

The background features large, thin-lined, stylized letters 'Q' and 'M'. The 'Q' is on the left, and the 'M' is on the right, with the 'Q' partially overlapping the 'M'.

QUAYLE MUNRO

HOLDINGS PLC

INTERIM REPORT
FOR THE SIX MONTHS ENDED
31ST DECEMBER 2003

PROFITS

For the six months ended 31st December 2003, Group profit before taxation was £677,000 compared with £316,000 for the same period last year, an increase of 114 per cent.

The rise in pre-tax profits was broadly based. Fee and other income, adjusting for movements in work in progress, was £986,000 compared with £658,000 for the same period last year. There was a rise in income from investments to £303,000 as against £230,000, and gains on sales of fixed asset investments were £203,000 compared with £91,000. Operating charges rose to £883,000 compared with £729,000, but the tax charge fell from 20% to 16% and the overall result is a profit after taxation of £571,000 compared with £254,000, a rise of 125 per cent.

Earnings per share were 16.2p per share compared with 7.2p per share for the same period last year, a rise of 125 per cent. In view of the continuing growth in the business the Directors have decided to increase the interim dividend by just over 9 per cent, to 6.0p per share, which will be paid on 6th April 2004 to shareholders on the register at close of business on 19th March 2004.

SPECIAL DIVIDEND

We have paid special dividends in recent years. In January 2001 and in July 2002 special dividends of 50p and 25p per share respectively were paid. We are continuing to generate surplus cash, and the Directors feel it is appropriate that a proportion of this should be made available to shareholders. Accordingly we will be paying a further special dividend of 50p per share absorbing £1.76 million. This, together with the revenue dividend of 6.0p per share, will be paid on 6th April 2004 to shareholders on the register at close of business on 19th March 2004.

NET ASSETS

After providing for the special dividend of 50p per share, the Group balance sheet as at 31st December 2003 shows net assets of £18.058 million, which is equivalent to 513.5p per ordinary share. Before providing for the special dividend, net assets would have been £19.816 million, which is equivalent to 563.5p per ordinary share, representing a rise of 35.8p per share (7 per cent) since 30th June 2003. Net assets as at 31st December 2002 were £16.287 million (463.1p per share) giving a rise over the twelve-month period of 100.4p per share (22 per cent). The total return per share in respect of the six month period which comprises earnings per share plus the increase in the value of the Group's assets rose to 41.8p per share compared with 28.4p per share last year, a rise of 47 per cent.

The last six months have been noteworthy for growth in our assets largely because of a revaluation of our earlier PFI investments which is justified by current market values for maturing PFI investments. As at 31st December 2003 we have increased the investment value of our three earliest PFI investments, namely Falkirk Schools Partnership, KE Project (James Watt College) and LH Project (Larkfield Hospital), by a total of £942,000. There has been a small decrease in the valuation which we have ascribed to Submersible Television Surveys. Since the last year end Chiltern Invadex has been sold showing a profit of £95,000 over the 30th June 2003 valuation, and this is included in gains on sales of fixed asset investments.

For the year which ends on 31st March 2004 Morris Group, our largest single investment, is presently forecasting profits before interest and tax of £25 million, with profit before tax of £20 million, an increase on last year's figures of £20 million and £14.8 million, respectively. The rate of reservations of houses continues to run at a very satisfactory level. In spite of the good performance of Morris and of a modest re-rating of house building shares in the Stock Market we have decided not to revalue Morris at this time.

Before provision for the special dividend, the breakdown of our assets as at 31st December 2003, together with the equivalent figures at 30th June 2003, is as follows:

	December 2003		June 2003	
	£ million	% 'age	£ million	% 'age
Office building and other fixed assets	1.4	7.1	1.4	7.5
House building	10.2	51.5	10.2	54.8
PFI investments	4.7	23.7	3.6	19.4
Other unlisted investments	1.2	6.1	1.8	9.7
Cash, or cash equivalent, listed securities and net working capital	2.3	11.6	1.6	8.6
Total Net Assets	<u>19.8</u>	<u>100.0</u>	<u>18.6</u>	<u>100.0</u>

PROSPECTS

The continuing satisfactory performance of Morris, together with our professional experience in both advising and investing in projects under the Private Finance Initiative and Public Private Partnerships, have justified our previous confidence that the foundations for future growth were well set. Towards the end of the period we expanded our professional activities through the recruitment of the debt advisory team from British Linen Advisers. This addition has already led to an increase in work which we would expect to contribute to profitability in the forthcoming six months. At this stage it is reasonable to expect continued progress in all aspects of our business.

I. Q. JONES
Chairman
3rd March 2004

GROUP
PROFIT AND
LOSS
ACCOUNT

FOR THE SIX MONTHS

ENDED

31ST DECEMBER 2003

	Half Year 31st December 2003 Unaudited £'000	Half Year 31st December 2002 Unaudited £'000	Year 30th June 2003 Audited £'000
TURNOVER – Group and share of joint venture's turnover	1,045	576	1,567
Less: share of joint venture's turnover	(69)	(66)	(99)
GROUP TURNOVER	976	510	1,468
Movements in work in progress	10	148	180
	986	658	1,648
Other operating charges	(883)	(729)	(1,620)
GROUP OPERATING PROFIT/(LOSS)	103	(71)	28
Share of joint venture's operating profit	57	64	80
TOTAL OPERATING PROFIT/(LOSS)	160	(7)	108
Profit on sales of fixed asset investments	203	91	120
Income from investments	303	230	863
Interest receivable	22	16	25
Loan interest payable	(11)	(14)	(25)
TOTAL PROFIT BEFORE TAXATION	677	316	1,091
Taxation	(106)	(62)	(71)
PROFIT ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY	571	254	1,020
Dividend on equity shares	(1,969)	(193)	(580)
RETAINED (Loss)/PROFIT FOR THE PERIOD	(1,398)	61	440

GROUP
STATEMENT OF
TOTAL
RECOGNISED
GAINS AND
LOSSES

FOR THE SIX MONTHS

ENDED

31ST DECEMBER 2003

Profit for the year excluding share of profit of joint venture	514	190	940
Share of joint venture's profit for the period	57	64	80
PROFIT ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY	571	254	1,020
Unrealised revaluation gains during the period	897	745	2,627
Taxation credited directly to reserves	-	-	10
TOTAL RECOGNISED GAINS RELATING TO THE PERIOD	1,468	999	3,657
BASIC EARNINGS PER SHARE (Note 3)	16.2p	7.2p	29.0p
DILUTED EARNINGS PER SHARE (Note 3)	15.8p	7.1p	28.4p
DIVIDEND PER SHARE (Note 2)	6.0p	5.5p	16.5p
SPECIAL DIVIDEND PER SHARE	50.0p	-	-

GROUP
BALANCE
SHEET

AS AT

31ST DECEMBER 2003

	31st December 2003 Unaudited £'000	31st December 2002 Unaudited £'000	30th June 2003 Audited £'000
FIXED ASSETS			
Tangible assets	1,400	1,430	1,408
Investment in joint venture			
- share of gross assets	1,777	1,192	1,614
- share of gross liabilities	(97)	(6)	(54)
Investments			
- listed	161	1,318	1,122
- unlisted	14,395	11,922	14,063
	17,636	15,856	18,153
CURRENT ASSETS			
Debtors	848	912	1,193
Work in progress	366	323	355
Taxation recoverable	18	18	46
Short term deposits and cash at bank	1,980	159	174
	3,212	1,412	1,768
CREDITORS:			
AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loan	43	43	43
Creditors	160	165	384
Taxation payable	183	99	112
Proposed dividends	1,969	193	387
	2,355	500	926
NET CURRENT ASSETS	857	912	842
TOTAL ASSETS LESS CURRENT LIABILITIES	18,493	16,768	18,995
CREDITORS:			
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Bank loan	(425)	(467)	(425)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	(10)	(14)	(11)
TOTAL NET ASSETS	18,058	16,287	18,559
CAPITAL AND RESERVES			
Called up share capital	352	352	352
Share premium account	738	738	738
Profit and loss account	6,381	7,929	8,318
Other reserves	10,587	7,268	9,151
TOTAL SHAREHOLDERS' FUNDS	18,058	16,287	18,559
NET ASSET VALUE PER SHARE (Note 4)	513.5p	463.1p	527.7p
DILUTED NAV PER SHARE FRS 14 (Note 4)	497.8p	453.1p	517.1p

SUMMARISED
STATEMENT OF
GROUP
CASH FLOWS

FOR THE SIX MONTHS ENDED
31ST DECEMBER 2003

	Half Year 31st December 2003 Unaudited £'000	Half Year 31st December 2002 Unaudited £'000	Year 30th June 2003 Audited £'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	129	(507)	(338)
Returns on investments and servicing of finance	482	283	793
Taxation	(8)	(68)	(85)
Capital expenditure and financial investment	1,590	(603)	(1,015)
Equity dividends paid	(387)	(1,231)	(1,424)
Management of liquid resources	(1,239)	318	464
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	567	(1,808)	(1,605)
Financing	-	-	(42)
INCREASE/(DECREASE) IN CASH	567	(1,808)	(1,647)

RECONCILIATION OF
NET CASH FLOW TO
MOVEMENT IN
NET FUNDS

FOR THE SIX MONTHS ENDED
31ST DECEMBER 2003

INCREASE/(DECREASE) IN CASH	567	(1,808)	(1,647)
Cash outflow from repayment of debt	-	-	42
Cash used to decrease/(increase) liquid resources	1,239	(318)	(464)
Movement of net funds	1,806	(2,126)	(2,069)
NET FUNDS AT 1 JULY/1 JANUARY	(294)	1,775	1,775
NET FUNDS AT 31 DECEMBER/30 JUNE	1,512	(351)	(294)

RECONCILIATION OF
OPERATING PROFIT
TO NET CASH FLOW
FROM OPERATING
ACTIVITIES

FOR THE SIX MONTHS ENDED
31ST DECEMBER 2003

GROUP OPERATING PROFIT/(LOSS)	103	(71)	28
Depreciation net of profits on sales of tangible fixed assets	28	24	51
Changes in working capital and other non cash items	(2)	(460)	(417)
NET CASH FLOW FROM OPERATING ACTIVITIES	129	(507)	(338)

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 2003. The interim financial information was approved by the Board of Directors on 3rd March 2004 and is unaudited.
2. The interim dividend of 6p per share will be paid on 6th April 2004 to members on the register at 19th March 2004 and will absorb £211,000. The special dividend of 50p per share will also be paid on 6th April 2004 to members on the register at 19th March 2004 and will absorb £1,758,000.
3. The calculation of basic earnings per share for the six months to 31st December 2003 is based on earnings of £571,000 (2002 - £254,000) and 3,516,801 ordinary shares, being the weighted average number of shares in issue during the period (2002 - 3,516,801).
The calculation of fully diluted earnings per share is based on the weighted average of 3,621,043 ordinary shares in issue throughout the period (2002 - 3,594,854) and the average share price during the period.
4. The net assets per share as at 31st December 2003 are based on 3,516,801 ordinary shares in issue as at that date (30th June 2003 - 3,516,801).
The diluted net assets per share calculated in accordance with FRS 14 are based on net assets and on 3,627,711 ordinary shares (30th June 2003 - 3,588,706), being the number of ordinary shares in issue plus 110,910 ordinary shares (30th June 2003 - 71,905), being the notional number of shares that would have been issued for no consideration using the share price of 417.5p as at 31st December 2003 (30th June 2003 - 357.5p) 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 2003 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 for the six months ended 31st December 2003 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 6. 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 any one 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 enquires 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 2003.

ERNST & YOUNG LLP
Edinburgh
3rd March 2004

INDEPENDENT
REVIEW
REPORT

TO QUAYLE MUNRO
HOLDINGS PLC