GRESHAM HOUSE plc

INTERIM RESULTS 2010

Chairman's Interim Statement and Management Report

I am pleased to report on the half year results for the period ended 30th June, 2010 which show an overall loss attributable to equity shareholders of £210,000 and a reduction in net asset value from 473.7p at 31st December, 2009 to 468.4p at 30th June, 2010. As per our normal policy, no independent property valuations have been undertaken at the interim stage.

Revenue account

The loss for the half year of £83,000 showed an improvement over the previous reported half year losses to 30th June, 2009 of £140,000 and the half year to 31st December, 2009 of £761,000.

The principal reason for this improvement was the sale of the development property at Curtis Road, Dorking for a net amount of £2,907,000 against a book value of £2,308,000 thereby showing a profit on sale of £599,000. This sale will reduce ongoing losses as the property was not income producing and the related bank debt of £1.4 million was repaid.

Rental income decreased by £203,000 from the second half of last year due to the loss of income at Newton le Willows where income from our industrial units has decreased by £395,000 as a result of residential planning consent being obtained earlier this year. Rental income at Southern Gateway, Speke increased in this half year from £333,000 (half year to 31st December, 2009) to £513,000 due to the receipt of a £250,000 premium received from a former tenant which terminated its lease in March 2010 with a resulting annualised loss of rent of £168,000 per annum.

Dividend and interest income increased from £60,000 (half year to 31st December, 2009) to £211,000 principally due to the acquisition of £5.5 million of corporate bonds which yielded interest of £122,000 during the period under review. As previously reported these bonds were purchased from the proceeds of the sale of our investment in Hallin Marine in February 2010 following a successful takeover bid. The Hallin Marine shares were low yielding and we anticipate greater overall dividend and interest income from our investments over the full year.

As required by accounting standards, Other operating income includes an amount of £3,025,000 representing the gross sale proceeds of our development property at Curtis Road mentioned above. The net costs associated with this sale of £2,426,000 have been included in Property outgoings.

Excluding the costs mentioned above, Property outgoings reduced from £818,000 (half year to 31st December, 2009) to £607,000, the main variances being an overall reduction in vacant unit costs of £130,000 between the two periods and a provision of £92,000 being included in the amount for the six months to 31st December, 2009 against the Curtis Road development in hand. Administrative overheads increased from £372,000 (half year to 31st December, 2009) to £684,000 due primarily to the combined effect of an increase in the provision made for the settlement of litigation brought by a former employee and associated legal costs, loan fees incurred in respect of a working capital facility secured by the group and the figure for the six months ended 31st December, 2009 benefitting from a loan redemption discount of £146,000.

Finance costs consist of bank interest and fees and the movement in the fair value of interest rate swaps. Bank interest is comparable with the amount incurred in the second half of 2009 with the movement in fair value being £267,000 in 2009 and £112,000 for the period under review.

Capital account

The capital losses for the half year to 30th June, 2010 attributable to equity shareholders amounted to £153,000, representing a decrease in net asset value of 3.1p per share. The principle reason for the decrease is due to providing for the capital expenditure incurred on the investment properties during the period under review as a result of the valuations as at 31st December, 2009 being maintained. As per our normal policy, no independent valuations have been undertaken as at 30th June, 2010.

Property portfolio

At Newton-le-Willows, I am pleased to report that we have obtained an outline planning consent for 440 houses and a 3,000 square metre commercial hub. We are currently in discussions with a number of house builders and, despite the fragile state of the residential market, we are progressing to finalise terms on the sale of the site.

Chairman's Interim Statement and Management Report – Continued

At Southern Gateway, Speke, as mentioned above, a major tenant terminated its lease in March 2010 with an annualised loss of rent of £168,000. We have however agreed terms with our principal tenant to extend its space and improve the longevity of the lease. The Inhalations Building has been re-branded as the Liverpool Science Centre and it is our intention to provide 5,000 square metres of specialist pharmaceutical facilities with potential rental income in excess of £500,000 per annum.

At Vincent Lane, Dorking, we are close to signing conditional sale contracts with a discount food retailer and a national house builder. A planning application will be submitted later in the year.

During the period under review we have seen an increase in the number of parties looking to rent our recently built warehouse at Northern Gateway, Knowsley. As a result, we remain confident that despite the continued fragility of the occupier market, the quality of our product will attract a tenant in the near future.

In April 2010 we completed the acquisition of a 2.4 acre site in Aberdeen having secured both a pre-let to Hallin Marine and a detailed planning consent for their UK Headquarters. Construction of these premises is scheduled for completion in April 2011 and we envisage that a sale will generate a good return.

We have recently also acquired a 25% stake in a potential residential development site in the centre of Edinburgh for a net investment of £875,000. This site is currently a disused Royal Mail sorting office. Our partners intend to secure residential planning during the course of the year.

Investments

As reported in my statement included in the 2009 Report and Accounts, during the half year under review we received £8.6 million from the sale of our investment in Hallin Marine Subsea International plc of which £5.5 million was invested in corporate bonds with maturity dates between 2013 and 2018. These bonds have a weighted average yield of 6.5% and are rated from BBB- to A+. In addition we received a sum of £957,000 from the liquidator of Welsh Industrial Investment Trust plc following the decision by its shareholders in April 2010 to liquidate the company. This showed a £156,000 realised gain over the 31st December, 2009 book value.

We continue to review our investment portfolio with a view to realising these over a period of time once we have maximised value. One such investment is our 5% stake in Kemnal Manor Memorial Cemetery in the London Borough of Bromley. Development has started on this 55 acre site which will be fully operational in the spring next year. As we believe this investment has significant potential, consideration is being given to acquiring a further interest in the near future.

The future

We are currently reviewing various options to enlarge the capability of further property investments. Despite the market being very fragmented at present, your management team believes that there are a number of opportunities for secondary and tertiary properties where there is potential to secure capital gains in the medium term.

Tony Ebel
Chairman 24th August, 2010

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Half year ended 30th June, 2010			Half year ended 30th June, 2009			Year ended 31st December, 2009		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income:									
Dividend and interest income	**211**	**–**	**211**	140	–	140	200	–	200
Rental income	**882**	**–**	**882**	1,027	–	1,027	2,112	–	2,112
Other operating income	**3,076**	**–**	**3,076**	46	–	46	62	–	62
Total Revenue	**4,169**	**–**	**4,169**	1,213	–	1,213	2,374	–	2,374
Gains/(losses) on investments held at fair value	**–**	**(12)**	**(12)**	–	2,861	2,861	–	5,872	5,872
Movement in fair value of property investments	**–**	**(157)**	**(157)**	–	(233)	(233)	–	(1,524)	(1,524)
Profit on disposal of property, plant & equipment	**1**	**–**	**1**	–	–	–	–	–	–
Total income and gains/(losses) on investments	**4,170**	**(169)**	**4,001**	1,213	2,628	3,841	2,374	4,348	6,722
Operating Costs									
Property outgoings and impairments (note 7)	**(3,033)**	**–**	**(3,033)**	(559)	–	(559)	(1,377)	–	(1,377)
Administrative overheads	**(684)**	**–**	**(684)**	(464)	–	(464)	(836)	–	(836)
	(3,717)	**–**	**(3,717)**	(1,023)	–	(1,023)	(2,213)	–	(2,213)
Group operating profit/(loss)	**453**	**(169)**	**284**	190	2,628	2,818	161	4,348	4,509
Finance costs (note 8)	**(536)**	**–**	**(536)**	(320)	–	(320)	(1,052)	–	(1,052)
Share of joint venture operating loss	**–**	**–**	**–**	(10)	–	(10)	(10)	–	(10)
Group and share of joint venture operating loss before taxation	**(83)**	**(169)**	**(252)**	(140)	2,628	2,488	(901)	4,348	3,447
Taxation	**–**	**–**	**–**	–	–	–	–	–	–
Profit/(loss) and total comprehensive income for the period	**(83)**	**(169)**	**(252)**	(140)	2,628	2,488	(901)	4,348	3,447
Attributable to:									
Equity holders of the parent	**(57)**	**(153)**	**(210)**	(312)	2,646	2,334	(1,012)	4,366	3,354
Non-controlling interest	**(26)**	**(16)**	**(42)**	172	(18)	154	111	(18)	93
	(83)	**(169)**	**(252)**	(140)	2,628	2,488	(901)	4,348	3,447
Basic and diluted (loss)/earnings per Ordinary Share (note 10)			**(4.3p)**			47.8p			68.7p

Unaudited Condensed Consolidated Statements of Changes in Equity

Half year ended 30th June, 2010

	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000	Equity attributable to equity shareholders £'000	Non-controlling interest £'000	Total £'000
Balance at 31st December, 2009	1,220	847	14	34,729	(13,683)	23,127	424	23,551
Loss for the period being total comprehensive income for the period	–	–	–	(153)	(57)	(210)	(42)	(252)
Ordinary dividend paid (note 9)	–	–	–	–	(49)	(49)	–	(49)
Balance at 30th June, 2010	1,220	847	14	34,576	(13,789)	22,868	382	23,250

Half year ended 30th June, 2009

	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000	Equity attributable to equity shareholders £'000	Non-controlling interest £'000	Total £'000
Balance at 31st December, 2008	1,220	847	42	30,363	(12,650)	19,822	331	20,153
Profit/(loss) for the period being total comprehensive income for the period	–	–	–	2,646	(312)	2,334	154	2,488
Ordinary dividend paid (note 9)	–	–	–	–	(49)	(49)	–	(49)
Balance at 30th June, 2009	1,220	847	42	33,009	(13,011)	22,107	485	22,592

Year ended 31st December, 2009

	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000	Equity attributable to equity shareholders £'000	Non-controlling interest £'000	Total £'000
Balance at 31st December, 2008	1,220	847	42	30,363	(12,650)	19,822	331	20,153
Profit/(loss) for the period being total comprehensive income for the period	–	–	–	4,366	(1,012)	3,354	93	3,447
Ordinary dividend paid (note 9)	–	–	–	–	(49)	(49)	–	(49)
Share based payments	–	–	(28)	–	28	–	–	–
Balance at 31st December, 2009	1,220	847	14	34,729	(13,683)	23,127	424	23,551

Unaudited Condensed Consolidated Statement of Financial Position

as at 30th June, 2010

Assets	30th June, 2010 £'000	30th June, 2009 £'000	31st December, 2009 £'000
Non current assets			
Investments – securities	**10,142**	9,017	12,723
Property investments	**24,600**	25,750	24,600
Investment in joint venture	**–**	–	–
Property, plant and equipment	**–**	3	2
Total non current assets	**34,742**	34,770	37,325
Current assets			
Trade and other receivables	**237**	358	504
Accrued income and prepaid expenses	**728**	514	714
Other current assets	**3,101**	3,361	3,408
Cash and cash equivalents	**3,278**	2,741	9,043
Total current assets	**7,344**	6,974	13,669
Total assets	**42,086**	41,744	50,994
Current liabilities			
Trade and other payables	**2,286**	1,374	1,432
Short term borrowings	**11,006**	7,363	19,037
Total current liabilities	**13,292**	8,737	20,469
Total assets less current liabilities	**28,794**	33,007	30,525
Non current liabilities			
Long term borrowings	**5,165**	10,415	6,707
Other financial liabilities	**379**	–	267
Deferred taxation	**–**	–	–
	5,544	10,415	6,974
Net assets	**23,250**	22,592	23,551
Capital and reserves			
Ordinary share capital (note 11)	**1,220**	1,220	1,220
Share premium	**847**	847	847
Share option reserve	**14**	42	14
Capital reserve	**34,576**	33,009	34,729
Retained earnings	**(13,789)**	(13,011)	(13,683)
Equity attributable to equity shareholders	**22,868**	22,107	23,127
Non-controlling interest	**382**	485	424
Total equity	**23,250**	22,592	23,551
Basic and diluted net asset value per ordinary share (note 12)	**468.4p**	452.8p	473.7p

Unaudited Condensed Consolidated Statement of Cash Flows

for the half year ended 30th June, 2010

	6 months to 30th June, 2010 £'000	6 months to 30th June, 2009 £'000	12 months to 31st December, 2009 £'000
Cashflow from operating activities			
Investment income received	**197**	117	142
Interest received	**14**	23	58
Rental income received	**1,090**	1,027	1,819
Other cash payments	**(578)**	(984)	(2,053)
Net cash generated from operations (note 15)	**723**	183	(34)
Interest paid on bank loans and overdrafts	**(434)**	(331)	(717)
Net cash flows from operating activities	**289**	(148)	(751)
Cash flows from investing activities			
Purchase of investments	**(7,012)**	(31)	(1,252)
Investment in joint venture	**–**	(10)	(10)
Sale of investments	**9,582**	564	1,089
Sale of tangible fixed assets	**3**	980	980
Expenditure on investment properties	**(157)**	(233)	(374)
Disposal of developments in hand	**2,695**	–	–
Purchase of developments in hand	**(1,542)**	(10)	(234)
	3,569	1,260	199
Cash flows from financing activities			
Repayment of loans	**(9,983)**	(10,804)	(18,090)
Receipt of loans	**409**	10,643	25,895
Share capital issued	**–**	–	–
Equity dividends paid	**(49)**	(49)	(49)
	(9,623)	(210)	7,756
(Decrease)/increase in cash and cash equivalents	**(5,765)**	902	7,204
Cash and cash equivalents at start of period	**9,043**	1,839	1,839
Cash and cash equivalents at end of period	**3,278**	2,741	9,043

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

1. Reporting Entity

Gresham House plc ("the Company") is a company incorporated in England. The unaudited condensed consolidated interim financial statements of the Company as at and for the six months ended 30th June, 2010 comprise the Company and its subsidiary undertakings (together referred to as the "Group"). All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2. Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting*. They do not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group and Company as at and for the year ended 31st December, 2009 which were prepared in accordance with IFRS as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, and have been reported on by the Company's auditors. The auditors' report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The unaudited condensed consolidated interim financial statements were approved by a duly appointed and authorised committee of the Board of Directors on 24th August, 2010. The financial information for the half years ended 30th June, 2010 and 30th June, 2009 has not been audited and the auditors have not reported on or reviewed these interim financial statements. The information for the year ended 31st December, 2009 has been extracted from the latest published audited financial statements.

3. Significant Accounting Policies

The accounting policies applied by the Group in these unaudited condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31st December, 2009.

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.

The interim financial statements highlight that the Group has loans of £11.0m due within one year. On the basis that The Co-operative Bank plc facility of £10.4m is technically repayable on demand but has an expiry date of 31st May, 2012 these financial statements have been prepared on a going concern basis.

After making enquiries, and having due regard to the above, the directors believe that the Group has access to sufficient working capital for the foreseeable future and therefore remains a going concern.

4. Estimates

The preparation of the unaudited condensed consolidated interim financial statements requires management to make judgements estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31st December, 2009.

5. Financial Risk Management

The Group's financial risk management objectives and policy are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31st December, 2009.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements – Continued

6. Income

	Half year ended 30th June, 2010 £'000	Half year ended 30th June, 2009 £'000	Year ended 31st December, 2009 £'000
Income from investments:			
Dividend income			
– Listed UK	**58**	117	142
Interest receivable			
– Bank & brokers	**8**	9	27
– Other	**145**	14	31
	211	140	200
Rental income	**882**	1,027	2,112
	1,093	1,167	2,312
Other operating income			
Dealing profits and losses	**(12)**	(7)	(54)
Management fees receivable	**30**	44	79
Sale of development in hand (note 7)	**3,025**	–	–
Other	**33**	9	37
	3,076	46	62
Total income	**4,169**	1,213	2,374
Total income comprises:			
Dividends	**58**	117	142
Interest	**153**	23	58
Rental income	**882**	1,027	2,112
Other operating income	**3,076**	46	62
	4,169	1,213	2,374

7. Operating Costs

Included in property outgoings and impairments is a sum of £2,426,000 in respect of the net costs associated with the sale of the development site at Curtis Road, Dorking. This sum consists of the net realisable value as at 31st December, 2009 of £2,200,000 together with £226,000 in respect of additional costs incurred during the period.

8. Finance Costs

	Half year ended 30th June, 2010 £'000	Half year ended 30th June, 2009 £'000	Year ended 31st December, 2009 £'000
Interest payable on loans and overdrafts	**424**	320	785
Movement in fair value of interest rate swaps	**112**	–	267
	536	320	1,052
In addition:			
Interest capitalised on development properties	**–**	43	43

9. Dividends

	Half year ended 30th June, 2010 £'000	Half year ended 30th June, 2009 £'000	Year ended 31st December, 2009 £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31st December, 2009 of 1p (2008: 1p) per share	**49**	49	49
	49	49	49

10. 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 attributable to equity holders of the parent for the half year of £210,000 (half year ended 30th June, 2009: £2,334,000; year ended 31st December, 2009: £3,354,000) and on 4,881,880 ordinary shares, being the weighted average number of ordinary shares in issue during each respective period.

The calculation for diluted earnings per share for the periods ended 30th June, 2010 and 30th June, 2009 and the year ended 31st December, 2009 should have included a figure in respect of shares deemed to have been issued at nil consideration as a result of options granted. However as this would have reduced the weighted average number of shares in issue and hence result in the diluted earnings per share being greater than the basic earnings per share they have not been recognised.

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

	Half year ended 30th June, 2010 £'000	Half year ended 30th June, 2009 £'000	Year ended 31st December, 2009 £'000
Net revenue loss attributable to equity holders of the parent	**(57)**	(312)	(1,012)
Net capital (loss)/gain attributable to equity holders of the parent	**(153)**	2,646	4,366
Net total (loss)/gain	**(210)**	2,334	3,354
Weighted average number of ordinary shares in issue during the period			
Basic and diluted	**4,881,880**	4,881,880	4,881,880
	Pence	**Pence**	**Pence**
Basic and diluted (loss)/earnings per share			
Revenue	**(1.2)**	(6.4)	(20.7)
Capital	**(3.1)**	54.2	89.4
Total basic and diluted (loss)/earnings per share	**(4.3)**	47.8	68.7

Notes to the Unaudited Condensed Consolidated Interim Financial Statements – Continued

11. Ordinary Share Capital

	30th June, 2010 £'000	30th June, 2009 £'000	31st December, 2009 £'000
Share Capital Allotted: Ordinary – 4,881,880 (30th June, 2009 & 31st December, 2009: 4,881,880) fully paid shares of 25p each	**1,220**	1,220	1,220

12. Net Asset Value per Share

Basic and diluted net asset value

Basic and diluted net asset value per ordinary share is based on Equity attributable to equity shareholders as at 30th June, 2010, 30th June, 2009 and 31st December, 2009 and on 4,881,880 ordinary shares being the number of ordinary shares in issue at each respective period end.

The calculation for diluted net asset value should have included a figure in respect of shares deemed to have been issued at nil consideration as a result of options granted. However as this would have reduced the number of ordinary shares in issue at the period end and hence result in the diluted net asset value per share being greater than the basic net asset value per share they have not been recognised.

13. Investments – Securities

As at 30th June, 2010 the Company's ten largest investments were:

	Market Value £'000	% of Portfolio
UK Listed Securities		
HSBC plc 5.75% bond	960	9.5
HSBC plc 9.875% bond	1,039	10.2
Marks and Spencer plc 5.625% bond	594	5.9
National Grid plc 6.125% bond	684	6.7
Scottish and Southern Energy plc 5.75% bond	913	9.0
Standard Charter plc 6% bond	1,098	10.8
Securities dealt in under AIM		
SpaceandPeople plc	1,031	10.2
Unquoted Securities		
AudioGravity Holdings Limited	395	3.9
Abacus Land (BR) Limited Loan Notes	875	8.6
Memorial Holdings Limited	686	6.8
	8,275	81.6

Notes to the Unaudited Condensed Consolidated Interim Financial Statements – Continued

14. Related Party Transactions

Management fees totalling £30,075 (half year ended 30th June, 2009: £33,615; year ended 31st December, 2009: £53,265) were invoiced to Watlington Securities Limited, a company in which Mr A. G. Ebel has a controlling interest. There were no balances outstanding at any period end. The Group also paid £12,500 (half year ended 30th June, 2009: £nil, year ended 31st December, 2009: £25,000) to Microdisc Limited, a company in which Mr A. G. Ebel has an interest, for consultancy services.

In recognition of his considerable past services to the Group since 1976 and most recently his contribution in maximising the value of the realisation of the Group's investment in Hallin Marine Subsea International plc, the Remuneration Committee awarded Mr A. G. Ebel a sum of £250,000 by way of a contribution to his personal pension scheme.

Mr D Lucie-Smith has an interest in Prince's Place LLP and Pelham (London) Limited which invoiced the Group a sum of £83,500 (half year ended 30th June, 2009: £74,004; year ended 31st December, 2009: £147,753) in respect of his services and associated office costs. At the period end there remained balances outstanding of £nil (half year ended 30th June, 2009: £nil; year ended 31st December, 2009: £4,016).

Conversely, during the period, the Group invoiced City Real Estate Acquisitions Limited £8,759 (half year ended 30th June, 2009: £nil; year ended 31st December, 2009: £10,109), Parkwood Asset Management Limited £1,149 (half year ended 30th June, 2009: £nil; year ended 31st December, 2009: £2,614) and Prince's Place LLP £1,935 (half year ended 30th June, 2009: £nil; year ended 31st December, 2009: £2,170) for rent and associated office costs. Mr D. Lucie-Smith has an interest in each of these companies. At the period end Parkwood Asset Management Limited owed £1,350 (half year ended 30th June, 2009: £nil; year ended 31st December, 2009: £nil).

Mr J. A. C. Lorimer has an interest in New Park Lane Limited which invoiced the Group a sum of £66,875 (half year ended 30th June, 2009: £50,000; year ended 31st December, 2009: £108,250) in respect of his services during the period. Conversely the Group invoiced New Park Lane Limited a sum of £623 (half year ended 30th June, 2009: £nil; year ended 31st December, 2009: £617). There were no amounts outstanding at any period end.

The Rowe Trust holds an interest of 644,209 (half year ended 30th June, 2009 and year ended 31st December, 2009: 644,209) ordinary shares in the Company. Mrs R. H. Chopin-John is a trustee of the Rowe Trust but has no beneficial interest.

During the period under review the members of Parkwood Property Investments LLP ("Parkwood"), a significant shareholder in the Company, advanced a sum of £409,216 by way of an unsecured loan to DIPS (Aberdeen) LLP ("DIPS") representing 30% of the equity requirement to complete the development in hand currently being undertaken by DIPS. The loan carries no interest but entitles Parkwood to a 25% share in the profits made from the development in hand. DIPS is a limited liability partnership whose members are Parkwood Property Investments LLP (2) and Deacon Industrial Projects Limited, a wholly owned subsidiary of the Company. Both Mr D. Lucie-Smith and Mr J. Lorimer have a beneficial interest in Parkwood and Parkwood Property Investments LLP (2).

15. Reconciliation of Operating Profit to Operating Cash Flows

	30th June, 2010 £'000	30th June, 2009 £'000	31st December, 2009 £'000
Revenue return before taxation	**(83)**	(140)	(901)
Interest payable	**536**	320	1,052
Profit on disposal of property, plant and equipment	**(1)**	–	–
Depreciation of property, plant and equipment	**–**	–	1
Share of joint venture losses	**–**	10	10
	452	190	162
(Increase)/decrease in current assets	**(143)**	310	142
Increase/(decrease) in current liabilities	**414**	(317)	(338)
	723	183	(34)

Notes to the Unaudited Condensed Consolidated Interim Financial Statements – Continued

16. Segmental Reporting

As at 30th June, 2010 the Group is organised into two main operating segments – Investment in Securities and Property Investment. These segments are the basis on which the Group reports its segment information for management purposes.

The following table sets out the revenue and profit/(loss) information for the Group's operating segments:

	Investment £'000	Property Investment £'000	Consolidated £'000
Half year ended 30th June, 2010			
Revenue	94	3,922	4,016
Result	66	213	279
Unallocated corporate expenses			(684)
Operating loss			(405)
Interest income			153
Loss before taxation			(252)
Half year ended 30th June, 2009			
Revenue	163	1,027	1,190
Result	3,024	(85)	2,939
Unallocated corporate expenses			(464)
Operating loss			2,475
Share of joint venture loss			(10)
Interest income			23
Profit before taxation			2,488
Year ended 31st December, 2009			
Revenue	183	2,133	2,316
Result	6,055	(1,820)	4,235
Unallocated corporate expenses			(836)
Operating loss			3,399
Share of joint venture loss			(10)
Interest income			58
Profit before taxation			3,447

All revenue is derived from operations within the United Kingdom.

Responsibility Statement of the Directors in respect of the Half Yearly Financial Report

We confirm that to the best of our knowledge:

(a) the unaudited condensed consolidated interim financial statements, which have been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;

(b) the Chairman's interim statement and management report includes a fair review of the information required by:

  (i) DTR 4.2.7R of the Disclosure and Transparency Rule, being an indication of important events that have occurred during the first six months of the financial year and their impact on the unaudited condensed consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (ii) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Principal risks and uncertainties

The Board consider the principal risks and uncertainties relating to the Group for the next six months to be the same as detailed in the consolidated financial statements for the year ended 31st December, 2009. Full details of the risks and uncertainties are detailed under the Investment Policy section and in Note 23 of those financial statements.

The principal risks to the business include:

Economic
Strategic and investment
Regulatory
Financial and operating
Market and market liquidity; and
Asset liquidity.

A. G. Ebel	D. Lucie-Smith
Chairman	*Chief Executive Officer*

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