



GRESHAM HOUSE plc

INTERIM RESULTS 2011

CHAIRMAN'S INTERIM STATEMENT AND MANAGEMENT REPORT

I am pleased to report on the half year results for the period ended 30 June 2011.

The overall loss for the period amounted to £178,000 compared with a loss of £252,000 for the same period last year. The result consisted of Revenue losses of £482,000 (half year to 30 June 2010: losses of £83,000) and an increase in the Capital account of £304,000 (half year to 30 June 2010: decrease of £169,000). As a consequence there has been a slight reduction in basic net asset value per ordinary share from 476.9p as at 31 December 2010 to 475.8p as at 30 June 2011.

Liquidation of Gresham House plc

Shareholders approved the resolution at this year's AGM to amend the Company's investment objective to enable the orderly realisation of the Group's assets over a period of approximately two years with a view to returning capital to shareholders thereafter. I am pleased to report this process has already commenced with the sale this month of the newly developed headquarters of Hallin Marine in Aberdeen, which is held through DIPS (Aberdeen) LLP, for £5.5 million. Further details of this sale are given below. In addition two conditional contracts have been exchanged for the sale of Vincent Lane, Dorking at a combined value in excess of book value which are subject to both purchasers obtaining planning consent for retail and residential use respectively. We anticipate a determination in early 2012. All of our remaining properties and investments have a sale strategy which we believe can be achieved despite the challenging market conditions being faced in terms of both property and securities.

Revenue Account

The Revenue loss for the period ended 30 June 2011 amounted to £482,000 compared with a loss of £83,000 for the same period last year. However, on a like for like basis, after adjusting for the profit on the sale of the development property at Curtis Road of £599,000, the result is an improvement of £200,000 over that achieved in 2010.

The reduction in rental income from £882,000 in 2010 to £504,000 in 2011 was primarily due to the strategy of obtaining vacant possession at Newton-Le-Willows and Vincent Lane, Dorking to enable redevelopment of these sites and a one-off amount of £250,000 being included in the 2010 comparable figure in respect of a dilapidations claim at Southern Gateway. The first half of 2011 has however benefitted from a reduction in both property outgoings and administrative overheads compared with those incurred in 2010, reflecting our policy of restricting these whilst undertaking the realisation of the Group's assets. In addition finance costs are considerably lower in the half year ended 30 June 2011 at £348,000 against £649,000 in 2010 principally due to the positive movement in the fair value of interest rate swaps which now have a shorter period before redemption.

Capital Account

The increase of £304,000 in the Capital account for the half year ended 30 June 2011 consisted of an increase in the value of the investment portfolio of £451,000, primarily as a result of the value of the investment in SpaceandPeople increasing by £453,750 in the period, offset by £147,000 of property costs that would have been otherwise capitalised had we not maintained the same valuation as 31 December 2010. As per our normal policy, no independent property valuations have been undertaken as at 30 June 2011.

Proceeds from the sale of investments during the period under review amounted to £411,000 including the repayment of a loan of £165,000 which had been outstanding for some considerable time.

Property Portfolio

In addition to the properties at Vincent Lane Dorking and Aberdeen, referred to above, the portfolio contains the following properties;

Newton-Le-Willows; contracts for the sale of two thirds of the 28 acre site, subject to detailed planning consent, are nearing exchange. Planning consent for some food retail use will be sought for the balance of the site and it is anticipated that a planning application will be submitted in the autumn of this year.

CHAIRMAN'S INTERIM STATEMENT AND MANAGEMENT REPORT – continued

Southern Gateway; the two vacant buildings now have occupier interest.

Northern Gateway, Knowsley; negotiations are ongoing for the sale of this site at around book value.

Unit 4, Knowsley; it is expected that this occupied industrial unit will be marketed later in the year.

6 acre site, Knowsley; the determination of the planning application incorporating some retail use has been deferred until September 2011.

Investment Portfolio

At 30 June 2011 the investment portfolio was valued at £13,390,000. Of this total £5,718,000 related to bonds with a weighted average cash yield of 6.5% as at 30 June 2011. The other principal investments are;

AIM traded SpaceandPeople plc – market value £1,485,000. Further growth in our holding is anticipated before sale.

AIM traded Avesco Group plc – market value £494,000. The company has an interest in a litigation settlement that has been awarded which, if paid, is expected to enhance its share price. The settlement may however still be subject to appeal.

Memorial Holdings Ltd – valuation £2,568,000. This represents a 15% shareholding in this company which is currently developing a 55 acre cemetery in the London Borough of Bromley. The development is running behind schedule as a result of a planning application having to be resubmitted for a larger chapel with ancillary buildings after further consultation with both industry specialists and the planners. The cemetery is now anticipated to be operational in September 2012.

Attila (BR) Ltd – cost and valuation £874,799. This investment relates to a 20% interest in a former post office sorting facility in Edinburgh where planning for a residential development is being sought. The land is currently being used for temporary parking and is generating substantial income whilst planning consent is awaited.

SMU Investments Ltd – cost and valuation £767,000. This is a new investment and relates to a near 40% interest in a company that provides mezzanine finance to a property company at attractive rates of interest.

Investment in Joint Venture

As mentioned above the development in DIPS (Aberdeen) LLP, in which we have a 75% interest, was sold on 12 August 2011 for a sum of £5.5 million. This sale has generated a profit for the Group of £700,000, equivalent to an increase in net asset value of 13 pence per share, and enabled the repayment of a loan totalling £1,035,000 to the Group.

The Future

The realisation process has started in a difficult market but we still expect to deliver value to investors by the end of 2013

Tony Ebel
Chairman

23 August 2011

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Half year ended 30 June 2011			Half year ended 30 June 2010			Year ended 31 December 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income:									
Dividend and interest income	287	-	287	211	-	211	446	-	446
Rental income	504	-	504	882	-	882	1,435	-	1,435
Sale of development in hand	-	-	-	3,025	-	3,025	3,025	-	3,025
Other operating income	32	-	32	51	-	51	186	-	186
Total Income (note 6)	823	-	823	4,169	-	4,169	5,092	-	5,092
Operating Costs:									
Costs of sale of development in hand	-	-	-	(2,426)	-	(2,426)	(2,434)	-	(2,434)
Property outgoing	(464)	-	(464)	(555)	-	(555)	(1,068)	-	(1,068)
Administrative overheads	(482)	-	(482)	(623)	-	(623)	(1,221)	(297)	(1,518)
Net trading (loss)/profit	(123)	-	(123)	565	-	565	369	(297)	72
Gains/(losses) on investments:									
Gains/(losses) on investments held at fair value	-	451	451	-	(12)	(12)	-	813	813
Movement in fair value of property investments	-	(147)	(147)	-	(157)	(157)	-	490	490
Profit on disposal of property, plant & equipment	-	-	-	1	-	1	1	-	1
Group operating profit/(loss)	(123)	304	181	566	(169)	397	370	1,006	1,376
Finance costs (note 7)	(348)	-	(348)	(649)	-	(649)	(1,039)	-	(1,039)
Share of joint venture operating loss	(11)	-	(11)	-	-	-	(32)	-	(32)
Group and share of joint venture operating loss before taxation	(482)	304	(178)	(83)	(169)	(252)	(701)	1,006	305
Taxation	-	-	-	-	-	-	-	-	-
Profit/(loss) and total comprehensive income	(482)	304	(178)	(83)	(169)	(252)	(701)	1,006	305
Attributable to:									
Equity holders of the parent	(345)	337	(8)	(57)	(153)	(210)	(217)	1,173	956
Non-controlling interest	(137)	(33)	(170)	(26)	(16)	(42)	(484)	(167)	(651)
	(482)	304	(178)	(83)	(169)	(252)	(701)	1,006	305
Basic and diluted (loss)/earnings per ordinary share (note 8)			(0.2p)			(4.3p)			19.2p

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Half year ended 30 June 2011							
	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 31 December 2010	1,342	2,302	14	35,902	(13,949)	25,611	(227)	25,384
Profit/(loss) for the period being total comprehensive income for the period	–	–	–	337	(345)	(8)	(170)	(178)
Ordinary dividend paid (note 9)	–	–	–	–	(54)	(54)	–	(54)
Balance at 30 June 2011	<u>1,342</u>	<u>2,302</u>	<u>14</u>	<u>36,239</u>	<u>(14,348)</u>	<u>25,549</u>	<u>(397)</u>	<u>25,152</u>

	Half year ended 30 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 31 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 30 June 2010	<u>1,220</u>	<u>847</u>	<u>14</u>	<u>34,576</u>	<u>(13,789)</u>	<u>22,868</u>	<u>382</u>	<u>23,250</u>

	Year ended 31 December 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 as at 31 December 2009	1,220	847	14	34,729	(13,683)	23,127	424	23,551
Profit/(loss) for the period being total comprehensive income for the period	–	–	–	1,173	(217)	956	(651)	305
Ordinary dividend paid (note 9)	–	–	–	–	(49)	(49)	–	(49)
Issue of shares (net of costs of £46,000)	122	1,455	–	–	–	1,577	–	1,577
Balance at 31 December 2010	<u>1,342</u>	<u>2,302</u>	<u>14</u>	<u>35,902</u>	<u>(13,949)</u>	<u>25,611</u>	<u>(227)</u>	<u>25,384</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	30 June 2011 £'000	30 June 2010 £'000	31 December 2010 £'000
Assets			
Non current assets			
Investments – securities (note 10)	13,390	10,142	12,386
Property investments	28,950	24,600	28,620
Investment in joint venture (note 11)	1,058	1,172	908
Total non current assets	<u>43,398</u>	<u>35,914</u>	<u>41,914</u>
Current assets			
Trade and other receivables	306	235	268
Accrued income and prepaid expenses	565	728	609
Other current assets	885	1,125	1,008
Cash and cash equivalents	2,469	3,250	2,831
Total current assets	<u>4,225</u>	<u>5,338</u>	<u>4,716</u>
Total assets	<u>47,623</u>	<u>41,252</u>	<u>46,630</u>
Current liabilities			
Trade and other payables	2,604	1,861	3,186
Short term borrowings	16,634	10,597	14,634
Other financial liabilities	130	–	88
Total current liabilities	<u>19,368</u>	<u>12,458</u>	<u>17,908</u>
Total assets less current liabilities	<u>28,255</u>	<u>28,794</u>	<u>28,722</u>
Non current liabilities			
Long term borrowings	3,024	5,165	3,110
Other financial liabilities	79	379	228
Deferred taxation	–	–	–
	<u>3,103</u>	<u>5,544</u>	<u>3,338</u>
Net assets	<u>25,152</u>	<u>23,250</u>	<u>25,384</u>
Capital and reserves			
Ordinary share capital (note 12)	1,342	1,220	1,342
Share premium	2,302	847	2,302
Share option reserve	14	14	14
Capital reserve	36,239	34,576	35,902
Retained earnings	(14,348)	(13,789)	(13,949)
Equity attributable to equity shareholders	<u>25,549</u>	<u>22,868</u>	<u>25,611</u>
Non-controlling interest	<u>(397)</u>	<u>382</u>	<u>(227)</u>
Total equity	<u>25,152</u>	<u>23,250</u>	<u>25,384</u>
Basic net asset value per ordinary share (note 13)	<u>475.8p</u>	<u>468.4p</u>	<u>476.9p</u>
Diluted net asset value per ordinary share (note 13)	<u>475.7p</u>	<u>468.4p</u>	<u>476.9p</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2011

	6 months to 30 June 2011 £'000	6 months to 30 June 2010 £'000	12 months to 31 December 2010 £'000
Cashflow from operating activities			
Investment income received	61	197	63
Interest received	339	14	73
Rental income received	469	1,090	1,635
Other cash payments	<u>(1,112)</u>	<u>(552)</u>	<u>(2,172)</u>
Net cash generated from operations (note 14)	(243)	749	(401)
Interest paid on property loans and bank overdrafts	<u>(415)</u>	<u>(434)</u>	<u>(838)</u>
Net cash flows from operating activities	<u>(658)</u>	<u>315</u>	<u>(1,239)</u>
Cash flows from investing activities			
Purchase of investments	(797)	(7,012)	(9,346)
Investment in joint venture	(161)	(1,172)	(940)
Sale of investments	411	9,582	10,197
Sale of tangible fixed assets	–	3	3
Expenditure on investment properties	(1,005)	(157)	(1,191)
Sale of developments in hand	–	2,695	3,025
Purchase of developments in hand	<u>(12)</u>	<u>(15)</u>	<u>(249)</u>
	<u>(1,564)</u>	<u>3,924</u>	<u>1,499</u>
Cash flows from financing activities			
Repayment of loans	(238)	(9,983)	(10,222)
Receipt of loans	2,152	–	2,222
Share capital issued	–	–	1,577
Equity dividends paid	<u>(54)</u>	<u>(49)</u>	<u>(49)</u>
	<u>1,860</u>	<u>(10,032)</u>	<u>(6,472)</u>
Decrease in cash and cash equivalents	(362)	(5,793)	(6,212)
Cash and cash equivalents at start of period	<u>2,831</u>	<u>9,043</u>	<u>9,043</u>
Cash and cash equivalents at end of period	<u>2,469</u>	<u>3,250</u>	<u>2,831</u>

NOTES TO THE ACCOUNTS

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 30 June 2011 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 31 December 2010 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 23 August 2011. The financial information for the half years ended 30 June 2011 and 30 June 2010 has not been audited and the auditors have not reported on or reviewed these interim financial statements. The information for the year ended 31 December 2010 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 31 December 2010.

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 £16.6 million due within one year including a facility of £10.1 million from The Co-operative Bank plc which has an expiry date of 31 May 2012.

The directors’ forecast of the Group’s cash facilities has assumed the sale of certain investments sufficient to repay these loans as and when they fall due, other than part of The Co-operative Bank facility and a working capital facility both of which it has been assumed will be renewed. In the event that the investments are not sold at the time envisaged by their forecasts or the assumptions regarding the renewal of bank facilities prove incorrect, the directors believe that the Group has sufficient assets that can be sold, or alternative sources of finance secured thereon, to fund any timing shortfall.

Notwithstanding this, the directors note that the Company’s objective and policy, approved by shareholders at the AGM held in the period, is the orderly realisation of the Group’s assets over a period of approximately two years with effect from May 2011. Accordingly whilst the directors believe that the Group has access to sufficient working capital for this period the Group is by definition no longer a going concern and the accounts have therefore been prepared on a break-up basis. This change in the basis of preparation has had no impact on the numbers contained within these interim financial statements.

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 31 December 2010.

NOTES TO THE ACCOUNTS – continued

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 31 December 2010.

6 INCOME

	Half year ended 30 June 2011 £'000	Half year ended 30 June 2010 £'000	Year ended 31 December 2010 £'000
Income from investments			
Dividend income			
– Listed UK	61	58	63
Interest receivable			
– Bank & brokers	4	8	14
– Other	222	145	369
	<u>287</u>	<u>211</u>	<u>446</u>
Rental income	504	882	1,435
	<u>791</u>	<u>1,093</u>	<u>1,881</u>
Trading income			
Sale of development in hand	–	3,025	3,025
Other operating income			
Dealing profits and losses	2	(12)	(38)
Management fees receivable	30	30	100
Other	–	33	124
	<u>32</u>	<u>51</u>	<u>186</u>
Total income	<u>823</u>	<u>4,169</u>	<u>5,092</u>
Total income comprises:			
Dividends	61	58	63
Interest	226	153	383
Rental income	504	882	1,435
Trading income	–	3,025	3,025
Other operating income	32	51	186
	<u>823</u>	<u>4,169</u>	<u>5,092</u>

7 FINANCE COSTS

	Half year ended 30 June 2011 £'000	Half year ended 30 June 2010 £'000	Year ended 31 December 2010 £'000
Interest payable on loans and overdrafts	412	424	828
Finance fees	43	113	162
Movement in fair value of interest rate swaps	(107)	112	49
	<u>348</u>	<u>649*</u>	<u>1,039</u>

* Finance fees totalling £52,000 and £61,000 originally shown in the half year ended 30 June 2010 under property outgoings and impairments and administrative overheads respectively have been reclassified as a finance cost. The comparative figures for the half year ended 30 June 2010 have been adjusted accordingly.

NOTES TO THE ACCOUNTS – continued

8 EARNINGS PER SHARE**Basic and diluted (loss)/earnings per share**

The basic and diluted (loss)/earnings per share figure is based on the total net loss attributable to equity holders of the parent for the half year of £8,000 (half year ended 30 June 2010: loss of £210,000; year ended 31 December 2010: profit of £956,000) and on 5,369,880 (half year ended 30 June 2010: 4,881,880; year ended 31 December 2010: 4,990,176) 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 period ended 30 June 2011 is not materially different to that for the basic earnings per share. The calculation for diluted earnings per share for the period ended 30 June 2010 and the year ended 31 December 2010 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 30 June 2011 £'000	Half year ended 30 June 2010 £'000	Year ended 31 December 2010 £'000
Net revenue loss attributable to equity holders of the parent	(345)	(57)	(217)
Net capital gain/(loss) attributable to equity holders of the parent	337	(153)	1,173
Net total (loss)/gain	<u>(8)</u>	<u>(210)</u>	<u>956</u>
Weighted average number of ordinary shares in issue during the period			
Basic	5,369,880	4,881,880	4,990,176
Diluted	5,370,715	4,881,880	4,990,176
	Pence	Pence	Pence
Basic and diluted (loss)/earnings per share			
Revenue	(6.4)	(1.2)	(4.3)
Capital	<u>6.2</u>	<u>(3.1)</u>	<u>23.5</u>
Total basic and diluted (loss)/earnings per share	<u>(0.2)</u>	<u>(4.3)</u>	<u>19.2</u>

9 DIVIDENDS

	Half year ended 30 June 2011 £'000	Half year ended 30 June 2010 £'000	Year ended 31 December 2010 £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2010 of 1p (2009: 1p) per share	54	49	49
	<u>54</u>	<u>49</u>	<u>49</u>

NOTES TO THE ACCOUNTS – continued

10 INVESTMENTS – SECURITIES

As at 30 June 2011 the Company's ten largest investments were:-

	Market Value £'000	% of Portfolio
UK Listed Securities		
HSBC Bank plc 5.75% bond	939	7.0
HSBC Holdings plc 9.875% bond	996	7.4
Marks and Spencer plc 5.625% bond	607	4.5
National Grid plc 6.125% bond	682	5.1
Scottish and Southern Energy plc 5.75% bond	909	6.8
Standard Chartered plc 6% bond	1,086	8.1
Securities dealt in under AIM		
SpaceandPeople plc	1,485	11.1
Unquoted Securities		
Attila (BR) Limited – Loan Notes	875	6.5
Memorial Holdings Limited	2,568	19.2
SMU Investments Limited – Loan	767	5.7
	<u>10,914</u>	<u>81.4</u>

11 INVESTMENT IN JOINT VENTURE

The amounts shown relate to loans made to DIPS (Aberdeen) LLP in which the Group has a 75% interest. In the published results for the half year ended 30 June 2010 this company was accounted for as a subsidiary undertaking but was reclassified in the full years results ended 31 December 2010 to an investment in joint venture. Accordingly the comparative figures have been adjusted to reflect the reclassification.

12 ORDINARY SHARE CAPITAL

	30 June 2011 £'000	30 June 2010 £'000	31 December 2010 £'000
Share Capital			
Allotted: Ordinary –			
5,369,880 (30 June 2010:			
4,881,880, 31 December 2010:			
5,369,880) fully paid shares			
of 25p each	<u>1,342</u>	<u>1,220</u>	<u>1,342</u>

NOTES TO THE ACCOUNTS – continued

13 NET ASSET VALUE PER SHARE**(i) As at 30 June 2011***Basic*

Basic net asset value per ordinary share is based on Equity attributable to equity shareholders at the period end and on 5,369,880 ordinary shares being the number of ordinary shares in issue at the period end.

Diluted

Diluted net asset value per ordinary share is based on Equity attributable to equity shareholders at the period end and on 5,370,715 ordinary shares. The number of shares is based upon the number of shares in issue at the period end together with those number of shares deemed to have been issued at nil consideration as a result of options granted.

(ii) As at 30 June 2010 and 31 December 2010*Basic and diluted net asset value*

Basic and diluted net asset value per ordinary share is based on Equity attributable to equity shareholders at each respective period end and on 4,881,880 (year ended 31 December 2010: 5,369,880) ordinary shares.

The calculation for diluted net asset value for the period ended 30 June 2010 and the year ended 31 December 2010 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.

14 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	30 June 2011 £'000	30 June 2010 £'000	31 December 2010 £'000
Revenue return before taxation	(482)	(83)	(701)
Interest payable	307	536	877
Profit on disposal of property, plant and equipment	–	(1)	(1)
Share of joint venture losses	11	–	32
	<u>(164)</u>	<u>452</u>	<u>207</u>
Increase in current assets (Decrease)/increase in current liabilities	(27)	(141)	(158)
	<u>(52)</u>	<u>438</u>	<u>(450)</u>
	<u>(243)</u>	<u>749</u>	<u>(401)</u>

NOTES TO THE ACCOUNTS – continued

15 RELATED PARTY TRANSACTIONS

Mr A G Ebel has an interest in Watlington Securities Limited, a company to which the Group invoiced management fees totalling £4,250 (half year ended 30 June 2010: £30,075; year ended 31 December 2010: £35,750). At the period end there was a balance of £5,100 (half year ended 30 June 2010; year ended 31 December 2010: £nil) due to the Group. During the period the Group was invoiced £12,500 (half year ended 30 June 2010: £12,500; year ended 31 December 2010: £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 which invoiced the Group a sum of £83,500 (half year ended 30 June 2010: £83,500; year ended 31 December 2010: £168,641) in respect of his services and associated office costs. There were no amounts outstanding at any period end.

Conversely, during the period, the Group invoiced City Real Estate Acquisitions Limited £6,960 (half year ended 30 June 2010: £8,759; year ended 31 December 2010: £13,646) and Prince's Place LLP £2,729 (half year ended 30 June 2010: £1,935; year ended 31 December 2010: £4,094) for rent and associated office costs. Mr D. Lucie-Smith has an interest in each of these companies. At the period end City Real Estate Acquisitions Limited owed £4,897 (half year ended 30 June 2010: £nil; year ended 31 December 2010: £6,511).

Mr J A C Lorimer has an interest in New Park Lane Limited and Parkwood Asset Management Limited which the former invoiced the Group a sum of £66,750 (half year ended 30 June 2010: £66,875; year ended 31 December 2010: £133,625) in respect of his services during the period. Conversely the Group invoiced New Park Lane Limited a sum of £681 (half year ended 30 June 2010: £623; year ended 31 December 2010: £623) and Parkwood Asset Management Limited £1,412 (half year ended 30 June 2010: £1,149; year ended 31 December 2010: £2,709). At the period end New Park Lane Limited owed £338 (half year ended 30 June 2010 and year ended 31 December 2010: £nil) and Parkwood Asset Management Limited owed £2,715 (half year ended 30 June 2010: £1,350; year ended 31 December 2010: £1,016).

The total holding of loan stock in Abshot Finance Company Limited, in which the Group has a 50% interest and in which Mr B J Hallett is a director, amounted to £153,000 (half year ended 30 June 2010: £158,000; year ended 31 December 2010: £153,000) at the period end against which a provision of £153,000 (half year ended 30 June 2010: £124,000; year ended 31 December 2010: £153,000) has been made.

The amount of loan made to Lancashire Tea Limited, in which the Group has a 49% interest and in which Mr D Lucie-Smith and Mr B J Hallett are directors, amounted to £280,000 (half year ended 30 June 2010: £198,000; year ended 31 December 2010: £250,000) at the period end against which a provision of £100,000 (half year ended 30 June 2010: £nil; year ended 31 December 2010: £100,000) has been made.

The amount of loan made to New Capital Enterprises Limited, in which the Group has a 20% interest and in which Mr A G Ebel, Mr D Lucie-Smith and Mr B J Hallett are directors, amounted to £94,013 (half year ended 30 June 2010: £nil; year ended 31 December 2010: £211,291) at the period end. In addition there was a sum of £25,600 (half year ended 30 June 2010: £nil; year ended 31 December 2010: £9,600) relating to accrued interest outstanding at that time.

The Rowe Trust holds an interest of 644,209 (half year ended 30 June 2010 and year ended 31 December 2010: 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

16 SEGMENTAL REPORTING

As at 30 June 2011 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 30 June 2011			
Revenue	<u>318</u>	<u>502</u>	<u>820</u>
Result	<u>1,246</u>	<u>(934)</u>	312
Unallocated corporate expenses			<u>(482)</u>
Operating loss			(170)
Share of joint venture loss			(11)
Interest income			<u>3</u>
Loss before taxation			<u>(178)</u>
Half year ended 30 June 2010			
Revenue	<u>239</u>	<u>3,922</u>	<u>4,161</u>
Result	<u>211</u>	<u>213</u>	424
Unallocated corporate expenses			<u>(684)</u>
Operating loss			(260)
Interest income			<u>8</u>
Loss before taxation			<u>(252)</u>
Year ended 31 December 2010			
Revenue	<u>479</u>	<u>4,599</u>	<u>5,078</u>
Result	<u>2,048</u>	<u>(254)</u>	1,794
Unallocated corporate expenses			<u>(1,471)</u>
Operating profit			323
Share of joint venture loss			(32)
Interest income			<u>14</u>
Profit before taxation			<u>305</u>

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 interim 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 31 December 2010. 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 price;
Asset and market liquidity;
Interest rate;
Credit; and
Property

A G Ebel
Chairman

D Lucie-Smith
Chief Executive Officer

