GRESHAM HOUSE plc

REPORT AND ACCOUNTS 2008

DIRECTORS AND ADVISERS

Company Number	871 incorporated in England
Directors	A. G. Ebel LL.B, F.C.A. *Non-executive Chairman* D. Lucie-Smith F.C.A. *Chief Executive Officer* 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, BA, F.C.I.S. *Non-executive*
Secretary	B J Hallett F.C.A.
Registered Office	5 Prince's Gate London SW7 1QJ
Auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
Registrars	Capita IRG Plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Solicitors	Forsters LLP 31 Hill Street London W1J 5LS
Corporate Advisers & Brokers	Evolution Securities Limited 100 Wood Street London EC2V 7AN

CHAIRMAN'S STATEMENT

The year ending 31st December, 2008 has been an exceptionally difficult one for your Company. During that period commercial property values in the UK have declined by 26.3%, exceeding the largest annual Investment Property Databank ("IPD") fall since records commenced in 1971; during the same period the FSTE All Share Index also fell by 32.8%.

As a consequence the results for the year show a revenue loss of £3,140,000 (2007: £1,009,000) and a capital loss of £18,487,000 (2007: £2,430,000).

The revenue loss was principally caused by net provisions made against two development sites of £2,220,000 as a result of the deteriorating property market; a provision of £306,000 in respect of compensation for loss of office as a result of the board reorganisation that took place in October 2008 and the redundancy costs associated with the sale of the head office and costs of £128,000 in connection with the Parkwood Property Investment LLP approach. If the above non-recurring costs were excluded, the loss would be reduced to £486,000 compared to £619,000 in 2007 on a like for like basis.

The capital loss of £18,487,000 was a result of a fall in the investment property values of £13,512,000 together with a reduction in the value of the securities portfolio of £6,330,000. These losses were partly offset by the gain of £507,000 on the sale of the Company's head office at Elder Street and a taxation credit of £848,000.

As a result of the above the diluted net asset value per share fell from 834.8p as at 31st December, 2007 to 405.3p as at 31st December, 2008 reflecting the widespread deterioration in the market.

Property Portfolio

The overall valuation of investment and development properties of £28,756,000 showed a decline of 34.3% compared to the 2007 year end valuation. This decline was greater than the IPD fall of 26.3%, as secondary and tertiary industrial estates have been the worst performing sector in the property market, particularly where short term occupational leases exist.

Looking forward however, your Board has reasons for optimism. We have a number of potential planning gains that the management team are exploiting, in particular the change of use at Vincent Lane, Dorking and at Newton-le-Willows as well as a master plan for our site at Southern Gateway, Speke.

Efforts are being concentrated on increasing rental income, which should subsequently have a favourable effect on capital values. With this in mind we have commenced a refurbishment programme at Southern Gateway which will enable a number of units to become available for letting. At Newton-le-Willows several empty units are being refurbished to attract potential tenants and three dilapidated units have been demolished thus saving on unrecoverable property outgoings.

CHAIRMAN'S STATEMENT – CONTINUED

The Investment Portfolio

The value of the investment portfolio has decreased 48.6% over the year compared with a fall in the FTSE All Share Index of 32.8%

Following the AGM held in June 2008 and the appointment of two new executive directors in October 2008 the Board has been following a policy of progressive realisation of the investment portfolio. Between 9th October, 2008 and 31st March, 2009 a total of £1 million of investments have been realised.

As at 31st December, 2008 the largest investment in the portfolio, the 8.96% holding in Hallin Marine, was valued at £3.1 million. The market value has since increased to £4.4 million, as at 31st March, 2009, following excellent results which showed an increase of pre tax profits of 216% to US$35.4 million. Your Board considers that this current valuation does not reflect the underlying potential of the business and therefore intends to hold this investment for the immediate future.

The other two major investments as at 31st December, 2008 are Welsh Industrial Investment Trust valued at £455,000 and SpaceandPeople valued at £714,000.

It remains your Board's policy to monitor all investments with a view of realising full value over the medium term.

Debt Refinance and Cash

I am pleased to report that we are optimistic that the current debt of £17.9 million will be refinanced for a period of between 2 and 3 years despite the prevailing difficult market conditions. We anticipate that these new facilities will be in place during May 2009. Following the sale of the head office at Elder Street and certain investment sales the Group now has approximately £2.6 million of cash.

The Board

Following the EGM on 9th October, 2008, Derek Lucie-Smith and John Lorimer were appointed to the Board as Chief Executive Officer and Property Director respectively. Both have had a considerable amount of experience in the property sector and the Board has been pleased with their commitment and efforts over this period and feel confident that they will create positive value for shareholders in the future. At the same time Rosemary Chopin-John was appointed as an additional non- executive director.

As part of the major reorganisation of your Board which took place to avoid any further conflict between major shareholders that could only adversely affect the Company, Fred Stirling resigned as Chairman and Managing Director on 9th October. Fred has been on the Board of Gresham House for over 40 years and his commitment to Gresham has been unstinting and Gresham's past record of success has reflected his efforts. We can only thank him for his tremendous contribution. At the same time Nick Rowe, Tom Rowe and Richard Lane also resigned and we again extend our thanks for their guidance as non-executive directors.

Dividend

In order to comply with the Investment Trust rules the Board recommends a payment of a final dividend of 1p per share payable on 26th June, 2009 to shareholders on the register on 29th May, 2009.

Share buy back

We are not seeking to renew the share buy back authority at the AGM. We will consider doing so later in the year if the share price remains at a material discount to net asset value, however this will require a balance sheet restructuring, shareholder approval and approval from the Takeover Panel (since Derek Lucie-Smith and John Lorimer are directors and, via Parkwood Property Investment LLP, major shareholders of Gresham House plc).

CHAIRMAN'S STATEMENT – CONTINUED

Future Strategy

A resolution to realise the Company's assets within 5 years and return money to shareholders was carried at the last AGM.

Whilst your Board continues with this policy, having regard to the prevailing market conditions and the present uncertainty as to the timing of any market improvement, it will only do so when it considers that fair value can be obtained. The Board's priority is to maximise the return for all shareholders and it will therefore hold investments for such period as proves necessary to achieve this.

In addition the Board is seeking other opportunities to enhance shareholder value and to this end we have appointed Evolution Securities as corporate advisers and brokers.

Property values have fallen by 8.9% in the first 3 months of 2009 and the market expects further falls before values are stabilized. The Board anticipates rental values declining further during 2009 and into 2010 but believes that the value of the current portfolio can be enhanced through active management on lettings and obtaining valuable planning consents.

The Board believes the Group to be in a very viable and resilient position and anticipates exploiting various opportunities in the portfolio during 2009.

29th April, 2009

A. G. Ebel
Chairman

CHIEF EXECUTIVE'S REPORT

Dear Shareholders,

When I was appointed CEO in October 2008 the first thing that the executive Board put in place was a business plan for each of the major assets within the Group and to review all the loans, overheads, outstanding litigation and joint ventures to secure the future of your Company. Our strategy is focused on creating additional value beyond our current net asset value.

I would like to share the outcome of our deliberations and plans with you.

Property Portfolio

We found that the potential of the portfolio to add value to most of the properties was realisable within a three year period.

Our first priority was to appoint a firm of national valuers to establish our base year end valuation in order to see whether we were able to increase the value of the portfolio going forward. The appointment of King Sturge and their subsequent valuation of the total property portfolio of £28.8 million indicated a considerable provision of £15.7 million was necessary.

Whilst commercial property values throughout the country have suffered dramatically in the last 12 months (the IPD Property Index showed a 26.3% drop in 2008), the tertiary industrial sector, which accounts for most of the Group's portfolio, has been worst affected, thus the significant fall in valuation. Whilst the current vacancy level is 47.7% of the portfolio, the director's estimated rental value of the portfolio is £3,200,000 p.a. as against a current passing rent of £2,125,000 p.a., a 34% difference.

Specifically, the value of Deacon Trading Estate (renamed Force 6 Trading Estate) in Newton-le-Willows fell by 45% as a result of the impending lease expiries. However, this 28 acre industrial estate has been allocated by St Helen's Local Authority for a residential and mixed use development and the Board is confident that it will secure a valuable planning consent hopefully within 18 months. Whilst conditional offers on attractive terms have been received, it is the Board's intention not to cede control of the planning process to a third party, but to run the planning application ourselves, with advice from planning consultants.

In 2007, the Company announced a conditional sale of Southern Gateway (together with the adjoining site, in which it now has a 50% interest) at £61 million. This was based on securing a retail consent which the current Board accepts is almost certainly unachievable. We are now pursuing all other planning options but the current market conditions have curtailed the viability of any development. As a result our focus is on increasing the rental income by the refurbishment and letting of vacant space and good progress is being made in this respect.

In 2007 Wolden Estates Limited entered into a conditional sale of Vincent Lane, Dorking with Linden Limited. As reported in the 2008 Interim Results, planning consent for residential use was refused in July 2008 and discussions are now being held with the planners and potential purchasers about alternative uses, all of which would be value enhancing.

At Curtis Road in Dorking, an onerous planning condition that has so far prevented the development of the site is being challenged and Counsel's advice suggests that this should be successful.

The construction of Northern Gateway in Knowsley, was completed in October 2008 and agents are seeking either a long term occupational lease or freehold sale of this impressive 143,000 sq. ft. warehouse.

CHIEF EXECUTIVE'S REPORT– CONTINUED

Investments

The value of the securities portfolio as at 31st December, 2008 totalled £6.688 million compared with £14.265 million a year previously. The principal investments within the portfolio at the year end and the Boards strategy regarding each are as follows:

Hallin Marine – this is our principal investment with a year end valuation of £3.1 million and a market value as at 31st March, 2009 of £4.4 million. It is considered that there should be further growth in this investment as it was conservatively valued at a 2.3PE ratio and the earnings appear to be sustainable. We therefore consider that the share price is under-valued and intend to retain the investment pending a price improvement.

SpaceandPeople – this investment is the second largest with a value of £714,000 as at 31st December, 2008. The company has produced solid results over the past year and expansion plans for improving market penetration seem to be producing favourable results. We will therefore review this investment in line with their anticipated results.

Welsh Industrial Investment Trust – the Company has a 25% share in this authorised investment trust which, as at 31st December, 2008 had a market capitalisation of £2.4 million based on the mid-market price. Your Board is exploring ways of helping the company to expand the asset base in order that this investment can be realised in due course.

Unquoted Investments – the value of these investments total £1.1 million as at the year end representing 16.3% of the portfolio. Your Board is reviewing each of these and is working with both Fred Stirling and individual brokers to exploit the maximum value in these holdings over a period of time. As with all such companies some may take longer than others to reach a stage where they can be realised.

Litigation

The action against a former executive director of the property subsidiaries and Sandfile Limited has now been agreed in principle to the satisfaction of the Board. Whilst details of the settlement cannot be disclosed, the principal benefit is the acquisition of the head lease of the development site in Knowsley which will enable planning consent to be applied for with a view of selling the site over the course of the next 12 months.

Joint Venture

Our joint venture in the Rayware site has now been renegotiated with our partner Futurist Developments Ltd who has agreed in principle to write off part of its loan in order to put the joint venture on a more viable footing and to amend the terms of the JV Agreement so that all shareholder loans now rank pari passu. At the same time our shareholding in the JV has increased from 35% to 50%.

Overheads

The head office at Elder Street in London has been sold for a price of £1 million. The net profit, after costs, of £507,000 has been reflected in the 2008 accounts.

As a result of the various changes since 9th October, 2008 the business plan does not anticipate any major changes to the overall cost of overheads throughout the Group.

CHIEF EXECUTIVE'S REPORT– CONTINUED

Loans and Cash

The total bank loan portfolio of £17.9 million is currently under negotiation.

A facility letter has been received from the Co-op which extends its existing loans on Southern Gateway and Northern Gateway for a further three years. This has now been approved by the board, signed and returned. The Royal Bank of Scotland has intimated that it would be prepared to extend the facilities on both Curtis Road, Dorking and Sugarich, Knowsley and also provide an additional facility in respect of the Morgan Stanley loan that is due for repayment in June 2009. It is anticipated that both these loan facilities will be in place during May and will be confirmed to shareholders at the AGM.

The cash position has been greatly enhanced as a result of the sale of investments totalling £1.0 million and the sale of the head office in Elder Street. As at 24th April, 2009 cash resources of the Group stood at approximately £2.6 million.

Notwithstanding the current market challenges your Board feels confident of adding value for shareholders in the next 12 months.

29th April, 2009

D. Lucie-Smith
Chief Executive

INVESTMENT OBJECTIVE

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 2008 Annual General Meeting, the Company's objective is to realise the Group's assets comprising primarily UK equities and commercial property over a period of approximately five years with a view to returning capital to shareholders.

INVESTMENT POLICY

The Group's policy is to invest in both securities and commercial properties. Following the passing of an ordinary resolution at the Company's Annual General Meeting held in June 2008 steps are being taken to realise the Group's assets over a period of approximately five years with a view to returning capital to shareholders.

Investment in securities has been primarily by way of (i) acquiring equity stakes in fledgling unquoted companies with a view to contributing to their development and eventually introducing these companies to AIM or PLUS Markets. Short term funding and financial services has been provided to some of these companies as part of the overall investment. By their very nature these investments are considered to be of very high risk; and (ii) investing in a portfolio of predominately UK equities to provide both income and capital growth.

Investment in commercial properties must be undertaken through subsidiary undertakings or associates. These subsidiary undertakings or associates are funded mainly through bank loans, both short term and long term, and their strategic purpose is to add to the Group's net asset value through long term capital appreciation. 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 trust status

The investment policy is designed to ensure that the Company continues to qualify as an authorised investment trust and is approved as such by HM Revenue & Customs. Amongst other conditions the Company may not invest more than 15% of the value of its investment portfolio in any one company at the time of the investment, its income must be received wholly or mainly from shares and other securities and the maximum amount that the Company can transfer to its revenue reserves in any one year is 15% of its total investment income.

Risk diversification and maximum exposures

Risk is spread by investing in both high risk securities and commercial properties. 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. No holding in any one company can represent more than 15% of the value of the Company's portfolio at the time of the investment.

INVESTMENT POLICY – CONTINUED

Borrowing

All borrowing is made to specific subsidiary undertakings against specific assets held within that subsidiary undertaking or sub-group. To minimise the exposure to interest rate movements, interest rates are a mix of both fixed and floating rates with interest rate hedging where required. Gearing levels may be up to 100% of asset value provided there is sufficient income, or potential income, to meet interest and any capital repayments.

Management

The Board has overall responsibility for the Group's affairs including the determination of its investment policy. Investment and divestment proposals are originated, negotiated and recommended by the Managing Director and, if over £50,000 in value, are subject to final approval by the Board.

Principal risks, management and regulatory environment

The Board believes that 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 value of the Company's investment portfolio, particularly the value of smaller company investments, and (ii) the financial standing of some tenants and hence the value of the property investments.

Strategic and investment – poor investment strategy or consistently weak investments could lead to underperformance and insufficient 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.

Regulatory – the Company is required to comply with the Companies Acts, the 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 842 of the Income and Corporation Taxes Act 1988 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 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 – investments made by the Company may be difficult to realise.

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.

The Board seeks to mitigate these and other perceived risks by setting policies and by undertaking a risk assessment at least annually.

REPORT OF THE DIRECTORS

To be presented to the members at the Annual General Meeting to be held at the offices of Evolution Securities Limited, 100 Wood Street, London EC2V 7AN on 2nd June, 2009 at 10.30 am.

Revenue Account

The consolidated income statement which includes the revenue account is set out on page 25 and shows the results for the year ended 31st December, 2008.

Dividends

The directors recommend a final dividend of 1.0p (2007: 5.0p) per Ordinary Share, payable on 26th June, 2009.

Business

The Company's business activity is that of an Authorised Investment Trust.

A review of the Group's business for the year together with developments since the year end and for the future is included in the Chairman's Statement on pages 2 to 4 and the Chief Executive's report on pages 5 to 7.

The Board considers the main Key Performance Indicator applicable to the Group to be net asset value per share ("NAV"). As at 31st December, 2008, the basic NAV was 406.0p (2007: 837.9p). The main non-financial KPI is considered to be the amount of vacant space within the property portfolio. As at 31st December, 2008 this totalled 547,718 sq. ft. (2007: 405,670 sq. ft.).

The Board attempts to reduce its property risk by ensuring that the appropriate advice is taken prior to entering into any significant property acquisition and by regularly monitoring the amount of vacant space and the actions being taken to find appropriate tenants. The quality of tenants is also monitored but this is balanced against the requirement to fill vacant space.

The principal risks of the Group relate to its investment activities in securities and properties and include market price risk, liquidity risk, interest rate risk and credit risk. These are explained in note 23 to the accounts.

The Group's environmental impact is limited but it is recognised that any reduction in this area directly benefits the Group through costs reductions. As a result all efforts are made, on a continuing basis, to minimise energy consumption and to recycle office waste wherever possible. Given the size of the Group the Board does not consider there to be any information to provide regarding its employees (currently totalling 7, including 3 executive directors), nor does it support any social and community initiatives.

For the year ended 31st December, 2007 HM Revenue & Customs has approved the Company as an investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988 and since that date the directors have sought to conduct its affairs so as to enable it to continue to maintain such approval.

Personal equity plans – the Company complies with the EC equities rule, meeting the 50% EC equity content requirement of a qualifying investment trust for personal equity plans. It is the intention of the directors to continue meeting this requirement. The Company's shares may also qualify for inclusion in a stocks and shares ISA depending on the interpretation of HM Revenue & Customs' rules. Any shareholder considering an investment in their PEP or ISA should take professional advice before so doing. The Company cannot take any responsibility for potential losses which may be incurred by shareholders.

REPORT OF THE DIRECTORS – CONTINUED

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.

Investment Portfolio

At 31st December, 2008 the portfolio was invested in the following sectors:

	%
Engineering	57
Property investment	12
Financial (including Investment Trusts)	10
Miscellaneous	5
Media and photography	4
Information technology	3
Tobacco	3
Automobiles	2
Oil and gas	2
Pharmaceuticals	2
	100

Directors

The present directors are listed on page 1. Messrs A. P. Stirling, R. E. Lane, N. J. Rowe and T. J. Rowe resigned on 9th October, 2008.

All directors are subject to re-election by shareholders at the first AGM following their appointment. Accordingly Mr Derek Lucie-Smith, Mr Richard A. Chadwick, Mrs Rosemary H. Chopin-John and Mr John A. C. Lorimer now retire and offer themselves for re-election. As this only then leaves 2 other directors no director is due to retire by rotation.

Brief biographies of the directors concerned are as follows:

Derek Lucie-Smith (aged 61)

Derek Lucie-Smith is a chartered accountant who was appointed chief executive on 9th October, 2008. Mr Lucie-Smith has considerable experience of working within the property industry, being particularly relevant when considering the Group's asset portfolio. Mr Lucie-Smith is a partner of Parkwood Property Investments LLP who is the holder of 29.9% of the issued share capital of the Company.

Richard Chadwick (aged 57)

Richard Chadwick is a chartered accountant, who was appointed to the Board as a non-executive director on 17th June, 2008. Mr Chadwick spent 27 years within the J. Sainsbury plc group of companies where he had considerable experience of property development and financing, having been director of corporate finance and of business development, and a non-executive director of the group's property development company. Mr Chadwick is currently chairman of both the Audit and Remuneration Committees and is a non-executive director of SpaceandPeople plc.

Rosemary Chopin-John (aged 63)

Rosemary Chopin-John was appointed a non-executive director on 9th October, 2008. Mrs Chopin-John has 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 Mrs Chopin-John has been a trustee of the Rowe Trust which presently holds 13% of the issued share capital of the Company.

REPORT OF THE DIRECTORS – CONTINUED

John Lorimer (aged 53)

John Lorimer was appointed property director on 9th October, 2008. Mr Lorimer has been working in the property industry for over 25 years within both the commercial and residential sectors. Mr Lorimer has worked closely with Mr Lucie-Smith for many years being a founder director of Parkwood Asset Management Limited. Mr Lorimer is also a partner of Parkwood Property Investments LLP who is the holder of 29.9% of the issued share capital of the Company.

Contracts of significance in which the directors had a material interest are disclosed in note 25.

Substantial Shareholdings

At the date of this report the following substantial shareholdings representing more than 3% of the Company's issued share capital, other than those held by directors, have been notified to the Company:

	%	Ordinary Shares
Parkwood Property Investments LLP	29.97	1,463,063
The Trustees of the Rowe Trust	13.20	644,209
A. P. Stirling	8.58	419,036

Financial Risk and Management Objectives

The Company's financial risk management objectives can be found in note 23 of the financial statements.

Directors' Interests

The number of shares in the Company in which the directors were deemed to be interested as at 31st December, all of which are beneficially held, are as follows:

	2008	2007
A. G. Ebel	22,550	22,550
B. J. Hallett	127,810	127,810
R. Chopin-John	500	500

In addition to the above D. Lucie-Smith and J. A. C. Lorimer have a beneficial interest in 1,463,063 ordinary shares held by Parkwood Property Investments LLP and 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.

Share Capital

At 1st January, 2008 and at 31st December, 2008, the Company's authorised share capital was £4,750,000. This comprised 19,000,000 ordinary shares with a nominal value of 25 pence each. At 1st January, 2008, there were 4,876,880 ordinary shares in issue. On 24 July, 2008 the Company issued a further 5,000 ordinary shares following exercise of options under the Company's approved share option scheme. As at 31st December, 2008 there were therefore 4,881,880 ordinary shares in issue. The ordinary shares are listed on the London Stock Exchange.

As at 28th April, 2009 (the latest practical date prior to the signing of this report), the Company had an unexpired authority to repurchase up to 487,688 ordinary shares. Shareholders will not be asked to renew this authority at the Annual General Meeting in 2009.

REPORT OF THE DIRECTORS – CONTINUED

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 transfer or limitations on the holding of any class of shares and no requirements for prior approval of any transfers.

Control

None of the Company's ordinary shares carry any special rights with regard to the control of the Company. There are no known arrangements under which financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers or on voting rights. As far as the Company is aware, there are no persons with significant direct or indirect holdings in the Company other than has been disclosed by the Company pursuant to the FSA's Disclosure & Transparency Rules. Such disclosures are published on the Regulatory Information Service.

The rules about the appointment and replacement of directors are contained in the Company's Articles of Association.

Changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force at the time.

The powers of the directors are determined by UK legislation and the Memorandum and Articles of Association of the Company in force from time to time.

The directors have in the past been authorised to issue and allot ordinary shares and such powers have expired. Resolutions will be put to shareholders at the forthcoming Annual General Meeting to grant the directors powers to issue and allot ordinary shares.

The directors have in the past also been authorised to make market purchases of ordinary shares. Any ordinary shares so purchased may be cancelled or held in treasury.

The Company is not party to any significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid. The Company also does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover.

Share Options

The Remuneration Committee regard the provision of options as a suitable form of incentive for management and senior personnel.

The last options granted were on 3rd May, 2005 over a total of 35,600 ordinary shares. As at 31st December, 2008 8,000 have been exercised and 2,000 lapsed. The remaining options can be exercised at any time between 3rd May, 2008 and 3rd May, 2012 at a price of 337.5p.

Statement of the 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 Services Authority.

REPORT OF THE DIRECTORS – CONTINUED

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, and have elected to prepare the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The financial statements are required to 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 estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing both the consolidated financial statements and the Company financial statements. They also confirm that the annual report includes a fair review of the development and performance of the business together with a description of the principal risks and uncertainties faced by the Company and the Group.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The directors of the Company as at the date of this report are listed on page 1.

Going Concern

After making enquiries, the directors have reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. Further details can be found under paragraph 1(a) of the Principal Accounting Policies.

Payment Policy

The Group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction and then to abide by these terms. At 31st December, 2008 trade creditors represented 36 days purchases (2007: 24 days).

Statement as to Disclosure of Information to Auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Company's auditors are 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 auditors are aware of that information.

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

5 Prince's Gate
London SW7 1QJ

29th April, 2009

REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

Remuneration Committee

The policy on directors' remuneration is formulated by the Remuneration Committee, which consists of the three non-executive directors of the Company under the chairmanship of Mr R. A. Chadwick. The Committee is responsible for determining the terms of service and remuneration of the executive directors. When designing schemes of performance-related remuneration the Committee will consider the provisions set out in Schedule A of the FRC Combined Code issued in 2006.

Remuneration Policy

The Remuneration Committee's policy is designed to attract, retain and motivate the executive directors and other senior executives to reflect their levels of responsibility and experience. 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.

Remuneration Package

Executive remuneration consists of a basic salary, car allowance, and certain benefits in kind, which include pension contributions and disability and health insurance, none of which are subject to performance criteria. Executive directors are also eligible for share options details of which are shown below. Each element of remuneration paid to all directors is shown in detail on page 17.

A bonus scheme was introduced in 2006 under which a bonus of a maximum of 15% of an individuals salary may be awarded dependent upon the amount of increase in the net asset value ("NAV") of the Group over 5% in any one year. The bonus scheme is discretionary and will run from year to year and is subject to renewal and award each year by the Remuneration Committee. Any bonus awarded will not infer a right to the award of any future bonus and shall not constitute a right to any such bonus under any individual's contract of employment.

No bonus was paid in respect of the years ended 31 December, 2008 and 31st December, 2007. The bonus paid during 2007 was in respect of the year ended 31st December, 2006 and was based on the increase in the NAV of the Group for that period of 16.1% and amounted to a total of £40,000.

Service Contracts

All directors have rolling service contracts which are governed by the following policies:

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

(b) In the event of termination by the Company (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 months 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.

REMUNERATION REPORT – CONTINUED

Pensions

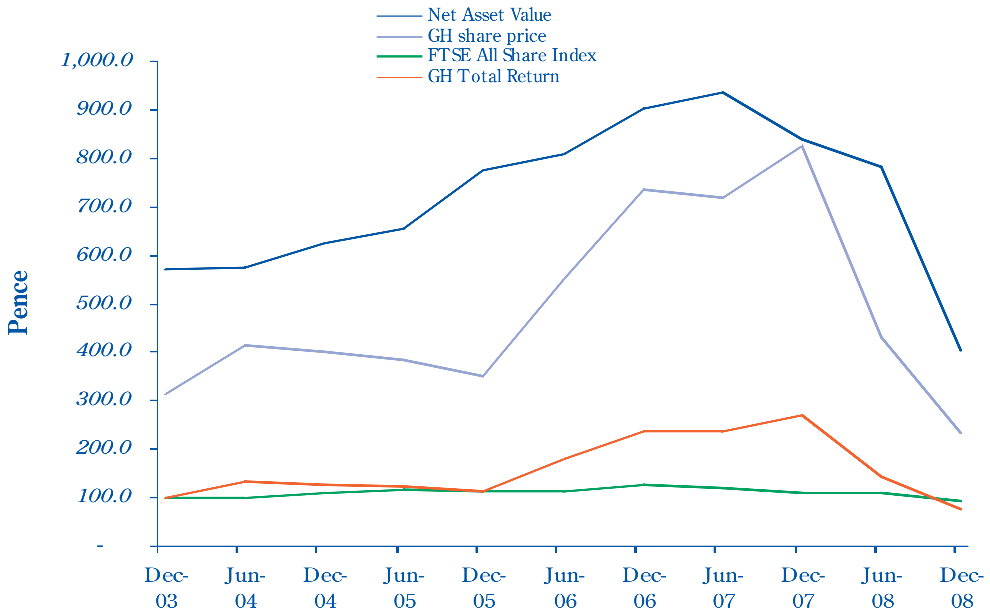
The Company contributes to a personal pension scheme for the benefit of Mr Hallett. For the year ended 31st December, 2008 contributions amounted to £8,400 (2007: £8,400).

Non-Executive Directors' Fees

The executive directors are responsible for determining the level of fees paid to the non-executive directors. Non-executive directors are not eligible for bonuses, pension benefits or long-term incentive schemes but, given the level of the fees paid, are eligible for share options.

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 2008, of £100 invested in Gresham House plc on 31st December, 2003 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	1.1.2004	31.12.2008	% change
Gresham House share price	316p	235p	(25.52)%
Basic net asset value	572.3p	406.0p	(29.06)%
Gresham House shareholder return	100	78.0	(21.99)%
FTSE All Share Index	2,207.38	2,209.29	0.09%

REMUNERATION REPORT – CONTINUED

The following information has been audited:

Directors' Emoluments

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

	Basic Salary £'000	Bonus £'000	Termin-ation payment £'000	Fees £'000	Benefits £'000	Pensions £'000	2008 £'000	2007 £'000
Executive:								
D. Lucie-Smith (i) (vi)	29	–	–	–	–	–	29	–
J. A. C. Lorimer (i) (vi)	23	–	–	–	–	–	23	–
B. J. Hallett	104	–	–	–	3	8	115	131
A.P. Stirling (highest paid) (ii) (iv) (vi)	140	–	200	–	5	–	345	202
Non-executive:								
A. G. Ebel (Chairman)	–	–	–	16	5	–	21	17
R. A. Chadwick (iii)	–	–	–	22	–	–	22	–
R. H. Chopin-John (i)	–	–	–	3	–	–	3	–
R. E. Lane (ii) (v)	–	–	–	22	–	–	22	12
N. J. Rowe (ii) (v)	–	–	–	22	–	–	22	12
T. J. Rowe (ii) (v)	–	–	–	22	–	–	22	12
Total	296	–	200	107	13	8	624	386
Total 2007	275	40	–	48	15	8	386	

(i) Messrs Lucie-Smith and Lorimer and Mrs Chopin-John were appointed on 9th October, 2008;

(ii) Messrs Stirling, Lane, N. Rowe and T. Rowe resigned on 9th October, 2008;

(iii) Mr Chadwick was appointed on 17th June, 2008;

(iv) Twelve months notice was given to terminate the contract between the Company, Friars Management Services Limited and A. P. Stirling on 22nd October, 2008. Accordingly a sum of £200,000 has been provided for in these financial statements to cover the cost of this termination;

(v) the figures include a sum of £12,500 being the sum payable on termination under the non-executives contracts; and

(vi) Monies due to Messrs Lucie-Smith, Lorimer and Stirling have been paid to businesses in which they have a material interest.

A charge of £1,524 (2007: £9,171) has been made to operating expenses in accordance with IFRS 2 in relation to share options granted to the executive directors.

REMUNERATION REPORT – CONTINUED

Share Option Schemes

Details of share options for each director are as follows:

	At 1st January, 2008	At 31st December, 2008	Earliest exercise date	Exercise price per share
B. J. Hallett	8,800	8,800	3rd May, 2008	337.5p
A. P. Stirling (resigned 9th October, 2008)	8,800	8,800	3rd May, 2008	337.5p

On 3rd May, 2005 the Remuneration Committee granted options over a total of 35,600 ordinary shares with an exercise price of 337.5p at any time between 3rd May, 2008 and 3rd May, 2012, 3,000 of these options were exercised during the year ended 31st December, 2006 at the discretion of the Board and a further 5,000 on 24 July, 2008. In addition 2,000 options lapsed during the year ended 31st December, 2008.

As at 31st December, 2008, the closing middle market price was 235p and the range of closing prices during the year ended 31st December, 2008 was 235p to 825p.

The following information is unaudited:

The Remuneration Committee, who are responsible for the operation and administration of the Company's unapproved share option scheme, regard the provision of options as a suitable form of incentive for management and senior personnel. Options granted over shares in excess of 5% of the Company's issued ordinary share capital are subject to performance requirements determined at the date of grant by the Committee. No options were granted during the year ended 31st December, 2008.

On behalf of the Board

R. A. Chadwick *Chairman,* Remuneration Committee
29th April, 2009

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 FRC Combined Code issued in 2006 ("the Code") and the principles and recommendations published by the Association of Investment Companies in 2007, which provides a guide to best practice in certain areas of governance which are particularly relevant to investment trusts.

During the year ended 31st December, 2008, with the exceptions outlined below, the directors consider that the Company has applied the principles and generally met the requirements of the Code.

Operation of the Board

The Board is comprised of an equal number of executive and non-executive directors. The names of the directors who served throughout the year are as follows:

Executive:
D. Lucie-Smith (appointed 9th October, 2008)
J. A. C. Lorimer (appointed 9th October, 2008)
B. J. Hallett
A. P. Stirling (resigned 9th October, 2008)

Non executive:
A. G. Ebel
R. A. Chadwick (appointed 17th June, 2008)
R. H. Chopin-John (appointed 9th October, 2008)
R. E. Lane (resigned 9th October, 2008)
N. J. Rowe (resigned 9th October, 2008)
T. J. Rowe (resigned 9th October, 2008)

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 2008. 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 complied with. Mr R. A. Chadwick is the senior independent director.

The Board, which currently consists of three executive and three non-executive directors, 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 ten 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:

CORPORATE GOVERNANCE – CONTINUED

Number of Meetings Attended

Name of Director	Board	Remuneration Committee	Audit Committee
A. G. Ebel	10 (10)	1 (1)	–
D. Lucie-Smith	2 (2)	–	–
J. A. C. Lorimer	2 (2)	–	–
B. J. Hallett	10 (10)	–	–
R. A. Chadwick	7 (7)	–	–
A. P. Stirling	8 (8)	–	–
R. E. Lane	8 (8)	–	1 (1)
N. J. Rowe	6 (8)	1 (1)	1 (1)
T. J. Rowe	7 (8)	1 (1)	1 (1)
R. H. Chopin-John	2 (2)	–	–

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 A.6.1. of the Code and has not undertaken a formal evaluation of its own performance. 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.

Independence of the Directors

As a smaller Company the Code requires it to have at least two independent non-executive directors. The Board has concluded that, at the date of this report, it meets this requirement. 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. Messrs Ebel and Chadwick are considered to be independent not withstanding that Mr Ebel has served for a period exceeding nine years.

The Company has not fully complied with paragraph B.1.3. as the remuneration for non-executive directors has in the past included share options. Given the size of the Company this policy is likely to continue. Details of options outstanding as at 31st December, 2008 are shown in the Remuneration Report on page 18. Any future grant of new options will be subject to shareholder approval.

Re-election of Directors

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. 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.

CORPORATE GOVERNANCE – CONTINUED

The directors due to stand for re-election at the first AGM following their appointment are Mr D Lucie-Smith, Mr J. A. C. Lorimer, Mr R. A. Chadwick and Mrs R. H. Chopin-John. The director due to stand for annual re-election at the forthcoming AGM as per the requirements of the Code is Mr A. G. Ebel having effectively served on the Board for more than nine years. However, as a result of four members of the Board already standing for re-election, the Company has decided not to comply fully with paragraph A.7.2 for this forthcoming year. Similarly as there will only be two directors not standing for re-election there is an insufficient number for a director to retire by rotation in accordance with the Company's Articles of Association. The Chairman has carefully considered the position of each of the directors and considers their contribution to be significant and effective, their commitment to be appropriate and respectively recommends their re-election.

Chairman

Up until 9th October, 2008 the Company did not comply with Code provision A.2.1. Since that time however the role of Chairman and Chief Executive has been undertaken by two individuals. In addition the Company has not complied with paragraph A.1.3. but intends to do so with effect from 1st January, 2009.

Audit Committee

The Audit Committee is a formally constituted committee of the Board with defined terms of reference. It meets at least once a year and among its specific responsibilities are the review of the Company's annual and half yearly results and the review of internal and financial controls applicable to the Company. The Audit Committee consists of three non-executives Mr R. A. Chadwick, who acts as chairman, Mr A. G. Ebel and Mrs R. H. Chopin-John. The auditors are invited to attend the Audit Committee meeting at which the annual accounts are considered and any other meetings that the Committee deems necessary.

Nomination Committee

The Company does not comply with paragraphs A.4.1. to A.4.5. 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 complied with paragraph A.5.l. but in future will ensure that new directors will receive a full, formal and tailored induction on joining the Board.

Remuneration Committee

The Remuneration Committee is also a formally constituted committee of the Board with defined terms of reference consisting 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 once a year.

Relations with Shareholders

Given its size, the Company has not fully complied with provisions D.1.1. and D.1.2. Of the current three major shareholders, the Board believes that it has sufficient contact and 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.

CORPORATE GOVERNANCE – CONTINUED

Accountability, Internal Controls and Audit

The Board considers that these accounts, reports and supplementary information present a fair and accurate assessment of the Company's position and prospects.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the accounts.

Non audit services provided by the auditors are reviewed by the Audit Committee to ensure that independence is maintained.

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, consistent with the guidance provided by the Turnbull Committee. 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 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 consider the performance of outsourced service providers on an ongoing basis.

The Board has reviewed the need for an internal audit function. The Board has decided 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 INDEPENDENT AUDITORS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRESHAM HOUSE PLC

We have audited the group and parent company financial statements ('the financial statements') of Gresham House plc for the year ended 31st December, 2008 which comprise the consolidated income statement, the group and company statements of changes in equity, the group and company balance sheets, the consolidated and company cash flow statements and the related notes. The financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the group financial statements have been properly prepared in accordance with article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the report of the directors is consistent with the financial statements. The information in the report of the directors includes that specific information presented in the chairman's statement and chief executive's report that is cross referenced from the business review section of the report of the directors.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the report of the directors, the unaudited part of the directors' remuneration report, the chairman's statement, the chief executive's report, the investment policy and the corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

REPORT OF THE INDEPENDENT AUDITORS – CONTINUED

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31st December, 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31st December, 2008;
- the group financial statements have been properly prepared in accordance with article 4 of the IAS Regulation;
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the report of the directors is consistent with the financial statements.

PKF (UK) LLP
Registered Auditors
London, UK

29th April, 2009

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31st DECEMBER, 2008

	Notes	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
Income:							
Dividend and interest income	1	266	–	266	370	–	370
Rental income	1	2,451	–	2,451	2,339	–	2,339
Other operating income	1	(6)	–	(6)	92	–	92
Total Revenue		2,711	–	2,711	2,801	–	2,801
(Losses)/Gains on investments held at fair value		–	(6,330)	(6,330)	–	1,000	1,000
Movement in fair value of property investments		–	(13,512)	(13,512)	–	(4,085)	(4,085)
Profit on disposal of property, plant & equipment		–	507	507	–	–	–
Total income and gains/(losses) on investments		2,711	(19,335)	(16,624)	2,801	(3,085)	(284)
Operating Costs							
Property outgoings and impairments		(3,291)	–	(3,291)	(1,206)	–	(1,206)
Administrative overheads		(1,462)	–	(1,462)	(1,444)	–	(1,444)
	2	(4,753)	–	(4,753)	(2,650)	–	(2,650)
Group operating (loss)/profit		(2,042)	(19,335)	(21,377)	151	(3,085)	(2,934)
Finance costs	4	(927)	–	(927)	(991)	–	(991)
Share of associates operating loss		(171)	–	(171)	(169)	–	(169)
Group and share of associates operating loss before taxation		(3,140)	(19,335)	(22,475)	(1,009)	(3,085)	(4,094)
Taxation	5	–	848	848	–	655	655
Loss for the period		(3,140)	(18,487)	(21,627)	(1,009)	(2,430)	(3,439)
Attributable to:							
Equity holders of the parent		(2,874)	(17,943)	(20,817)	(993)	(1,879)	(2,872)
Minority interests		(266)	(544)	(810)	(16)	(551)	(567)
		(3,140)	(18,487)	(21,627)	(1,009)	(2,430)	(3,439)
Basic and diluted earnings per Ordinary Share	6	(58.9p)	(367.7p)	(426.6p)	(20.4p)	(38.5p)	(58.9p)

The total column of this statement represents the Group's Income Statement, 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.

All revenue and capital items in the above statement derive from continuing operations.

STATEMENTS OF CHANGES IN EQUITY

Group

Year ended 31st December, 2008

	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	Minority interest £'000	Total equity £'000
Balance as at 31st December, 2007		1,219	831	44	48,306	(9,538)	40,862	1,141	42,003
Loss for the period being total income and expense for the period		–	–	–	(17,943)	(2,874)	(20,817)	(810)	(21,627)
Ordinary dividend paid	7	–	–	–	–	(244)	(244)	–	(244)
Issue of shares		1	16	–	–	–	17	–	17
Share based payments		–	–	(2)	–	6	4	–	4
Balance as at 31st December, 2008		1,220	847	42	30,363	(12,650)	19,822	331	20,153

Year ended 31st December, 2007

	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	Minority interest £'000	Total equity £'000
Balance as at 31st December, 2006		1,219	831	28	49,908	(7,975)	44,011	1,708	45,719
Loss for the period being total income and expense for the period		–	–	–	(1,879)	(993)	(2,872)	(567)	(3,439)
Ordinary dividend paid	7	–	–	–	–	(293)	(293)	–	(293)
Reserves transfer		–	–	–	277	(277)	–	–	–
Share based payments		–	–	16	–	–	16	–	16
Balance at 31st December, 2007		1,219	831	44	48,306	(9,538)	40,862	1,141	42,003

The transfer from revenue to capital reserve represents the reallocation of unrealised gains on investments included within revenue in prior years and to reflect the correct allocation of the minority interest in these reserves.

STATEMENTS OF CHANGES IN EQUITY – CONTINUED

Company

	Notes	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained Earnings £'000	Total £'000
Year ended 31st December, 2008							
Balance as at 31st December, 2007		1,219	831	44	11,931	268	14,293
(Loss)/profit for the period being total income and expense for the period		–	–	–	(5,823)	70	(5,753)
Ordinary dividend paid	7	–	–	–	–	(244)	(244)
Issue of shares		1	16	–	–	–	17
Share based payments		–	–	(2)	–	6	4
Balance at 31st December, 2008		1,220	847	42	6,108	100	8,317

	Notes	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained Earnings £'000	Total £'000
Year ended 31st December, 2007							
Balance as at 31st December, 2006		1,219	831	28	10,883	360	13,321
Profit for the period being total income and expense for the period		–	–	–	1,000	249	1,249
Ordinary dividend paid	7	–	–	–	–	(293)	(293)
Reserves transfer		–	–	–	48	(48)	–
Share based payments		–	–	16	–	–	16
Balance at 31st December, 2007		1,219	831	44	11,931	268	14,293

The transfer from revenue to capital reserve represents the reallocation of unrealised gains on investments included within revenue in prior years.

BALANCE SHEETS

AS AT 31st DECEMBER, 2008

	Notes	The Group 2008 £'000	The Group 2007 £'000	The Company 2008 £'000	The Company 2007 £'000
Assets					
Non-current assets					
Investments – securities	8	6,688	14,265	6,688	14,265
Property investments	9	25,750	38,805	–	–
Investment in associate	10	–	–	–	–
Other investments	11	–	–	2	2
Property, plant and equipment	12	3	487	–	483
Total non-current assets		32,441	53,557	6,690	14,750
Current assets					
Trade and other receivables	13	361	497	–	–
Accrued income and prepaid expenses		1,721	674	1,012	24
Other current assets	14	3,432	5,972	–	–
Cash and cash equivalents		1,839	1,337	756	615
Total current assets		7,353	8,480	1,768	639
Total assets		39,794	62,037	8,458	15,389
Current liabilities					
Trade and other payables	15	1,702	1,488	13	13
Short term borrowings	16	17,939	7,568	128	1,083
Total current liabilities		19,641	9,056	141	1,096
Total assets less current liabilities		20,153	52,981	8,317	14,293
Non-current liabilities					
Long term borrowings	17	–	10,130	–	–
Deferred taxation	18	–	848	–	–
		–	10,978	–	–
Net assets		20,153	42,003	8,317	14,293
Capital and reserves					
Ordinary share capital	19	1,220	1,219	1,220	1,219
Share premium	20	847	831	847	831
Share option reserve	20/24	42	44	42	44
Capital reserve	20	30,363	48,306	6,108	11,931
Retained earnings	20	(12,650)	(9,538)	100	268
Equity attributable to equity shareholders		19,822	40,862	8,317	14,293
Minority interest		331	1,141	–	–
Total equity		20,153	42,003	8,317	14,293
Basic net asset value per ordinary share	21	406.0p	837.9p	170.4p	293.1p
Diluted net asset value per ordinary share	21	405.3p	834.8p	170.1p	292.0p

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 29th April, 2009

D. Lucie-Smith
Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31st DECEMBER, 2008

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Cashflow from operating activities					
Investment income received		166		193	
Interest received		100		177	
Rental income received		2,431		2,464	
Other cash payments		(1,601)		(2,344)	
Net cash generated from operations	22		1,096		490
Interest paid on property loans		(967)		(972)	
			(967)		(972)
Net cash flows from operating activities			129		(482)
Cash flows from investing activities					
Purchase of investments		(264)		(1,178)	
Investment in associate		(171)		(350)	
Sale of investments		1,511		1,406	
Expenditure on investment properties		(513)		(4,727)	
Disposal of investment properties		56		2,306	
Purchase of developments in hand		(260)		(932)	
			359		(3,475)
Cash flows from financing activities					
Repayment of loans		(443)		(422)	
Receipt of loans		684		5,018	
Share capital issued		17		–	
Equity dividends paid		(244)		(293)	
			14		4,303
Increase in cash and cash equivalents			502		346
Cash and cash equivalents at start of period			1,337		991
Cash and cash equivalents at end of period			1,839		1,337

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31st DECEMBER, 2008

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Cashflow from operating activities					
Investment income received		187		454	
Interest received		16		11	
Other cash payments		(127)		(212)	
Net cash generated from operations	22		76		253
Cash flows from investing activities					
Purchase of investments		(264)		(1,178)	
Sale of investments		1,511		1,406	
			1,247		228
Cash flows from financing activities					
Receipt of loans		452		858	
Repayment of loans		(1,407)		(478)	
Share capital issued		17		–	
Equity dividends paid		(244)		(293)	
			(1,182)		87
Increase in cash and cash equivalents			141		568
Cash and cash equivalents at start of period			615		47
Cash and cash equivalents at end of period			756		615

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 1985 applicable to companies reporting under IFRS.

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 (u).

The financial statements highlight that the Group has loans of £17.9 million due within one year. Based on directors' forecasts of the Group's cash facilities, the Group will require most of these loans to be refinanced as and when they fall due during the course of 2009. These financial statements have been prepared on a going concern basis, which assumes that these loans will be renewed on similar terms.

Since the year end the Board has received and signed a facility letter from The Co-operative Bank plc in the sum of £10.6m which extends that banks existing loans to New Capital Developments Ltd and Chartermet Ltd on similar terms and conditions as the existing facilities.

In addition, The Royal Bank of Scotland plc has confirmed that it envisages extending its existing facilities to Deacon Industrial Projects Ltd and Knowsley Industrial Property Ltd under similar terms and conditions for a minimum term of two years together with a new facility to Newton Estate Ltd. These loans however will be subject to approval by the bank's credit committee at the appropriate time.

In the event that the RBS facilities are not renewed the directors believe that, coupled with its current cash resources of circa £2.6m, the Group has sufficient securities and property assets that could be sold (albeit there may be tax consequences as a result), or alternative sources of finance secured thereon, to repay these loans, the timing of which is uncertain.

The financial statements do not include any adjustment that would result in a failure to renew these bank loans or not secure alternative financing within the timescale required. 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.

(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 Income Statement
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 Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. 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 842 of the Income and Corporation Taxes Act 1988. As permitted by section 230 of the Companies Act 1985, the Company has not presented its own income statement.

(d) Investments in associates
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 income statement and in accordance with paragraph 1 of IAS 28 Investments in Associates ("IAS 28"), equity accounting is not required.

(e) Segmental reporting
A business segment is a group of assets and operations that are subject to risks and returns that are different from those of other business segments. The Group comprises of two business segments: the Investment Trust and Property Investment. This is consistent with internal reporting. All revenues are derived from operations within the United Kingdom and consequently no separate geographical segment information is provided.

PRINCIPAL ACCOUNTING POLICIES – CONTINUED

(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.

(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.

(h) Property, plant and equipment
All property, plant and equipment with the exception of freehold property is stated at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset. The freehold property is held at deemed cost at the date of the transition to IFRS less depreciation.

Depreciation on property, plant and equipment is provided principally on a straight line basis at varying rates of between 2% and 25% in order to write off the cost of assets over their expected useful lives. Owner occupied freehold property is depreciated at the rate of 2% per annum.

(i) 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 Income Statement 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 balance sheet 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 Income Statement 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 Income Statement, 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 balance sheet 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 842 of the Income Corporation Taxes Act 1988 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(j) Operating leases
Amounts payable under operating leases are charged directly to the Income Statement on a straight line basis over the period of the lease. The aggregate cost 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

(k) 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. The Group's investment strategy is to provide shareholders with long term capital and income growth by a combination of investing primarily in UK equities and high risk venture capital entities balanced by a significant property portfolio. Consequently all equity investments are classified as held at fair value through profit or loss.

(i) *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 historic 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.

(ii) *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 Income Statement and movements in respect of capital provisions are reflected in the capital column of the Income Statement. Loan stock accrued interest is recognised in the Balance Sheet as part of the carrying value of the loans and receivables at the end of each reporting period.

(iii) *Properties*
Investment properties are included in the balance sheet at fair value and are not depreciated.

Development properties are included in non current assets where the Company intends to develop the land and hold as an investment.

Where construction or development work has commenced on existing investment properties and they are independently valued by external professional valuers they are stated at estimated market value on completion less estimated costs to complete.

The cost of properties in the course of development includes attributable interest and all costs directly associated with the purchase and construction of the property.

Sale of property assets is generally recognised on unconditional exchange except where payment or 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.

(l) 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 Income Statement.

PRINCIPAL ACCOUNTING POLICIES – CONTINUED

(m) 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.

(n) 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.

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

(p) 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 investment properties are charged to the Income Statement as incurred. Interest costs on property loans attributable to development properties and to current assets are capitalised when considered recoverable.

(q) 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.

(r) Capital reserves
Capital Reserve – Realised.
The following are accounted for in this reserve:
- gains and losses on the realisation of securities and property investments.
- realised exchange differences of a capital nature.
- expenses and finance costs, together with the related taxation effect, charged to this reserve in accordance with the above policies.
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature including guarantees.

Capital Reserve – Unrealised.
The following are accounted for in this reserve:
- increases and decreases in the valuation of investments held at the year-end.
- unrealised exchange differences of a capital nature.
- provisions charged against carrying value of investments held at the year end.
- provisions for deferred taxation in respect of revalued properties.

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

(t) Share based payments
The cost of granting share options and other share based remuneration to employees and directors is recognised through the Income Statement with reference to the fair value at the date of grant. In the case of options granted, fair value is measured using the Black Scholes option pricing model and charged over the vesting period of the options.

PRINCIPAL ACCOUNTING POLICIES – CONTINUED

(u) 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 1st January, 2009 or later periods. The Group has not early adopted the standards, amendments and interpretations described below:

(i) IFRS 2 Share based payments (effective from 1st January, 2009)
(ii) IFRS 3 Business combinations (effective from 1st July, 2009)
(iii) IFRS 5 Non current assets held for sale and discontinued operations (effective from 1st July, 2009)
(iv) IFRS 8 Operating segments (effective from 1st January, 2009)
(v) Amendment to IAS 1 Presentation of financial statements (effective from 1st January, 2009)
(vi) Amendment to IAS 23 Borrowing costs (effective from 1st January, 2009)
(vii) Amendment to IAS 27 Consolidated and separate financial statements (effective from 1st January, 2009)
(viii) Amendment to IAS 28 Investments in associates (effective from 1st July, 2009)
(ix) Amendment to IAS 32 Financial instruments: presentation (effective from 1st January, 2009)
(x) Amendment to IAS 39 Financial instruments: recognition and measurement (effective from 1st July, 2009)

These changes are not expected to have a material impact on the financial statements

(v) 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 the fair value of investments at fair value through profit or loss, any impairment in the value of loans and the value of property investments.

(i) The fair 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 balance sheet date.

(ii) The value of loans is at amortised cost, and

(iii) The value of property investments is based on independent third party valuations. These valuations are based on assumptions including rental values, yield rates and future operating costs.

NOTES TO THE ACCOUNTS

1 INCOME

	2008 £'000	2007 £'000
Income from investments		
Dividend income – Listed UK	166	193
Interest receivable: Bank and Brokers	63	70
Other	37	107
	266	370
Rental income	2,451	2,339
	2,717	2,709
Other operating income		
Dealing profits and losses	(178)	(88)
Management fees receivable	141	145
Other	31	35
	(6)	92
Total income	2,711	2,801
Total income comprises:		
Dividends	166	193
Interest	100	177
Rental income	2,451	2,339
Other operating income	(6)	92
	2,711	2,801

NOTES TO THE ACCOUNTS – CONTINUED

2 OPERATING COSTS

Operating costs comprise the following:	2008 £'000	2007 £'000
a) Property outgoings and impairments:		
Directors' emoluments (excluding benefits in kind)	23	–
Wages and salaries	43	59
Provision against developments in hand	2,220	253
Other operating costs	1,005	894
	3,291	1,206
b) Administrative overheads:		
Directors' emoluments (excluding benefits in kind)	588	371
Auditors' remuneration *	73	77
Depreciation	11	13
Wages and salaries	174	239
Redundancy costs	106	–
Social security costs	42	71
Share based payments to employees	4	16
Operating lease rentals – land and buildings	28	28
Other operating costs	436	629
	1,462	1,444
	4,753	2,650

* A more detailed analysis of auditors remuneration is as follows:

	2008 £'000	2007 £'000
Audit fees	23	23
Auditors' other fees – category 1 (The auditing of accounts of subsidiaries of the company pursuant to legislation)	40	43
Auditors' other fees – category 3 (Other services relating to taxation)	10	11
	73	77

The Directors consider the auditors were 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 7 (2007: 7). No staff costs were incurred by the Company.

The Group has the following commitments under operating leases:	2008 £'000	2007 £'000
Less than 1 year	21	28
1 – 2 years	–	21
	21	49

NOTES TO THE ACCOUNTS – CONTINUED

3 DIRECTORS EMOLUMENTS

The emoluments of the directors and details of options held are disclosed in the Remuneration Report on page 17.

4 FINANCE COSTS

	2008 £'000	2007 £'000
Interest payable on loans and overdrafts	927	991

In addition £269,000 (2007: £124,000) was capitalised on development properties.

5 TAXATION

	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000
(a) Analysis of credit in period:						
UK Corporation tax at 28.5% (2007: 30%)	–	–	–	–	–	–
Adjustments in respect of prior years:						
Corporation tax	–	–	–	–	–	–
Total group tax on profits	–	–	–	–	–	–
Deferred tax on potential capital gains	–	(848)	(848)	–	(595)	(595)
Adjustment in respect of prior years	–	–	–	–	(60)	(60)
Total tax credit	–	(848)	(848)	–	(655)	(655)
(b) Factors affecting tax charge for period:						
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	(895)	(5,510)	(6,405)	(303)	(926)	(1,229)
Tax effect of:						
Change in valuation allowance	–	2,025	2,025	–	(186)	(186)
Investment losses/(gains) not taxable	–	1,804	1,804	–	(300)	(300)
Profit on disposal of property not taxable	–	(144)	(144)	–	–	–
Capital expenditure not allowable for CGT	–	–	–	–	1,002	1,002
Dividend income not taxable	(47)	–	(47)	(72)	–	(72)
Expenses disallowed	107	–	107	243	–	243
Losses utilised in current year	(150)	(7)	(157)	(239)	–	(239)
Losses carried forward for future offset	985	971	1,956	186	–	186
Capital gain offset by revenue losses	–	–	–	185	(185)	–
Adjustments in respect of prior years	–	–	–	–	(60)	(60)
Other differences – rate change	–	13	13	–	–	–
Actual tax credit	–	(848)	(848)	–	(655)	(655)

The Group has unutilised tax losses of approximately £14.0 million (2007: £11.4 million) available against future corporation tax liabilities. The potential deferred taxation asset of £3.9 million (2007: £3.2 million) in respect of these losses has not been recognised in these financial statements as it is not considered sufficiently probable that the Group will generate sufficient taxable profits in the foreseeable future to recover these amounts in full.

NOTES TO THE ACCOUNTS – CONTINUED

6 EARNINGS PER SHARE

Basic and diluted earnings per share

The Basic and diluted earnings per share figure is based on the net loss for the year attributable to the equity shareholders of £20,817,000 (2007: loss £2,872,000) and on 4,879,694 (2007: 4,876,880) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The calculation for diluted earnings per share would have included 8,908 (2007: 18,123) shares deemed to have been issued at nil consideration as a result of options granted but these have not been recognised as they would reduce the loss per share.

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

	2008 £'000	2007 £'000
Net revenue loss attributable to equity holders of the parent	(2,874)	(993)
Net capital loss attributable to equity holders of the parent	(17,943)	(1,879)
Net total loss	(20,817)	(2,872)
Weighted average number of ordinary shares in issue during the period	4,879,694	4,876,880
Basic and diluted earnings per share	Pence	Pence
Revenue	(58.9)	(20.4)
Capital	(367.7)	(38.5)
Total basic earnings per share	(426.6)	(58.9)

7 DIVIDENDS

	2008 £'000	2007 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31st December, 2007 of 5p (2006: 6p) per share	244	293
	244	293

We also set out below the total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 842 Income and Corporation Taxes Act 1988 are considered.

Proposed final dividend for the year ended 31st December, 2008 of 1p (2007: 5p) per share	49	244

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

NOTES TO THE ACCOUNTS – CONTINUED

8 INVESTMENTS – SECURITIES

	Group & Company 2008 £'000	Group & Company 2007 £'000
Listed securities – on the London Stock Exchange	764	2,150
Listed securities – on overseas exchanges	35	351
Securities dealt in under AIM	4,680	9,617
Securities dealt in under PLUS Markets	120	443
Unlisted securities	1,089	1,704
Valuation at 31st December	6,688	14,265
Investments valued at fair value through profit or loss	6,353	13,976
Loans and receivables valued at amortised cost	335	289
	6,688	14,265

Year Ended 31st December, 2008

	Listed in UK £'000	Listed overseas £'000	AIM £'000	PLUS Markets £'000	Unlisted £'000	Total £'000
Group and Company:						
Opening cost	508	352	3,745	557	2,813	7,975
Opening unrealised gains/(losses)	1,642	(1)	5,872	(114)	(1,109)	6,290
Opening fair value	2,150	351	9,617	443	1,704	14,265
Movements in the year:						
Purchases at cost	–	–	153	–	111	264
Sales – proceeds	(521)	–	(617)	–	(373)	(1,511)
Sales – realised gains/(losses) on sales	167	–	(243)	–	139	63
Unrealised losses	(1,020)	(316)	(4,290)	(238)	(529)	(6,393)
Transfer between Listed, PLUS, AIM and Unlisted	(12)	–	60	(85)	37	–
Closing fair value	764	35	4,680	120	1,089	6,688
Closing cost	142	352	3,098	472	2,727	6,791
Closing unrealised gains/(losses)	622	(317)	1,582	(352)	(1,638)	(103)
Closing fair value	764	35	4,680	120	1,089	6,688

NOTES TO THE ACCOUNTS – CONTINUED

8 INVESTMENTS – SECURITIES – continued

Year Ended 31st December, 2007

	Listed in UK £'000	Listed overseas £'000	AIM £'000	PLUS Markets £'000	Unlisted £'000	Total £'000
Group and Company:						
Opening cost	717	351	3,548	334	3,670	8,620
Opening unrealised gains/(losses)	2,126	(97)	4,815	(200)	(1,919)	4,725
Opening fair value	2,843	254	8,363	134	1,751	13,345
Movements in the year:						
Purchases at cost	–	28	678	38	434	1,178
Sales – proceeds	(724)	(26)	(653)	–	(3)	(1,406)
Sales – realised gains/(losses) on sales	367	(1)	122	–	(1,053)	(565)
Unrealised gains/(losses)	(484)	96	1,057	86	810	1,565
Transferred from current assets	148	–	–	–	–	148
Transfer between PLUS, AIM and Unlisted	–	–	50	185	(235)	–
Closing fair value	2,150	351	9,617	443	1,704	14,265
Closing cost	508	352	3,745	557	2,813	7,975
Closing unrealised gains/(losses)	1,642	(1)	5,872	(114)	(1,109)	6,290
Closing fair value	2,150	351	9,617	443	1,704	14,265

	Group & Company 2008 £'000	2007 £'000
Realised gains/(losses)on sales	63	(565)
Unrealised (losses)/gains	(6,393)	1,565
(Loss)/gain on investments	(6,330)	1,000

The investment in AIM stocks by the Company is £241,000 greater than that shown above as a result of unrealised gains on intra-group transfers being eliminated on consolidation. In all other respects the investments held by the Company are as shown in the table above.

NOTES TO THE ACCOUNTS – CONTINUED

8 INVESTMENTS – SECURITIES – continued

An analysis of the investment portfolio by broad industrial or commercial sector is contained within the Report of the Directors. The largest ten investments as at 31st December, 2008 all of which are incorporated in Great Britain, with the exception Hallin Marine Subsea International plc which is incorporated in the Isle of Man, were:

	Market Value £'000	% of Portfolio
UK and overseas listed securities		
British American Tobacco plc – cigarette manufacturer and distributor	224	3.35
Welsh Industrial Investment Trust plc – an authorised investment trust in the sector of UK capital growth	455	6.80
Securities dealt in under AIM		
Hallin Marine Subsea International plc – specialise in offshore sub-sea intervention primarily for the oil, gas and telecommunication industries	3,108	46.47
Portland Gas plc – development and operation of gas storage facilities and gas infrastructure	125	1.87
SpaceandPeople plc – marketing and sale of promotional space on behalf of shopping centres and other similar venues	714	10.68
Securities dealt in under PLUS Market		
Wheelsure Holdings plc – development and sale of safety products predominately in the transport and service industries	120	1.79
Unquoted securities		
AudioGravity Holdings plc – development of advanced wind noise rejection technology	228	3.41
Gizmo Packaging Limited – development of a device which provides instant mixing of two ingredients immediately prior to use	188	2.81
Quodpod Limited – Loan Stock – development of a new and innovative travel catering system	138	2.06
Strathclyde University Incubator Limited – Scotland's first business incubator supporting a number of predominately technology based businesses	120	1.79
	5,420	81.03

The information required in respect of significant investments where the market value exceeds £250,000, all of which principally trade and are registered in England with the exception of Hallin Marine Subsea International plc, is as follows:

Welsh Industrial Investment Trust plc
Financial Summary

Year ended 5th April, 2008	£'000s
Turnover	297
Profit before interest	209
Profit before tax	205
Profit after tax	205
Net assets	6,235
Earnings per share	(104.7)p
Dividend per share	8.75p

Shares	Ordinary 5p	8.75% Cumulative Preference of 20p
Total issued	1,350,000	225,000
Number held	350,000	98,092
% of class	25.9	43.6
Cost (£'000s)	–	22
Market value (£'000s)	455	22

NOTES TO THE ACCOUNTS – CONTINUED

8 INVESTMENTS – SECURITIES – continued

Hallin Marine Subsea International plc
Financial Summary

Year ended 31st December, 2008	US$'000s		
		Shares	Ordinary
Turnover	139,898		1p
Profit before interest	36,894	Total issued	41,304,574
Profit before tax	35,398	Number held	3,700,000
Profit after tax	31,476	% of class	9.0
Net assets	63,655	Cost (£'000s)	37
Earnings per share	$0.7761	Market value (£'000s)	3,108
Proposed dividend per share	2p		

SpaceandPeople plc
Financial Summary

Year ended 31st October, 2008	£'000s		
		Shares	Ordinary
Turnover	2,548		1p
Profit before interest	565	Total issued	11,655,000
Profit before tax	621	Number held	1,587,500
Profit after tax	466	% of class	13.6
Net assets	1,636	Cost (£'000s)	168
Earnings per share	4.0p	Market value (£'000s)	714
Dividend per share	2p		

9 INVESTMENTS – PROPERTIES

	Group 2008 £'000	Group 2007 £'000
Net book value and valuation		
At 1st January	38,805	40,469
Additions during the year – expenditure on existing properties	513	4,727
Disposals during the year	–	(2,284)
Revaluation during the year:	(13,568)	(4,107)
At 31st December	25,750	38,805

Investment Properties 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 Income Statement.

All investment properties were valued by King Sturge LLP, Chartered Surveyors, as at 31st December, 2008 at a combined total of £25,750,000. 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.

NOTES TO THE ACCOUNTS – CONTINUED

9 INVESTMENTS – PROPERTIES – continued

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

	2008 £'000	2007 £'000
Not later than one year	1,456	2,100
Between 2 and 5 years	2,948	3,667
Over 5 years	2,134	2,630
	6,538	8,397

Rental income recognised in the income statement amounted to £2,451,000 (2007: £2,339,000).

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. Typically the properties are let for a term of between 5 – 15 years at a market rent with rent review positions every five years. 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. In one location due to the nature and condition of the units and the estate generally the tenants occupy the various units on older leases which are being held over.

The cost of the above properties as at 31st December, 2008 is as follows:

	Group £'000
Brought forward	24,166
Additions during the year	513
Disposals during the year	–
	24,679

Capital commitments	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Capital expenditure contracted for but not provided for in the accounts	46	–	–	–

Movement in fair value of property investments	Group	
	2008 £'000	2007 £'000
Realised gains on disposal of property	56	22
Decrease in unrealised appreciation	(13,568)	(4,107)
Movement in fair value of property investments	(13,512)	(4,085)

NOTES TO THE ACCOUNTS – CONTINUED

10 INVESTMENT IN ASSOCIATE

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Loan to associate (net of provision)	340	169	–	–
Less share of associate losses	(340)	(169)	–	–
	–	–	–	–

Loan to associate relates to a loan to New Capital (Speke) Limited in which the Group has a 45% (2007: 35%) equity interest. The results of New Capital (Speke) Limited for the year ended 31st December are as follows:-

	2008	2007
	£'000	£'000
Turnover	103	–
Loss on ordinary activities before taxation	(463)	(485)
Taxation on ordinary activities	–	–
Loss on ordinary activities after taxation	(463)	(485)
At 31st December, 2008		
Fixed assets	6,136	6,122
Current assets	284	432
Creditors: amounts falling due within one year	(3,711)	(3,379)
Creditors: amounts falling due after one year	(3,660)	(3,660)
	(951)	(485)

NOTES TO THE ACCOUNTS – CONTINUED

11 OTHER INVESTMENTS

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Subsidiary undertakings				
Shares – At cost	–	–	322	322
Less provision	–	–	(320)	(320)
	–	–	2	2

The principal subsidiary undertakings of Gresham House plc, all of which principally trade and are registered in England or Scotland, 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		75
Deacon Knowsley Limited – property investment		75
Gresham House Finance plc – finance	100	
Knowsley Industrial Property Limited – property construction/development		75
New Capital Construction plc – property construction		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

In addition the Group has the following shareholdings which have not been equity accounted for as the amounts involved are immaterial:

(i) an interest of 50% in Tower Street Properties Limited. The aggregate capital and reserves of Tower Street Properties Limited as at 30th June, 2008, being the latest available accounts, and its loss for the year then ended amounted to £(5,341,379) and £(68,685) respectively; and

(ii) an interest of 50% in Abshot Finance Company Limited. The aggregate capital and reserves of Abshot Finance Company Limited as at 31st July, 2008, being the latest accounts available, and its loss for the year then ended amounted to £(178,844) and £(73,111) respectively.

NOTES TO THE ACCOUNTS – CONTINUED

12 PROPERTY, PLANT AND EQUIPMENT

	Group					
		2008			2007	
	Motor Vehicles £'000	Freehold Property £'000	Total £'000	Motor Vehicles £'000	Freehold Property £'000	Total £'000
Deemed cost						
As at 1st January	19	525	544	19	525	544
Disposals during the year	–	(525)	(525)	–	–	–
As at 31st December	19	–	19	19	525	544
Depreciation						
Balance 1st January	15	42	57	13	31	44
Charge for the year	1	10	11	2	11	13
Disposals during the year	–	(52)	(52)	–	–	–
Balance 31st December	16	–	16	15	42	57
Net book values at 31st December, 2008	3	–	3	4	483	487
Net book values at 31st December, 2007	4	483	487	6	494	500

	Company	
	2008 Freehold Property £'000	2007 Freehold Property £'000
Deemed cost		
Balance 1st January	525	525
Disposals during the year	(525)	–
As at 31st December	–	525
Depreciation		
Balance 1st January	42	31
Charge for the year	10	11
Disposals during the year	(52)	–
Balance 31st December	–	42
Net book values at 31st December	–	483

NOTES TO THE ACCOUNTS – CONTINUED

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Amounts receivable within one year:				
Trade receivables	910	889	–	–
Less allowance for credit losses	(549)	(392)	–	–
	361	497	–	–
Allowances for credit losses on trade receivables:				
Allowances as at 1st January	392	427	–	–
Changes during the year charged/(released) to Income				
Statement – allowances reversed	–	(47)	–	–
– additional allowances	157	12	–	–
Allowances as at 31st December	549	392	–	–

Trade and other receivables are assessed for impairment when older than 90 days. As at 31st December, 2008, trade receivables of £53,000 (2007: £18,000) were past due but not impaired. The ageing analysis of these trade receivables in as follows:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
1-3 months	–	–	–	–
3-6 months	38	18	–	–
More than 6 months	15	–	–	–

As at 31st December, 2008 trade receivables of £549,000 (2007: £392,000) were impaired and provided for. The aging of these receivables is as follows:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
1-3 months	25	–	–	–
3-6 months	53	–	–	–
6-12 months	44	8	–	–
More than 12 months	427	384	–	–

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.

The maximum exposure to credit risk at the reporting date in respect of trade and other receivables is £361,000 (2007: £497,000).

NOTES TO THE ACCOUNTS – CONTINUED

14 OTHER CURRENT ASSETS

	Notes	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Listed and other securities held		142	451	–	–
Developments in hand	(a)	3,006	4,966	–	–
Other loans	(b)	284	555	–	–
		3,432	5,972	–	–

(a) Developments in hand consist of two property development sites.

(b) Loans have been classified as current assets as the loans are repayable on demand.

15 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Trade creditors	361	278	–	–
Other creditors	266	59	13	13
Accruals	1,075	1,151	–	–
	1,702	1,488	13	13

16 CURRENT LIABILITIES – SHORT TERM BORROWINGS

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Bank overdrafts and short-term loans (secured)				
– property loans (note 17)	17,939	7,568	–	–
– other	–	–	128	1,083
	17,939	7,568	128	1,083

Property loans shown as short term borrowings include £2,067,000 not repayable under a loan agreement until 2011. Whilst the bank have not requested a formal test of the loan-to-value covenant contained within this loan agreement, on the basis of the property valuation carried out by King Sturge, this covenant would not be met if tested. Accordingly the directors consider it appropriate to show the loan as due within one year and, furthermore, this loan forms part of the refinancing arrangements referred to in the Chairman's Statement and set out in accounting policy (a) to these financial statements.

NOTES TO THE ACCOUNTS – CONTINUED

17 NON-CURRENT LIABILITIES – LONG TERM BORROWINGS

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Property Loans	–	10,130	–	–
	–	10,130	–	–

The loans relate to property investments held in Chartermet Limited, Deacon Industrial Projects Limited, Knowsley Industrial Property Limited, New Capital Developments Limited and Newton Estate Limited.

Details of total loans are as follows:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Bank loans				
7.09% fixed	3,624	3,624	–	–
1.2% over 3 month LIBOR	225	627	–	–
1.0% over bank base rate	2,067	2,108	–	–
3.25% over bank base rate	1,457	1,125	–	–
2.5% over bank base rate	6,000	–	–	–
2.0% over 3 month LIBOR	–	6,000		
1.5% over 3 month LIBOR	4,566	4,214	–	–
	17,939	17,698	–	–

Bank loans are secured by way of a legal mortgage over the investment property or development in hand concerned which have a carrying value of £25.2 million, and a floating charge over the assets of the relevant company. In addition there are cross guarantees in place with a fellow subsidiary undertaking.

Loans or instalments thereof are repayable over the following periods:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Less than 1 year	17,939	7,568	–	–
Between 1 and 2 years	–	8,104	–	–
Between 2 and 5 years	–	2,026	–	–
Over 5 years	–	–	–	–
	17,939	17,698	–	–

NOTES TO THE ACCOUNTS – CONTINUED

18 DEFERRED TAXATION

Income taxes

Under International Accounting Standards ("IAS") 12 (Income Taxes) provision is made for the deferred tax liability associated with the revaluation of investment properties. The Group provides for deferred tax on investment properties by reference to the tax that would be due on the sale of the investment properties by applying the capital gains tax rate of 28% (2007: 28%) to the revaluation surplus after indexation allowance.

The deferred tax provision on the revaluation of investment properties calculated under IAS 12 is £nil at 31st December, 2008 (2007: £848,000).

Analysis of deferred tax

	Group revaluation of investment properties £'000	Company £'000
At 31st December, 2006	1,503	–
Recognised in income statement (note 5)	(655)	–
At 31st December, 2007	848	–
Recognised in income statement (note 5)	(848)	–
At 31st December, 2008	–	–

19 CALLED UP SHARE CAPITAL

	2008 £'000	2007 £'000
Share Capital		
Authorised: £4,750,000 (2007: £4,750,000)		
Allotted: Ordinary – 4,881,880 (2007: 4,876,880) fully paid shares of 25p each	1,220	1,219

On 3rd May, 2005 the Company granted share options over a total of 35,600 ordinary shares exercisable between 3rd May, 2008 and 3rd May, 2012 at an exercise price of 337.5p. During the year ended 31st December, 2008 5,000 (2007: nil) of these options were exercised and 2,000 lapsed (2007: nil).

NOTES TO THE ACCOUNTS – CONTINUED

20 RESERVES

	2008				2007			
	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 1st January	831	44	48,306	(9,538)	831	28	49,908	(7,975)
Issue of share capital	16	–	–	–	–	–	–	–
Share based payments	–	(2)	–	6	–	16	–	–
Net profit/(loss) on realisation of investments	–	–	63	–	–	–	(565)	–
Net profit on disposal of property plant & equipment	–	–	507	–	–	–	–	–
(Decrease)/increase in unrealised appreciation	–	–	(6,393)	–	–	–	1,565	–
Deficit arising on property revaluation	–	–	(12,176)	–	–	–	(2,901)	–
Profit on disposal of investment properties	–	–	56	–	–	–	22	–
Revenue loss for the year	–	–	–	(2,874)	–	–	–	(993)
Dividends paid	–	–	–	(244)	–	–	–	(293)
Reserves transfer	–	–	–	–	–	–	277	(277)
As at 31st December	847	42	30,363	(12,650)	831	44	48,306	(9,538)

Following a review of reserves during the prior year, an adjustment has been made between the capital and revenue reserves to reflect the correct allocation of the minority interest in these reserves.

	2008				2007			
Company								
Balance at 1st January	831	44	11,931	268	831	28	10,883	360
Issue of share capital	16	–	–	–	–	–	–	–
Share based payments	–	(2)	–	6	–	16	–	–
Net profit/(loss) on realisation of fixed asset investments	–	–	63	–	–	–	(565)	–
Net profit on disposal of property plant & equipment	–	–	507	–	–	–	–	–
(Decrease)/increase in unrealised appreciation	–	–	(6,393)	–	–	–	1,565	–
Revenue profit for the year	–	–	–	70	–	–	–	249
Dividends paid	–	–	–	(244)	–	–	–	(293)
Reserves transfer	–	–	–	–	–	–	48	(48)
As at 31st December	847	42	6,108	100	831	44	11,931	268

	2008 £'000	2007 £'000
Minority interest:		
Balance as at 1st January	1,141	1,708
Interest in revenue return for the year	(266)	(16)
Interest in capital return for the year	(544)	(551)
Balance as at 31st December	331	1,141

The following amounts within Capital reserve are realised:

	2008 £'000	2007 £'000
Group	29,394	28,705
Company	6,211	5,641

NOTES TO THE ACCOUNTS – CONTINUED

21 NET ASSET VALUE PER SHARE

Basic

Basic net asset value per ordinary share is based on Equity attributable to equity shareholders at the year end and on 4,881,880 (2007: 4,876,880) ordinary shares being the number of ordinary shares in issue at the year end.

Diluted

Diluted net asset value per ordinary share is based on Equity attributable to equity shareholders at the year end and on 4,890,788 (2007: 4,895,003) ordinary shares. The number of shares is based upon the number of shares in issue at the year end together with 8,908 (2007: 18,123) shares deemed to have been issued at nil consideration as a result of options granted.

	£'000
The movement during the year of the assets attributable to ordinary shares were as follows:	
Total net assets attributable at 1st January, 2008	40,862
Total recognised losses for the year	(20,817)
Issue of shares	17
Share based payments	4
Dividends appropriated in the year	(244)
Total net assets attributable at 31st December, 2008	19,822

22 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Revenue return before taxation	(3,140)	(1,009)	70	249
Interest payable	927	991	–	–
Share based payments	4	16	4	16
Depreciation of property, plant and equipment	11	13	10	11
Share of associates losses	171	169	–	–
	(2,027)	180	84	276
Decrease/(increase) in current assets	2,869	339	(8)	(24)
(Decrease)/increase in current liabilities	254	(29)	–	1
	1,096	490	76	253

NOTES TO THE ACCOUNTS – CONTINUED

23 FINANCIAL INSTRUMENTS

The Company's business is that of an Authorised Investment Trust and conducts its affairs so as to qualify as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988. As an investment trust, the Company invests 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 financial services and property investment/development.

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) contracts for future movements in share indices;

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

(v) short term and long-term borrowings.

The following categories of financial instruments, as at 31st December, 2008, were held by:

Group	2008		2007	
	Loans and receivables £'000	Assets at fair value through profit or loss £'000	Loans and receivables £'000	Assets at fair value through profit or loss £'000
Financial assets per balance sheet				
Investments – securities	335	6,353	289	13,976
Investment in associate	–	–	–	–
Trade and other receivables	361	–	497	–
Accrued income	1,262	–	414	–
Listed and other securities held	–	142	–	451
Other loans	284	–	555	–
Cash and cash equivalents	1,839	–	1,337	–
	4,081	6,495	3,092	14,427

	2008 Other financial liabilities £'000	2007 Other financial liabilities £'000
Financial liabilities per balance sheet		
Trade, other creditors and accruals	1,702	1,488
Property loans – short term	17,939	7,568
long term	–	10,130
	19,641	19,186

NOTES TO THE ACCOUNTS – CONTINUED

23 FINANCIAL INSTRUMENTS – continued

Company

	2008 Loans and receivables £'000	2008 Assets at fair value through profit or loss £'000	2007 Loans and receivables £'000	2007 Assets at fair value through profit or loss £'000
Financial liabilities per balance sheet				
Investments – securities	335	6,353	289	13,976
Accrued income	1,012	–	24	–
Cash and cash equivalents	756	–	615	–
	2,103	6,353	928	13,976

	2008 Other financial liabilities £'000	2007 Other financial liabilities £'000
Financial liabilities per balance sheet		
Trade and other creditors	13	13
Other loans	128	1,083
	141	1,096

Further details of the investment portfolio can be found in Note 8 of these financial statements.

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 balance sheet 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 8. No single investment is permitted to exceed 15% of total investment assets at the point of investment. The executive directors manage these risks by regular reviews of the portfolio within the context of current market conditions.

The Company's total return and balance sheet can be affected by foreign exchange movements due to the Company having assets denominated in currencies other than the Group's base currency (Sterling) although the Board does not believe this exposure to be material. As at 31st December, 2008 the Company had an investment valued at £35,000 denominated in Australian dollars (2007: £351,000).

The majority of the value of the Company's investment portfolio is traded on AIM (70.0%) within the sub-portfolio are the Company's largest investments, Hallin Marine Subsea International plc and SpaceandPeople plc which account for 81.7% of the value of that sub-portfolio. As at 31st March, 2009, Hallin had increased in value by 42% whilst SpaceandPeople had decreased by 11%. The remainder of the AIM portfolio had increased by an average of 6%.

Unquoted investments are valued as per accounting policy (k) 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 31st March, 2009 the value of the overall investment portfolio had increased by £908,000 (i.e. 13.6%) from that as at the year end equivalent to 18.6p per share on both earnings per share and net asset value. Based on values as at 31st December, 2008 a 10% movement in the value of the portfolio would be equivalent to a movement of 13.7p per share in both earnings per share and net asset value.

NOTES TO THE ACCOUNTS – CONTINUED

23 FINANCIAL INSTRUMENTS – continued

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:

	2008 £'000	2007 £'000
Loan stock investments held at amortised cost	335	289
Other loans	284	555
Trade and other receivables	361	497
Accrued income	1,262	414
Cash and cash equivalents	1,839	1,337
	4,081	3,092

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 13 to these financial statements. The Company's exposure to credit risk is restricted to loan stock investments, cash and cash equivalents, other loans and accrued income totalling £2,103,000 (2007: £928,000).

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

	2008 £'000	2007 £'000
(a) Loan stock investments		
Repayable within: 1 year	308	108
1-2 years	27	94
2-3 years	–	27
3-4 years	–	60
	335	289

As at 31st December, 2008 Loan Stock investments totalling £143,000 (2007: £107,000) were impaired and provided for.

	2008 £'000	2007 £'000
(b) Other Loans		
Repayable within: 1 year	284	555
1-2 years	–	–
	284	555

As at 31st December, 2008 other loans totalling £182,000 (2007: £544,000) were impaired and provided for, loans with a value of £281,000 (2007: £209,000) were overdue for payment but not impaired and a loan of £nil (2007: £300,000) related to a revolving facility which is reviewable on a quarterly basis.

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.

NOTES TO THE ACCOUNTS – CONTINUED

23 FINANCIAL INSTRUMENTS – continued

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 Group has attempted to minimise this risk by structuring its long term borrowings by having a mix of fixed and floating rates. The rental flows deriving from investment properties are sufficient to cover current quarterly capital repayments and interest commitments.

The interest rate exposure profile of the Group's financial assets and liabilities as at 31st December, 2008 and 2007 were:

Group:

	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
As at 31st December, 2008						
Portfolio	6,243	445	–	–	–	6,688
Dealing securities	142	–	–	–	–	142
Cash	–	–	1,839	–	–	1,839
Trade and other receivables	361	–	–	–	–	361
Accrued income	1,262	–	–	–	–	1,262
Other loans	–	284	–	–	–	284
Creditors						
– falling due within 1 year	(1,702)	–	–	(3,624)	(14,315)	(19,641)
	6,306	729	1,839	(3,624)	(14,315)	(9,065)

	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
As at 31st December, 2007						
Portfolio	13,870	395	–	–	–	14,265
Dealing securities	451	–	–	–	–	451
Cash	–	–	1,337	–	–	1,337
Trade and other receivables	497	–	–	–	–	497
Accrued income	414	–	–	–	–	414
Loans	–	255	300	–	–	555
Creditors						
– falling due within 1 year	(1,488)	–	–	–	(7,568)	(9,056)
– falling due after 1 year	–	–	–	(3,624)	(6,506)	(10,130)
	13,744	650	1,637	(3,624)	(14,074)	(1,667)

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 8.69% (2007: 8.57%).

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

Fixed rate liability loans have a weighted average interest rate of 7.09% (2007: 7.09%), and a weighted average maturity value of 0.50 years (2007: 1.50 years).

The fair values of all financial instruments are not considered to be materially different to the values disclosed in the above table.

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

NOTES TO THE ACCOUNTS – CONTINUED

23 FINANCIAL INSTRUMENTS – continued

The interest rate exposure profile of the Company's financial assets and liabilities as at 31st December, 2008 and 2007 were:

Company:

	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
As at 31st December, 2008						
Portfolio	6,243	445	–	–	–	6,688
Cash	–	–	756	–	–	756
Accrued income	1,012	–	–	–	–	1,012
Creditors						
– falling due within 1 year	(141)	–	–	–	–	(141)
	7,114	445	756	–	–	8,315

	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
As at 31st December, 2007						
Portfolio	13,870	395	–	–	–	14,265
Cash	–	–	615	–	–	615
Other current assets	24	–	–	–	–	24
Creditors						
– falling due within 1 year	(1,096)	–	–	–	–	(1,096)
	12,798	395	615	–	–	13,808

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 substantial bank borrowings, the section below shows the sensitivity of interest payable to change in interest rates:

	2008 £'000 Profit and net assets	2007 £'000 Profit and net assets
If interest rates were 0.5% lower with all other variables constant - increase	90	88
Increase in earnings and net asset value per ordinary share (pence)	0.02	0.02
If interest rates were 0.5% higher with all other variables constant - decrease	(90)	(88)
Decrease in earnings and net asset value per ordinary share (pence)	(0.02)	(0.02)

Liquidity risk

The investments in equity investments in AIM 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 . An analysis of the maturity of the loans to be repaid can be found in note 17 with further information on the loans to be repaid within one year in accounting policy (a).

NOTES TO THE ACCOUNTS – CONTINUED

23 FINANCIAL INSTRUMENTS – continued

Contracts for futures

Market Risk

Market risk arises mainly from the uncertainty about future price movements of share indices and commodity prices compared to the expected movement as set in the futures contract entered into by the Group.

The Group minimises the risk involved in trading in contracts for futures, by establishing limits on the level of trading that can be undertaken without Board approval and through the formal controls in place over the safe custody of investment title certificates, which are required as collateral for the trading undertaken. The market value of underlying contracts for futures at 31st December, 2008 was £nil (2007: £309,000).

Capital risk management

The group manages its capital to ensure that entities within the Group and the Company will be able to continue as a going concern whilst maintaining sustainable returns to shareholders.

The capital structure of the Group and Company consists of both short term and long term borrowings as disclosed in notes 16 and 17, 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 19 and 20. 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.

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Debt	(17,939)	(17,698)	(128)	(1,083)
Cash and cash equivalents	1,839	1,337	756	615
Net (debt)/cash	(16,100)	(16,361)	628	(468)
Net (debt)/cash as a % of net assets	(79.9%)	(39.0%)	7.6%	(3.3%)

NOTES TO THE ACCOUNTS – CONTINUED

24 SHARE BASED PAYMENTS

The Group operates a share option scheme for all executive directors and members of staff. Details of share options outstanding were:

	2008		2007	
	Share options Number	Weighted average price (p)	Share options Number	Weighted average price (p)
Outstanding at 1st January	32,600	337.5	32,600	337.5
Lapsed during the year	(2,000)	(337.5)	–	–
Exercised during the year	(5,000)	(337.5)	–	–
Outstanding 31st December	25,600	337.5	32,600	337.5

The market price of the shares of Gresham House plc at the time of grant in 2004 was 325p. The market price at the date of exercise in July 2008 was 335p. The remaining options are exercisable at any time between 3rd May, 2008 and 3rd May, 2012.

Inputs into the Black Scholes model are as follows:

Weighted average share price and exercise price	337.5p
Expected volatility	45%
Interest rate	4.5%
Expected life (years)	6.3
Dividend yield	0.9%

Expected volatility was determined by using the barra number for annual volatility of the Group's share price. The expected life used in the model has been adjusted based on the management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of £4,000 (2007: £16,000) in respect of share based payment transactions.

NOTES TO THE ACCOUNTS – CONTINUED

25 DIRECTORS' BENEFICIAL SHAREHOLDINGS AND RELATED PARTY TRANSACTIONS

Directors' Beneficial Shareholdings as at 31st December, 2008

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	B.J. Hallett	R.A. Chadwick
Securities dealt in under AIM			
Hallin Marine Subsea International Plc	545,000	200,000	–
SpaceandPeople Plc	30,000	52,000	10,000
Securities dealt in under PLUS Market			
Wheelsure Holdings plc	–	109,990	–
Unquoted Securities			
Gizmo Packaging Ltd	40,000	20,000	–

Related Party Transactions

Group

Mr A. G. Ebel and Mr A. P. Stirling have a controlling interest in Watlington Securities Limited, a company which invoiced the Group a sum of £14,910 (2007: £8,935) during the year. Conversely the Group invoiced the same company £57,364 (2007: £75,000). At the year end there remained balances outstanding of £nil (2007: £1,216) and £nil (2007: £nil) respectively.

Mr D. Lucie-Smith has an interest in Pelham (London) Limited which invoiced the Group a sum of £9,264 (2007: nil) during the year all of which was outstanding at year end.

Management fees of £6,000 (2007: £18,000) were invoiced to Welsh Industrial Investment Trust plc and £400 (2007: £1,200) were invoiced to Beira Investment Trust plc, companies in which Mr A. P. Stirling is both a director and shareholder. At the year end there was a debtor balance of £144 (2007: £nil).

Management fees of £800 (2007: £nil) were invoiced to Abshot Finance Company Limited in which Security Change Limited has a 50% interest and Mr B. J. Hallett is a director. The loan stock holding at year end amounted to £179,000 (2007: £241,000), against which a provision of £79,000 (2007: £70,000) has been made.

As reported in the Remuneration Report a charge of £1,524 (2007: £9,171) has been made to operating expenses in accordance with IFRS 2 in relation to share options granted to Mr B. J. Hallett.

The Rowe Trust holds an interest of 644,209 (2007: 331,709) ordinary shares in the Company. Mrs R.H. Chopin-John is a trustee of the Rowe Trust but has no beneficial interest.

Company

During the year Gresham House plc repaid loans to Security Change Limited totalling £954,338 (2007: advanced £135,539). In addition Gresham House plc acquired Loan Stock from Security Change Limited for a sum of £87,709 (2007: £243,505). Management fees totalling £nil (2007: £250,000) were invoiced to Security Change Limited. At the year end £128,184 was owed to Security Change Limited (2007: £1,082,522).

NOTES TO THE ACCOUNTS – CONTINUED

26 SEGMENTAL REPORTING

	Investment		Property Investment		Elimination		Consolidated	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Revenue								
External income	65	211	2,546	2,412	–	–	2,611	2,623
Inter – segment income	1,156	1,329	666	89	(1,822)	(1,418)	–	–
Total revenue	1,221	1,540	3,212	2,501	(1,822)	(1,418)	2,611	2,623
(Loss)/gain on investments at fair value	(6,330)	1,000	–	–	–	–	(6,330)	1,000
Losses on property investments at fair value	–	–	(13,512)	(4,107)	–	–	(13,512)	(4,107)
Profit on disposal of property, plant and equipment	507	–	–	–	–	–	507	–
Proceeds of disposal of investment properties	–	–	–	2,306	–	–	–	2,306
Carrying value of disposal of investment properties	–	–	–	(2,284)	–	–	–	(2,284)
Total income and gains	(4,602)	2,540	(10,300)	(1,584)	(1,822)	(1,418)	(16,724)	(462)
Segment expenses	–	–	(3,291)	(1,206)	–	–	(3,291)	(1,206)
Segment profit/(loss)	(4,602)	2,540	(13,591)	(2,790)	(1,822)	(1,418)	(20,015)	(1,668)
Unallocated corporate expenses							(1,462)	(1,443)
Operating loss							(21,477)	(3,111)
Share of associate's loss							(171)	(169)
Interest expense							(927)	(991)
Interest income							100	177
Loss before taxation							(22,475)	(4,094)

All revenue is derived from operations within the United Kingdom. Property operating expenses relating to investment properties that did not generate any rental income were £112,000 (2007: £133,000).

	Investment		Property Investment		Unallocated		Consolidated	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Other Information								
Segment assets	9,321	16,642	30,473	45,395	–	–	39,794	62,037
Segment liabilities	253	172	19,389	19,014	–	848	19,642	20,034
Capital expenditure	264	1,178	513	4,727	–	–	777	5,905
Depreciation	–	–	1	2	11	11	12	13
Non-cash expenses other than depreciation	–	–	–	–	4	16	4	16

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Gresham House plc will be held at the offices of Evolution Securities Limited, 100 Wood Street, London EC2V 7AN on 2nd June, 2009 at 10.30 am for the following purposes:

ORDINARY RESOLUTIONS

1. To receive and adopt the report of the directors and the annual accounts of the Company for the year ended 31st December, 2008 together with the report of the auditors;
2. To approve and adopt the directors remuneration report;
3. To declare a dividend to shareholders of 1p per ordinary share, to be paid on 26th June, 2009 to the holders of ordinary shares at close of business on 29th May, 2009;
4. To re-elect as a director Mr D. Lucie-Smith who retires in accordance with the Company's articles of association and offers himself for re-election;
5. To re-elect as a director Mr R. A. Chadwick who retires in accordance with the Company's articles of association and offers himself for re-election;
6. 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;
7. 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;
8. To appoint PKF (UK) LLP as the Company's auditors to hold office from the conclusion of the Annual General Meeting until the conclusion of the next meeting at which accounts are laid and to authorise the directors to fix their remuneration;
9. (a) To authorise the Directors generally and unconditionally, pursuant to section 80 of the Companies Act 1985 ('CA 1985'), to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of CA 1985):

   (i) up to an aggregate nominal amount of £402,755; and

   (ii) comprising equity securities (as defined in CA 1985) up to a nominal amount of £805,510 (representing 66% of the issued ordinary share capital as at the date of this Notice) (after deducting from such limit any relevant securities allotted under paragraph (i) above) in connection with an offer by way of a rights issue:

   (A) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings: and

   (B) to holders of other equity securities as required by the rights of those securities or, as the Board otherwise considers necessary,

   but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange.

   (b) The authorities given by this Resolution shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, at the close of business on 31st August, 2010, and are in substitution for all previous authorities to allot relevant securities of the Company which shall cease to have effect from the date of this Resolution, without affecting the validity of any allotment of securities already made or to be made under them.

NOTICE OF ANNUAL GENERAL MEETING – CONTINUED

(c) During the period stipulated in (b) above, the Directors can make offers and enter into agreements which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired;

SPECIAL RESOLUTION

10. (a) Subject to the passing of Resolution 9, to give the Directors the power pursuant to section 95 of the CA 1985 to allot equity securities (as defined in section 94 CA 1985), entirely paid for in cash pursuant to authority conferred by Resolution 9 and/or where the allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the CA 1985 (treasury shares), as if section 89(1) of the CA 1985 did not apply to any such allotment, provided that this power shall be limited:

(i) to the allotment of equity securities in connection with an offer of such securities (but in the case of the authority granted under paragraph (ii) of Resolution 9, by way of a rights issue only;

(A) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares; and

(B) to holders of other equity securities, as required by the rights of those securities or, as the Board otherwise considers necessary,

but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practicable problems in or under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

(ii) in the case of the authority granted under paragraph (i) of Resolution 9, to the allotment (otherwise than pursuant to paragraph (i) above) up to an aggregate nominal amount of £61,023 (representing 5% of the issued ordinary share capital as at the date of this Notice).

(b) The powers given by this Resolution shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, at the close of business on 31st August, 2010 and are in substitution for all previous such powers, which shall cease to have effect from the date of this Resolution, without affecting the validity of any allotment of securities already made or to be made under them.

(c) During the period mentioned in (b) above the Directors can make offers and enter into agreements which would, or might, require equity securities to be allotted after the expiry of such period and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

(d) In working out the maximum amount of equity securities for the purposes of section (ii) above, the nominal value of rights to subscribe for shares or to convert any securities into shares will be taken as the nominal value of the shares which would be allotted if the subscription or conversion takes place.

By Order of the Board,
B. J. Hallett, Secretary
29th April, 2009

5 Prince's Gate
London SW7 1QJ

NOTES TO THE NOTICE OF MEETING

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:
   - 6.00 pm on 31st May, 2009; or,
   - if this Meeting is adjourned, at 10.30 am on the day two days prior to the adjourned meeting,

   shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. 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 but must specify the number of shares in respect of which each proxy is appointed.
3. 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.
4. 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

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

   To appoint a proxy using the proxy form, the form must be:
   - completed and signed;
   - hand delivered only to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or in accordance with the reply paid details; and
   - received by Capita Registrars no later than 10.30 am 31st May, 2009.

   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 an officer of the company or an attorney for the company.

   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

6. 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 (ID RA10) by 10.30 am 31st May, 2009. 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.

   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.

NOTES TO THE NOTICE OF MEETING – CONTINUED

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.

Changing proxy instructions

7. 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 Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone 0871 664 0300 (Calls cost 10p per minute plus network extras) or from overseas +44 208 639 3399.

   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

8. 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 Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. 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 an officer of the company or an attorney for the company. 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 Capita Registrars no later than 10.30 am 31st May, 2009.

   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.

Issued shares and total voting rights

9. As at 5.00 pm on 29th April, 2009, the Company's issued share capital comprised 4,881,880 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 as at 10.30 am on 31st May, 2009 is 4,881,880.

Communication

10. 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 0871 664 0300 (Calls cost 10p per minute plus network extras) or from overseas +44 208 639 3399.

    You may not use any electronic address provided either:

    - in this notice of annual general 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.

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