Quayle Munro Holdings PLC

INTERIM REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2009

Highlights

- Professional revenue was £5.2m (2008: £4.5m) – an increase of 15%. The previous period included £0.6m of revenue from the management of The PFI Infrastructure Company plc, on a like for like basis the increase was 33%.
- Operating profit was £3.4m (2008: £(0.5)m) largely due to the £3.4m gain on sale of the Submersible Technology Services (Holdings) Limited ("STSH") investment in November 2009.
- Exceptional items were £0.96m. These include closure and redundancy costs of £0.69m and the costs of promoting a new specialist PFI Fund totalling £0.27m.
- Profit before tax was 3.6m (2008: £0.6m), an increase of 480%.
- Diluted earnings per share were 76.2p (2008: 2.9p).
- Basic earnings per share were 80.2p (2008: 3.1p).
- An interim dividend of 10p per share has been declared and will be paid on 29 March.
- The total return per share was 82p, compared with negative (43)p.
- Net assets increased during the half year by £3m to 868p per share compared with 801p at 30 June 2009. Liquidity remains strong.

Chairman's statement

The first six months of the current financial year were not uneventful. Our CEO, Peter Norris, resigned in October to become Chairman of Virgin Group Holdings, a long-standing client. We were, however, delighted to appoint Andrew Tuckey, already a Board member, to succeed him. There will be a continuing association with Peter in his capacity as a senior adviser to the company.

Trading losses in the second half of the last financial year continued in the summer and autumn months, but were mitigated by continuing strong liquidity and the sale of Submersible Technology Services (Holdings) Limited ("STSH") in November, adding further strength to our balance sheet. Towards the end of the half year the completion of a number of significant transactions combined to reduce significantly our trading losses for the period and increased our liquid resources.

Results

For the six months ended 31 December 2009 group profit before taxation was £3.6m compared with £0.6m for the same period last year. The profit on ordinary activities after taxation was £3.7m compared with £0.1m the previous year. Basic earnings per share were 80.2p compared with 3.1p in the previous period with fully diluted earnings per share of 76.2p compared with 2.9p for the same period last year.

The profit before tax includes investment gains of £3.4m on the sale of our shareholding in STSH, our former associate company, and there were also gains of £0.1m on the disposal of listed securities. The share of profits of STSH, associate accounted using the equity method, for the four months trading prior to disposal, was £0.6m compared with £0.9m for the six month period last year.

A summary of the six months' profit figures is as follows:-

	£'000	£'000
PROFESSIONAL REVENUE		5,193
All costs excluding estimated bonus		(4,185)
Net profit		1,008
Bonus (£173k paid and £625k accrued)		(798)
EXCEPTIONAL ITEMS		
Redundancies and other similar costs	(690)	
Costs relating to promotion of new fund	(270)	(960)
Overall loss before investment gains		(750)
Investment gains		3,555
Share of profits of associate		602
Finance revenue		238
Finance costs		(56)
PROFIT BEFORE TAX		3,589

Chairman's statement

The summary refers to certain exceptional costs. There have been a number of measures taken to reflect the various changes in our market place and our desire to deliver a well balanced, effective professional capacity. These include costs and provisions (totalling £0.69m) pertaining to redundancies in the UK and the closure of the New York office. In addition, at the end of the last financial year our management of The PFI Infrastructure Company plc ("PFICo") came to an end and since then we have been seeking to start a successor fund. In the current financial year a major effort has been applied to that objective with ensuing exceptional costs of £0.27m. In the half year, total exceptional costs amount to £0.96m.

A further and additional item is an accrual for annual bonus of £0.62m (as estimated). The Directors have been conscious that during 2009 market place pressures had been increasing the demand for high quality experienced corporate financiers. The QM team is rightly very highly regarded and, having taken independent professional advice and after very careful, and by no means easy, deliberation, the Remuneration Committee of the Board has decided to introduce an amended bonus scheme whereunder the assumed net professional revenue after appropriate costs is shared equitably between the Group and the professional staff. The sharing basis is on a wide percentage, depends on circumstances, and is entirely within the discretion of the Remuneration Committee. We also propose to introduce a Capital Incentive Scheme for senior directors with a strong retention component thereby aligning their interests with those of our shareholders. A Circular to Shareholders will be issued in April setting out the basis of the new bonus scheme and the Capital Incentive Scheme and seeking approval for the increase in share capital required to implement the Capital Incentive Scheme. I have already referred to the sale of our interest in STSH. The gain on sale represents the initial consideration and an additional payment of £0.24m in respect of the excess net assets calculation as at the STSH completion date. The revenue figures do not include the deferred consideration arising as a result of the outcome of trading in the year ending on 31 December 2009. At this stage it is anticipated that further consideration will be received by QMH to the order of £1.4m.

Net assets

The Group balance sheet as at 31 December 2009 shows net assets of £39.8m which is equivalent to 868p per share and this compares with 772p as at 31 December 2008 and 801p as at 30 June 2009. Net asset value per share has therefore increased by 8% since 30 June 2009 and 12% since 31 December 2008. The positive return per share for the six months is 82p compared with a negative return of 43p for the same period last year and a negative return of 7p for the full year to 30 June 2009. The reason for the increase is largely due to the receipt of the sale proceeds of STSH. The valuation of the house builder Morris Group Limited ("Morris") has been left unchanged from that shown as at 30 June 2009. On the basis of the strength of professional revenue in the half year and of current prospects it has been decided that there is no reason to provide for any impairment in respect of the valuation of goodwill.

Dividend

In view of the Company's continuing strong balance sheet and of professional revenue the Directors announce an unchanged interim dividend of 10p per share. This will be paid on 29 March 2010 to shareholders on the register at close of business on 12 March 2010.

The portfolio

As I have already mentioned there have been satisfactory trading results from all of our major investments in the six months to 31 December.

Morris is a major part of our portfolio. The house building market remains challenging but it is encouraging that there have been clear signs of price stabilisation since late Spring of last year with all major indices now showing modest year on year growth. The company reported private reservations for the nine months to 31 December 2009, 43% ahead of the same period last year and it was able to increase work in progress and re-open seven mothballed sites. Operating profit at £10.5m was ahead of budget with the margin being maintained at a healthy 15% on an annualised basis.

The company remains focussed on steady growth while at the same time reducing debt. It continues to operate well within its existing banking facilities.

As I indicated at this time last year the resilience of Morris has been a redeeming feature and the strong trading performance of STSH has now been followed by its successful sale. Our other smaller unlisted investments, including Cath Kidston in which we have a 2.18% equity shareholding, and AMG are both having a good year with increased profitability. In December 2009 Cath Kidston announced a sale process on which it is advised by Quayle Munro Limited. Tayside Flow Technologies Limited continues with its product development and sales build up, albeit on a somewhat uncertain basis. Nevis Range Development Company plc (in which we have a 30% interest) has had an excellent start to its skiing season, somewhat unusually in these days of global warming. Tayside Flow, Nevis Range and the other smaller investments in our portfolio are of no significance in the context of our resources.

Corporate finance

As already reported, our professional team has changed somewhat during the current financial year. Andrew Tuckey, who became a Director in July 2009, succeeded Peter Norris as Chief Executive and will continue in that role until my retirement on 31 March when he will succeed me as Executive Chairman. Under Andrew's leadership there has been a rigorous assessment of our professional priorities, of team performance and of the areas in which we believe we can successfully provide appropriate professional effort. In January we announced that we would transfer responsibility for the New York office to its existing management team and we will have a continuing relationship. The team in London has been very active on a number of major transactions with several recent significant completions, notably the sale of New Energy Finance to Bloomberg, the purchase by Virgin Money of Church House Trust, and in New York the divestiture of the Nielsen Business Media Entertainment Assets. Rob Cormie, who joined the Group in August 2008, has assumed responsibility for public and corporate finance in Scotland. December saw the completion of a long-running street lighting project in Blackpool in conjunction with the CLP consortium and sub-contractor E.ON and the signing of the contract variation to provide a 60 bed ward block at the Stobhill Hospital in Glasgow. In London and Edinburgh there is continued activity on a number of retained clients and these responsibilities and other transactions which are currently well advanced would suggest good performance in the second half.

Chairman's statement

The Board and Executive

While the last six months have been challenging I am glad to say that much hard work has produced real progress. The change in senior management has been seamless and, no doubt co-incidentally, has been followed by strong revenue performance which looks set to continue. The teams in both London and Edinburgh have been and are expected to remain busy.

My fellow Board members have also been called upon far more frequently than they might have expected and have responded willingly to the effort that was required. It has come to our attention that we have been underpaying our non-executive directors. In terms of our Articles of Association any increase in their aggregate remuneration above £60,000 requires shareholder consent and a proposal to increase the total amount payable will be included in the Circular to shareholders to which I have already referred.

We have been conscious for some time of the need to strengthen the experience on the Board and I am very pleased to welcome Nick Lyons as a non-executive director. After leaving university Nick worked for J P Morgan for twelve years; after a short period with Salomon Brothers he joined Lehman Brothers in 1995, initially as managing director and joint head of financial institutions Group. In 2001 he became global co-head of recruitment, training and development and a member of the European Operating Committee. He left Lehman in 2003 to pursue private business and philanthropic interests. He has a number of other non-executive directorships including the Catlin Group Ltd, Friends Provident Holdings (U.K) Ltd and Miller Insurance Services Ltd. Nick will bring abundant skills and an outstanding professional background to our Group and we are all delighted at his addition.

Finally

This Interim Report is my last communication with shareholders which started in 1994 in our first year as a fully listed company when I was Chief Executive. As I think shareholders are aware, the intervening period has been one of commitment to creating shareholder value, both in revenue and capital, and we have been able to provide steady dividend growth and special dividends over a period of sixteen years. The aggregated special dividends paid in the past have been equal to three and a half times the market capitalisation at initial listing in April 1993. I would not be totally honest if I did not say that I am quite proud of that record although it has been interrupted in the later stages by what has turned out to be one of the most difficult periods in British financial history, particularly in Scotland.

When we extended our range into London in 2007 and 2008 it was in better markets and specifically with a view to the Company continuing and developing its professional standing despite the retirement of its original founders. Although the last eighteen months have been testing I am very pleased that the start to that extension is now well established.

When we expanded into London I thought my retirement might come slightly earlier than has turned out to be the case but the challenges were very significant during 2008 and 2009 and it would not have been an appropriate time to go. I am pleased to say that our financial position and the current operating performance give me confidence that the situation has now reversed. The prospects both in the immediate future and in the longer term would appear to be improving and I am very pleased to leave Andrew and the other members of the Board to lead the QM Group to the next stage.

I Q JONES
Executive Chairman
4 March 2010

Group statement of comprehensive income

for the six months ended 31 December 2009

	Note	**Six months 31 December 2009 Unaudited £'000**	Six months 31 December 2008 Unaudited £'000	Year 30 June 2009 Audited £'000
Revenue		**5,193**	4,519	8,287
Administrative expenses		**(4,710)**	(4,094)	(8,271)
Impairment of investments held as available-for-sale		–	(1,423)	(1,423)
Gain/(loss) on sale of investments held as available-for-sale		**121**	–	(37)
Gain on sale of associate	7	**3,434**	–	–
Gain on sale of property		–	–	100
Exceptional expenses	8	**(960)**	–	-
Other expenses		**(273)**	(373)	(753)
Operating expenses and gains		**(2,388)**	(5,890)	(10,384)
Share of profits of associate accounted for using the equity method		**602**	866	2,124
Group operating profit/(loss)		**3,407**	(505)	27
Finance revenue		**238**	1,209	1,309
Finance costs		**(4)**	(12)	(15)
Other finance costs - pensions		**(52)**	(75)	(91)
		182	1,122	1,203
Profit on ordinary activities before tax		**3,589**	617	1,230
Tax credit/(expense)		**86**	(474)	331
Profit on ordinary activities after tax		**3,675**	143	1,561
Profit attributable to shareholders of the company		**3,675**	143	1,561
Other comprehensive income/(expense)				
Gain/(loss) on valuation of available-for-sale financial assets		**232**	(1,737)	(1,411)
Actuarial loss on defined benefit scheme		**(140)**	(375)	(476)
Total comprehensive income/(expense) for the period		**3,767**	(1,969)	(326)
Basic earnings per share	10	**80.2** p	3.1 p	34.0 p
Diluted earnings per share	10	**76.2** p	2.9 p	32.0 p
Ordinary dividends per share	9	**10** p	10 p	30 p

Group balance sheet

as at 31 December 2009

	Note	31 December 2009 Unaudited £'000	31 December 2008 Unaudited £'000	30 June 2009 Audited £'000
Non-current assets				
Property, plant and equipment		**706**	2,675	748
Intangible assets	5	**11,713**	11,713	11,713
Financial assets	6	**13,533**	10,330	10,599
Investments accounted for using the equity method		**–**	3,296	4,554
Defined benefit pension scheme surplus		**–**	324	92
Deferred tax asset		**392**	–	215
		26,344	28,338	27,921
Current assets				
Trade and other receivables		**4,084**	1,417	3,597
Current tax asset		**309**	326	339
Cash and short-term deposits		**12,064**	8,696	7,566
		16,457	10,439	11,502
Total assets		**42,801**	38,777	39,423
Current liabilities				
Trade and other payables		**2,663**	1,391	1,390
Current tax liabilities		**202**	926	815
		2,865	2,317	2,205
Non-current liabilities				
Financial liabilities		**136**	597	505
Deferred tax liabilities		**–**	467	-
Defined benefit pension scheme obligation		**30**	-	-
		166	1,064	505
Total liabilities		**3,031**	3,381	2,710
Net assets		**39,770**	35,396	36,713
Capital and reserves				
Equity share capital		**9,305**	9,305	9,305
Revaluation reserve		**7,494**	7,831	7,262
Other reserves		**2,702**	2,209	2,507
Retained earnings		**20,269**	16,051	17,639
Total equity		**39,770**	35,396	36,713
NAV per share	10	**868p**	772p	801p

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 2010

Group statement of changes in equity

for the six months ended 31 December 2009

	Equity share capital £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Merger reserve £'000	Share option expense reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 30 June 2008 (Audited)	9,305	9,568	127	1,229	544	1,900	17,190	37,963
Profit for the period	–	–	–	–	–	–	142	142
Loss on revalution of investments	–	(1,737)	–	–	–	–	–	(1,737)
Share-based payments	–	–	–	–	309	309	–	309
Actuarial loss on defined benefit pension scheme net of tax	–	–	–	–	–	–	(375)	(375)
Other	–	–	–	–	–	–	(1)	(1)
Equity dividends paid	–	–	–	–	–	–	(905)	(905)
Balance at 31 December 2008 (Unaudited)	9,305	7,831	127	1,229	853	2,209	16,051	35,396
Profit for the period	–	–	–	–	–	–	1,419	1,419
Realised on sale of property	–	(895)	–	–	–	–	895	–
Gain on revaluation of investments	–	326	–	–	–	–	–	326
Share-based payments	–	–	–	–	298	298	–	298
Actuarial loss on defined benefit pension scheme net of tax	–	–	–	–	–	–	(101)	(101)
Other	–	–	–	–	–	–	(173)	(173)
Equity dividends paid	–	–	–	–	–	–	(452)	(452)
Balance at 30 June 2009 (Audited)	9,305	7,262	127	1,229	1,151	2,507	17,639	36,713
Profit for the period	–	–	–	–	–	–	3,675	3,675
Realised on sale of investments	–	(6)	–	–	–	–	–	(6)
Gain on revaluation of investments	–	238	–	–	–	–	–	238
Share-based payments	–	–	–	–	195	195	–	195
Actuarial loss on defined benefit pension scheme net of tax	–	–	–	–	–	–	(140)	(140)
Other	–	–	–	–	–	–	(1)	(1)
Equity dividends paid	–	–	–	–	–	–	(904)	(904)
Balance at 31 December 2009 (Unaudited)	**9,305**	**7,494**	127	1,229	1,346	**2,702**	**20,269**	**39,770**

Group statement of cash flows

for the six months ended 31 December 2009

	Six months 31 December 2009 Unaudited £'000	Six months 31 December 2008 Unaudited £'000	Year 30 June 2009 Audited £'000
Operating activities			
Profit before tax	**3,589**	617	1,230
Adjustments to reconcile profit for the period to net cash flow from operating activities			
Finance revenue	**(238)**	(1,086)	(1,309)
Finance expense	**4**	12	15
Depreciation	**78**	64	145
Share of profit of associate	**(602)**	(866)	(2,124)
Share-based payments	**195**	309	607
Loss on disposal of fixed assets	**–**	19	151
Gains on sale of available-for-sale	**(121)**	(69)	(174)
Gain on sale of associate	**(3,434)**	–	–
Impairment of investments held as available-for-sale	**–**	1,423	1,423
Foreign exchange losses	**–**	100	–
Movement in pensions	**(10)**	(21)	(54)
(Increase)/decrease in assets	**(487)**	137	(242)
Increase/(decrease) in liabilities	**1,274**	(1,056)	(1,056)
Cash generated from/(absorbed by) operating activities	**248**	(417)	(1,388)
Tax paid	**(716)**	(345)	(284)
Net cash flow from operating activities	**(468)**	(762)	(1,672)
Investing activities			
Finance revenue received	**223**	1,086	1,309
Proceeds from sales of available-for-sale financial assets	**464**	531	1,005
Proceeds from sale of associate	**8,622**	–	–
Payments to acquire plant and equipment	**(34)**	(437)	(520)
Payments to acquire available-for-sale financial assets	**(3,046)**	(430)	(747)
Net cash flow from investing activities	**6,229**	750	1,047
Financing activities			
Dividends paid to equity shareholders of the parent	**(904)**	(905)	(1,357)
Repayment of borrowings	**(369)**	–	(91)
Finance expense paid	**–**	(12)	(15)
Net cash flow from financing activities	**(1,273)**	(917)	(1,463)
Increase/(Decrease) in cash and cash equivalents	**4,488**	(929)	(2,088)
Effect of exchange rates on cash and cash equivalents	**10**	(75)	(46)
Cash and cash equivalents at the beginning of the period	**7,566**	9,700	9,700
Cash and cash equivalents at the end of the period	**12,064**	8,696	7,566

1. Basis of preparation

Quayle Munro Holdings PLC ("the Company") is registered in Scotland. This interim report contains the condensed financial information of the Company and its subsidiaries (together "the Group") for the six month period ended 31 December 2009.

The annual consolidated financial statements are prepared in accordance with all relevant International Financial Reporting Standards ("IFRS") adopted for use in the European Union. The interim condensed financial information complies with the requirements of IAS 34 "Interim Financial Reporting".

New standards

International Accounting Standards		**Effective date**
IAS1 (revised)	Presentation of financial statements	1 January 2009
IAS1 (amendment)	Presentation of financial statements	1 January 2010
IFRS 8	Operating Segments	1 January 2009

The Directors consider that seasonality does not affect the business' results or operations.

The Directors consider it appropriate to continue to use the going concern basis of preparation.

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 2009.

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. Segment information

Management has determined the operating segments based on the reports reviewed by the executive management team and the Board (the Chief Operating Decision Maker) that are used to make strategic decisions. The Group is managed primarily by class of business and presents the segmental analysis on that basis. The Group's activities are organised in three primary divisions: Advisory Business, Fund Management and Other (investment management and Head Office).

This is a change to the previously reported interim segmental information based upon geographical location. The Fund Management segment is now disclosed separately due to the size of the segment.

The following tables present revenue, expenditure and certain asset information regarding the Group's business segments for the period ended 31 December 2009 and the year ended 30 June 2009.

3. Segment information (continued)

	Advisory Business £'000	Fund Management £'000	Other £'000	**Total £'000**
Period ended 31 December 2009				
Revenue	5,101	92	–	**5,193**
Overheads	(5,172)	(620)	(151)	**(5,943)**
Operating loss	(71)	(528)	(151)	**(750)**
Gain on sale of investments	–	–	121	**121**
Gain on sale of associate	–	–	3,434	**3,434**
Share of profits of associate	–	–	602	**602**
Finance revenue	–	–	238	**238**
Finance costs	–	–	(56)	**(56)**
Group profit before tax	–	–	–	**3,589**
Total assets	7,335	–	35,466	**42,801**
Total assets includes:				
Additions to non-current assets	34	–	3,046	**3,080**
Total liabilities	(2,166)	–	(865)	**(3,031)**

	Advisory Business £'000	Fund Management £'000	Other £'000	Total £'000
Year ended 30 June 2009				
Revenue	6,594	1,693	–	8,287
Overheads	(6,769)	(1,016)	(1,239)	(9,024)
Operating profit/(loss)	(175)	677	(1,239)	(737)
Impairment of investment held as available-for-sale	–	–	(1,423)	(1,423)
Loss on sale of investments	–	–	(37)	(37)
Gain on sale of property	–	–	100	100
Share of profits of associate	–	–	2,124	2,124
Finance revenue	–	–	1,309	1,309
Finance costs	–	–	(106)	(106)
Group profit before tax	–	–	–	1,230
Total assets	5,805	–	33,618	39,423
Total assets includes:				
Investment in associate	–	–	4,554	4,554
Additions to non-current assets	520	–	747	1,267
Total liabilities	(1,751)	–	(959)	(2,710)

Included within Advisory Business revenue is Corporate Finance revenue of £3.9 million and Public Finance revenue of £1.2 million.

4. Principal financial risks

Interest rate risk

The Group's cash balances are held in accounts that bear interest directly related to bank base rate.

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.

Included in other receivables is £1.8 million relating to the disposal of the Edinburgh office. This is due before the end of June 2010 dependent on when the premises are valued. The Directors are satisfied that all practical measures to confirm the credit worthiness of the purchaser have been undertaken.

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 2009.

Equity price risk

The Group holds a number of listed investments in leading international companies as well as a portfolio of unlisted investments. The value of the listed and unlisted investment portfolio could decrease as well as increase.

During the period to 30 June 2009 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 and holds listed shares in US Dollars, Euros and Swiss Francs. These interests are not hedged.

5. Intangible assets

Intangible assets relate to goodwill arising on acquisition of New Boathouse Capital Limited in 2007 and The van Tulleken Company Limited in 2008.

6. Financial assets

Available-for-sale financial assets consist of investments in ordinary shares and loan stock which have no fixed maturity date.

7. Sale of associate

In November 2009 the Group sold its 49.9% holding in "STSH" and received consideration of £8.6 million. Further consideration of £244,000 was received after the period end and is accrued in these accounts. Additional contingent consideration of £1.4 million is expected to be received.

8. Exceptional expenses

Exceptional expenses incurred during the period totalled £0.96 million. These include closure and redundancy costs of £0.69 million and the costs of promoting a new specialist PFI Fund totalling £0.27 million.

Notes

9. **Interim dividend**

The interim dividend of 10p per share will be paid on 29 March 2010 to members on the register at 12 March 2010 and will absorb £458,381 of shareholders' funds.

10. **Key performance indicators**

Earnings per share

The calculation of basic earnings per share for the six months to 31 December 2009 is based on earnings of £3,675,000 (2008 - £143,000) and on 4,583,814 ordinary shares, being the weighted average number of shares in issue during the period (2008 – 4,582,775).

The calculation of fully diluted earnings per share is based on the weighted average of 4,819,719 ordinary shares (2008 – 4,887,482) and the average share price during the period.

Return per share

The calculation of return per share for the six months to 31 December 2009 of 82p per share is based on total recognised income and expenses of £3.77 million (2008 - £(1.97 million)) and on 4,583,814 ordinary shares, being the weighted average number of shares in issue during the period (2008 – 4,582,775). This return per share compares with a negative (43)p for the six months ended 31 December 2008.

The calculation of return per share when diluted for options granted of 78p per share is based on the weighted average of 4,819,719 ordinary shares (2008 – 4,887,482) and on the average share price during the period. This diluted return per share compares with a negative (40)p for the six months ended 31 December 2008.

Net assets per share

The net assets per share are based on 4,583,814 ordinary shares in issue as at 31 December 2009 (30 June 2009 – 4,583,814), (31 December 2008 – 4,583,814).

11. The financial information contained in this interim statement does not constitute statutory accounts as defined in section 434 of The Companies Act 2006.

The results for the six months ended 31 December 2009 and 2008 are unaudited but have been reviewed by PricewaterhouseCoopers LLP and Ernst & Young LLP respectively. Our former auditors, Ernst & Young LLP, have audited the annual financial statements for the year ended 30 June 2009 and their report was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The Group's consolidated statutory accounts for the year ended 30 June 2009 have been filed with the Registrar of Companies.

12. 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 engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2009, which comprises the Group statement of comprehensive income, the Group balance sheet, the Group statement of changes in equity, the Group statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons 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 (UK and Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules for Companies.

PricewaterhouseCoopers LLP
Chartered Accountants
Edinburgh
4 March 2010

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