QUAYLE MUNRO
HOLDINGS PLC

INTERIM REPORT
FOR THE SIX MONTHS ENDED
31ST DECEMBER 2002

Chairman's Statement

Profits

For the six months ended 31st December 2002, Group profit before taxation was £316,000 compared with £655,000 for the same period last year, a decrease of 52 per cent.

The fall in pre-tax profits was mainly the result of a quiet six months in terms of project completions and receipts. Group turnover, after deducting the share of joint venture's turnover, fell by 41 per cent from £868,000 to £510,000. Included in this, corporate finance fees fell from £553,000 to £360,000. However, work in progress rose by £148,000 compared with £115,000 in the comparative period. There was a rise in directors' and fund management fees from £114,000 to £181,000, but sundry income dropped sharply from £204,000 to £36,000. Income from investments and interest received also fell, from £308,000 to £246,000. Operating charges fell from £763,000 to £729,000.

The overall result is a profit after taxation of £254,000 compared with £519,000 for the same period last year, a decrease of 51 per cent. In view of satisfactory prospects the Directors have decided to increase the interim dividend by 10 per cent, to 5.5p per share, which will be paid on 7th April 2003 to shareholders on the register at close of business on 14th March 2003.

Net Assets

The Group balance sheet as at 31st December 2002 shows net assets of £16.287 million, which is equivalent to 463.1p per ordinary share, a rise of 22.9p per share (5.2 per cent) since 30th June 2002. Net assets as at 31st December 2001 were £13.908 million (395.5p per share), and there has been a rise over the twelve-month period of 67.6p per share (17.1 per cent).

The last six months have been noteworthy for continued uncertainty in the financial markets but in that period we have been able to reflect growth in assets because of our continued commitment to housebuilding through Morris Group and to our PFI portfolio. During the six month period the value of our unlisted investments rose by £1.1 million, due mainly to Morris, whose profits in their current financial year, which ends on 31st March 2003 will show a significant increase from the preceding year and in excess of expectations when we last valued this holding in September. There have been small decreases in the valuations which we have ascribed to Submersible Television Surveys and to Chiltern Invadex plc. We are now beginning to see the benefits of the early move that we made into the PFI sector through good rates of return from the companies in which we have invested underpinned by sound trading performances.

The breakdown of our assets as at 31st December 2002, together with the equivalent figures for 30th June 2002, is as follows:

	December 2002		June 2002	
	£ million	**Percentage**	£ million	Percentage
Office building and other fixed assets	**1.4**	**8.6**	1.4	9.0
Housebuilding	**8.3**	**50.9**	7.0	45.2
PFI investments	**3.2**	**19.6**	3.1	20.0
Other unlisted investments	**1.6**	**9.8**	1.6	10.3
Cash, or cash equivalent, listed securities and net working capital	**1.8**	**11.1**	2.4	15.5
	16.3	**100.0**	15.5	100.0

Prospects

The continued growth of Morris, in which we now have a very substantial investment, together with our professional experience in advising and investing in projects under the Private Finance Initiative or Public Private Partnerships suggest that we are well set for future growth. The second six months are at this stage expected to show a significant increase in profitability as a result of PFI advisory projects coming to legal completion and the possibility of distributions being received from our early PFI investments as a result of refinancing procedures.

I. Q. JONES
Chairman
3rd March 2003

Group Profit and Loss Account

For the six months ended 31st December 2002

	Half Year 31st December 2002 Unaudited £'000	Half Year 31st December 2001 Unaudited £'000	Year 30th June 2002 Audited £'000
Turnover – Group and share of joint venture's turnover	**576**	872	2,100
Less: share of joint venture's turnover	**(66)**	(4)	(35)
Group Turnover	**510**	868	2,065
Movements in work in progress	**148**	115	(37)
	658	983	2,028
Gain on trading in financial instruments	**–**	19	19
Other operating charges	**(729)**	(763)	(1,738)
Group Operating (Loss)/Profit	**(71)**	239	309
Share of joint venture's operating profit	**64**	4	30
Total Operating (Loss)/Profit	**(7)**	243	339
Profit on sales of fixed asset investments	**91**	121	191
Income from investments	**230**	284	623
Interest receivable	**16**	24	49
Loan interest payable	**(14)**	(17)	(30)
Total Profit Before Taxation	**316**	655	1,172
Taxation	**(62)**	(136)	(228)
Profit Attributable to Members of Parent Company	**254**	519	944
Dividend on equity shares	**(193)**	(1,055)	(1,407)
Retained Profit/(Loss) for the Period	**61**	(536)	(463)

Group Statement of Total Recognised Gains and Losses

For the six months ended 31st December 2002

Profit for the year excluding share of profit of joint venture	**190**	515	914
Share of joint venture's profit for the period	**64**	4	30
Profit Attributable to Members of Parent Company	**254**	519	944
Unrealised revaluation gains during the period	**745**	574	2,075
Taxation charged directly to reserves	**–**	(10)	(10)
Total Recognised Gains Relating to the Period	**999**	1,083	3,009

Basic Earnings per Share (Note 3)	**7.2p**	14.9p	26.9p
Diluted Earnings per Share (Note 3)	**7.1p**	14.6p	26.5p
Dividend per Share (Note 2)	**5.5p**	5.0p	15.0p
Special Dividend per Share	**–**	25.0p	25.0p

Group Balance Sheet

AS AT

31ST DECEMBER 2002

	31st December 2002 Unaudited £'000	31st December 2001 Unaudited £'000	30th June 2002 Audited £'000
FIXED ASSETS			
Tangible assets	**1,430**	1,489	1,446
Investment in joint venture			
– share of gross assets	**1,192**	109	1,024
– share of gross liabilities	**(6)**	(4)	(5)
Investments			
– listed	**1,318**	3,033	1,681
– unlisted	**11,922**	8,943	10,735
	15,856	13,570	14,881
CURRENT ASSETS			
Debtors	**912**	776	936
Work in progress	**323**	327	175
Taxation recoverable	**18**	19	38
Short term deposits and cash at bank	**159**	1,135	2,285
	1,412	2,257	3,434
CREDITORS:			
AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loan	**43**	43	43
Creditors	**165**	142	954
Taxation payable	**99**	161	124
Proposed dividends	**193**	1,055	1,231
	500	1,401	2,352
NET CURRENT ASSETS	**912**	856	1,082
TOTAL ASSETS LESS CURRENT LIABILITIES	**16,768**	14,426	15,963
CREDITORS:			
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Bank loan	**(467)**	(510)	(467)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	**(14)**	(8)	(14)
TOTAL NET ASSETS	**16,287**	13,908	15,482
CAPITAL AND RESERVES			
Called up share capital	**352**	352	352
Share premium account	**738**	738	738
Profit and loss account	**7,929**	7,795	7,868
Other reserves	**7,268**	5,023	6,524
TOTAL SHAREHOLDERS' FUNDS	**16,287**	13,908	15,482
NET ASSET VALUE PER SHARE (Note 4)	**463.1p**	395.5p	440.2p
DILUTED NAV PER SHARE FRS 14 (Note 4)	**453.1p**	389.1p	432.9p

Summarised Statement of Group Cash Flows

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2002

	Half Year 31st December 2002 Unaudited £'000	Half Year 31st December 2001 Unaudited £'000	Year 30th June 2002 Audited £'000
Net Cash (Outflow)/Inflow from Operating Activities	**(507)**	(266)	319
Returns on investments and servicing of finance	**283**	298	548
Taxation	**(68)**	69	(74)
Capital expenditure and financial investment	**(603)**	(276)	401
Equity dividends paid	**(1,231)**	(349)	(525)
Management of liquid resources	**318**	298	689
Net Cash (Outflow)/Inflow before Financing	**(1,808)**	(226)	1,358
Financing	**–**	37	(6)
(Decrease)/Increase in Cash	**(1,808)**	(189)	1,352

Reconciliation of Net Cash Flow to Movement in Net Funds

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2002

(Decrease)/Increase in Cash	**(1,808)**	(189)	1,352
Cash outflow from repayment of debt	**–**	–	43
Cash used to (increase) liquid resources	**(318)**	(298)	(689)
Movement of net funds	**(2,126)**	(487)	706
Net Funds at 1 July/1 January	**1,775**	1,069	1,069
Net Funds at 31 December/30 June	**(351)**	582	1,775

Reconciliation of Operating Profit to Net Cash Flow from Operating Activities

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2002

Group Operating (Loss)/Profit	**(71)**	239	309
Depreciation net of profits on sales of tangible fixed assets	**24**	35	67
Changes in working capital and other non cash items	**(460)**	(540)	(57)
Net Cash Flow from Operating Activities	**(507)**	(266)	319

Notes on the Accounts

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 2002. The interim financial information was approved by the Board of Directors on 3rd March 2003 and is unaudited.
2. The interim dividend of 5.5p per share will be paid on 7th April 2003 to members on the register at 14th March 2003 and will absorb £193,000.
3. The calculation of basic earnings per share for the six months to 31st December 2002 is based on earnings of £254,000 (2001 – £519,000) and 3,516,801 ordinary shares, being the weighted average number of shares in issue during the period (2001 – 3,495,321).

   The calculation of fully diluted earnings per share is based on the weighted average of 3,594,854 ordinary shares in issue throughout the period (2001 – 3,552,934) and the average share price during the period.
4. The net assets per share as at 31st December 2002 are based on 3,516,801 ordinary shares in issue as at that date (30th June 2002 – 3,516,801).

   The diluted net assets per share calculated in accordance with FRS 14 are based on net assets and on 3,594,854 ordinary shares (30th June 2002 – 3,576,016), being the number of ordinary shares in issue plus 78,053 ordinary shares (30th June 2002 – 59,216), being the notional number of shares that would have been issued for no consideration using the share price of 367.5p as at 31st December 2002 (30th June 2002 - 335.0p) 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 2002 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.

Independent Review Report

to Quayle Munro Holdings PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31st December 2002 which comprises the Group Profit and Loss Account, Group Balance Sheet, Group Cash Flow Statement, Group Statement of Total Recognised Gains and Losses and the related notes 1 to 7. 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.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent required by the 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 the Listing Rules of the Financial Services Authority which 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 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group 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 United Kingdom 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 31st December 2002.

ERNST & YOUNG LLP
Edinburgh
3rd March 2003

DESIGNED BY GARDINER RUSSELL · TYPESET AND PRINTED BY PILLANS & WILSON