



QUAYLE MUNRO  

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HOLDINGS PLC

INTERIM REPORT  
FOR THE SIX MONTHS ENDED  
31ST DECEMBER 2000

### PROFITS

For the six months ended 31st December 2000, Group profit before taxation was £701,000 compared with £479,000 for the same period last year, an increase of 46 per cent.

This rise in pre-tax profits was due entirely to an increase in fee income which was £705,000 for the half year as opposed to £328,000 for the same period last year. As the figures suggest fee income has been satisfactory with an increased level of fees in corporate finance derived from both PFI transactions and public sector work generally and also from activity in private sector transactions. Income from investments was £399,000 compared with £441,000 in the same period last year, and the gain on the sale of fixed asset investments was also somewhat lower at £185,000 compared with £338,000. Costs have remained at similar levels to those for the corresponding period last year.

The overall result is a profit after taxation of £611,000 compared with £494,000 for the same period last year, an increase of 24 per cent. An interim dividend, increased by 5.3 per cent to 5p per share, will be paid on 6th April 2001 to shareholders on the register at close of business on 9th March 2001. In addition the special dividend of 50p per share announced on 14th September 2000 was paid on 25th January 2001.

### NET ASSETS

The Group balance sheet as at 31st December 2000 shows net assets of £13.749 million, which is equivalent to 394p per ordinary share. This compares with 402p at 30th June 2000 and with 397p per ordinary share at 31st December 1999. If the historical figures are adjusted for the 50p special dividend which absorbed £1.75 million, the comparative figures would be 352p as at 30th June 2000 and 347p as at 31st December 1999. During the six month period our net asset value has therefore increased by 12 per cent.

Over the last six months there have been only modest movements in our investment portfolio, and the components between listed and unlisted are largely unaltered. The listed portfolio continues to be primarily in leading stocks. Unlisted investments have risen due to an increase in the valuation of our shareholding in Morris Group Limited which, as a result of organic growth and following the acquisition of the housebuilding division of Allen PLC, is showing a very satisfactory increase in profitability, and we believe some reappraisal of its value should be made. Shareholders should be aware that Morris is now a substantial housebuilder in the north-west of England and in the east and west Midlands and this could in due course have a further impact on values if the company continues its current excellent progress. Submersible Television Surveys Limited performed satisfactorily albeit with slightly reduced profits from the previous year. Our PFI investments continue to perform in line with expectations.

Cash increased by approximately £526,000 to £2.340 million, but this was reduced at the end of January by the payment of the special dividend of 50p per share which absorbed £1.747 million.

### STRATEGY

We are pleased that the market has responded positively to the special dividend paid in January and we shall continue to consider this and alternative methods of making available to shareholders the underlying value of the company. We very much hope that it will be possible to do this while maintaining the dividend growth that we have been able to generate since the flotation in 1993, but shareholders should be aware that the payment of special dividends is in effect a reduction of capital and that growth in ordinary dividends has to be achieved on a capital base that is thereby reduced.

### CURRENT PERFORMANCE

The second half of the year has started well, and it is reasonable to expect that we shall exceed last year's profitability. As I have already implied, a major factor in future performance will be the continued progress of Morris Group. We are presently extremely active in professional work under the PFI and in other public sector projects, and given continued good performances from the portfolio this should produce a satisfactory result for the year as a whole.

I. Q. JONES  
Chairman and Chief Executive  
22nd February 2001

GROUP  
PROFIT AND  
LOSS  
ACCOUNT

FOR THE SIX MONTHS

ENDED

31ST DECEMBER 2000

GROUP  
STATEMENT OF  
TOTAL  
RECOGNISED  
GAINS AND  
LOSSES

FOR THE SIX MONTHS

ENDED

31ST DECEMBER 2000

	<b>Half Year</b> <b>31st December</b> <b>2000</b> <b>Unaudited</b> <b>£'000</b>	Half Year 31st December 1999 Unaudited £'000	Year 30th June 2000 Audited £'000
TURNOVER	<b>762</b>	281	665
Movements in work in progress	<b>(57)</b>	47	174
	<b>705</b>	328	839
Gain/(loss) on trading in financial instruments	<b>2</b>	(36)	(140)
Other operating charges	<b>(629)</b>	(600)	(1,221)
OPERATING PROFIT/(LOSS)	<b>78</b>	(308)	(522)
Profit on sales of fixed asset investments	<b>185</b>	338	561
Income from investments	<b>399</b>	441	849
Interest receivable	<b>61</b>	29	73
Loan interest payable	<b>(22)</b>	(21)	(42)
PROFIT BEFORE TAXATION	<b>701</b>	479	919
Taxation	<b>(90)</b>	15	53
PROFIT ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY	<b>611</b>	494	972
Dividend on equity shares	<b>(1,926)</b>	(167)	(494)
RETAINED (LOSS)/PROFIT FOR THE PERIOD	<b>(1,315)</b>	327	478
PROFIT ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY	<b>611</b>	494	972
Revaluation of property	-	-	185
Unrealised revaluation gains during the period	<b>1,171</b>	305	137
Taxation charged directly to reserves	<b>(10)</b>	62	62
TOTAL RECOGNISED GAINS RELATING TO THE PERIOD	<b>1,772</b>	861	1,356
NET ASSET VALUE PER SHARE (Note 4)	<b>394p</b>	397p	402p
DILUTED NAV PER SHARE FRS 14 (Note 4)	<b>387p</b>	393p	399p
BASIC EARNINGS PER SHARE (Note 3)	<b>17.5p</b>	14.4p	28.4p
DILUTED EARNINGS PER SHARE (Note 3)	<b>17.2p</b>	14.3p	28.2p
DIVIDEND PER SHARE (Note 2)	<b>5.0p</b>	4.75p	14.25p
SPECIAL DIVIDEND PER SHARE	<b>50.0p</b>	-	-

	<b>31st December 2000</b>	31st December 1999	30th June 2000
	<b>Unaudited £'000</b>	Unaudited £'000	Audited £'000
<b>FIXED ASSETS</b>			
Tangible assets	<b>1,499</b>	1,281	1,453
Investments – listed	<b>4,126</b>	5,220	4,146
– unlisted	<b>7,537</b>	6,530	6,464
	<b>13,162</b>	13,031	12,063
<b>CURRENT ASSETS</b>			
Debtors	<b>927</b>	629	806
Financial instruments held for trading	<b>33</b>	–	–
Work in progress	<b>159</b>	89	216
Taxation recoverable	<b>110</b>	50	91
Short term deposits and cash at bank	<b>2,340</b>	1,076	1,814
	<b>3,569</b>	1,844	2,927
<b>CREDITORS:</b>			
<b>AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Bank loan	<b>43</b>	43	43
Creditors	<b>363</b>	290	222
Financial instruments held for trading	–	28	–
Taxation payable	<b>100</b>	95	–
Proposed dividends	<b>1,921</b>	163	327
	<b>2,427</b>	619	592
<b>NET CURRENT ASSETS</b>	<b>1,142</b>	1,225	2,335
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>14,304</b>	14,256	14,398
<b>CREDITORS:</b>			
<b>AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Bank loan	<b>(553)</b>	(595)	(553)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	<b>(2)</b>	(2)	(2)
<b>TOTAL NET ASSETS</b>	<b>13,749</b>	13,659	13,843
<b>CAPITAL AND RESERVES</b>			
Called up share capital	<b>349</b>	344	345
Share premium account	<b>704</b>	633	648
Profit and loss account	<b>8,341</b>	9,523	9,673
Other reserves	<b>4,355</b>	3,159	3,177
<b>TOTAL SHAREHOLDERS' FUNDS</b>	<b>13,749</b>	13,659	13,843

**GROUP  
BALANCE  
SHEET**

AS AT  
31ST DECEMBER 2000

SUMMARISED  
STATEMENT OF  
GROUP  
CASH FLOWS

FOR THE SIX MONTHS ENDED

31ST DECEMBER 2000

	<b>Half Year</b>	Half Year	Year
	<b>31st December</b>	31st December	30th June
	<b>2000</b>	1999	2000
	<b>Unaudited</b>	Unaudited	Audited
	<b>£'000</b>	£'000	£'000
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	<b>(17)</b>	(684)	(1,040)
Returns on investments and servicing of finance	<b>353</b>	388	742
Taxation	<b>(18)</b>	(17)	(114)
Capital expenditure and financial investment	<b>481</b>	553	1,580
Equity dividends paid	<b>(332)</b>	(309)	(473)
Management of liquid resources	<b>(655)</b>	(69)	(665)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING	<b>(188)</b>	(138)	30
Financing	<b>60</b>	45	19
(DECREASE)/INCREASE IN CASH	<b>(128)</b>	(93)	49

RECONCILIATION OF  
NET CASH FLOW TO  
MOVEMENT IN  
NET FUNDS

FOR THE SIX MONTHS ENDED

31ST DECEMBER 2000

(DECREASE)/INCREASE IN CASH	<b>(128)</b>	(93)	49
Cash outflow from repayment of debt	-	-	42
Cash used to decrease liquid resources	<b>655</b>	69	665
Movement of net funds	<b>527</b>	(24)	756
NET FUNDS AT 1 JULY/ 1 JANUARY	<b>1,218</b>	462	462
NET FUNDS AT 31 DECEMBER/ 30 JUNE	<b>1,745</b>	438	1,218

RECONCILIATION OF  
OPERATING PROFIT  
TO NET CASH FLOW  
FROM OPERATING  
ACTIVITIES

FOR THE SIX MONTHS ENDED

31ST DECEMBER 2000

OPERATING PROFIT/(LOSS)	<b>78</b>	(308)	(522)
Depreciation net of profits on sales of tangible fixed assets	<b>29</b>	15	31
Changes in working capital and other non cash items	<b>(124)</b>	(391)	(549)
NET CASH FLOW FROM OPERATING ACTIVITIES	<b>(17)</b>	(684)	(1,040)

NOTES  
ON THE  
ACCOUNTS

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1. The interim financial information has been prepared on the basis of accounting policies which are consistent with those used in the Group's statutory accounts for the year ended 30th June 2000. The interim financial information was approved by the Board of Directors on 22nd February 2001 and is unaudited.
2. The interim dividend of 5p per share will be paid on 6th April 2001 to members on the register at 9th March 2001 and will absorb £174,671.
3. The basic earnings per share for the six months to 31st December 2000 are based on the weighted average of 3,472,515 ordinary shares in issue throughout the period (1999 – 3,420,304). Fully diluted earnings per share are based on the weighted average of 3,535,747 ordinary shares in issue throughout the period (1999 – 3,754,778).
4. The net assets per share as at 31st December 2000 are based on 3,493,414 Ordinary shares in issue as at that date (30th June 2000 – 3,447,084).  
The diluted net assets per share calculated in accordance with FRS 14 are based on net assets and on 3,556,646 (30th June 2000 – 3,471,488) ordinary shares, being the number of ordinary shares in issue plus 63,232 (30th June 2000 – 24,404) ordinary shares, being the notional number of shares that would have been issued for no consideration using the share price of 337.5p as at 31st December 2000 (30th June 2000 – 252.5p) to represent the fair value of an ordinary share.
5. The financial information contained in this interim statement does not constitute statutory accounts as defined in section 240 of The Companies Act 1985. The figures for the year to 30th June 2000 are extracted from the statutory accounts for the year to that date on which the auditors gave an unqualified report and which have been filed with the Registrar of Companies.
6. This report will be circulated to all shareholders, and copies will be available from the Company Secretary at 8 Charlotte Square, Edinburgh EH2 4DR.

#### INTRODUCTION

We have been instructed by the company to review the financial information set out on pages 3 to 6 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

#### DIRECTORS' RESPONSIBILITIES

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

#### REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

#### REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 December 2000.

ERNST & YOUNG  
Edinburgh  
22nd February 2001

REPORT BY  
THE  
AUDITORS

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TO THE MEMBERS OF  
QUAYLE MUNRO  
HOLDINGS PLC