

30 March 2004

Durlacher Corporation plc

Interim Results for the Six Months ended 31 December 2003

Following a restructuring of Durlacher Corporation plc and its subsidiaries (together the 'Group' or 'Durlacher'), the Group is now focused on providing investment banking services to the UK small to mid-cap listed and unlisted business sectors. This includes primarily Corporate Finance, Institutional Broking, Equity Research, Market Making and Fund Management services.

As indicated in the statement of 29 January 2004, the restructuring undertaken in the period reported means that the current business is structurally different today than that during the period reported and as such bears only some relevance to that stated below. Notably, these results contain three and four months' respectively of losses from the private client stockbroking business and the nothingventured.com business sold to Charles Stanley Group plc during the period. Therefore, the results below contain the costs associated with the sales and not all of the benefits.

HIGHLIGHTS

Significant restructuring of the Group completed with business now focused on traditional UK investment banking

Continuing turnover increased by 72% to £2.227m (2002: £1.296m)

Continuing gross profit £1.897m (2002: £1.231m)

Loss per share on continuing activities before exceptional items 23.29p (2002: 64.12p)

Corporate clients have increased to 32, equity research team covering over 80 stocks and market makers active in more than 50 equities

Sale of private client stockbroking business and nothingventured.com to Charles Stanley for a maximum consideration of £4.5m

Sale of stake in Online Travel plc for £1.8m

Acquisition of web-angel plc for 3.25m shares

Successful post balance sheet placing and open offer raising £10m before expenses, attracting significant blue-chip institutions

Trading outlook improved, with strong pipeline of new business – both in numbers and scale

Tony Caplin, Chairman, said:

"The restructuring of Durlacher is largely complete and we believe we have the right business model and the right team of people to take full advantage of the improvement in market sentiment. It has been a busy start to the second half of the financial year with a significant amount of the investment banking pipeline being successfully realised and replaced with new opportunities. We look to the future with optimism."

For further information please contact:

Christopher Stainforth, Chief Executive Officer
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CHAIRMAN'S STATEMENT

Introduction

The second half of 2003 was a period of improving equity market conditions with the major indices advancing and the small cap market improving significantly.

The restructuring of the Group, under the helm of Christopher Stainforth is largely complete, with important progress being made during the period under review. The Group is now an investment bank offering corporate finance advice, institutional broking, equity research and market making services to quoted and privately-owned businesses from a range of sectors.

The increase in revenues during the period reflects the new focus of the Group and the influx of new clients, underpins our belief that the timing of the Group's restructuring fits well within the context of the broader investment banking cycle.

The Group's total number of employees has settled at around 70, having been reduced on a comparable basis from approximately 120.

Restructuring

The Group took the opportunity to sell its loss-making and non-core business of private client stockbroking and the nothingventured.com trading system to Charles Stanley for an up-front consideration of £350,000 and deferred consideration of up to a further £4.15 million, payable in two instalments in September 2004 and September 2005. The interim figures announced today reflect the total costs associated with this transaction, but the receipt of only the initial up-front consideration.

During the period the Group acquired for 3.25 million shares, the entire issued share capital of web-angel plc, a cash shell with a net cash balance of £2.7 million. During the period the Group also took the opportunity to divest its stake in Online Travel plc and certain other investments, realising £1.9 million in cash and a small net loss on continuing ordinary activities of £58,000.

In March 2004 the Group completed its successful £10 million placing and open offer to provide additional working capital and fund the growth of the investment banking business. During this process we were pleased to attract a significant number of new institutional investors to our share register.

The Group is in the process of relocating to more flexible and productive one-floor accommodation in the City of London, which the Company believes will enable better client servicing and internal communications.

Financial results

Continuing turnover in the first half of the year increased by 72% to £2.227 million (2002: £1.296 million) and continuing gross profit increased to £1.897 million (2002: £1.231 million).

Loss on ordinary activities after tax of £4.040 million included a loss on discontinued activities of £1.321 million (2002: Profit on ordinary activities after tax of £2.464 million included an exceptional gain of £5.536 million relating to the early redemption of convertible debentures, a credit of £701,000 due to the recovery of a bad debt and losses on discontinued activities of £1.260 million).

Cash outflow for the period was £48,000 (2002: £5.039 million) with net funds of £2.618 million (2002: £1.277 million).

The balance sheet has improved significantly since the period end following the placing and open offer which raised £10 million before costs.

The Group currently owns a number of investments from the previous activities of Durlacher, all of which have been written down to £1 each. There remains the possibility of realising value in the future from these investments which we continue to monitor closely.

The Directors do not recommend payment of an interim dividend.

Operating review

It has been a period of progress for the equity capital markets and the mergers and acquisitions businesses with the number of retained corporate clients increasing to 32 with additional clients in the pipeline.

In the period, we continued to recruit a limited number of new professionals in accordance with our planned strategy to deepen and broaden our equity sales and research teams. With only a few exceptions this strategy is now largely complete. All of our new hires have already made valuable contributions to the business. The investment banking business is in the process of executing a significant number of new mandates which reflect a greater level of fundraising activity and a material increase in the average transaction size.

Our Durlacher Ventures business, which raises equity capital for unquoted companies, has performed well. It has a number of further opportunities in its new business pipeline.

The market making activities performed strongly, with revenues growing significantly. This is an integral element of our growth platform and I am particularly pleased to note its progress. The Group now makes markets in over 50 stocks. The post balance sheet placing and open offer has provided the Group with the required working capital as the Group's business expands as a whole.

The fund management business had a quieter period. We continue to look for opportunities of growing this business organically and through opportunistic acquisition.

Robert Boardman is leaving Durlacher to pursue his own interests. We thank Robert for remaining with us to see through the placing and helping the Company to achieve the recent restructuring and wish him the best of luck in the future. I am pleased to announce that we will be appointing David Liddell as Finance Director and a member of the Board. David is an experienced City based Chartered Accountant, who was previously a director of Investec Asset Management Limited.

Outlook

The restructuring of Durlacher is largely complete and we believe we have the right business model and the best team of people to take full advantage of the improvement in market sentiment. It has been a busy start to the second half of the financial year with a significant amount of the investment banking pipeline being successfully realised and replaced with new opportunities.

Our equities business continues to be dependent on the strength of market conditions, which remained strong in the first half of our financial year.

The Group looks to the future with optimism.

Tony Caplin
Chairman
30 March 2004

CONSOLIDATED PROFIT & LOSS ACCOUNT

For the 6 months ended 31 December 2003

				2003	2002	Year ended
	Notes	Continuing	Discontinued	Unaudited	Unaudited	30 June
		£'000	£'000	£'000	£'000	2003
						Audited
						£'000
Turnover	2	2,227	1,442	3,669	3,160	6,645
Costs of sales		(330)	(1,082)	(1,412)	(1,330)	(2,653)
Gross profit		1,897	360	2,257	1,830	3,992
Administrative expenses		(4,598)	(1,681)	(6,279)	(4,314)	(11,165)
Operating loss before exceptional items		(2,701)	(1,321)	(4,022)	(2,484)	(7,173)
Exceptional costs		(262)	-	(262)	(225)	(818)
Total administrative expenses		(4,860)	(1,681)	(6,541)	(4,539)	(11,983)
Operating loss after exceptional items		(2,963)	(1,321)	(4,284)	(2,709)	(7,991)
Profit on disposal of fixed asset investments				57	201	2,617
Net income/(costs) on termination of discontinued activities				96	-	(890)
Net interest receivable and similar items						
Exceptional gain on debenture redemption				-	5,536	5,531
Other				91	104	243
Net interest receivable and similar items	3			91	5,640	5,774
Amounts written off fixed asset investments				-	(531)	(1,007)
(Loss)/profit on ordinary activities before taxation				(4,040)	2,601	(1,497)
Taxation on profit/loss on ordinary activities				-	(137)	516
(Loss)/profit on ordinary activities after taxation				(4,040)	2,464	(981)
Basic (loss)/profit per ordinary share	4			(36.85)p	60.53p	(17.57)p
Diluted (loss)/profit per share	4			(36.85)p	60.53p	(17.57)p
Loss per ordinary share on continuing activities before exceptional items	4			(23.29)p	(64.12)p	(58.15)p

The Group has no recognised gains or losses other than the results for the period.

CONSOLIDATED BALANCE SHEET
As at 31 December 2003

	Notes	2003 Unaudited £'000	2002 Unaudited £'000	As at 30 2003 Audited £'000
Fixed assets				
Intangible assets		-	-	475
Tangible assets		394	543	499
Investments		-	907	6
Total fixed assets		394	1,450	980
Current assets				
Investments		2,012	3,405	2,968
Debtors		3,957	3,345	3,065
Cash at bank and in hand		2,993	3,278	3,041
		8,962	10,028	9,074
Creditors – amounts falling due within one year		(5,576)	(6,344)	(3,904)
Net current assets		3,386	3,684	5,170
Total assets less current liabilities		3,780	5,134	6,150
Creditors – amounts falling due after one year		-	(142)	(221)
Provision for liabilities and charges		(1,588)	(857)	(1,541)
Net assets		2,192	4,135	4,388
Share capital & reserves				
Ordinary shares	5	456	163	326
Deferred shares	5	28,330	28,330	28,330
Called up share capital		28,786	28,493	28,656
Share premium account		18,072	14,543	18,072
Merger reserve		1,714	-	-
Profit and loss account		(46,380)	(38,901)	(42,340)
Equity Shareholders' funds	6	2,192	4,135	4,388

Approved for and on behalf of the Board on 30 March 2004 by

Christopher Stainforth
Chief Executive Officer

CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31 December 2003

	Notes	2003 Unaudited £'000	2002 Unaudited £'000	Year ended June 2003 Audited £'000
Net cash flow from operating activities	7	(2,018)	(3,935)	(9,453)
Returns on investments and servicing of finance	8	91	20	(115)
Capital expenditure and financial investment	8	42	375	3,106
Acquisitions and disposals	8	96	-	(65)
Cash outflow before financing		(1,789)	(3,540)	(6,527)
Financing				
Proceeds from issue of ordinary share capital	8	2,116	-	4,001
(Decrease)/increase in short term loans		(375)	2,001	750
Repaid convertible debentures		-	(3,500)	(3,500)
Net cash inflow/(outflow) from financing activities		1,741	(1,499)	1,251
Decrease in cash in the period		(48)	(5,039)	(5,276)
Reconciliation of cash outflow to movement in net debt				
Decrease in cash for the period		(48)	(5,039)	(5,276)
Decrease/(increase) in short term loans		375	(2,001)	(750)
Non-cash movements on conversion of debentures		-	-	5,250
Non-cash movements on redemption of debentures		-	5,250	-
Repayment of convertible debentures		-	3,500	3,500
Change in net debt resulting from cash flows		327	1,710	2,724
Net funds/(debt) 1 July		2,291	(433)	(433)
Net funds	9	2,618	1,277	2,291

NOTES TO THE INTERIM REPORT

1. Basis of preparation

Turnover represents the amount invoiced, excluding value added tax, in respect of brokerage commissions, fees and charges, corporate finance fees, publication sales, together with profits and losses on market making and dealing.

The interim results have been prepared on a basis consistent with the accounting policies set out on pages 22 to 24 of the Annual Report for the year ended 30 June 2003.

2. Segmental and analysis

The Directors consider that the Group operates in one segment, being investment banking.

The following provides an analysis of turnover by major activity:

	Period ended December 2003 Unaudited £'000	Period ended December 2002 Unaudited £'000	Year ended June 2003 Audited £'000
Commissions	1,283	1,564	3,571
Fees	1,470	1,276	2,642
Dealing profits and losses	916	320	432
Total	3,669	3,160	6,645

All activities are performed in the UK.

Prior period continuing and discontinued analysis:

	December 2002			June 2003		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Turnover	1,296	1,864	3,160	2,528	4,117	6,645
Cost of sales	(65)	(1,265)	(1,330)	(175)	(2,478)	(2,653)
Gross Profit	1,231	599	1,830	2,353	1,639	3,992
Administrative expenses	(2,455)	(1,859)	(4,314)	(7,469)	(3,696)	(11,165)
Exceptionals	(225)	-	(225)	(733)	(85)	(818)
Operating loss	(1,449)	(1,260)	(2,709)	(5,849)	(2,142)	(7,991)

Prior periods discontinued operations include the results of the private client business and nothingventured.com.

Prior periods continuing operations include a credit of £701,000 relating to the release of a bad debt provision once the debt was recovered.

All exceptional expenses are for restructuring, redundancy and reorganisation.

3. Net interest receivable

The interest receivable for 2002 includes continuing exceptional profit of £5.54 million made on the purchase of the convertible debentures on 30 December 2002 together with the release of interest accrued on the debentures at the date of repurchase. The £8.75 million convertible debentures were purchased for £3.5 million (see note 17 of the Annual Report for the year ended 30 June 2002 for details on the convertible debentures).

4. Earnings per share

Earnings per share (EPS) are calculated on a net basis using the profit on ordinary activities after taxation adjusted for the weighted average number of shares detailed below.

FRS 14 requires presentation of diluted EPS when a company would be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss-making company with outstanding options, net loss per share would only be decreased by the exercise of these share options therefore no adjustment has been made to the weighted average number of shares in issue.

	Period ended December 2003 Unaudited £'000	Period ended December 2002 Unaudited £'000	Year ended June 2003 Audited £'000
(Loss)/profit on ordinary activities after taxation	(4,040)	2,464	(981)
Less continuing exceptional gain on debenture redemption	-	(5,536)	(5,531)
Add back exceptional items on continuing activities	262	225	733
Add back loss on discontinued activities	1,321	238	1,644
Less/add (income)/costs on discontinued activities	(96)	-	890
Loss on continuing activities before exceptional items	(2,553)	(2,609)	(3,245)
Weighted average number of shares in issue	10,961,766	4,070,362	5,582,246
Adjusted weighted average number of shares in issue	10,961,766	4,070,362	5,582,246

The Directors consider that an EPS calculation that excludes the impact of discontinued activities and exceptional items provides a more useful guide to the underlying performance of the business and have therefore prepared an adjusted EPS calculation, reconciled to the loss on continuing activities before exceptional items. Prior period discontinued amounts stated in the table above represent those disclosed in prior financial statements and unlike the disclosures in the profit and loss account have not been adjusted to reflect activities discontinued in this period.

5. Share capital

On 23 July Durlacher issued shares to acquire the entire share capital of web-angel plc. web-angel plc was a non trading company with cash resources at the time of this acquisition. For this reason the transaction has been treated as proceeds of a share issue rather than an acquisition of a company. Nevertheless merger relief is still applicable and the premium on issue of the shares has been recognized in a merger reserve. As at 31 December 3,248,798 ordinary shares of 4p each had been issued in respect of this transaction. The shares were issued for 73p each.

6. Reconciliation of movements in equity shareholders' funds

	As at December 2003 Unaudited £'000	As at December 2002 Unaudited £'000	As at June 2003 Audited £'000
(Loss)/profit for the period after taxation	(4,040)	2,464	(981)
Shares issued	1,844	-	3,692
Foreign exchange movement	-	(6)	-
Opening shareholders' funds	4,388	1,677	1,677
Closing shareholders' funds	2,192	4,135	4,388

7. Reconciliation of operating loss to net cash outflow from operating activities

	Continuing £'000	Discontinued £'000	Period ended December 2003 Unaudited £'000	Period ended December 2002 Unaudited £'000	Year ended June 2003 Audited £'000
Operating loss	(2,963)	(1,321)	(4,284)	(2,709)	(7,991)
Depreciation and amortisation	284	-	284	163	295
Movement in current asset investments	956	-	956	(152)	285
(Increase)/decrease in debtors	(965)	77	(888)	(923)	(1,614)
Increase/(decrease) in creditors and provisions	1,598	316	1,914	(314)	(428)
Net cash outflow from operating activities	(1,090)	(928)	(2,018)	(3,935)	(9,453)

8. Analysis of cash flow for headings netted in the cash flow statement

	Period December 2003 Unaudited £'000	Period ended December 2002 Unaudited £'000	Year ended June 2003 Audited £'000
Returns on investment and servicing of finance			
Interest received	131	263	370
Interest paid	(40)	(110)	(210)
Cash acquired with Employee Benefit Trust	-	(133)	(275)
Net cash inflow/(outflow) for returns on investment and servicing of finance	91	20	(115)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(27)	(205)	(322)
Proceeds from sale of tangible fixed assets	-	27	27
Proceeds from sale of investments	69	553	3,401
Net cash inflow from capital expenditure and financial investment	42	375	3,106
Acquisitions and disposal			
Proceeds over termination costs	96	-	-
Overdraft acquired with subsidiary undertakings	-	-	(65)
Net cash inflow/(outflow) from acquisitions	96	-	(65)
Proceeds from the issue of ordinary share capital			
Proceeds from share issue	2,656	-	4,001
Acquisition and share issue costs	(540)	-	-
Net cash inflow from the issue of ordinary share capital	2,116	-	4,001

9. Analysis of changes in net fund

	At 30 June 2003 £'000	Cash flow £'000	At 31 December 2003 £'000
Cash in hand and at bank	3,041	(48)	2,993
Short term loans	(750)	375	(375)
Net funds	2,291	327	2,618

10. Contingent liability

In a number of instances split capital investment trusts ("splits") have either failed or performed poorly in the past 18 months. The Financial Services Authority and the Financial Ombudsman Service are currently undertaking a review of the splits sector. There has also been speculation that legal action may be brought against a range of parties involved in the sector. Any legal proceedings being taken against the Durlacher Group are being defended robustly. A review of the Group's exposure to clients deriving from their holdings of split trusts has been undertaken.

The Group has received a small number of complaints regarding the management of certain investment portfolios. Legal action has been served against subsidiaries of the Company in respect of certain of the complaints while others have been referred to the Financial Ombudsman Service.

Having carefully considered the Company's position and after taking legal advice on specific complaints the Directors have established a provision representing their best estimate of the liabilities likely to arise in respect of these complaints.

11. Charge over assets

Cash as at 31 December 2003 includes £788,000 (31 December 2002: nil and 30 June 2003) in respect of collateral received for securities lent to third parties. A liability for the same amount is included in creditors reflecting the obligation to repay the collateral at the termination of the loan.

12. Post balance sheet events

On 27 February 2004 the shareholders approved a share placement which has raised £10 million in cash. Had the share placement occurred prior to 31 December the consolidated balance sheet would appear as follows:

	31 December 2003 Unaudited £'000	Estimated Adjustments Unaudited £'000	Post fundraising 2003 Unaudited £'000
Fixed assets			
Tangible assets	394	-	394
Total fixed assets	394	-	394
Current assets			
Investments	2,012	-	2,012
Debtors	3,957	-	3,957
Cash at bank and in hand	2,993	10,000	12,993
	8,962	10,000	18,962
Creditors – amounts falling due within one year	(5,576)	(400)	(5,976)
Net current assets	3,386	9,600	12,986
Total assets less current liabilities	3,780	9,600	13,380
Provision for liabilities and charges	(1,588)	-	(1,588)
Net assets	2,192	9,600	11,792
Share capital & reserves			
Ordinary shares	456	320	776
Deferred shares	28,330	-	28,330
Called up share capital	28,786	320	29,106
Share premium account	18,072	9,280	27,352
Merger reserve	1,714	-	1,714
Profit and loss account	(46,380)	-	(46,380)
Equity Shareholders' funds	2,192	9,600	11,792

13. General

The interim report was approved by the Board of Directors on 30 March 2004.

The comparative figures for the financial year ended 30 June 2003 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

This report has been sent to shareholders and will be made available to the public, upon request, at the registered office of Durlacher Corporation plc, 4 Chiswell Street, London EC1Y 4UP or from the company's website www.durlacher.com.

INDEPENDENT REVIEW REPORT BY KPMG AUDIT PLC TO DURLACHER CORPORATION PLC

Introduction

We have been engaged by the Company to review the Consolidated Profit and Loss Account, the Consolidation Balance Sheet and the Consolidated Cash Flow Statement and the notes attached thereto 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.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

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 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 they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be 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 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 2003.

KPMG Audit Plc
Chartered Accountants
London
30 March 2004