GRESHAM HOUSE plc

REPORT AND ACCOUNTS 2013

Registered number: 871 (England & Wales)

CORPORATE INFORMATION

Company Number	871 incorporated in England
Directors	A G Ebel LL.B, F.C.A. *Non-executive Chairman* B J Hallett F.C.A. *Finance* J A C Lorimer *Property* R A Chadwick F.C.A. *Non-executive* R H Chopin-John LL.M, B.A., F.C.I.S. *Non-executive*
Secretary	B J Hallett F.C.A.
Registered Office	5th Floor, 17 Grosvenor Gardens London SW1W 0BD
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
Solicitors	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Corporate Advisers & Brokers	Westhouse Securities Limited Heron Tower 110 Bishopsgate London EC2N 4AY

CHAIRMAN'S STATEMENT

Please find below my report on the results of the Gresham House group of companies for the year to 31 December 2013.

The Results

The revenue loss after taxation has increased from £810,000 for the year to 31 December 2012 to £1,503,000 for the year to 31 December 2013. As explained in the Strategic Report the principal reasons for this adverse movement is the reduction in dividend and interest income as a result of the realisations from the securities portfolio and the increase in property outgoings following a further write down in the value of the development site at Knowsley.

Net Asset Value per Share

The net asset value per share has decreased in the year to 31 December 2013 to 378.5p per share from 445.1p per share at 31 December 2012 (405.1p as at 30 June 2013).

The reduction in asset value is largely due to the revaluation deficits on investment properties of £1,439,000 and on the value of our shareholding in Memorial Holdings Ltd of £1,464,000 together with the revenue loss for the year of £1,503,000 offset by the increase in value of our holding in SpaceandPeople plc amounting to £1,299,000.

Property Portfolio

The principal assets of the Group remain the property investments which, following the sale of Vincent Lane, Dorking and Northern Gateway, Knowsley during the year ended 31 December 2013, now consists of two properties or sites valued by Jones Lang La Salle at a total of £16,700,000 as at 31 December 2013, down from a comparable £19,000,000 for the previous year.

The decrease in the total value of £2,300,000 is represented predominantly by Newton-le-Willows where we have had to adjust the valuation to take into account the adverse cost of ground works to make the proposed development viable. This has been marginally offset by an increase in the value of our investment in Southern Gateway at Speke where progressive improvement has led to an uplift of £100,000. During the year we have been able to sell our investment at Northern Gateway, Knowsley following the previously announced letting to an excellent tenant, on attractive commercial terms. The net sale value was £6,615,000 and the proceeds have been used to reduce the Groups borrowings down to the current level of £3,746,000.

Securities Portfolio

During the year we sold £1,480,000 of investments. We realised losses of £37,000 and our unrealised losses to 31 December 2013 were £467,000 resulting in a capital loss of £504,000. Our portfolio at the year-end was valued at £5,159,000, of which listed and AIM investments accounted for 56.2%. The principal investment in the portfolio is our holding in SpaceandPeople plc the value of which had increased by £1,299,000 over the year under review but which has been adversely affected by a recently announced profit warning. Consequently the value as at 25 April 2014 has been reduced by £1,320,000 when compared to the year end valuation. Our holding in Memorial Holdings Ltd, which has developed a new cemetery in Chislehurst, has had to be written down from £1,786,000 as at 30 June 2013 to £610,000 following the decision by Ulster Bank to withdraw from its funding arrangement as a part of its own reduction in commercial operations. As a result, given the current early stage of trading at the cemetery, it was only possible to replace the loan facility through a mezzanine level arrangement which had the effect of reducing the Company's holding in Memorial from 11% to 4.4% and the values included in the financial statements reflect this.

Loans and Cash

Details of the borrowings are reviewed in the Strategy Report. Bank borrowings in the year have been reduced from £20,458,000 to £3,746,000. We remain confident that the current facility will be either renewed or replaced as and when it falls due.

CHAIRMAN'S STATEMENT – continued

Realisation of the Group's Assets

Shareholders approved the orderly realisation of the Group's assets at the 2011 annual general meeting. As announced your Board have been pursuing a strategy to achieve this and utilising the majority of the sales proceeds to reduce bank borrowings. A significant amount of the consideration to be paid following the sale of our property assets is likely to be made through staged payments of up to 3 years. This is due to the payment policy being adopted by residential developers and thus associated payments to shareholders could be similarly extended. As shareholders will know, notices have been served to terminate the service contracts and letters of appointment of each of the Company's executive and non-executive directors on 31 July 2014.

The Board is, in parallel, reviewing alternative proposals for the future of the Company which may provide for a return of capital to shareholders sooner than the scenario above. However the process is far from simple given that one of the most active considerations is to ensure that proceeds are received by shareholders in the most tax efficient way. We expect to write to shareholders setting out details of the Board's proposals in due course.

Director's Resignation

We have to announce the resignation of our Chief Executive, Derek Lucie-Smith, on 25 April 2014 due to ill health. We thank him for his services to the Group and wish him a speedy recovery.

28 April 2014

Tony Ebel
Chairman

STRATEGIC REPORT

This report has been prepared by the directors in accordance with the requirements of section 414 of the Companies Act 2006. The Company's independent auditor is required to report by exception on whether the information given in this report is consistent with the financial statements. The Auditors' Report is set out on pages 20 to 23.

Investment objective and policy

Gresham House plc is an authorised investment trust listed on the London Stock Exchange. Following the passing of an ordinary resolution at the Company's 2011 annual general meeting its investment objective and policy is the orderly realisation of the Group's assets over a period of approximately two years with a view to returning capital to shareholders thereafter. Given, in particular, the fragile state of the commercial property market in 2011 and 2012, this period of time has been greater than originally anticipated.

To achieve this objective the Board has continued to realise assets during the year and has served notice on all directors to terminate their service contracts/letters of appointment on 31 July 2014. It is intended to send a circular to shareholders prior to that date setting out the Board's proposals relating to returning capital to shareholders.

The Group continues to invest in both commercial properties and securities but only where this enhances or protects the value of existing investments whilst the realisation process is underway or where value can be achieved in new investments in the short term.

Investment in commercial properties must be undertaken through subsidiary undertakings, joint ventures or associates which are funded mainly through bank loans, both short term and long term. Certain of these property investments also provide a rental income flow which is intended to cover interest and any capital repayments of the related loans as well as contributing to the Group's operating cash flow.

Investment in securities is primarily by way of supporting existing equity and loan stock positions in unquoted companies with a view to contributing to their development. By their very nature these investments are considered to be of very high risk.

The investment policy is designed to ensure that the Company continues to qualify as an authorised investment trust and is approved as such by H M Revenue & Customs which has accepted the Company's application for approval as an investment trust for accounting periods commencing on or after 1 January 2013. Since that date the directors have sought to conduct its affairs so as to enable it to continue to maintain such approval.

Risk is spread by investing in commercial properties, corporate bonds and high risk securities. The executive directors have authority to make initial investments up to a value of £50,000. Once this exposure level is reached any additional investment requires final approval by the Board.

All property borrowing is made to specific subsidiary undertakings against specific assets held within that subsidiary undertaking or sub-group with cross guarantees from other group members where appropriate. Borrowings made for working capital purposes can be secured against any asset held within the Group. To minimise the exposure to interest rate movements, loans may have a mix of fixed and floating interest rates but with interest rate hedging where required. Gearing levels may be up to 100% of asset value at the time of obtaining the loan provided there was sufficient income, or potential income, to meet interest and any capital repayments.

Performance during the year

The Board continues to focus on maximising shareholder returns by an orderly realisation of the Group's assets with a view of returning cash to shareholders as soon as practicable whilst exploring all opportunities to unlock shareholder value.

Operating profit

The Group operating result for the year ended 31 December 2013 was a loss of £746,000 against a break even position in 2012. The comparison between both years is as follows:

	2013 £'000	2012 £'000
Dividend and investment income	268	690
Rental income	999	1,038
Other income	76	102
Property outgoings	(1,243)	(989)
Administration overheads	(846)	(841)
Operating loss	(746)	–

STRATEGIC REPORT – continued

The significant variances between the two years are as follows:-

The decrease in dividend and interest income was mainly as a result of the sale of our remaining bond portfolio and the repayment of the loan note from SMU Investments Ltd. The total interest on these investments amounted to £304,000 in 2012 compared to £nil for this current year. In addition the interest accrued on the remainder of the loan portfolio decreased by £92,000 compared with 2012.

The increase in property outgoings was primarily as a result of a further write down of £435,000 (2012: £34,000) on the six acre site at Knowsley for which contracts were exchanged post year end in the sum of £415,000. This asset was valued at £775,000 as at 31 December 2012 and £550,000 as at 30 June 2013. In addition, the Company has incurred a further £75,000 in respect of planning costs.

Net asset value

The net asset value per share has decreased in the year to 31 December 2013 to 378.5p from 445.1p per share at 31 December 2012 (405.1p as at 30 June 2013).

The decrease in net asset value is due to the loss on the revenue account of £1,503,000 together with revaluation deficit on the investment properties amounting to £1,439,000 and the loss on investments held at fair value of £504,000.

Property portfolio

Two property assets were disposed of during the year which has contributed to a significant reduction in the Group's borrowings which have decreased from £20,458,000 as at 31 December 2012 to £3,746,000 as at 31 December 2013.

The first sale at Vincent Lane, Dorking was in two parts where T E Beteiligungs GmbH completed the purchase of 1.2 acres on 17 January 2013 for a sum of £1.88m and Persimmon Homes Limited completed the purchase of the remaining 1.8 acres on 7 August 2013 for £2.95m. The second was the sale of the property at Knowsley, Liverpool known as Northern Gateway for £6.775m on 29 November 2013.

The property portfolio now consists of the property in Speke, Liverpool, known as Southern Gateway, and the land at Newton-Le-Willows where negotiations are well advanced with a house builder for the sale of the residential portion of the site on a deferred consideration basis. As mentioned above there is also a six acre development site at Knowsley which has been valued at £415,000 at year end (2012: £775,000) being the agreed exchange value post year end.

At Speke we continue with our strategy to maximise income over the short term with a view to selling thereafter. Heads of terms have recently been agreed with a prospective tenant for 68,430 sq.ft. which will not only have a positive impact on net rental income but also is expected to lead to a significant uplift in the value of this investment.

Year end valuations have resulted in a write down of £1,439,000 in the fair value of property investments primarily as a result of the value of the site at Newton-Le-Willows falling from £13.75m at 31 December 2012 to £11.35m at 31 December 2013 offset by an increase over book value of £1.125m in the gross sale proceeds of Northern Gateway.

Securities portfolio

At 31 December 2013 the value of the investment portfolio decreased by £1,895,000 as a result of disposals of £1,480,000 and acquisitions of £89,000 together with net realised and unrealised losses of £504,000.

Our investments at 31 December 2013 amounted to £5,159,000 of which listed and AIM investments represented £2,898,000. The principal quoted investment remaining is our holding in SpaceandPeople plc, which has risen in value in the year from £1,506,000 to £2,805,000 at 31 December 2013. However, since the year end, the value of this investment has reduced to £1,485,000 as of 25 April 2014 following a recently announced profits warning.

The unquoted investments of £2,185,000 include the investment in Memorial Holdings Limited which has been revalued downwards to £610,000 (2012: £2,074,000 and 30 June 2013: £1,786,000) as a result of greater than forecast trading losses and a refinancing of the business which has lead to a reduction in the amount of equity held by the Company from an effective 11.01% to 4.39%.

The other significant unquoted investment is the holding of 10% unsecured loan notes in Attila (BR) Limited which has a cost, and book value, of £935,000. This company owns a city centre development site in Edinburgh for which it is seeking residential planning permission and subsequent sale. Offers have been received from two developers and these are presently being evaluated. Any such sale however is likely to be on a deferred consideration basis.

STRATEGIC REPORT – continued

At 31 December 2013 the securities portfolio was invested in the following sectors:	%
Media & photography	54
Property investment	39
Financial	2
Engineering	5
	100

Borrowings and cash at bank

Loans and overdrafts at 31 December 2013 were £3,746,000 against £20,458,000 at 31 December 2012. The amount consists of a loan from the Co-operative Bank which is secured against the property portfolio. This represents a loan to value of 22% against the overall property investments. This loan is short term and confirmation has been received from the Co-operative Bank that it expects to extend its facility until 30 September 2014 with a further extension to 31 December 2014 subject to progress with disposals/repayments. The board is also seeking terms from other banks to refinance the position for a longer term.

Cash in hand at 31 December 2013 has decreased from £8.348m at 31 December 2012 to £1.625m at 31 December 2013 following the repayment of the overdraft facility of £7.376m during the year.

Key performance indicators

The Board considers the main key performance indicator applicable to the Group to be net asset value per share (“NAV”). As at 31 December 2013, the basic NAV was 378.5p (2012: 445.1p). The main non-financial KPI is considered to be the amount of vacant space within the property portfolio. As at 31 December 2013 this totalled 157,657 sq. ft. representing 34.9% of the total available (2012: 137,496 sq. ft. and 23%), the percentage increase being principally as a result of the disposal of the property known as Northern Gateway.

Employee, environmental, human rights, social and community issues

The average number of persons employed by the Group, including three executive directors, was six (2012: seven) of which five are male and one female. In addition there are three non-executive directors of which two are male and one female. Given the number of employees it is the Company’s objective to retain those that remain as long as necessary to achieve the Company’s objective.

Although the Group does not have a formal environmental policy it does recognise the importance of environmental responsibility. The Group encourages the active involvement of persons working for and on behalf of the Group to minimise so far as reasonably practicable any adverse effects on the environment of their activities.

Whilst the Group does have potential greenhouse gas emissions from its investment property known as Southern Gateway and its administrative centres, it is believed that this relates to heating and lighting only. The other property owned directly by the group relates to vacant land. Given the Company’s investment objective and policy to realise these investments in the short term the Board is of the opinion that it is not in shareholders’ best interests to commission the necessary reports due to the cost involved.

The Board is not aware of any social, community or human rights issues that have had an impact on the Group’s business. The Company does not support any social or community initiatives.

Principal risks, risk management and regulatory environment

The Board believes that, as per the previous year, the principal risks faced by the Group are:

Economic risk – events such as unfavourable economic conditions and/or movement in interest rates could affect trading conditions and consequently (i) the Company’s investment portfolio, particularly the value of smaller company investments, and (ii) the value of the property investments.

Strategic and investment – an inappropriate strategy, poor asset allocation or weak stock selection could lead to underperformance and poor returns. Investments in small unquoted companies involve a higher degree of risk than investments in companies traded on the main market of the London Stock Exchange. Investments in companies traded on AIM may be difficult to realise, particularly where the holding is large.

STRATEGIC REPORT – continued

Regulatory – the Company is required to comply with the Companies Act 2006, the listing rules of the UK Listing Authority and International Financial Reporting Standards. A breach of any of these might lead to a suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report. The Company must also comply with section 1158 of the Corporation Tax Act 2010 to ensure that all gains made in the Company remain tax free. Any breach in these rules may lead to the Company losing its authorised investment trust status.

Financial and operating risk – inadequate controls may lead to misappropriation of assets, inappropriate accounting policies could lead to misreporting or breaches of regulations.

Market price risk – there will always be uncertainty regarding future prices of investments held within the Company's portfolio, particularly where the investment is unquoted.

Asset liquidity risk – the remaining investments held may be difficult to realise as (i) the majority of equity investments relate to holdings in AIM and ISDX traded companies and unquoted companies and (ii) the general secondary property market has suffered from both lack of tenant demand and little or no funding from banks.

Market liquidity risk – shareholders may find it difficult to sell their shares in the Company at a price which is near to the net asset value.

Interest rate risk – the Group's investments and net revenue may be affected by interest rate movements.

Credit risk – a counterparty may fail to discharge an obligation or commitment that it has entered into with the Group.

Property risk – tenants may become of insufficient financial standing to meet their obligations to the Group.

The Company's shares may qualify for inclusion in a stocks and shares ISA depending on the interpretation of H M Revenue & Customs' rules. Any shareholder considering an investment in their ISA should take professional advice before so doing. The Company cannot take any responsibility for potential losses which may be incurred by shareholders.

The portfolio is not managed against a benchmark. The reference to the FTSE All Share Index in the Remuneration Report is provided only as a guide to shareholders. The portfolio is managed on a high risk strategy basis.

The Board seeks to mitigate these and other perceived risks by setting policies and by undertaking a risk assessment at least annually. Further details can be found in note 20.

For and on behalf of the Board

Tony Ebel
Chairman

28 April 2014

BOARD OF DIRECTORS

Tony Ebel (aged 69) – Independent, non-executive Chairman
Tony qualified as a lawyer and chartered accountant and has been a non-executive director of the Company since 1979. He has been responsible for a number of successful technology based start-up companies and is currently involved with companies operating in the management services, sports information and marketing technology sectors. A significant part of Mr Ebel's role has been the evaluation of potential investments. He is currently a member of both the Audit and Remuneration Committees.

Richard Chadwick (aged 62) – Senior independent non-executive director
Richard is a chartered accountant who was appointed to the board on 17 June 2008 following 27 years within the J Sainsbury plc group of companies where he gained considerable experience of property development and financing. Richard is also a non-executive director of SpaceandPeople plc, a company in which Gresham House plc has an investment worth £2,805,000 as at year end. He is presently chairman of both the Audit and Remuneration Committees.

Rosemary Chopin-John (aged 68) – non-executive director
Rosemary was appointed to the board as a non-executive director on 9 October 2009. Rosemary has had a long association with the Company having been company secretary for over 24 years before leaving to pursue other interests in 1991. Since January 1981 she has been a trustee of The Rowe Trust which presently holds 12% of the issued share capital of the Company. She is currently a legal consultant and a member of both the Audit and Remuneration Committees.

Brian Hallett (aged 59) – Finance director
Brian is a chartered accountant who was appointed to the Board on 8 August 1996. He presently acts as both Finance Director and Company Secretary. He has considerable experience in reviewing investment proposals and dealing with all matters relating to smaller companies, including the various procedures required to bring such companies to one of the junior stock markets.

John Lorimer (aged 58) – Property director
John was appointed to the board on 9 October 2008 and has been working in the property industry for over 25 years within both the commercial and residential sectors. John has worked closely with Derek Lucie-Smith for many years on various property related projects.

Details of directors' emoluments together with the directors' interests in shares are provided in the Remuneration Report on pages 11 to 14. Contracts of significance in which the directors had a material interest are disclosed in note 22.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 2013.

Status
H M Revenue & Customs has accepted the Company's application for approval as an investment trust for accounting periods commencing on or after 1 January 2013 and since that date the directors have sought to conduct its affairs so as to enable it to continue to maintain such approval.

Results and dividends
The Group Statement of Comprehensive Income, which includes the revenue account, is set out on page 24 and shows the results for the year ended 31 December 2013.

The directors recommend that no final dividend for the year ended 31 December 2013 be paid as a result of the losses incurred by the Company during the year.

Directors
The present directors are listed on page 8 together with brief biographical details. All have served throughout the period under review together with Mr D Lucie-Smith who resigned on 25 April 2014.

As previously announced, the Board has served notice on all directors to terminate their service contracts/letters of appointment on 31 July 2014. However, under the Company's articles of association, certain directors are nonetheless required to retire at each annual general meeting of the Company and accordingly (so as to allow them to remain as directors from the date of the annual general meeting until 31 July 2014) Mrs R H Chopin-John and Mr J A C Lorimer have been proposed for re-election at the Company's 2014 annual general meeting. The Board also aims to comply with the UK Corporate Governance Code and therefore is proposing to re-elect Mr A G Ebel (being a non-executive director who has served longer than nine years) for re-election at that same annual general meeting.

The Board confirms that the performance of each of the directors seeking re-election continues to be effective and demonstrates commitment to the role, and the Board believes that it is therefore in the best interests of shareholders that the directors be re-elected.

Directors' indemnity
The Company has, as permitted by the Companies Act 2006 and the Company's Articles of Association, maintained a Directors' and Officers' liability insurance policy on behalf of the directors, indemnifying them in respect of certain liabilities which may be incurred by them in connection with the activities of the Company. This policy does not provide cover for fraudulent or dishonest actions by the directors.

Companies Act 2006 disclosures
In accordance with Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 the directors disclose the following information:

- the structure of the Company's capital is summarised in note 16. The holders of ordinary shares are entitled to receive the Company's reports and accounts, to attend and speak at general meetings of the Company, to appoint proxies and exercise voting rights. There are no restrictions on voting rights that the Company is aware of, nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- there exist no securities carrying special rights with regard to the control of the Company;
- the provisions concerning the appointment and replacement of directors are contained in the Company's Articles of Association and the Companies Act 2006;
- no agreements exist to which the Company is a party that may affect its control following a takeover bid; and
- there are no agreements in place between the Company and its directors providing for compensation for loss of office in the event of the Company being taken over.

Financial risk management objectives
The Company's financial risk management objectives can be found in note 20 of the financial statements.

REPORT OF THE DIRECTORS – continued

Going concern

The Company's investment objective is the orderly realisation of the Group's assets over a period of approximately two years with a view to returning capital to shareholders thereafter. As a result, the Group technically ceases to be a going concern as it is the intention to realise assets and return capital to shareholders in due course. During the realisation period the Group expects to trade in an orderly fashion and, in the directors' opinion, the valuation bases applied to the assets and liabilities are such that there would be no material adjustments to the financial statements if they had been prepared on a going concern basis. Further details can be found under paragraph (a) of the Principal Accounting Policies.

Auditor's right to information

So far as each of the directors is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Substantial interests

At the date of this report the following substantial interests representing three per cent or more of the total voting rights of the Company have been notified to the Company:

	%	Ordinary Shares
Revcap Estates 24 Limited	21.80	1,170,452
Cayenne Asset Management Limited	13.50	725,000
The Trustees of the Rowe Trust	12.00	644,209
A P Stirling	8.72	468,436

Annual general meeting

A notice for the annual general meeting of the Company to be held at 11.00 a.m. on 25 June 2014 at the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL is set out on pages 60 to 63 of this Annual Report and a proxy form will be included with shareholders' copies of the Annual Report.

By Order of the Board,
B J Hallett, *Secretary*

5th Floor,
17 Grosvenor Gardens
London SW1W 0BD

28 April 2014

REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Companies Act 2006. Ordinary resolutions for the approval of this report and the directors' remuneration policy will be put to the members at the forthcoming annual general meeting.

The Company's independent auditor is required to give its opinion on certain information included in this report, as indicated below. The auditor's opinion is included in the Independent Auditor's Report on pages 20 to 23.

Annual statement from the Chairman of the Remuneration Committee

The Remuneration Committee is mindful that it needs to set remuneration at levels to retain and motivate the executive directors during the realisation period whilst simultaneously protecting the interests of shareholders. During the year ended 31 December 2013 the Remuneration Committee reviewed its existing remuneration levels and concluded that, having regard to the amount and quality of work that the directors were required to undertake and given that there had been no increase in remuneration for several years, it was appropriate to increase the basic salary for executive directors by 3%.

Directors' remuneration policy

The policy on directors' remuneration is formulated by the Remuneration Committee and is designed to retain and motivate the executive directors and other senior executives during the realisation period and to reflect their levels of responsibility, experience and time spent in carrying out these duties. The Committee is of the opinion that there is no similar investment trust with which direct comparison can be made, but the Committee does consider generally the level of fees paid by other investment trusts that are of similar size when making its recommendations. The Remuneration Committee will obtain independent advice where it considers it necessary. No such advice was taken during the year under review. This policy is intended to remain in place until the end of the current service contracts (being 31 July 2014) and any proposed changes to this policy will be presented to shareholders at the time that the Board's proposals for returning capital to shareholders are put forward.

Executive remuneration consists of a basic salary and certain benefits in kind, which include pension contributions and disability and health insurance, none of which are subject to performance criteria. Executive directors were also eligible for share options although none have been granted since 2005 and none remain outstanding.

The executive directors are responsible for determining the level of fees paid to the non-executive directors. Non-executive directors are not eligible for long-term incentive schemes.

Annual remuneration report

The Remuneration Committee consists of the three non-executive directors of the Company under the chairmanship of Mr R A Chadwick. The Committee meets at least annually and is responsible for determining the terms of service and remuneration of the executive directors.

The 2012 Remuneration report was presented to the annual general meeting in May 2013 and received shareholder approval following a vote on a show of hands. 0.05% of the votes cast on the proxy form voted against the Remuneration report and 0.02% were withheld. In addition 12.5% were lodged at the discretion of third parties. No communication has been received from shareholders giving reasons for the votes against the report.

Directors' share interests (audited information)

The beneficial interests of the directors who served during the year and their connected persons in the securities of the Company as at 31 December 2013 are set out below.

	2013	2012
A G Ebel	22,550	22,550
D Lucie-Smith	77,537	–
R H Chopin-John	5,000	5,000
B J Hallett	127,810	127,810
J A C Lorimer	97,537	–

In addition to the above Mrs R H Chopin-John, in her capacity as trustee, has a non-beneficial interest in 644,209 ordinary shares held by the Rowe Trust. In respect of 2012 only, D Lucie-Smith and J A C Lorimer had a beneficial interest in 1,463,063 ordinary shares held by Parkwood Property Investments LLP. There have been no changes in the holdings of the directors between 31 December 2013 and the date of this report.

No options remain outstanding under either of the Company's share option schemes (2012: nil).

REMUNERATION REPORT – continued

Directors' service contracts

All directors have been given notice under their respective service contracts which expire on 31 July 2014. The service contracts are governed by the following policies:

(a) The notice period required by either the Company or the director to terminate the contract is 12 months for both executive and non-executive directors.

(b) If an executive director ceases to be a director of the Company during the term of his service contract (otherwise than by reason of death, resignation or disqualification pursuant to the Company's Articles of Association or by statute or by court order) the executive director is entitled to compensation equivalent to one month's salary for every year served.

(c) In the event that a non-executive director is not re-elected by shareholders in accordance with the Articles of Association his/her appointment shall terminate with immediate effect and the individual is entitled to payment in lieu of notice being the maximum notice period in his/her contract.

(d) In the event of termination for events as specified in the contract including negligence and incompetence in the performance of his/her duties, misconduct and serious breaches of the rules of the UKLA, then no compensation is payable.

Pensions

The Company contributes to a personal pension scheme for the benefit of Mr Hallett. For the year ended 31 December 2013 contributions amounted to £8,400 (2012: £8,400).

Share option schemes

The Remuneration Committee is responsible for the operation and administration of the Company's unapproved share option scheme. No options were granted during the years ended 31 December 2012 and 2013.

Directors' emoluments (audited information)

The directors who served in the year received the following emoluments:

Year ended 31 December 2013	Basic Salary £'000	Fees £'000	Benefits (ii) £'000	Pensions £'000	2013 £'000
Executive:					
D Lucie-Smith (i)	172	–	–	–	172
J A C Lorimer (i)	138	–	–	–	138
B J Hallett	129	–	2	8	139
Non-executive:					
A G Ebel (Chairman) (i)	25	25	5	–	55
R A Chadwick	–	20	–	–	20
R H Chopin-John	–	20	–	–	20
Total	464	65	7	8	544

(i) Salary due to Messrs Lucie-Smith and Lorimer and fees due to Mr Ebel have been paid to businesses in which they have a material interest.

(ii) Benefits relate to payments made for health insurance premiums.

REMUNERATION REPORT – continued

Year ended 31 December 2012	Basic Salary £'000	Fees £'000	Benefits (ii) £'000	Pensions £'000	2012 £'000
Executive:					
D Lucie-Smith (i)	167	–	–	–	167
J A C Lorimer (i)	134	–	–	–	134
B J Hallett	125	–	2	8	135
Non-executive:					
A G Ebel (Chairman) (i)	25	25	5	–	55
R A Chadwick	–	20	–	–	20
R H Chopin-John	–	20	–	–	20
Total	451	65	7	8	531

(i) Salary due to Messrs Lucie-Smith and Lorimer and fees due to Mr Ebel have been paid to businesses in which they have a material interest.

(ii) Benefits relate to payments made for health insurance premiums.

For 2013 the percentage change in respect of emoluments of the Chief Executive Officer amounted to 3% compared with an average percentage change of 2.35% in respect of all employees taken as a whole.

No shareholder views have been taken into account in the formulation of the directors' remuneration policy as none have been expressed to the Company whether in general meeting or otherwise.

Relative importance of spend on pay
The actual expenditure in the year under review is as follows:

	2013	2012
Total dividends paid	134,000	54,000
Total staff costs	711,000	716,000

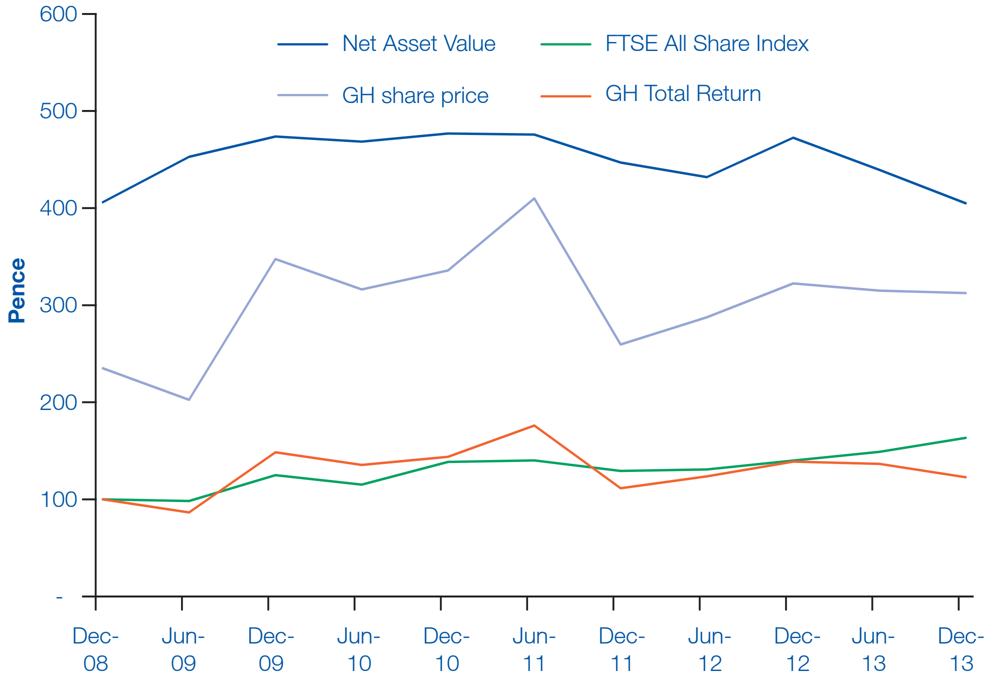
The directors do not consider there to be any other significant payments during the year relevant to understanding the relative importance of spend on pay.

Given the small number of employees in the group and the Company's policy to retain these employees as long as necessary to achieve the Company's objective the directors' remuneration policy is very similar to that adopted for other members of staff. Benefits in kind apply to both certain directors and certain employees with all staff being eligible for the Company share option scheme although no share options have been granted since 2005. No employee was consulted when drawing up the directors' remuneration policy.

REMUNERATION REPORT – continued

Company performance

The graph below illustrates the performance of Gresham House plc and a "broad equity market index" over the past five years. The directors consider the FTSE All Share Index to be the most appropriate for these purposes. As required by legislation performance is measured by total shareholder return (share price plus dividends paid). For additional shareholder information the graph also charts the Company's share price movement and net asset value. It should be noted however that none of this information should be regarded as a benchmark.



This graph shows the value, by the end of 2013, of £100 invested in Gresham House plc on 31 December 2008, (the GH Total Return), compared with the value of £100 invested in the FTSE All Share Index. The other points plotted are the values at intervening six monthly periods.

Comparative movements	31.12.2008	31.12.2013	% change
Gresham House share price	235.0p	312.5p	32.98%
Basic net asset value	406.0p	378.5p	(6.77)%
Gresham House shareholder return	100.0	122.8	22.79%
FTSE All Share Index	2,209.29	3,609.63	63.38%

On behalf of the Board,

R A Chadwick, *Chairman*, Remuneration Committee

28 April 2014

CORPORATE GOVERNANCE

The Board is accountable to the Company's shareholders for good corporate governance. This statement describes how the Company has applied the principles of good governance set out in the revised UK Corporate Governance Code issued by the Financial Reporting Council in September 2012 ("the Code") and which can be found on the FRC website www.frc.org.uk together with the principles and recommendations published in the Association of Investment Companies Code of Corporate Governance issued in February 2013 ("AIC Code"), which provides a guide to best practice in certain areas of governance which are particularly relevant to investment trusts and which the Board believes provides better information for shareholders. The AIC Code is available on the AIC website www.theaic.co.uk

During the year ended 31 December 2013, with the exceptions outlined below, the directors consider that the Company has applied the principles and generally met the requirements of the Code.

The Board

The Board now consists of two executive and three non-executive directors listed on pages 1 and 8 following the resignation of Mr D Lucie-Smith on 25 April 2014. All directors have been given notice under their respective contracts which expire on 31 July 2014.

The Board is responsible for the overall strategy and management of the Group. There is a formal schedule of matters specifically reserved for Board decision including investment and performance objectives and policies, financial reporting and control, the approval of borrowings by the Group, any investments or disposals over certain thresholds and shareholder communication. The Board operates as a collective decision making forum. In the event that one or more directors cannot support a consensus decision then a vote would be taken and the views of the dissenting director recorded in the minutes. There were no such dissentions during 2013. Procedures are in place to enable individual directors to seek independent advice at the expense of the Company and appropriate cover is in place which insures directors against certain liabilities that they may incur in carrying out their duties on behalf of the Company. All directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring that Board procedures are followed. Both the appointment and removal of the company secretary is a matter for the Board as a whole. Mr R A Chadwick is the senior independent director.

The Chairman and Chief Executive have clearly established responsibilities although these have not been defined in writing as required by paragraph 2.1 of the Code. In addition to chairing the Board, the Chairman is responsible for ensuring that the Board is kept properly informed and is consulted on all issues reserved to it. The Chief Executive has final executive responsibility to the Board for the success of the Group.

Directors' attendance at Board and Committee meetings

The Board meets regularly throughout the year and receives accurate, timely and clear information in a form and of a quality appropriate to enable it to discharge its duties. There were seven Board meetings, one meeting of the Audit Committee and one meeting of the Remuneration Committee held during the year and the attendance of the directors was as follows:

Director	Board	Remuneration Committee	Audit Committee
A G Ebel	7 (7)	1(1)	1(1)
D Lucie-Smith	6 (7)	–	–
J A C Lorimer	6 (7)	–	–
B J Hallett	7 (7)	–	–
R A Chadwick	7 (7)	1(1)*	1(1)*
R H Chopin-John	7 (7)	1(1)	1(1)

* Denotes Committee Chair

Figures in brackets indicate the maximum number of meetings in the period which the director was a board or committee member as appropriate.

The Company has not complied with paragraph B.6.1 of the Code and has not undertaken a formal evaluation of its own performance and that of its committees and individual directors. Given the nature and size of the Company this evaluation is an ongoing process undertaken by the Remuneration Committee as part of its review. The Board is satisfied that each director continues to contribute effectively and demonstrates commitment to the role.

CORPORATE GOVERNANCE – continued

Independence of the directors

As a smaller company paragraph B 1.2 of the Code requires it to have at least two independent non-executive directors. In judging independence the Board takes into account whether or not a director is independent of management and any business or other relationship that could affect or interfere with the exercise of objective judgement by that director, or his/her ability to act in the best interests of the Company and its subsidiaries. Using this criteria the Board continues to consider Messrs Ebel and Chadwick to be independent notwithstanding that Mr Ebel is Chairman and has served for a period exceeding nine years.

Tenure

All directors are subject to re-election by shareholders at the first AGM following their appointment and, thereafter, are subject to retirement by rotation and re-election by shareholders in accordance with the Articles of Association whereby one third of the directors retire every year, or where their number is not a multiple of three, then the number constituting at least one third retire from office. Notwithstanding the foregoing, every director shall retire who was not appointed at either of the two previous annual general meetings and who has served for more than two years since his/her appointment or last reappointment. Directors are not appointed for specified terms nor have any automatic right of re-appointment. Because of the nature of an investment trust the Board believes that the contribution and independence of a director is not diminished by long service but that a detailed knowledge of the Company and its activities has a beneficial impact.

The directors retiring by rotation in accordance with the Company's Articles of Association are Mrs R H Chopin-John and Mr J A C Lorimer. Mr A G Ebel is the director due to stand for annual re-election at the forthcoming AGM as per the requirements of the Code having effectively served on the Board for more than nine years. The Chairman has carefully considered the position of each of the directors and the senior independent director has considered the position of the Chairman. They each respectively consider their contribution to be significant and effective, their commitment to be appropriate and respectively recommend their re-election.

Internal controls

The Board is responsible for the Group's system of internal control, including financial, operational and compliance controls and risk management, and for reviewing its effectiveness. The Board has introduced procedures designed to meet the particular needs of the Group in managing the risks to which it is exposed. These procedures include an annual review of the significant risks faced by the Group and an assessment of their potential impact and likelihood of occurrence. The Board takes advice from external advisors where considered necessary including where any significant transaction is being considered. The Board is satisfied with the effectiveness of internal controls but, by their very nature, these procedures can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed the need for an internal audit function and has concluded that, given the nature of the Group's business and assets and the overall size of the Group, the systems and procedures currently employed by the Group provide sufficient assurance that a sound system of internal control, which safeguards shareholders investment and the Group's assets, is in place. An internal audit function is therefore considered unnecessary.

Report of the Audit Committee

The Audit Committee, which is chaired by Mr Richard Chadwick, operates within defined terms of reference, a copy of which is available from the Company on request, and comprises the three non-executive directors of the Company. The specific responsibilities of the Audit Committee include a review of the Company's annual and half yearly results, a review of internal and financial controls applicable to the Company, the terms of appointment of the auditor together with their remuneration, and ensuring that auditor objectivity and independence is safeguarded in the provision of non-audit services by the auditor. It also provides a forum through which the auditor may report to the Board and meets at least annually.

The Audit Committee is responsible for considering and reporting any significant issues that arise in relation to the audit of the financial statements. The Audit Committee can confirm that there were no significant issues to report to shareholders in respect of the audit of the financial statements for the year ended 31 December 2013.

The key areas of risk that have been identified and considered by the Audit Committee in relation to the business activities and financial statements of the Company are as follows:

- Valuation of property investments;
- Valuation on unlisted securities; and
- Compliance with HM Revenue & Customs conditions to ensure retention of investment trust status.

CORPORATE GOVERNANCE – continued

Valuation of property investments: All property investments were valued by Jones Lang LaSalle Limited, Chartered Surveyors, as at 31 December 2013. These external valuations were carried out on the basis of Market Value in accordance with the latest edition of the Valuation Standards published by the Royal Institution of Chartered Surveyors. The assumptions and underlying evidence to support these valuations have been reviewed by the External Auditor and the Audit Committee which is satisfied that the valuations represent fair value based on current use.

Valuation of unlisted securities: Investment valuations have been performed consistently with prior periods and in accordance with industry guidelines as detailed in Principal Accounting Policy (j) (iii).

Investment Trust status: the Company's application to HM Revenue and Customs for approval as an investment trust for the year ended 31 December 2012 was rejected on what the Company and its advisers believe to be a technicality. The Company was to appeal against this decision but this was withdrawn on the basis that (i) its application for approval as an investment trust for accounting periods commencing on or after 1 January 2013 has been accepted and (ii) it is not anticipated that the Company will have any liability to corporation tax or capital gains tax for the financial year ended 31 December 2012.

In addition the Committee has considered the disclosures regarding the status of the group as a going concern and believe these to be adequate.

Having reviewed the report received from the external auditor in which they confirm to the Audit Committee that they are not aware of any material misstatements, the Audit Committee is satisfied that the key areas of risk and judgement have been addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust.

The Audit Committee has undertaken a review of the external auditor and the effectiveness of the audit process. The Committee considered the appointment of the current auditor and confirmed that it is satisfied with the standard of service received. Should the Committee be dissatisfied, a tender process would be undertaken. BDO LLP (or its predecessors) have been auditors to the Company since prior to 1965 and no tender for the audit of the Company has been undertaken since that date although there has been regular rotation of the engagement partners in accordance with the Auditors' Ethical Standards. With effect from 28 March 2013 the Company's auditor PKF (UK) LLP merged with BDO LLP to become part of BDO LLP. At the time of the merger the Audit Committee considered whether it would be appropriate to retain the services of BDO LLP. Given the Company's previous experience with PKF (UK) LLP and their knowledge of the Company and the Group and, in particular, the investment trust rules and regulations, it was decided that BDO LLP should be appointed as the Company's external auditor. A new audit partner rotated onto the audit for the 2013 year end.

Non audit services
Non audit services provided by the external auditor are reviewed by the Audit Committee to ensure that independence and objectivity is monitored by way of assessment and consideration of any potential threats to auditor independence. Any expenditure on non-audit services exceeding £20,000 requires the approval of the Audit Committee in advance of any such work being undertaken. During the year under review the Audit Committee concluded that it was in the best interests of the Company to purchase taxation services from the external auditor on the basis of their greater knowledge of the Company and Group. Details of the fees paid to the auditor for audit services, audit related services and other non- audit services are shown in note 2 of these financial statements.

Having regard to all the relevant factors, the Audit Committee has recommended to the Board that in the normal course of events and subject to shareholder approval at the 2014 AGM, BDO LLP be reappointed as external auditor of the Company and Group for the forthcoming year.

Nomination Committee
The Company does not comply with paragraphs B.2.1 to B.2.4 of the Code. Given the small size of the Board, the Board as a whole fulfils the function of the Nomination Committee. Any Board member can propose new members who will be considered by the Board as a whole. No new non-executive director will be appointed without first being interviewed by each existing non-executive director.

The Company has not fully complied with paragraphs B.4.1 and B.4.2 but all requests for information, assistance and training are being met as and when requested.

CORPORATE GOVERNANCE – continued

Remuneration Committee

The Remuneration Committee is also a formally constituted committee of the Board with defined terms of reference, a copy of which is available from the Company on request. It consists of the three non-executive directors under the chairmanship of Mr R A Chadwick. The other members of the committee are Mr A G Ebel and Mrs R H Chopin-John. The Committee is responsible for determining the terms of service and remuneration of the executive directors and meets at least annually. The Company does not fully comply with paragraph D 2.2 of the Code in that the remuneration for senior staff is set by the executive directors.

Further information can be found in the Remuneration Report.

Share capital and voting rights

As at 1 January 2013 and 31 December 2013 there were 5,369,880 ordinary shares in issue with a nominal value of 25p each. The ordinary shares are listed on the London Stock Exchange.

Details of substantial shareholdings and control can be found in the Report of the Directors on pages 9 and 10. The voting rights of shareholders are as follows:

Each shareholder has the right to:

- participate in distributions of profits in proportion to the nominal capital paid up on the shares held;
- one vote on a show of hands, and on a poll one vote per share held, at a general meeting of the Company. A member entitled to more than one vote need not cast all votes the same way;
- a dividend subject to the discretion of the directors of the Company, apportioned and paid proportionately to the amounts paid up on the shares; and
- in the event of a winding up of the Company the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company.

Relations with shareholders

Given its size, the Company has not fully complied with provisions E.1.1 and E.1.2. Of the current major shareholders, the Board believes that it has sufficient contact with three of these and an understanding of their issues and concerns.

All members of the Board are willing to meet with shareholders at any time for the purpose of discussing matters in relation to the operation and prospects of the Group.

The Board welcomes as many shareholders as possible to attend the annual general meeting and encourages discussions on issues of concern or areas of uncertainty that they may have during and after the formal proceedings. The Company counts all proxy votes lodged at general meetings of the Company and indicates the number of proxy votes on each resolution, after it has been dealt with by a show of hands.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Conduct Authority.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with those standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The directors are responsible for ensuring the annual report and financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors which also extends to the ongoing integrity of the financial statements contained therein.

The directors confirm, to the best of their knowledge, that:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy; and
- the management report, comprising the Chairman's Statement, Strategic Report and Report of the Directors, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The names and functions of all the directors are stated on pages 1 and 8.

For and on behalf of the Board

A G Ebel
Chairman

28 April 2014

REPORT OF THE INDEPENDENT AUDITOR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRESHAM HOUSE PLC

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2013 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Emphasis of matter – financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the Basis of preparation Accounting Policy (see page 30) concerning the basis on which the financial statements were prepared. As the objective of the directors is to achieve an orderly realisation of the Group's assets over a relatively short period with a view to returning capital to shareholders thereafter, the financial statements have been prepared on a basis other than that of going concern.

Other matter

We draw your attention to the statement made on page 6 of the Strategic Report regarding the Group's non-disclosure of greenhouse gas emissions (as required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013). Although we draw shareholders' attention to this matter, it is not within the scope of our Statutory Audit opinion as set out in the Companies Act 2006 and hence our audit opinion on the financial statements is not qualified in this respect.

The financial statements of Gresham House plc for the year ended 31 December 2013 comprise the Group statement of comprehensive income, Group and parent Company balance sheets, Group and parent Company statement of changes in equity, Group and parent Company cashflow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

REPORT OF THE INDEPENDENT AUDITOR – continued

Our assessment of risks of material misstatement

We identified the following risks that we believe to have had the greatest impact on our audit strategy and scope:

Risk	How the scope of the audit responded to the risk
The assessment of the carrying value of investment property. The Group uses the valuation carried out by independent valuers as the fair value of its property portfolio. The valuation is based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties.	We evaluated the competence, capability and objectivity of the external valuer. We met with the external valuer to discuss their approach to the valuation and their findings and we reviewed management's instructions to the external valuer and determined whether there were any limitations of scope or restrictions placed upon their work. In order to test the integrity of the data provided to the valuer we reviewed the underlying data provided by the Directors and agreed a sample of data back to source documentation, including title deeds and tenancy agreements. We established our own range of expectations for the changes in the valuation of investment property based on externally available metrics, comparable organisations and wider economic and commercial factors. We considered whether the overall movement in the investment property valuation indicated potential management bias to either overstate or understate the valuation. We assessed the movement of all material properties against our own expectation and challenged those valuations which fell outside of our range of expectation. Explanations received from the external valuer and management supporting these valuations were corroborated to third party evidence where appropriate.
The assessment of the carrying value of investments in unquoted equities designated as at fair value through profit and loss. The valuations are established in accordance with the International Private Equity and Venture Capital Valuation Guidelines by using measurements of value such as price of recent orderly transactions, earnings multiples and net assets. Significant judgement is exercised by the Directors both in terms of the valuation basis and the inputs for the valuation model.	We assessed the competence, ability and objectivity of the directors to undertake the valuation exercise and the appropriateness of the valuation model used. We consulted with our in house valuation team as part of this exercise. The Memorial Holdings Limited investment was externally valued by an independent valuer in the previous year. In the current year it has been valued by the directors. The investment has been valued on a discounted future cash flow basis. We reviewed the projections used in the valuation in light of past projections and against past performance. Any significant differences were investigated and explanations corroborated. In particular the growth assumptions in the model were considered. We also performed a sensitivity analysis on the projections. We also considered the valuation in light of the previous external valuation. Where investments were valued based on a material arm's length transaction in the investee company we obtained corroborating evidence of that investment.
Going concern, the financial statements are no longer prepared on a going concern basis. This may impact the Group's ability to discharge its assets and liabilities in an orderly fashion and impact on the valuation of its assets.	We reviewed the adequacy of the disclosures in the financial statements relating to this matter. We considered the ability of the Group to realise its assets in an orderly fashion and the potential impact on the valuation of its assets. We obtained the Directors' plan for realising these assets in an orderly fashion.

The Audit Committee's consideration of these judgements is set out on pages 16 and 17.

REPORT OF THE INDEPENDENT AUDITOR – continued

Our application of materiality and an overview of the scope of our audit

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined planning materiality for the financial statements as a whole to be £400,000. In determining this, we based our assessment on a level of 1.6% of gross assets. Given the Group is intending to realise its assets in orderly fashion we believe this is the key benchmark used by a member of the Group in assessing its value and financial performance.

On the basis of our risk assessment, together with our assessment of the Group's control environment, our judgment is that performance materiality for the financial statements should be 75% of planning materiality, namely £300,000 for the financial statements as a whole. We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £6,000. We also agree to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

All of the Group's business is undertaken in the UK. The Group audit team undertook the audit of all active subsidiary undertakings.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

REPORT OF THE INDEPENDENT AUDITOR – continued

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 10 in relation to going concern; and
- the part of the corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Thomas Edward Goodworth (senior statutory auditor) 28 April 2014
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Income:	1						
Dividend and interest income		268	–	268	690	–	690
Rental income		999	–	999	1,038	–	1,038
Other operating income		76	–	76	102	–	102
Total Income		1,343	–	1,343	1,830	–	1,830
Operating costs:	2						
Property outgoings		(1,243)	–	(1,243)	(989)	–	(989)
Administrative overheads		(846)	–	(846)	(841)	–	(841)
Net trading loss		(746)	–	(746)	–	–	–
Gains & losses on investments:							
Gains & losses on investments held at fair value	8	–	(504)	(504)	–	(280)	(280)
Movement in fair value of property investments	9	–	(1,439)	(1,439)	–	2,086	2,086
Group operating (loss)/profit		(746)	(1,943)	(2,689)	–	1,806	1,806
Finance costs	4	(757)	–	(757)	(810)	–	(810)
Group operating (loss)/profit before taxation		(1,503)	(1,943)	(3,446)	(810)	1,806	996
Taxation	5	–	–	–	–	–	–
(Loss)/profit and total comprehensive income		(1,503)	(1,943)	(3,446)	(810)	1,806	996
Attributable to:							
Equity holders of the parent		(1,281)	(2,216)	(3,497)	(428)	1,848	1,420
Non-controlling interest		(222)	273	51	(382)	(42)	(424)
		(1,503)	(1,943)	(3,446)	(810)	1,806	996
Basic and diluted (loss)/earnings per ordinary share	6	(23.8p)	(41.3p)	(65.1p)	(8.0p)	34.4p	26.4p

The total column of this statement represents the Group's Statement of Comprehensive Income, prepared in accordance with IFRSs.

The revenue and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

STATEMENTS OF CHANGES IN EQUITY

Group

YEAR ENDED 31 DECEMBER 2013

	Notes	Ordinary share capital £'000	Share premium £'000	Capital reserve £'000	Retained earnings £'000	Equity attributable to equity share-holders £'000	Non-controlling interest £'000	Total equity £'000
Balance as at 31 December 2012		1,342	2,302	35,822	(15,562)	23,904	–	23,904
Loss for the period being total comprehensive income for the year		–	–	(2,216)	(1,281)	(3,497)	51	(3,446)
Transfer of non-controlling interest deficit		—	—	(222)	273	51	(51)	–
Ordinary dividends paid	7	–	–	–	(134)	(134)	–	(134)
Balance at 31 December 2013		1,342	2,302	33,384	(16,704)	20,324	–	20,324

YEAR ENDED 31 DECEMBER 2012 (Restated)

	Notes	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000	Equity attributable to equity share-holders £'000	Non-controlling interest £'000	Total equity £'000
Balance as at 31 December 2011		1,342	2,302	14	34,356	(15,052)	22,962	–	22,962
Profit/(loss) for the period being total comprehensive income for the year		–	–	–	1,848	(428)	1,420	(424)	996
Transfer of non-controlling interest deficit		–	–	–	(382)	(42)	(424)	424	–
Ordinary dividends paid	7	–	–	–	–	(54)	(54)	–	(54)
Share options lapsed		–	–	(14)	–	14	–	–	–
Balance at 31 December 2012		1,342	2,302	–	35,822	(15,562)	23,904	–	23,904

STATEMENTS OF CHANGES IN EQUITY – continued

Company

YEAR ENDED 31 DECEMBER 2013

	Notes	Ordinary share capital £'000	Share premium £'000	Capital Reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 31 December 2012		1,342	2,302	11,714	397	15,755
Loss for the period being total comprehensive income for the year		–	–	(1,345)	(255)	(1,600)
Ordinary dividends paid	7	–	–	–	(134)	(134)
Balance at 31 December 2013		1,342	2,302	10,369	8	14,021

YEAR ENDED 31 DECEMBER 2012

	Notes	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 31 December 2011		1,342	2,302	14	11,994	234	15,886
(Loss)/profit for the period being total comprehensive income for the year		–	–	–	(280)	203	(77)
Ordinary dividends paid	7	–	–	–	–	(54)	(54)
Share options lapsed		–	–	(14)	–	14	–
Balance at 31 December 2012		1,342	2,302	–	11,714	397	15,755

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Notes	Group 2013 £'000	Group 2012 Restated £'000	Company 2013 £'000	Company 2012 £'000
Assets					
Non current assets					
Investments – securities	8	5,159	5,905	5,159	5,905
Property investments	9	9,270	21,516	–	–
Other investments	10	–	–	322	2
		14,429	27,421	5,481	5,907
Current assets					
Trade and other receivables	11	358	187	–	–
Accrued income and prepaid expenses		639	626	370	298
Other current assets	12	415	775	7,754	775
Cash and cash equivalents		1,625	8,348	631	8,111
Non current assets held for sale					
Investments – securities	8	–	1,149	–	1,149
Property investments	9	7,430	7,380	–	–
Total current assets and non current assets held for sale		10,467	18,465	8,755	10,333
Total assets		24,896	45,886	14,236	16,240
Current liabilities					
Trade and other payables	13	826	1,524	67	13
Short term borrowings	14	3,746	14,958	148	472
Liabilities of a disposal group classified as held for sale					
Short term borrowings	14	–	5,500	–	–
		4,572	21,982	215	485
Total assets less current liabilities		20,324	23,904	14,021	15,755
Non-current liabilities					
Deferred taxation	15	–	–	–	–
Net assets		20,324	23,904	14,021	15,755
Capital and reserves					
Ordinary share capital	16	1,342	1,342	1,342	1,342
Share premium	17	2,302	2,302	2,302	2,302
Capital reserve	17	33,384	35,822	10,369	11,714
Retained earnings	17	(16,704)	(15,562)	8	397
Equity attributable to equity shareholders		20,324	23,904	14,021	15,755
Non-controlling interest	17	–	–	–	–
Total equity		20,324	23,904	14,021	15,755
Basic and diluted net asset value per ordinary share	18	378.5p	445.1p	261.1p	293.4p

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 28 April 2014

B J Hallett
Director

Registered number: 871 (England & Wales)

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Cash flow from operating activities					
Investment income received		88		76	
Interest received		108		453	
Rental income received		1,037		1,093	
Other cash payments		(2,118)		(1,686)	
Net cash utilised in operations	19		(885)		(64)
Interest paid on property loans		(600)		(757)	
			(600)		(757)
Net cash flow from operating activities			(1,485)		(821)
Cash flow from investing activities					
Purchase of investments		(89)		(571)	
Sale of investments		1,480		2,343	
Sale of investment properties		11,466		1,500	
Expenditure on investment properties		(1,227)		(563)	
Purchase of developments in hand		(22)		(29)	
			11,608		2,680
Cash flow from financing activities					
Repayment of loans		(16,937)		(1,956)	
Receipt of loans		225		2,306	
Equity dividends paid		(134)		(54)	
			(16,846)		296
(Decrease)/increase in cash and cash equivalents			(6,723)		2,155
Cash and cash equivalents at start of year			8,348		6,193
Cash and cash equivalents at end of year			1,625		8,348

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Cash flow from operating activities					
Investment income received		88		76	
Interest received		106		453	
Other cash payments		(85)		(134)	
Net cash flow from operating activities	19		109		395
Cash flow from investing activities					
Purchase of investments		(89)		(571)	
Sale of investments		1,480		2,315	
Advanced to Group undertaking		(8,500)		–	
Purchase of development in hand		(22)		(29)	
			(7,131)		1,715
Cash flow from financing activities					
Receipt of loans		170		215	
Repayment of loans		(494)		(165)	
Equity dividends paid		(134)		(54)	
			(458)		(4)
(Decrease)/increase in cash and cash equivalents			(7,480)		2,106
Cash and cash equivalents at start of year			8,111		6,005
Cash and cash equivalents at end of year			631		8,111

PRINCIPAL ACCOUNTING POLICIES

The Group's principal accounting policies are as follows:

(a) Basis of preparation
The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The following standards and interpretations have been adopted in 2013 as they are mandatory for the year ended 31 December 2013:

(i) Amendment to IAS 1 – Presentation of items of other comprehensive income

(ii) IFRS 13 – Fair value measurement

The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice ("the SORP") for investment trusts issued by the Association of Investment Companies ("the AIC") is consistent with the requirements of IFRS and appropriate in the context of the Company's activities, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

Other standards and interpretations have been issued which will be effective for future reporting periods but have not been adopted in these financial statements as set out in note (s).

As the Group's investment objective is now the orderly realisation of the Group's assets over a relatively short period with a view to returning capital to shareholders thereafter, the Group technically ceases to be a going concern as it is the intention to realise assets and return capital to shareholders in due course. During the realisation period the Group expects to trade in an orderly fashion and, in the directors' opinion, the valuation bases applied to the assets and liabilities (as disclosed elsewhere within the accounting policies) are such that there would be no material adjustments to the financial statements if they had been prepared on a going concern basis.

The Group has short term bank borrowings of £3.7m due within one year from the Co-operative Bank repayable by 31 May 2014. Confirmation has been received from the Co-operative Bank plc that it expects to extend the facility until 30 September 2014 with a further extension to 31 December 2014 subject to progress with disposals/repayments. The Board is also seeking terms from other banks to refinance the position for a longer term.

On this basis the directors are of the opinion that the Group will have sufficient working capital to fund ongoing activities for at least the next 12 months.

(b) Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings made up to the year end. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(c) Presentation of Statement of Comprehensive Income
In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. Net capital returns may not be distributed by way of a dividend. The net revenue is the measure the directors believe appropriate in assessing the Group's compliance with certain requirements set out in section 1158 of the Corporation Tax Act 2010. As permitted by section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. Details of the Company's results for the year are set out in note 17, the loss for the year being £1,600,000 (2012: loss £77,000).

(d) Investments in associates and joint ventures
An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the entity. Investments as disclosed in note 8 which are deemed to be associates are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") as investments designated at fair value through the Statement of Comprehensive Income and, in accordance with paragraph 1 of IAS 28 Investments in Associates ("IAS 28"), equity accounting is not required.

PRINCIPAL ACCOUNTING POLICIES – continued

(e) Segment reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board in order to allocate resources to the segments and to assess their performance.

The Group's reportable segments, which are those reported to the Board, are the Investment Trust and Property Investment.

(f) Income

(i) *Dividend and interest income*

Income from listed securities is recognised when the right to receive the dividend has been established. Interest receivable is recognised on an accruals basis.

(ii) *Rental income*

Rental income comprises property rental income receivable net of VAT, recognised on a straight line basis over the lease term and excludes service charges recoverable from the tenant.

(g) Expenses

All expenses and interest payable are accounted for on an accruals basis. All expenses are allocated to revenue except the expenses which are incidental to the disposal of an investment which are deducted from the disposal proceeds of the investment and acquisition costs which are charged to the capital account.

(h) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Statement of Comprehensive Income is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue column of the Statement of Comprehensive Income, then no tax relief is transferred to the capital return column.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is also provided for on revaluation surpluses on investment properties.

Investment Trusts which have approval under section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(i) Operating leases

Amounts payable under operating leases are charged directly to the Statement of Comprehensive Income on a straight line basis over the period of the lease. The aggregate costs of operating lease incentives provided by the Group are recognised as a reduction in rental income on a straight line basis over the lease term.

PRINCIPAL ACCOUNTING POLICIES – continued

(j) Investments

Financial assets designated as at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis, in accordance with the documented investment strategy of the Company. Information about these financial assets is provided internally on a fair value basis to the Group's key management. All equity investments are classified as held at fair value through profit or loss.

(i) *Properties*

Property investments are included in the Statement of Financial Position at fair value and are not depreciated.

Sale and purchase of property assets is generally recognised on unconditional exchange except where completion is expected to occur significantly after exchange. For conditional exchanges, sales are recognised when the conditions have been satisfied. Profits and losses are calculated by reference to the carrying value at the end of the previous financial year, adjusted for subsequent capital expenditure and less directly related costs of sale.

(ii) *Assets held for sale*

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell (except where the exemptions of paragraph 5 of IFRS 5 apply) and are classified as such if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This is the case when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the sale is considered to be highly probable. A sale is considered to be highly probable if the appropriate level of management is committed to a plan to sell the asset and a further active programme to locate a buyer and complete the plan has been initiated, Further, the asset has to be marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale is expected to qualify for recognition as a completed sale within one year from the date that it is classified as held for sale.

(iii) *Securities*

Purchases and sales of listed investments are recognised on the trade date, the date on which the Group commit to purchase or sell the investment. All investments are designated upon initial recognition as held at fair value, and are measured at subsequent reporting dates at fair value, which is either the market bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Fair values for unquoted investments, or for investments for which there is only an inactive market, are established by taking into account the International Private Equity and Venture Capital Valuation Guidelines as follows:

(i) Investments which have been made in the last 12 months are valued at cost in the absence of overriding factors;

(ii) Investments in companies at an early stage of development are also valued at cost in the absence of overriding factors;

(iii) Where investments have gone beyond the stage in their development in (ii) above, the shares may be valued by having regard to a suitable price-earnings ratio to that company's historical post-tax earnings or the net asset value of the investment; and

(iv) Where a value is indicated by a material arm's length market transaction by a third party in the shares of a company, that value may be used.

(iv) *Loan Stock*

Unquoted loan stock is classified as loans and receivables in accordance with IAS39 and carried at amortised cost using the Effective Interest Rate method. Movements in the amortised cost relating to interest income are reflected in the revenue column of the Statement of Comprehensive Income and movements in respect of capital provisions are reflected in the capital column of the Statement of Comprehensive Income. Loan stock accrued interest is recognised in the Statement of Financial Position as part of the carrying value of the loans and receivables at the end of each reporting period.

PRINCIPAL ACCOUNTING POLICIES – continued

(k) Developments in hand
Developments in hand (being developments held for subsequent sale) are valued at the lower of cost and net realisable value other than assets transferred from non current assets which are transferred at fair value. Third party interest which relates to properties held for, or in the course of, development is capitalised as incurred, when considered recoverable. Profits and losses arising from the sale of developments are dealt with through the Statement of Comprehensive Income.

(l) Trade and other receivables
Other receivables are short term in nature and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts as any discounting of expected cash flows is considered to be immaterial.

(m) Cash and cash equivalents
Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(n) Dividends payable
All dividends are recognised in the period in which they are approved by shareholders.

(o) Bank borrowings
All bank loans are initially recognised at cost, being the fair value of the consideration received, less issue costs where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement. Interest costs on property loans attributable to property investments are charged to the Statement of Comprehensive Income as incurred. Interest costs on property loans attributable to development properties and to current assets are capitalised when considered recoverable in accordance with IAS 23.

(p) Trade and other payables
Other payables are not interest-bearing and are stated at their nominal value as any discounting of expected cash flows is considered to be immaterial.

(q) Capital reserves
The following realised amounts are accounted for in this reserve:

– gains and losses on the realisation of securities and property investments.

– expenses and finance costs, together with the related taxation effect, charged to this reserve in accordance with the above policies.

The following unrealised amounts are accounted for in this reserve:

– increases and decreases in the valuation of investments held at the year-end.

– provisions charged against carrying value of investments held at the year end.

– provisions for deferred taxation in respect of revalued properties.

(r) Pensions
Payments to personal pension schemes for employees are charged against profits in the year in which they are incurred.

(s) Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group
Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2014 or later periods. The Group has not early adopted the standards, amendments and interpretations.

The changes are not expected to have a material impact on the financial statements, although amended disclosures will be required in certain instances.

PRINCIPAL ACCOUNTING POLICIES – continued

(t) Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those used to determine (i) the value of investments at fair value through profit or loss, (ii) any impairment in the value of loans and (iii) the value of property investments.

(i) The value of investments at fair value through profit or loss is determined by using valuation techniques. As explained above, the Company uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions at each Statement of Financial Position date;

(ii) Loans are measured at amortised cost and provision is made for impairment as necessary based on the available latest information; and

(iii) The value of property investments is based on independent third party valuations. These valuations are based on the 'investment method' of valuation. This approach involves applying market-derived capitalisation yields to current and market-derived future income streams with appropriate adjustments for income voids arising from vacancies or rent-free periods. These capitalisation yields and future income streams are derived from comparable property and leasing transactions and are considered to be the key inputs in the valuation. Other factors that are taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

(u) Restatement of prior year reserves

Having considered the relationship between the creditors of a non-wholly owned loss-making subsidiary and the wider group, the directors consider that arrangements are in place which enable losses previously attributable to the non-controlling interest to be absorbed by equity holders of the parent. Consequently, an adjustment has been made within equity to reflect these arrangements, with comparative numbers restated accordingly. The impact on the balance sheet as at 31 December 2012 is to reduce the debit balance attributable to the non-controlling interest by £1,467,000, with a corresponding reduction to equity attributable to shareholders of the parent. The impact on the balance sheet as at 31 December 2011 is not material and therefore a 3rd balance sheet has not been presented. The only impact on the balance sheet as at 31 December 2011 is a similar transfer within equity of £1,043,000. As there is no further adjustment it is not felt necessary to reproduce the balance sheet as this date in full. There is no impact on group profit or total equity for any prior period.

NOTES TO THE ACCOUNTS

1 INCOME

	2013 £'000	2012 £'000
Income from investments		
Dividend income: Listed UK	88	76
Interest receivable: Bank and brokers	46	70
Other	134	544
	268	690
Rental income	999	1,038
	1,267	1,728
Other operating income		
Dealing profits and losses	1	6
Management fees receivable	75	96
	76	102
Total income	1,343	1,830
Total income comprises:		
Dividends	88	76
Interest	180	614
Rental income	999	1,038
Other operating income	76	102
	1,343	1,830

2 OPERATING COSTS

Operating costs comprise the following:

	2013 £'000	2012 £'000
a) Property outgoings:		
Directors' emoluments (excluding benefits in kind)	138	134
Wages and salaries	53	51
Other operating costs (net of service charges recoverable from tenants of £687,000) (2012: £574,000)	1,052	804
	1,243	989
b) Administrative overheads:		
Directors' emoluments (excluding benefits in kind)	399	390
Auditor's remuneration *	75	70
Wages and salaries	85	106
Redundancy costs	3	–
Social security costs	33	35
Operating lease rentals – land and buildings	39	39
Other operating costs	212	201
	846	841
Staff costs (including directors' emoluments) were:		
Wages and salaries	667	673
Redundancy costs	3	–
Social security costs	33	35
Pension costs	8	8
	711	716

NOTES TO THE ACCOUNTS – continued

2 OPERATING COSTS – continued

* A more detailed analysis of auditor's remuneration is as follows:

	2013 £'000	2012 £'000
Audit fees	23	23
Auditor's other fees – category 1 (the auditing of accounts of subsidiaries of the Company pursuant to legislation)	41	41
Auditor's other fees – category 3 (other services relating to taxation)	8	5
Auditor's other fees – category 10 (other services)	3	1
	75	70

The directors consider the auditor was best placed to provide these other services. The Audit Committee reviews the nature and extent of non-audit services to ensure that independence is maintained.

The average number of persons employed by the Group, including the executive directors, was 6 (2012: 7).

The Group has the following commitments under operating leases:	2013 £'000	2012 £'000
Within 1 year	16	39
1 – 2 years	–	16
	16	55

3 DIRECTORS EMOLUMENTS

The emoluments of the directors are disclosed in the Remuneration Report on pages 12 and 13.

The directors are considered to be the Group's only key management personnel. Employers' National Insurance Contributions in respect of the directors for the year were £22,000 (2012: £20,000).

4 FINANCE COSTS

	2013 £'000	2012 £'000
Interest payable on loans and overdrafts	504	758
Finance fees	253	131
Movement in fair value of interest rate swaps	–	(79)
	757	810

NOTES TO THE ACCOUNTS – continued

5 TAXATION

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
(a) Analysis of charge in period:						
UK Corporation tax at 23.25% (2012: 24.5%)	–	–	–	–	–	–
Total tax charge	–	–	–	–	–	–
(b) Factors affecting tax charge for period:						
(Loss)/profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	(349)	(452)	(801)	(198)	442	244
Tax effect of:						
Investment losses not taxable	–	117	117	–	69	69
Dividend income not taxable	(21)	–	(21)	(19)	–	(19)
Expenses disallowed	14	–	14	23	–	23
Losses utilised in current year	(266)	–	(266)	(19)	–	(19)
Movement in losses carried forward	622	335	957	213	(511)	(298)
Actual tax charge	–	–	–	–	–	–

The Group has unutilised tax losses of approximately £12.2 million (2012: £11.8 million) available against future corporation tax liabilities. The potential deferred taxation asset of £2.8 million (2012: £2.7 million) in respect of these losses has not been recognised in these financial statements as, given the policy to realise the assets of the Group over approximately the next two years, it is not considered sufficiently probable that the Group will generate sufficient taxable profits to recover these amounts in full.

6 (LOSS)/EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share

The basic and diluted (loss)/earnings per share figure is based on the net loss for the year attributable to the equity shareholders of £3,497,000 (2012: profit £1,420,000) and on 5,369,880 (2012: 5,369,880) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

There were no potentially dilutive ordinary shares as at 31 December 2013 (2012: nil).

The (loss)/earnings per ordinary share figures detailed above can be further analysed between revenue and capital as follows:-

	2013 £'000	2012 £'000
Net revenue loss attributable to equity holders of the parent	(1,281)	(428)
Net capital (loss)/gain attributable to equity holders of the parent	(2,216)	1,848
Net total (loss)/gain	(3,497)	1,420
Weighted average number of ordinary shares in issue during the period	5,369,880	5,369,880
Basic and diluted (loss)/earnings per share	Pence	Pence
Revenue	(23.8)	(8.0)
Capital	(41.3)	34.4
Total basic and diluted (loss)/earnings per share	(65.1)	26.4

NOTES TO THE ACCOUNTS – continued

7 DIVIDENDS

	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2012 of 2.5p (2011: 1p) per share	134	54
	134	54

Set out below is the total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 1158 Corporation Tax Act 2010 are considered.

	2013 £'000	2012 £'000
Proposed final dividend for the year ended 31 December 2013 of nil (2012: 2.5p) per share	–	134

8 INVESTMENTS – SECURITIES

Investments have been classified as follows:

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Non current assets	5,159	5,905	5,159	5,905
Non current assets held for sale	–	1,149	–	1,149
	5,159	7,054	5,159	7,054

A further analysis of total investments is as follows:

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Listed securities – on the London Stock Exchange	93	1,149	93	1,149
Listed securities – on overseas exchanges	–	–	–	–
Securities dealt in under AIM	2,805	1,782	2,805	1,782
Securities dealt in under ISDX	76	64	76	64
Unlisted securities	2,185	4,059	2,185	4,059
Carrying value at 31 December	5,159	7,054	5,159	7,054
Investments valued at fair value through profit or loss	3,743	5,704	3,743	5,704
Loans and receivables valued at amortised cost	1,416	1,350	1,416	1,350
	5,159	7,054	5,159	7,054

NOTES TO THE ACCOUNTS – continued

8 INVESTMENTS – SECURITIES – continued

Group – Year ended 31 December 2013

	Listed in UK £'000	Listed overseas £'000	AIM £'000	ISDX £'000	Unlisted £'000	Total £'000
Opening cost	1,190	80	362	363	5,748	7,743
Opening unrealised gains & (losses)	(41)	(80)	1,420	(299)	(1,689)	(689)
Opening value	1,149	–	1,782	64	4,059	7,054
Movements in the year:						
Purchases at cost	2	–	–	–	87	89
Sales – proceeds	(1,055)	–	(319)	–	(106)	(1,480)
Sales – realised gains & (losses) on sales	(56)	–	163	–	(143)	(36)
Unrealised gains & (losses)	53	–	1,179	12	(1,712)	(468)
Closing value	93	–	2,805	76	2,185	5,159
Closing cost	81	80	206	363	5,586	6,316
Closing unrealised gains & (losses)	12	(80)	2,599	(287)	(3,401)	(1,157)
Closing value	93	–	2,805	76	2,185	5,159

Group – Year ended 31 December 2012

	Listed in UK £'000	Listed overseas £'000	AIM £'000	ISDX £'000	Unlisted £'000	Total £'000
Opening cost	2,386	80	1,213	363	6,198	10,240
Opening unrealised gains & (losses)	(116)	(80)	157	(210)	(913)	(1,162)
Opening value	2,270	–	1,370	153	5,285	9,078
Movements in the year:						
Purchases at cost	–	–	–	–	571	571
Sales – proceeds	(1,160)	–	(181)	–	(974)	(2,315)
Sales – realised gains & (losses) on sales	(36)	–	(670)	–	(47)	(753)
Unrealised gains & (losses)	75	–	1,263	(89)	(776)	473
Closing value	1,149	–	1,782	64	4,059	7,054
Closing cost	1,190	80	362	363	5,748	7,743
Closing unrealised gains & (losses)	(41)	(80)	1,420	(299)	(1,689)	(689)
Closing value	1,149	–	1,782	64	4,059	7,054

NOTES TO THE ACCOUNTS – continued

8 INVESTMENTS – SECURITIES – continued

Company – Year ended 31 December 2013

	Listed in UK £'000	Listed overseas £'000	AIM £'000	ISDX £'000	Unlisted £'000	Total £'000
Opening cost	1,190	80	604	363	5,748	7,985
Opening unrealised gains & (losses)	(41)	(80)	1,178	(299)	(1,689)	(931)
Opening value	1,149	–	1,782	64	4,059	7,054
Movements in the year:						
Purchases at cost	2	–	–	–	87	89
Sales – proceeds	(1,055)	–	(319)	–	(106)	(1,480)
Sales – realised gains & (losses) on sales	(56)	–	163	–	(143)	(36)
Unrealised gains & (losses)	53	–	1,179	12	(1,712)	(468)
Closing value	93	–	2,805	76	2,185	5,159
Closing cost	81	80	448	363	5,586	6,558
Closing unrealised gains & (losses)	12	(80)	2,357	(287)	(3,401)	(1,399)
Closing value	93	–	2,805	76	2,185	5,159

Company – Year ended 31 December 2012

	Listed in UK £'000	Listed overseas £'000	AIM £'000	ISDX £'000	Unlisted £'000	Total £'000
Opening cost	2,386	80	1,455	363	6,198	10,482
Opening unrealised gains & (losses)	(116)	(80)	(85)	(210)	(913)	(1,404)
Opening value	2,270	–	1,370	153	5,285	9,078
Movements in the year:						
Purchases at cost	–	–	–	–	571	571
Sales – proceeds	(1,160)	–	(181)	–	(974)	(2,315)
Sales – realised gains & (losses) on sales	(36)	–	(670)	–	(47)	(753)
Unrealised gains & (losses)	75	–	1,263	(89)	(776)	473
Closing value	1,149	–	1,782	64	4,059	7,054
Closing cost	1,190	80	604	363	5,748	7,985
Closing unrealised gains & (losses)	(41)	(80)	1,178	(299)	(1,689)	(931)
Closing value	1,149	–	1,782	64	4,059	7,054

The investment in AIM stocks by the Company is different to that of the Group as a result of unrealised gains on intra-group transfers being eliminated on consolidation.

NOTES TO THE ACCOUNTS – continued

8 INVESTMENTS – SECURITIES – continued

Gains and losses on investments held at fair value

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Realised gains & (losses) on sales	(36)	(753)	(36)	(753)
Unrealised gains & (losses)	(468)	473	(468)	473
Gains & (losses) on investments	(504)	(280)	(504)	(280)

An analysis of investments is as follows:

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Equity investments	3,639	4,543	3,639	4,543
Fixed income securities	104	1,161	104	1,161
Unquoted loanstock	1,416	1,350	1,416	1,350
	5,159	7,054	5,159	7,054

An analysis of the securities portfolio by broad industrial or commercial sector is contained within the Strategic Report. The largest investments as at 31 December 2013 all of which are incorporated in Great Britain, with the exception of Memorial Holdings Limited which is incorporated in Jersey, were:

	Market Value £'000	% of Portfolio
UK listed securities		
RSA Insurance Group plc – 7³/₈% preference shares	93	1.8
Securities dealt in under AIM		
SpaceandPeople plc – marketing and sale of promotional space on behalf of shopping centres and other similar venues	2,805	54.4
Securities dealt in under ISDX		
Wheelsure Holdings plc – development and sale of safety products predominately in the transport and service industries	76	1.5
Unquoted securities		
Attila (BR) Limited – 10% unsecured loan notes 2010-2015 – property investment company	934	18.1
AudioGravity Holdings Limited – development of advanced wind noise rejection technology	148	2.9
Kemnal Investments Limited – 10% unsecured loan stock 2017 – mezzanine loan provider	466	9.0
Memorial Holdings Limited – investment company specialising in the cemetery sector	610	11.8
Lancashire Tea Limited (in liquidation) – secured loan stock	15	0.3
Northgate plc – 5% preference shares	12	0.2
	5,159	100.0

In addition the Company has a number of other investments, the market value of which does not exceed £1,000.

NOTES TO THE ACCOUNTS – continued

8 INVESTMENTS – SECURITIES – continued

The information required by the SORP in respect of unquoted investments is as follows:

Attila (BR) Limited

Financial Summary				
Year ended 31 March 2013	£'000s		10% Unsecured Loan notes 2010-2015	Ordinary 1p shares
Turnover	nil			
Loss before interest	(37)	Total issued	3,630,400	100,000
Loss before tax	(37)	Number held	934,760	20,089
Loss after tax	(37)	% of class	25.5	20.1
Net liabilities	(161)	Cost (£'000s)	934	–
Dividend per share	nil	Market value (£'000s)	934	–
Total income recognised in the year	88			

AudioGravity Holdings Limited

Financial Summary			
Year ended 31 July 2013	£'000s		
Turnover	12	Shares	Ordinary 1p
Loss before interest	(151)	Total issued	73,312
Loss before tax	(151)	Number held	14,753
Loss after tax	(151)	% of class	20.1
Net assets	166	Cost (£'000s)	398
Dividend per share	nil	Market value (£'000s)	148
Total income recognised in the year	6		

Kemnal Investments Limited

Financial Summary				
Year ended 30 September 2013	£'000s		10% Unsecured Loan notes 2012-2017	Ordinary £1 shares
Turnover	nil			
Loss before interest	3	Total issued	3,085,002	111
Loss before tax	3	Number held	465,788	16
Loss after tax	3	% of class	15.1	14.4
Net liabilities	(21)	Cost (£'000s)	466	nil
Dividend per share	nil	Market value (£'000s)	466	nil
Total income recognised in the year	42			

Memorial Holdings Limited

Financial Summary			
Year ended 31 December 2012	£'000s		
Turnover	nil	Shares	Ordinary 1p
Loss before interest	(42)	Total issued	14,820,000
Loss before tax	(42)	Number held	1,500,000
Loss after tax	(64)	% of class	10.1
Net liabilities	(143)	Cost (£'000s)	2,392
Dividend per share	nil	Market value (£'000s)	610
Total income recognised in the year	30		

NOTES TO THE ACCOUNTS – continued

9 PROPERTY INVESTMENTS

Property investments have been classified as follows:

	Group 2013 £'000	Group 2012 £'000
Non current assets	9,270	21,516
Non current assets held for sale	7,430	7,380
	16,700	28,896

A further analysis of total property investments is as follows:

Net book value and valuation	Group 2013 £'000	Group 2012 £'000
At 1 January	28,896	27,443
Additions during the year – expenditure on existing properties	942	867
Disposals during the year	(11,699)	(1,500)
Movement in fair value during the year	(1,439)	2,086
At 31 December	16,700	28,896

Property investments are shown at fair value based on current use and any surplus or deficit arising on valuation of property is reflected in the capital column of the Statement of Comprehensive Income.

All property investments were valued by Jones Lang LaSalle Limited, Chartered Surveyors, as at 31 December 2013 at a combined total of £16,700,000. These external valuations were carried out on the basis of Market Value in accordance with the latest edition of the Valuation Standards published by the Royal Institution of Chartered Surveyors.

Operating leases
The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2013 £'000	2012 £'000
Not later than one year	654	597
Between 2 and 5 years	583	686
Over 5 years	34	37
	1,271	1,320

Rental income recognised in the Statement of Comprehensive Income amounted to £999,000 (2012: £1,038,000).

NOTES TO THE ACCOUNTS – continued

9 PROPERTY INVESTMENTS – continued

The commercial leases vary with their location within the United Kingdom, however wherever the market allows they are being standardised where possible across the property portfolio. The commercial units are leased on terms where the tenant has the responsibility for repairs and running costs for each individual unit with a service charge payable to cover estate services provided by the landlord.

The cost of the above properties as at 31 December 2013 is as follows:

	Group £'000
Brought forward	27,823
Additions during the year	942
Disposals during the year	(11,450)
	17,315

Capital commitments
Capital expenditure contracted for but not provided for in the financial statements for the Group was £338,000 (2012: £317,000) and for the Company was £nil (2012: £nil).

Movement in fair value of property investments

	Group	
	2013 £'000	2012 £'000
Realised gains/(losses) on disposal of property	173	(754)
(Decrease)/increase in unrealised appreciation	(1,612)	2,840
Movement in fair value of property investments	(1,439)	2,086

10 OTHER INVESTMENTS

	Company	
Subsidiary undertakings	2013 £'000	2012 £'000
Shares – at cost	322	322
Less provision	–	(320)
	322	2

The principal subsidiary undertakings of Gresham House plc, all of which principally trade and are registered in England, are as follows:

	Held by Parent %	Held by other Group companies %
Chartermet Limited – property investment	–	75
Deacon Commercial Development and Finance Limited – property investment	75	25
Deacon Industrial Projects Limited – property development	–	100
Gresham House Finance Limited – finance	100	–
Knowsley Industrial Property Limited – property investment	–	75
New Capital Developments Limited – property investment	–	75
Newton Estate Limited – property investment	–	100
Security Change Limited – finance and share dealing	100	–
Watlington Investments Limited – investment	100	–
Wolden Estates Limited – property investment	–	100

NOTES TO THE ACCOUNTS – continued

11 TRADE AND OTHER RECEIVABLES

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Amounts receivable within one year:				
Trade receivables	358	248	–	–
Less allowance for credit losses	–	(61)	–	–
	358	187	–	–
Allowances for credit losses on trade receivables:				
Allowances as at 1 January	61	134	–	–
Changes during the year charged/(released) to Statement of Comprehensive Income:				
– allowances reversed	(61)	(134)	–	–
– additional allowances	–	61	–	–
Allowances as at 31 December	–	61	–	–

Trade and other receivables are assessed for impairment when older than 90 days. As at 31 December 2013, trade receivables of £14,000 (2012: £26,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
1-3 months	13	14	–	–
3-6 months	1	7	–	–
More than 6 months	–	5	–	–

As at 31 December 2013 trade receivables of £nil (2012: £61,000) were impaired and provided for. The ageing of these receivables is as follows:

	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
1-3 months	–	8	–	–
3-6 months	–	8	–	–
6-12 months	–	20	–	–
More than 12 months	–	25	–	–

The main credit risk represents the possibility of tenants defaulting in their rental commitments. This risk is mitigated by regular monitoring of the financial covenant strength of the tenant base, together with regular meetings with the tenants.

12 OTHER CURRENT ASSETS

	Notes	Group 2013 £'000	Group 2012 £'000	Company 2013 £'000	Company 2012 £'000
Listed and other securities held		–	–	–	–
Amounts owed by Group undertakings		–	–	7,339	–
Developments in hand	(a)	415	775	415	775
		415	775	7,754	775

(a) Developments in hand consist of one property development site.

NOTES TO THE ACCOUNTS – continued

13 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Trade creditors	191	163	–	–
Other creditors	193	445	67	13
Accruals	442	916	–	–
	826	1,524	67	13

14 CURRENT LIABILITIES – SHORT TERM BORROWINGS

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Bank overdrafts and short-term loans (secured)				
– property loans – within current liabilities	3,746	7,582	–	–
– other	–	7,376	148	472
	3,746	14,958	148	472
– property loans – liabilities of a disposal group classified as held for sale	–	5,500	–	–
	3,746	20,458	148	472

Property loans relate to a loan from the Co-operative Bank ("Co-op") repayable by 31 May 2014. Confirmation has been received from the Co-op that it expects to extend its facility until 30 September 2014 with a further extension to 31 December 2014 subject to progress with disposals/repayments. The board is also seeking terms from other banks to refinance the position for a longer term.

Property loans relate to the property investment held in New Capital Developments Limited. The loan is secured by way of a legal mortgage over the investment property concerned, which has a total carrying value of £5.35m, and a floating charge over the assets of that company. In addition there is a cross guarantee in place with fellow subsidiary undertakings and an interest guarantee by the parent.

Details of total bank loans and overdrafts are as follows:

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
2.0% over bank base rate	–	7,376	–	–
3.5% over bank base rate	–	9,607	–	–
3.5% over 3 month LIBOR	3,746	3,475	–	–
	3,746	20,458	–	–

All bank borrowings are repayable within one year.

15 DEFERRED TAXATION

Under International Accounting Standards ("IAS") 12 (Income Taxes) provision is made for the deferred tax liability associated with the revaluation of property investments.

The deferred tax provision on the revaluation of property investments calculated under IAS 12 is £nil at 31 December 2013 (2012: £nil) due to the availability of losses and indexation allowances.

NOTES TO THE ACCOUNTS – continued

16 SHARE CAPITAL

	2013 £'000	2012 £'000
Share Capital		
Authorised: £4,750,000 (2012: £4,750,000)		
Allotted: Ordinary – 5,369,880 (2012: 5,369,880) fully paid shares of 25p each	1,342	1,342

17 RESERVES

	2013				2012 (Restated)			
	Share premium account £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000	Share premium account £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000
Group								
Balance at 1 January	2,302	–	35,822	(15,562)	2,302	14	34,356	(15,052)
Net loss on realisation of investments	–	–	(36)	–	–	–	(753)	–
Gains/(losses) on revaluation	–	–	(468)	–	–	–	473	–
Surplus/(deficit) arising on property revaluation	–	–	(1,712)	–	–	–	2,128	–
Revenue loss for the year	–	–	–	(1,281)	–	–	–	(428)
Transfer of non-controlling interest deficit	–	–	(222)	273	–	–	(382)	(42)
Share options lapsed	–	–	–	–	–	(14)	–	14
Dividends paid	–	–	–	(134)	–	–	–	(54)
As at 31 December	2,302	–	33,384	(1,6704)	2,302	–	35,822	(15,562)

	2013				2012			
	Share premium account £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000	Share premium account £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000
Company								
Balance at 1 January	2,302	–	11,714	397	2,302	14	11,994	234
Net loss on realisation of fixed asset investments	–	–	(36)	–	–	–	(753)	–
Gains/(losses) on revaluation	–	–	(1,309)	–	–	–	473	–
Revenue (loss)/profit for the year	–	–	–	(255)	–	–	–	203
Share options lapsed	–	–	–	–	–	(14)	–	14
Dividends paid	–	–	–	(134)	–	–	–	(54)
As at 31 December	2,302	–	10,369	8	2,302	–	11,714	397

	2013 £'000	2012 (Restated) £'000
Non-controlling interest:		
Balance as at 1 January	—	—
Interest in revenue return for the year	(222)	(382)
Interest in capital return for the year	273	(42)
Transfer deficit balance	(51)	424
	–	–

The following amounts within Capital reserve are realised:-

	2013 £'000	2012 £'000
Group	35,257	35,120
Company	12,368	12,404

NOTES TO THE ACCOUNTS – continued

18 NET ASSET VALUE PER SHARE

Basic and diluted

Basic and diluted net asset value per ordinary share is based on Equity attributable to equity shareholders at the year end and on 5,369,880 (2012: 5,369,880) ordinary shares being the number of ordinary shares in issue at the year end. There were no potentially dilutive ordinary shares as at 31 December 2013.

	£'000
The movement during the year of the assets attributable to ordinary shares were as follows:	
Total net assets attributable at 1 January 2013	23,904
Total recognised losses for the year	(3,446)
Dividends appropriated in the year	(134)
Total net assets attributable at 31 December 2013	20,324

19 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Revenue return before taxation	(1,503)	(810)	(255)	203
Interest payable	504	679	–	–
	(999)	(131)	(255)	203
Decrease/(increase) in current assets	484	(30)	363	(127)
(Decrease)/increase in current liabilities	(370)	97	1	319
	(885)	(64)	109	395

20 FINANCIAL INSTRUMENTS

The Company's business is that of an Authorised Investment Trust and it conducts its affairs so as to qualify as an investment trust under Section 1158 of the Corporation Tax Act 2010. As an investment trust, the Company invested in securities for the long term and is obliged to distribute the majority of its investment income less administrative expenses by way of dividend.

The Group consists of the Company and subsidiary undertakings whose principal activities are property investment/development and financial services.

The Group's financial instruments, which are held in accordance with the Group's objectives and policies, comprise:

(i) securities consisting of listed and unlisted equity shares;

(ii) a secondary portfolio of listed and unlisted fixed income securities;

(iii) cash, liquid resources and short term debtors and creditors that arise directly from its operational activities;

(iv) short term borrowings.

NOTES TO THE ACCOUNTS – continued

20 FINANCIAL INSTRUMENTS – continued

As at 31 December 2013 the following categories of financial instruments were held by:-

Group:

	2013 Loans and receivables £'000	2013 Assets at fair value through profit or loss £'000	2012 Loans and receivables £'000	2012 Assets at fair value through profit or loss £'000
Financial assets per Statement of Financial Position				
Investments – securities	1,416	3,743	1,350	5,704
Trade and other receivables	358	–	187	–
Accrued income	510	–	449	–
Trading securities	–	–	–	–
Cash and cash equivalents	1,625	–	8,348	–
	3,909	3,743	10,334	5,704

	2013 Other financial liabilities £'000	2012 Other financial liabilities £'000
Financial liabilities per Statement of Financial Position		
Trade, other creditors and accruals	826	1,524
Property loans – short term	3,746	13,082
Other loans – short term	–	7,376
	4,572	21,982

Company:

	2013 Loans and receivables £'000	2013 Assets at fair value through profit or loss £'000	2012 Loans and receivables £'000	2012 Assets at fair value through profit or loss £'000
Financial assets per Statement of Financial Position				
Investments – securities	1,416	3,743	1,350	5,704
Accrued income	370	–	298	–
Amounts owed by Group undertakings	7,754	–	–	–
Cash and cash equivalents	631	–	8,111	–
	10,171	3,743	9,759	5,704

	2013 Other financial liabilities £'000	2012 Other financial liabilities £'000
Financial liabilities per Statement of Financial Position		
Trade, other creditors and accruals	67	13
Other loans	148	472
	215	485

The carrying value of loans and receivables and other financial liabilities are not materially different to their fair values.

NOTES TO THE ACCOUNTS – continued

20 FINANCIAL INSTRUMENTS – continued

The Group's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The main risks to which the Group is exposed are market price risk, credit risk, interest rate risk and liquidity risk. The nature and extent of the financial instruments outstanding at the Statement of Financial Position date and the risk management policies employed by the Group are summarised below.

Market price risk
Market price risk arises from uncertainty about the future prices of financial instruments held within the Company's portfolio. It represents the potential loss that the Company might suffer through holding market positions in the face of market movements. The investments in equity and fixed interest stocks of unquoted companies are not traded and as such the prices are more uncertain than those of more widely traded securities.

The Board's strategy in managing the market price risk inherent in the Company's portfolio of equity investments is determined by the requirement to meet the Company's investment objective as discussed on page 4. The executive directors manage these risks by regular reviews of the portfolio within the context of current market conditions.

A significant proportion of the value of the Company's securities portfolio are AIM traded securities (54%). Within this sub-portfolio is the Company's largest investment which accounts for 100% of the value of that sub-portfolio. As at 25 April 2014, the Company's AIM portfolio had decreased by 47.1%.

Unquoted investments are valued as per accounting policy (j) in these financial statements. Regular reviews of the financial results, combined with close contact with the management of these investments, provides sufficient information to support these valuations.

As at 25 April 2014 the value of the overall securities portfolio had decreased by £1,307,000 (i.e. 25.4%) from that as at the year end decreasing total comprehensive income and net assets by a similar sum. Based on values as at 31 December 2013 a 10% movement in the value of the portfolio would be equivalent to a movement of £516,000 in both comprehensive income and net assets.

Credit risk
Credit risk is the risk that the counterparty will fail to discharge an obligation or commitment that it has entered into with the Group.

The Group's maximum exposure to credit risk is:

	2013 £'000	2012 £'000
Financial assets at fair value through profit or loss	3,743	5,704
Loan stock investments held at amortised cost	1,416	1,350
Trade and other receivables	358	187
Accrued income	510	449
Cash and cash equivalents	1,625	8,348
	7,652	16,038

The Group has an exposure to credit risk in respect of both loan stock investments and other loans, most of which have no security attached to them, or where they do, such security will rank after any bank debt, and in respect of trade and other receivables, details of which can be found in note 11 to these financial statements. The Company's exposure to credit risk is restricted to investments, cash and cash equivalents, other loans, amounts owed by Group undertakings and accrued income totalling £13,499,000 (2012: £15,463,000).

Cash and cash equivalents consist of cash in hand and balances with banks. In order to maintain its investment trust status the Company has previously invested some of its surplus funds in lower risk market instruments including corporate bonds which have no less than a B+ rating. To reduce the risk of counterparty default the Group deposits the rest of its surplus funds in approved high quality banks.

NOTES TO THE ACCOUNTS – continued

20 FINANCIAL INSTRUMENTS – continued

The following table shows the maturity of the loan stock investments and other loans referred to above:

	2013	2012
(a) Loan stock investments	£'000	£'000
Repayable within:- 1 year	15	25
1-2 years	935	–
2-3 years	–	916
3-4 years	466	–
4-5 years	–	409
	1,416	1,350

As at 31 December 2013 Loan Stock investments totalling £423,000 (2012: £468,000) were impaired and provided for.

As at 31 December 2013 other loans totalling £196,000 (2012: £196,000) were impaired and provided for and loans with a value of £nil (2012: £nil) were overdue for payment but not impaired.

There is potentially a risk whereby a counter party fails to deliver securities which the Company has paid for, or pay for securities which the Company has delivered. This risk is considered to be small as where the transaction is in respect of quoted investments the Company uses brokers with a high credit quality and where the transaction is in respect of unquoted investments, these are conducted through solicitors to ensure that payment matches delivery.

Interest rate risk
The Group's fixed and floating rate interest securities, its equity, preference equity investments and loans and net revenue may be affected by interest rate movements. Investments in small businesses are relatively high risk investments which are sensitive to interest rate fluctuations.

The Group's assets include fixed and floating rate interest instruments as detailed below. The Group is exposed to interest rate movements on its floating rate liabilities.

The interest rate exposure profile of the Group's financial assets and liabilities as at 31 December 2013 and 2012 were:

Group:

As at 31 December 2013	Nil rate assets £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liability loans £'000	Floating rate liability loans £'000	Net total £'000
Portfolio	3,639	1,520	–	–	–	5,159
Dealing securities	–	–	–	–	–	–
Cash	–	–	1,625	–	–	1,625
Trade and other receivables	358	–	–	–	–	358
Accrued income	510	–	–	–	–	510
Creditors						
– falling due within 1 year	(826)	–	–	–	(3,746)	(4,572)
	3,681	1,520	1,625	–	(3,746)	3,080

NOTES TO THE ACCOUNTS – continued

20 FINANCIAL INSTRUMENTS – continued

As at 31 December 2012	Nil rate assets £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liability loans £'000	Floating rate liability loans £'000	Net total £'000
Portfolio	4,543	2,511	–	–	–	7,054
Dealing securities	–	–	–	–	–	–
Cash	–	–	8,348	–	–	8,348
Trade and other receivables	187	–	–	–	–	187
Accrued income	449	–	–	–	–	449
Creditors						
– falling due within 1 year	(1,524)	–	–	–	(20,458)	(21,982)
	3,655	2,511	8,348	–	(20,458)	(5,944)

Nil rate assets comprise the portfolio of ordinary shares, dealing securities and non-interest bearing loans.

Fixed rate assets comprise preference shares, fixed rate loans, unsecured loans and loans repayable on demand, with a weighted average interest rate of 9.9% (2012: 8.2%).

Floating rate assets and floating rate liability loans are subject to interest rates which are based on LIBOR and bank base rates.

The Group is not materially exposed to currency risk as its assets and liabilities are substantially denominated in sterling.

The interest rate exposure profile of the Company's financial assets and liabilities as at 31 December 2013 and 2012 were:

Company:

As at 31 December 2013	Nil rate assets £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liability loans £'000	Floating rate liability loans £'000	Net total £'000
Portfolio	3,639	1,520	–	–	–	5,159
Cash	–	–	631	–	–	631
Accrued income	370	–	–	–	–	370
Owed by Group undertakings	8,500	–	–	–	–	8,500
Creditors						
– falling due within 1 year	(215)	–	–	–	–	(215)
	12,294	1,520	631	–	–	14,445

As at 31 December 2012	Nil rate assets £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liability loans £'000	Floating rate liability loans £'000	Net total £'000
Portfolio	4,543	2,511	–	–	–	7,054
Cash	–	–	8,111	–	–	8,111
Accrued income	298	–	–	–	–	298
Creditors						
– falling due within 1 year	(485)	–	–	–	–	(485)
	4,356	2,511	8,111	–	–	14,978

NOTES TO THE ACCOUNTS – continued

20 FINANCIAL INSTRUMENTS – continued

Although the Company holds investments that pay interest, the Board does not consider it appropriate to assess the impact of interest rate changes upon the value of the investment portfolio as interest rate changes are only one factor affecting market price and the impact is likely to be immaterial. However, as the Group has bank borrowings, the section below shows the sensitivity of interest payable to change in interest rates:

	2013 Profit and net assets	2012 Profit and net assets
If interest rates were 0.5% lower with all other variables constant – increase (£'000)	19	100
Increase in earnings and net asset value per ordinary share (pence)	0.35	1.90
If interest rates were 0.5% higher with all other variables constant – decrease (£'000)	(19)	(100)
Decrease in earnings and net asset value per ordinary share (pence)	(0.35)	(1.90)

Liquidity risk

The investments in equity investments in AIM and ISDX traded companies may be difficult to realise at their carrying value, particularly if the investment represents a significant holding in the investee company. Similarly investments in equity and fixed interest stocks of unquoted companies that the Company holds are only traded infrequently. They are not readily realisable and may not be realised at their carrying value where there are no willing purchasers.

The Group aims to hold sufficient cash to be able to provide loan interest and quarterly capital repayment cover of at least 6 months.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
As at 31 December 2013			
Bank borrowings	3,841	–	–
Trade payables	191	–	–
Other creditors	193	–	–
	4,225	–	–

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
As at 31 December 2012			
Bank borrowings	20,966	–	–
Trade payables	163	–	–
Other creditors	453	–	–
	21,582	–	–

Capital risk management

The Group manages its capital to ensure that entities within the Group and the Company will be able to continue to trade in an orderly fashion whilst maintaining sustainable returns to shareholders.

The capital structure of the Group and Company consist of short term borrowings as disclosed in note 14, cash and cash equivalents and equity attributable to equity shareholders of the Company comprising issued share capital, share premium, reserves and retained earnings as disclosed in notes 16 and 17. The Board reviews the capital structure of the Group and the Company on a regular basis. The financial measures that are subject to review include cash flow projections and the ability to meet capital expenditure and other contracted commitments, projected gearing levels and interest covenants although no absolute targets are set for these.

NOTES TO THE ACCOUNTS – continued

20 FINANCIAL INSTRUMENTS – continued

Capital risk management – continued

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Debt	(3,746)	(20,458)	(148)	(472)
Cash and cash equivalents	1,625	8,348	631	8,111
Net (debt)/cash	(2,121)	(12,110)	483	7,639
Net (debt)/cash as a % of net assets	(10.4)%	(50.7)%	3.2%	48.5%

21 FAIR VALUE MEASUREMENTS

Valuation inputs

IFRS 13 – Fair value measurement – requires an entity to classify its financial assets and liabilities held at fair value according to a hierarchy that reflects the significance of observable market inputs. The classification of these assets and liabilities is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined below.

Quoted market prices – Level 1
Financial instruments, the valuation of which are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs – Level 2
Financial instruments that have been valued using inputs other than quoted prices as described for level 1 but which are observable for the asset or liability, either directly or indirectly. Fair values of derivative financial assets and liabilities are estimated by discounting expected future contractual cash flows using prevailing interest rate curves.

Valuation technique using significant unobservable inputs – Level 3
Financial instruments, the valuation of which incorporate significant inputs for the asset or liability that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or analytical techniques.

For investment properties the significant unobservable inputs used in the valuation at 31 December 2013 are the estimated rental value (ERV) of the properties and the market capitalisation rate (yield). The ERV has been determined by reference to rents currently achieved on existing leases and the rents being asked by landlords advertising properties of a similar specification in that geographical region. The market capitalisation rate has been determined by reference to actual market transactions for properties in that region, with adjustment made to reflect the particular characteristics of that property. A decrease in the ERV or an increase in the market capitalisation rate will decrease the fair value of the investment property. Conversely an increase in the ERV or decrease in the market capitalisation rate will increase the fair value.

For investments in securities, which includes early-stage private equity investments, the significant unobservable inputs used include cash flow forecasts and discount rates. An increase in the discount rate applied will decrease the fair value of the investment whereas a decrease in the rate will increase the fair value.

The valuation techniques used by the Company for level 3 financial assets can be found in accounting policy (j)(iii) and (iv).

Further details of the securities portfolio can be found in note 8 and of the property portfolio in note 9 of these financial statements.

NOTES TO THE ACCOUNTS – continued

21 FAIR VALUE MEASUREMENTS – continued

An analysis of the Group's and Company's assets measured at fair value by hierarchy is set out below.

Group:

	31 December 2013 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets at fair value through profit or loss:				
Property investments	16,700	–	–	16,700
Investments – securities				
– Equities	3,639	2,881	–	758
– Fixed income	104	104	–	–
	20,443	2,985	–	17,458

	31 December 2012 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets at fair value through profit or loss:				
Property investments	28,896	–	–	28,896
Investments – securities				
– Equities	4,543	1,846	–	2,697
– Fixed income	1,161	1,161	–	–
	34,600	3,007	–	31,593

Company:

	31 December 2013 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets at fair value through profit or loss:				
Investments – securities				
– Equities	3,639	2,881	–	758
– Fixed income	104	104	–	–
	3,743	2,985	–	758

	31 December 2012 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets at fair value through profit or loss:				
Investments – securities				
– Equities	4,543	1,846	–	2,697
– Fixed income	1,161	1,161	–	–
	5,704	3,007	–	2,697

NOTES TO THE ACCOUNTS – continued

21 FAIR VALUE MEASUREMENTS – continued

Set out below is a reconciliation of financial assets measured at fair value based on level 3.

Group:

31 December 2013	Property investments £'000	Investments – securities £'000	Trading securities £'000	Total £'000
Opening balance	28,896	2,697	-	31,593
Total gains or losses:				
In profit or loss	(1,439)	(1,898)	2	(3,335)
Purchases	942	–	–	942
Sales	(11,699)	(41)	(2)	(11,742)
Closing balance	16,700	758	–	17,458
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(2,446)	(1,904)	2	(4,348)

31 December 2012	Property investments £'000	Investments – securities £'000	Trading securities £'000	Total £'000
Opening balance	27,443	3,388	–	30,831
Total gains or losses:				
In profit or loss	2,086	(682)	4	1,408
Purchases	867	1	–	868
Sales	(1,500)	(10)	(4)	(1,514)
Closing balance	28,896	2,697	–	31,593
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	2,104	(682)	–	1,422

Company:

31 December 2013	Investments – securities £'000	Trading securities £'000	Total £'000
Opening balance	2,697	–	2,697
Total gains or losses:			
In profit or loss	(1,898)	–	(1,898)
Purchases	–	–	–
Sales	(41)	–	(41)
Closing balance	758	–	758
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(1,904)	–	(1,904)

31 December 2012	Investments – securities £'000	Trading securities £'000	Total £'000
Opening balance	3,388	—	3,388
Total gains or losses:			
In profit or loss	(682)	—	(682)
Purchases	1	—	1
Sales	(10)	—	(10)
Closing balance	2,697	—	2,697
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(682)	—	(682)

NOTES TO THE ACCOUNTS – continued

22 DIRECTORS' BENEFICIAL SHAREHOLDINGS AND RELATED PARTY TRANSACTIONS

Directors' beneficial shareholdings as at 31 December 2013

The interests of directors in the largest investments held by the Company, as disclosed in note 8, and in investments in which the Company has a holding of at least 20% of the issued share capital are nil other than:

	A G Ebel	D Lucie-Smith	B J Hallett	R A Chadwick	R H Chopin-John
Securities dealt in under AIM					
SpaceandPeople plc	24,000	–	52,000	42,500	500
Securities dealt in under ISDX					
Wheelsure Holdings plc	–	–	550,000	–	6,500
Unlisted securities					
AudioGravity Holdings Limited	–	–	125	–	–
Kemnal Investments Limited – Loan notes	£57,341**	£13,165*	–	–	–
Memorial Holdings Limited**	24,000**	100,800*	–	–	–

* Mr D Lucie-Smith has an interest in Reddish LLP which in turn hold 100,800 shares in Memorial Holdings Limited and £13,165 Kemnal Investments Limited loan notes.

** Mr A G Ebel has an interest in Hightown Securities Limited which in turn holds 24,000 shares in Memorial Holdings Limited and £57,341 Kemnal Investments Limited loan notes.

Related party transactions

Group

During the year, as reported in the Remuneration Report, the Group was invoiced £25,000 (2012: £25,000) for consultancy services supplied by Microdisc Limited, a company in which Mr A G Ebel has an interest.

Mr D Lucie-Smith has an interest in Prince's Place LLP and ES2 Developments LLP which, as reported in the Remuneration Report, invoiced the Group a sum of £174,152 (2012: £168,000) during the year in respect of his services and associated office costs. At the year end there was a balance outstanding of £1,644 (2012: £550).

Conversely, during the year, the Group invoiced ES2 Developments Limited £14,971 (2012: £9,750), LSS Developments LLP £5,584 (2012: £nil) and Prince's Place LLP £1,589 (2012: £2,563) for rent and rates. Mr D Lucie-Smith has an interest in these companies. At the year end there were balances outstanding of £3,655 (2012: £nil) from ES2 Developments LLP and £6,701 (2012: £nil) from LSS Developments LLP.

Rent and rates totalling £1,548 (2012: £5,477) were invoiced to Kemnal Park Limited during the year, a company in which Mr D Lucie-Smith was a director. There were no balances outstanding at either year end.

Mr J A C Lorimer has an interest in New Park Lane Limited and Parkwood Asset Management Limited which, as reported in the Remuneration Report, the former invoiced the Group a sum of £137,505 (2012: £133,500) in respect of his services during the year. Conversely the Group invoiced Parkwood Asset Management Limited £1,592 (2012: £1,472). At the year end there was a balance outstanding of £803 (2012: £388) from Parkwood Asset Management Limited.

Management fees of £nil (2012: £1,000) were invoiced to Abshot Finance Company Limited during the year, a company in which the Group has a 50% interest and of which Mr B J Hallett is a director. The total holding of loan stock amounted to £149,000 (2012: £149,000) at year end against which a provision of £149,000 (2012: £149,000) has been made. No interest was charged during the year (2012: £nil).

The amount of loan made to Lancashire Tea Limited (in liquidation), in which the Group has a 49% interest and in which Mr D Lucie-Smith and Mr B J Hallett were directors, amounted to £270,000 (2012: £320,000) at the year end against which a provision of £255,000 (2012: £295,000) has been made. Additionally, management fees of £3,624 (2012: £6,000) were invoiced to Lancashire Tea Limited. No interest was charged during the year (2012: £nil).

Management fees of £850 (2012: £11,500) were invoiced to SMU Investments Limited a company in which Mr A G Ebel and Mr D Lucie-Smith are directors. At the year end the Group owed £nil (2012: £5,956) to SMU Investments Limited.

The Rowe Trust holds an interest of 644,209 (2012: 644,209) ordinary shares in the Company. Mrs R H Chopin-John is a trustee of the Rowe Trust but has no beneficial interest.

NOTES TO THE ACCOUNTS – continued

22 DIRECTORS' BENEFICIAL SHAREHOLDINGS AND RELATED PARTY TRANSACTIONS – continued

Company

During the year Gresham House plc repaid loans totalling £324,867 to (2012: received £370,335 from) Security Change Limited. At the year end £147,529 was owed to Security Change Limited (2012: £472,396).

During the year Gresham House plc advanced £8,500,000 (2012: £nil) to Watlington Investments Limited. At the year end £8,500,000 was owed by Watlington Investments Limited (2012: £nil), against which a provision of £1,161,000 (2012 £nil) has been made. No interest was charged during the year (2012: £nil).

Gresham House plc has given guarantees over bank loans held by subsidiary undertakings with a maximum potential liability of £415,000, and an interest shortfall guarantee. In addition the Company has £103,000 of cash held in interest deposit accounts to satisfy bank loan covenants.

23 SEGMENTAL REPORTING

	Investment		Property Investment		Elimination		Consolidated	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Revenue								
External income	310	727	987	1,033	–	–	1,297	1,760
Inter – segment income	637	1,369	–	–	(637)	(1,369)	–	–
Total revenue	947	2,096	987	1,033	(637)	(1,369)	1,297	1,760
Gains and losses on investments at fair value	(504)	(280)	–	–	–	–	(504)	(280)
Movement on property investments at fair value	–	–	(1,439)	2,086	–	–	(1,439)	2,086
Total income and gains	443	1,816	(452)	3,119	(637)	(1,369)	(646)	3,566
Segment expenses	–	–	(1,243)	(989)	–	–	(1,243)	(989)
Inter – segment expense	–	–	(637)	(1,369)	637	1,369	–	–
Finance costs	(106)	(203)	(651)	(607)	–	–	(757)	(810)
Segment (loss)/profit	337	1,613	(2,983)	154	–	–	(2,646)	1,767
Unallocated corporate expenses							(846)	(841)
Operating (loss)/profit							(3,492)	926
Interest income							46	70
(Loss)/profit before taxation							(3,446)	996

The Group's policy is to invest in both securities and commercial properties. Accordingly management reporting is split on this basis under the headings "Investment" and "Property Investment" respectively. Inter-segment income consists of management fees and interest on inter-company loans. Unallocated corporate expenses relate to those costs which cannot be readily identified to either segment.

All activity and revenue is derived from operations within the United Kingdom. Four customers accounted for £327,000, £222,000, £132,000 and £100,000 respectively of the external income for the Property Investment segment. Property operating expenses relating to property investments that did not generate any rental income were £18,000 (2012: £221,000).

NOTES TO THE ACCOUNTS – continued

23 SEGMENTAL REPORTING – continued

Other Information	Investment		Property Investment		Unallocated		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment assets	6,658	16,339	18,238	29,547	–	–	24,896	45,886
Segment liabilities	(194)	(7,571)	(4,378)	(14,411)	–	–	(4,572)	(21,982)
	6,464	8,768	13,860	15,136	–	–	20,324	23,904
Capital expenditure	89	571	942	867	–	–	1,031	1,438
Depreciation	–	–	–	–	–	–	–	–
Non-cash expenses other than depreciation	–	–	–	–	–	–	–	–

All non current assets are located within the United Kingdom. Details of the exchanges on which the non current assets contained within the Investment segment are traded can be found in note 8 of these financial statements.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "Meeting") of Gresham House plc (the "Company") will be held at the offices of Travers Smith LLP, 10 Snow Hill, London, EC1A 2AL on 25 June 2014 at 11.00 am for the following purposes:

ORDINARY RESOLUTIONS

1. To receive and adopt the accounts for the year ended 31 December 2013 and the auditable part of the remuneration report together with the directors' report and the report of the auditor;
2. To approve the directors' remuneration report (other than the part containing the directors' remuneration policy) as set out in the annual report;
3. To approve the directors' remuneration policy as set out in the annual report;
4. To re-elect as a director Mrs R H Chopin-John who retires in accordance with the Company's articles of association and offers herself for re-election;
5. To re-elect as a director Mr J A C Lorimer who retires in accordance with the Company's articles of association and offers himself for re-election;
6. To re-elect as a director Mr A G Ebel who retires in accordance with the provisions of the UK Corporate Governance Code and offers himself for re-election and
7. To appoint BDO LLP as the Company's auditor in accordance with Section 489 of the Companies Act 2006, to hold office from the conclusion of the Meeting until the conclusion of the next annual general meeting of the Company and to authorise the directors to fix their remuneration.

By Order of the Board,
B J Hallett, *Secretary*
28 April 2014

5th Floor, 17 Grosvenor Gardens
London SW1W 0BD

NOTES TO THE NOTICE OF MEETING

Entitlement to attend and vote

1. Pursuant to section 360B of the Act and Regulation 41 of the Uncertificated Securities Regulations 2001(as amended), the Company specifies that only those members registered on the Company's register of members at:

    - 6.00pm on 23 June 2014; or,
    - if this Meeting is adjourned, at 6.00pm on the day two working days prior to the adjourned Meeting,

    shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at such time.

2. Any member or his or her proxy attending the Meeting has the right to ask any question at the Meeting relating to the business of the Meeting.

Appointment of proxies

3. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. A member may appoint more than one proxy to attend the Meeting, provided each proxy is appointed to exercise the rights attached to a different share or shares held by that member (the number of shares in respect of which each proxy is appointed must be specified). The right to appoint a proxy does not apply to any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person").

4. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.

5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote.

    To appoint a proxy using the proxy form, the form must be:

    - completed and signed;
    - sent or delivered to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA; and
    - received by Neville Registrars no later than 11.00 am 23 June 2014.

    In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by a director or by any duly authorised officer or attorney.

    Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxies through CREST

7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

    In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's "(EUI)" specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent Neville Registrars (ID 7RA11) by 11.00 am 23 June 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

NOTES TO THE NOTICE OF MEETING – continued

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

Changing proxy instructions

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. Telephone 0121 585 1131 (lines are open Mon-Fri 8.30 am – 5.30 pm) or from overseas +44 121 585 1131.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

9. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by a director or duly authorised officer or attorney. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Neville Registrars no later than 11.00 am 23 June 2014.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Joint holders of shares

10. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

Availability of documents

11. Copies of the terms and conditions of appointment of the non-executive directors are available for inspection at the registered office of the Company, 5th Floor, 17 Grosvenor Gardens, London SW1W 0BD, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this notice until the conclusion of the Meeting and will be available for inspection at the place of the Meeting for at least 15 minutes prior to and during the Meeting.

Issued shares and total voting rights

12. As at 25 April 2014, being the last business day prior to the publication of this notice, the Company's issued share capital comprised 5,369,880 ordinary shares of 25 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company on 25 June 2014 will be 5,369,880.

NOTES TO THE NOTICE OF MEETING – continued

Communication

13. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):

    - calling our shareholder helpline on 0121 585 1131, (lines are open Mon-Fri 8.30 am – 5.30 pm) or from overseas +44 121 585 1131.

    You may not use any electronic address provided either:

    - in this notice of Meeting; or
    - any related documents (including the Chairman's letter and proxy form),

    to communicate with the Company for any purposes other than those expressly stated.

Information to be published

14. The information required to be published by section 311(A) of the Act (information about the contents of this notice and numbers of shares in the Company and voting rights exercisable at the Meeting and details of any members' statements, members' resolutions and members' items of business received after the date of this notice) may be found at www.greshamhouse.com.

15. Members representing 5% or more of the total voting rights of all the members or at least 100 persons (being either members who have a right to vote at the Meeting and hold shares on which there has been paid up an average sum, per member, of £100 or persons satisfying the requirements set out in section 153(2) of the Act) may require the Company, under section 527 of the Act, to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The business which may be dealt with at the Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

Nominated Person

16. A Nominated Person may under an agreement between him/her and the member who nominated him/her, have a right to be appointed (or to have someone else appointed) as a proxy entitled to attend and speak and vote at the Meeting. Nominated Persons are advised to contact the member who nominated them for further information on this and the procedure for appointing any such proxy.

17. If a Nominated Person does not have a right to be appointed, or to have someone else appointed as a proxy for the Meeting or does not wish to exercise such a right, he/she may still have the right under an agreement between himself/herself and the member who nominated him/her to give instructions to the member as to the exercise of voting rights at the Meeting. Such Nominated Persons are advised to contact the members who nominated them for further information on this.

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