT**

TO QUAYLE MUNRO HOLDINGS PLC

## **Introduction**

We have reviewed the accompanying Group Balance Sheet of Quayle Munro Holdings PLC and related Group statements of income, changes in equity, and cash flows for the six month period ended 31 December 2008, and the accounting policies, and explanatory notes.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

## **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with International Financial Reporting Standards as required by the rules of the Alternative Investment Market issued by the London Stock Exchange.

## **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of an Entity". A review of interim financial information consists of making enquiries, primarily of those responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Review conclusion**

Based on our review nothing has come to our attention that causes us to believe that the accompanying financial information does not give a true and fair view of the financial position of the entity as at 31 December 2008, and of its financial performance and its cash flows for the six month then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG LLP  
Edinburgh  
4 March 2009