GRESHAM HOUSE plc

REPORT AND ACCOUNTS 2009

Registered number: 871 (England & Wales)

DIRECTORS AND ADVISERS

Company Number	871 incorporated in England
Directors	A. G. Ebel LL.B, F.C.A. *Non-executive Chairman* D. Lucie-Smith *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	Travers Smith 10 Snow Hill London EC1A 2AL
Corporate Advisers & Brokers	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR

CHAIRMAN'S STATEMENT

I am pleased to report that your Company has delivered much improved results for the year ended 31st December, 2009.

The Results

The revenue loss has decreased from £3,140,000 in 2008 to £901,000 in 2009 whilst the diluted net asset value per share has increased by 16.9% from 405.3p to 473.7p per share. This increase in the asset value per share largely arises through an increase in the value of our investment in Hallin Marine of £5,291,000 following a takeover bid from Superior Energy. On completion of the takeover in February 2010 we received £8.6 million of which £5.5 million has been invested in bonds with a minimum rating of B+. This assists the Company in its aim to build a strong platform to move forward into the next stage of its proposed expansion in the property sector.

The principal reason for the reduction in revenue losses is that development property impairments fell from £2,220,000 in 2008 to only £102,000 in 2009. Comparing the results for the two years, excluding impairments and the movement in the fair value of the interest rate swaps, the loss for 2009 would have been £532,000 against £920,000 for 2008.

The reduction of rental income has been a significant factor in our performance this year with a decrease of approximately £339,000 against last year. This primarily arose as a result of the loss of two major tenants at Force 6 Trading Estate, Newton le Willows who were not replaced due to the anticipated grant of planning for a residential development in the next few months. These tenancies represented an annualised income of £677,000 but we anticipate that this will be more than compensated for by an increase in the valuation of this site once the planning consent has been granted. In addition as a result of increased voids with their resultant liability to empty rates, property outgoings increased by £204,000 to £1,275,000 prior to impairments.

Administration overheads fell from £1,462,000 to £836,000 caused by lower staff and redundancy costs together with reduced professional fees in 2009.

Finance costs have increased to £1,052,000 (2008: £927,000) as a result of providing a sum of £267,000 to reflect the fair value of our banking swap arrangements offset by the effect of the reduction in global interest rates.

Net Asset Value Per Share

As highlighted above the diluted net asset value per share increased by approximately 16.9% from 405.3p to 473.7p principally due to the increase in the value of the investment portfolio of £5,872,000 offset by a decrease in valuation of our property portfolio of £1,524,000. More details regarding these movements are described below.

Property Portfolio

There has been a marked improvement in sentiment in the commercial property market since I reported last year. However, investment demand has been focused on the prime end of the market, essentially properties let to good covenants, on long leases and in good locations. Secondary and tertiary commercial property investments, such as our portfolio, are still suffering from the weakness in occupational demand throughout all sectors. The annual decline in capital values of the Investment Property Databank ("IPD") index in the 12 months to 31st December, 2009 was 5.6% however the index has now risen for the last 8 consecutive months. Our independent valuation of the investment property portfolio showed a 5.9% decline in values.

Despite this continuing fragility of the market, we believe that we are making sound progress in realising maximum value from the existing property portfolio.

CHAIRMAN'S STATEMENT – CONTINUED

We continue to look at property opportunities but our ability to make acquisitions is materially restricted by our need to operate within our Investment Trust status.

Investment Portfolio

The Investment Portfolio has increased from £6,688,000 to £12,723,000 at 31st December, 2009 primarily as a result of the successful takeover of Hallin Marine, the proceeds of which were received in February 2010. The remainder of the portfolio has a valuation of £4,324,000 and we are currently reviewing all the remaining investments with the objective of either selling in the short term or of realising additional value on those retained.

Dividend

In order to maintain our investment trust status we are again recommending a dividend of 1p per share payable on 25th June, 2010 to shareholders on the register on 28th May, 2010.

Future Strategy

As shareholders will be aware a resolution was passed at the 2008 Annual General Meeting whereby the investment objective and policy of the Company was changed to realise the Group's assets over a period of approximately five years with a view to returning capital to shareholders. Having now reviewed this objective in the light of the opportunities being offered, the liquid resources now available to the Company and the skill sets of the management team, your Board now believes that it would be in the best interests of shareholders to expand our base and invest in commercial property which it believes is likely to offer significant opportunities for above average returns to shareholders. We therefore intend to propose a resolution at this years Annual General Meeting to change our stated investment policy to reflect this.

Assuming that this resolution is passed by shareholders the next step will be to review the Memorandum and Articles so as to ensure they enable us to maximise our opportunities. Any change requires a special resolution and this will need 75% of those voting to carry it. At present we are not certain of being able to secure the required level of approval and we will pursue alternative solutions to achieve our goal. However it will be our intention to bring forward such a resolution in due course.

We look forward to another rewarding year and I would like to thank all our employees who have contributed to the improved results of 2009.

27th April, 2010

Tony Ebel
Chairman

CHIEF EXECUTIVE'S REPORT

Dear Shareholders,

In last year's statement we disclosed the business plan for each of the major assets of the Group. The assets all had specified objectives in order to optimise their value thereby enabling shareholders to benefit from the maximisation of net asset value per share. I would like to comment on the status of each of the principal assets and the overall performance of the Group during the year and the prospects of realising upsides on these assets.

Property Portfolio

The year end independent valuation has shown a further decrease of £1,524,000 (2008: £13,568,000) on our investment property portfolio and an impairment provision against developments in hand of £102,000 (2008: £2,220,000). The reason for the further write downs are due to the fall in the market for the first seven months of the year which resulted in a decline in the IPD index of 5.6% for the calendar year of 2009 compared to the Group's investment property valuation falling by 5.9%.

The overall rental income of the property portfolio has dropped from £2,125,000 p.a. to £1,347,000 p.a. at year end but this is largely due to our strategy of obtaining vacant possession of our industrial estate in Newton-le-Willows for re-development. A planning application on the 28 acre site was submitted in November 2009 for 441 houses and 35,000 sq ft of commercial space. St Helen's Borough Council is fully supportive of the application and there is an expectation of consent within the next few months. A number of national house-builders have submitted offers conditional on planning consent being approved to acquire the site at levels in excess of book value and at this stage we are anticipating the sale of the site on a phased payment basis by the end of the year.

At Southern Gateway, in Speke, income has decreased by £168,000 since the year end due to the loss of Eli Lilly, one of our main tenants. However we are in advanced negotiations with an existing tenant who require further space which would result in an increase in income of £50,000 per annum. In addition we are reviewing our options on the Inhalations Building with a view to creating a specialist pharmaceutical serviced laboratory operation.

At Vincent Lane, Dorking, we have agreed terms with a national discount food retailer for the sale of 40% of the 3 acre site, subject to planning. Offers have been received for the balance of the site from a number of house-builders and planners have indicated their support for a mixed use scheme. We anticipate that the total sale price will be in excess of book value.

At Curtis Road, Dorking, the onerous planning condition has now been lifted and we are now in advanced discussions to sell this site at close to book value.

At Northern Gateway, Knowsley, despite serious interest from potential occupiers and purchasers, we have not been successful to date in securing a letting or sale of the premises. Take up of new industrial space in the North West during 2009 was significant and now, with limited supply and improving demand, we are confident of achieving a positive result in 2010.

The Group is in the final stages of acquiring a 2.4 acre site on an established business park near Aberdeen. We have pre-let the site to Hallin Marine and are due to commence construction of their new facility in May, with completion due a year later. We anticipate that a sale of the completed investment in 2011 will generate a substantial profit.

CHIEF EXECUTIVE'S REPORT– CONTINUED

Investments

As reported in the Chairman's Statement, the value of our investment portfolio increased by £6,035,000 to £12,723,000 as at 31st December, 2009 mainly as a result of the increase in value of our holding in Hallin Marine of £5,291,000.

The subsequent sale of this investment realised £8.6 million in February 2010 and £5.5 million of the proceeds have now been invested in B+ rated bonds to ensure that we maintain our status as an authorised investment trust. The remaining investments total £4.324 million and include three principal investments with a book value of £2.341 million. These are:

- Welsh Industrial Investment Trust plc (book value of £801,000 including preference shares). On 1st April, 2010 shareholders voted to liquidate the company and we have subsequently received £720,000 in cash from the liquidator. In addition we expect to receive additional value by way of a distribution in specie of shares in SpaceandPeople plc and Wheelsure Holdings plc which, at today's share prices, could amount to £280,000;

- SpaceandPeople plc (book value of £873,000) – This AIM listed company which specialises in marketing and sale of promotional space on behalf of shopping centres is expected to release further value over the next year. We will increase our shareholding to approximately 16.6% on the distribution in specie of the Welsh Industrial Investment Trust holding; and

- Memorial Holdings Ltd – Gresham House invested £680,000 in a 5% stake in Memorial Holdings whose only asset is a 55 acre site that is being developed as a cemetery in Chislehurst, within the London Borough of Bromley. Cemetery space for internments is becoming scarce within the London Boroughs and the Government estimates that space for burials will run out by 2019. The first phase (10 acres) of the site is being developed and the cemetery should be operational by the spring of 2011. Revenue streams are expected to be very rewarding once fully operational. Gresham has an option to acquire a further 5% stake at £850,000 which is materially less than the final placing price of the remainder of the shares.

Loans and Cash

The total loans at 31st December, 2009 were £25,744,000. Since the year end £8,570,000 has been repaid leaving loans of £17,174,000 which are secured against the property portfolio. Although the accounts have classified the Co-Op loan of approximately £10.5 million under current liabilities, this being technically repayable on demand, it should be noted that this facility is in fact not due for repayment until May 2012 and we have received confirmation from Co-Op that it is not their current intention to call this loan. The other loans amounting to £6.947 million are with the Royal Bank of Scotland of which £3.463 million matures in July 2011 and £3.484 million matures in July 2012.

The cash at bank at 31st December, 2009 was £9,043,000 and represented 38.4% of the net assets of the Group. As mentioned previously since the year end £5.5 million has been invested in B+ rated bonds all maturing between 2013 and 2018.

The Group is in a strong position going forward with sufficient cash to expand and acquire opportunistic property assets where the management believe they will be able to add value.

CHIEF EXECUTIVE'S REPORT – CONTINUED

Future Strategy

We are currently disposing of both property and investments with a view to investing in assets with greater returns such as the proposed development of the Hallin Marine head office in Aberdeen and the cemetery in Chislehurst. We are also looking at investing in other property investments both on a corporate and stand alone basis but we are restricted as to the manner in which we invest in some property transactions to ensure that we do not breach our Investment Trust status. We therefore either have to pass on these opportunities or find a joint venture partner thereby giving away part of our profit to another investor. This is not a sound basis to enhance shareholder value and we are therefore considering the implications of a change of strategy in this regard.

We believe that our experienced team can add value for shareholders. It is intended any relevant resolutions will be put to shareholders at a future General Meeting. In the meantime we have replaced our brokers and corporate advisers with Arbuthnot Securities Limited as we believe they are well suited to assist with our strategic planning.

We look forward to another year of growth and positive returns for shareholders.

27th April, 2010

Derek 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.

However, it is intended to revise this policy to enable the company to continue as a going concern for the foreseeable future and an appropriate resolution will be put to shareholders at the forthcoming annual general meeting.

INVESTMENT POLICY

The Group's policy is to invest in both commercial properties and securities. 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. The Board now believes however, that it would be in the interests of shareholders if the Company continued as a going concern for the foreseeable future concentrating primarily on property investments and will therefore be putting the necessary resolution to shareholders to change the investment policy at the forthcoming annual general meeting.

Investment in commercial properties must be undertaken through subsidiary undertakings, joint ventures or associates. These subsidiary undertakings, joint ventures 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 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 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 investment at the time of that 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 commercial properties, corporate bonds and high risk securities. The executive directors have authority to make initial investments up to a value of £50,000. Once this exposure level is reached any additional investment requires final approval by the Board. No holding in any one investment 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 with cross guarantees from other group members where appropriate. To minimise the exposure to interest rate movements, all loans have a floating interest rate but 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. Since the year end the Group has considerably reduced its exposure to the AIM with the sale of its investment in Hallin Marine Subsea International plc.

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

Asset liquidity risk – 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.

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

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

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

The 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 Arbuthnot Securities Limited, Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR on 10th June, 2010 at 11.00 am.

Revenue Account

The Consolidated Statement of Comprehensive Income which includes the revenue account is set out on page 24 and shows the results for the year ended 31st December, 2009.

Dividends

The directors recommend a final dividend of 1.0p (2008: 1.0p) per Ordinary Share, payable on 25th June, 2010.

Principal activities and Business review

The Company's business activity is that of an Authorised Investment Trust investing in both securities and commercial property.

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 and 3 and the Chief Executive's report on pages 4 to 6.

The Board considers the main Key Performance Indicator applicable to the Group to be net asset value per share ("NAV"). As at 31st December, 2009, the basic NAV was 473.7p (2008: 406.0p). The main non-financial KPI is considered to be the amount of vacant space within the property portfolio. As at 31st December, 2009 this totalled 761,774 sq. ft. (2008: 547,718 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 the Investment Policy and 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 cost 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 key performance indicators in respect of employees (currently totalling 8, including 3 executive directors) relevant to an understanding of the Group's financial position or performance, nor does it support any social and community initiatives.

For the year ended 31st December, 2008 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.

The Company's shares may 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.

Since the year end the Group has disposed of its entire holding in Hallin Marine Subsea International plc at a price of 233p per share realising a total of £8,621,000.

Investment Portfolio

At 31st December, 2009 the portfolio was invested in the following sectors:

	%
Engineering	70
Financial (including Investment Trusts)	10
Media	8
Property investment	5
Automobiles	2
Miscellaneous	2
Chemicals	1
Electrical	1
Oil and gas	1
	100

Directors

The present directors are listed on page 1. The directors retiring by rotation are Mr A. G. Ebel and Mr B. J. Hallett and, being eligible offer themselves for re-election.

Brief biographies of the directors concerned are as follows:

Tony Ebel (aged 65)

Tony Ebel is presently Chairman of the Company. He originally qualified as a lawyer and chartered accountant and has been a non-executive director of the Company since 1976. He has been responsible for a number of successful technology based start-up companies and is currently involved with companies operating in the management services, sports information and marketing technology sectors. He was, until recently, chairman of Hallin Marine Subsea International plc. A significant part of Mr Ebel's role has been, and continues to be, the evaluation of potential investments. He is currently a member of both the Audit and Remuneration Committees.

Brian Hallett (aged 55)

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

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

REPORT OF THE DIRECTORS – CONTINUED

Substantial Shareholdings

At the date of this report the following substantial shareholdings representing more than three per cent 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:

	2009	2008
A. G. Ebel	22,550	22,550
B. J. Hallett	127,810	127,810
R. Chopin-John	3,000	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, 2009 and at 31st December, 2009, 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, 2009 and 31st December, 2009 there were 4,881,880 ordinary shares in issue. The ordinary shares are listed on the London Stock Exchange.

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.

REPORT OF THE DIRECTORS – CONTINUED

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 been authorised at the last Annual General Meeting to issue and allot ordinary shares. Resolutions will be put to shareholders at the forthcoming Annual General Meeting to renew this authority.

The directors have in the past 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, 2009 8,000 have been exercised and 18,800 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 directors' report, the directors' remuneration 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.

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

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

REPORT OF THE DIRECTORS – CONTINUED

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

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 confirm, to the best of their knowledge:

- that the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- that the management report included within the Report of the Directors, the Chairman's Statement, the Chief Executive's Report and the Investment Policy includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The names and functions of all the directors are stated on 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, 2009 trade creditors represented 16 days purchases (2008: 36 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 418 of the Companies Act 2006) 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

27th April, 2010

REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410). 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 2008.

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 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 16.

A bonus scheme was introduced in 2006 under which a bonus of a maximum of 15% of an individual's 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 has been awarded in respect of the years ended 31 December, 2009 and 31st December, 2008.

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

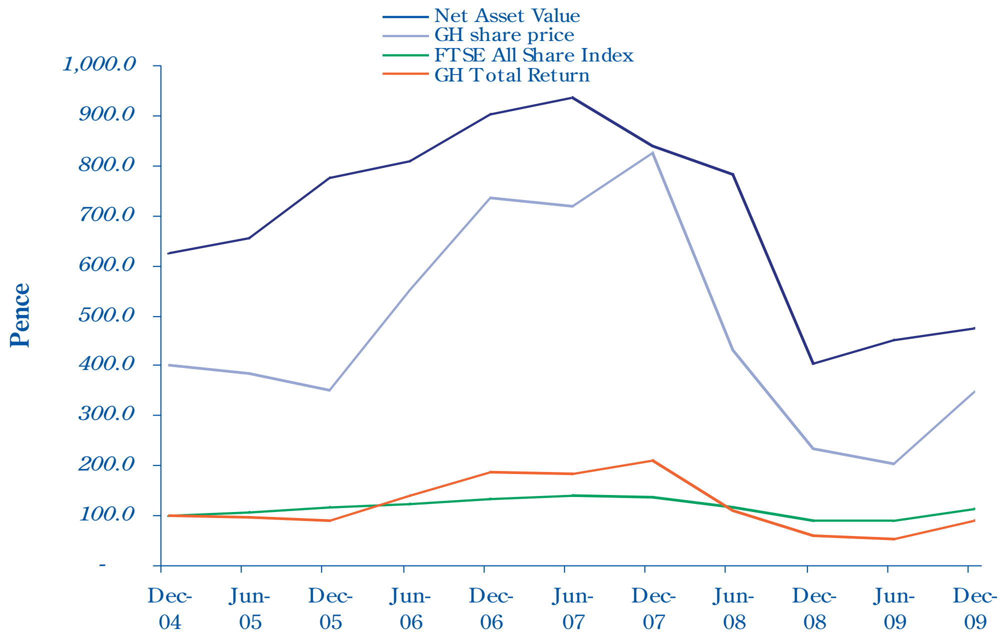
The Company contributes to a personal pension scheme for the benefit of Mr Hallett. For the year ended 31st December, 2009 contributions amounted to £8,400 (2008: £8,400).

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 2009, of £100 invested in Gresham House plc on 31st December, 2004, (the GH Total Return), compared with the value of £100 invested in the FTSE All Share Index. The other points plotted are the values at intervening six monthly periods.

Comparative movements	1.1.2005	31.12.2009	% change
Gresham House share price	400p	348p	(13.13)%
Basic net asset value	626.6p	473.7p	(24.40)%
Gresham House shareholder return	100	90.7	(9.30)%
FTSE All Share Index	2,410.75	2,760.80	14.52%

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	Fees £'000	Benefits £'000	Pensions £'000	Other payments* £'000	2009 £'000	2008 £'000
Executive:								
D. Lucie-Smith (i) (iii)	135	–	–	–	–	–	135	29
J. A. C. Lorimer (i) (iii)	108	–	–	–	–	–	108	23
B. J. Hallett	117	–	–	4	8	–	129	115
Non-executive:								
A. G. Ebel (Chairman)	25	–	25	6	–	–	56	21
R. A. Chadwick (ii)	–	–	22	–	–	–	22	22
R.H. Chopin-John (i)	–	–	20	–	–	–	20	3
Total	385	–	67	10	8	–	470	213
Total 2008	296	–	107	13	8	200	624	

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

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

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

The total amount for the comparative column in respect of 2008 in the above table does not agree to the total 2008 prior year figure as the table discloses directors who served during the year and therefore omits details of those directors who resigned in 2008.

*Notice was given on 22nd October, 2008 to terminate an agreement for the provision of services involving a former director and this sum was provided to cover the cost of the same.

A charge of £nil (2008: £1,524) 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, 2009	At 31st December, 2009	Earliest exercise date	Exercise price per share
B. J. Hallett	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 and a further 16,800 options lapsed during the year ended 31st December, 2009.

As at 31st December, 2009, the closing middle market price was 347.50p and the range of closing prices during the year ended 31st December, 2009 was 115p to 360p.

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, 2009.

On behalf of the Board

R. A. Chadwick *Chairman,* Remuneration Committee
27th April, 2010

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 2008 ("the Code") and the principles and recommendations published by the Association of Investment Companies in 2009, 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, 2009, 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
J. A.C. Lorimer
B. J. Hallett

Non executive:
A. G. Ebel
R. A. Chadwick
R. H. Chopin-John

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 2009. 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 eight Board meetings, one meeting of the Audit Committee and two meetings 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	7 (8)	2 (2)	– (1)
D. Lucie-Smith	8 (8)	–	–
J. A. C. Lorimer	7 (8)	–	–
B. J. Hallett	8 (8)	–	–
R. A. Chadwick	6 (8)	2 (2)	1 (1)
R. H. Chopin-John	7 (8)	2 (2)	1 (1)

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, 2009 are shown in the Remuneration Report on page 17. 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. Notwithstanding the foregoing, every director shall retire who was not appointed at either of the two previous annual general meetings and who has served for more than two years since his/her appointment or last reappointment. Directors are not appointed for specified terms nor have any automatic right of re-appointment. Because of the nature of an investment trust the Board believes that the contribution and independence of a director is not diminished by long service but that a detailed knowledge of the Company and its activities has a beneficial impact.

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

CORPORATE GOVERNANCE – CONTINUED

Audit Committee

The Audit Committee is a formally constituted committee of the Board with defined terms of reference, a copy of which is available from the Company on request. 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. in the past but will ensure that any 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.

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.

CORPORATE GOVERNANCE – CONTINUED

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 takes advice from external advisors where considered necessary including where any significant transaction is being considered. The Board is satisfied with the effectiveness of internal controls but, by their very nature, these procedures can provide reasonable, but not absolute, assurance against material misstatement or loss. The process for the consolidation and preparation of the financial statements is overseen by the executive directors. 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 is 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.

Details of Substantial shareholdings, Share capital and Control can be found in the Report of the Directors on pages 11 to 12.

REPORT OF THE INDEPENDENT AUDITORS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRESHAM HOUSE PLC

We have audited the financial statements of Gresham House plc for the year ended 31st December, 2009 which comprise the group statement of comprehensive income, the group and parent company statements of changes in equity, the group and parent company statements of financial position, the group and parent company statements of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion;

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31st December, 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

REPORT OF THE INDEPENDENT AUDITORS – CONTINUED

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 13, in relation to going concern; and
- the part of the corporate governance statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Andrew Huddleston (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditors
London, UK

27th April, 2010

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31st DECEMBER, 2009

	Notes	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
Income:							
Dividend and interest income	1	200	–	200	266	–	266
Rental income	1	2,112	–	2,112	2,451	–	2,451
Other operating income	1	62	–	62	(6)	–	(6)
Total Revenue		2,374	–	2,374	2,711	–	2,711
Gains/(losses) on investments held at fair value		–	5,872	5,872	–	(6,330)	(6,330)
Movement in fair value of property investments		–	(1,524)	(1,524)	–	(13,512)	(13,512)
Profit on disposal of property, plant & equipment		–	–	–	–	507	507
Total income and gains/(losses) on investments		2,374	4,348	6,722	2,711	(19,335)	(16,624)
Operating Costs							
Property outgoings and impairments		(1,377)	–	(1,377)	(3,291)	–	(3,291)
Administrative overheads		(836)	–	(836)	(1,462)	–	(1,462)
	2	(2,213)	–	(2,213)	(4,753)	–	(4,753)
Group operating profit/(loss)		161	4,348	4,509	(2,042)	(19,335)	(21,377)
Finance costs	4	(1,052)	–	(1,052)	(927)	–	(927)
Share of joint venture operating loss		(10)	–	(10)	(171)	–	(171)
Group and share of joint venture operating profit/(loss) before taxation		(901)	4,348	3,447	(3,140)	(19,335)	(22,475)
Taxation	5	–	–	–	–	848	848
Profit/(loss) and total comprehensive income		(901)	4,348	3,447	(3,140)	(18,487)	(21,627)
Attributable to:							
Equity holders of the parent		(1,012)	4,366	3,354	(2,874)	(17,943)	(20,817)
Non-controlling interest		111	(18)	93	(266)	(544)	(810)
		(901)	4,348	3,447	(3,140)	(18,487)	(21,627)
Basic and diluted earnings per Ordinary Share	6	(20.7p)	89.4p	68.7p	(58.9p)	(367.7p)	(426.6p)

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

The revenue and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All revenue and capital items in the above statement derive from continuing operations.

STATEMENTS OF CHANGES IN EQUITY

Group

YEAR ENDED 31st DECEMBER, 2009

	Notes	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000	Equity attributable to equity shareholders £'000	Non-controlling interest £'000	Total equity £'000
Balance as at 31st December, 2008		1,220	847	42	30,363	(12,650)	19,822	331	20,153
Profit/(loss) for the period being total comprehensive income for the period		–	–	–	4,366	(1,012)	3,354	93	3,447
Ordinary dividends paid	7	–	–	–	–	(49)	(49)	–	(49)
Share based payments		–	–	(28)	–	28	–	–	–
Balance at 31st December, 2009		1,220	847	14	34,729	(13,683)	23,127	424	23,551

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 shareholders £'000	Non-controlling 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 comprehensive income for the period		–	–	–	(17,943)	(2,874)	(20,817)	(810)	(21,627)
Ordinary dividends paid	7	–	–	–	–	(244)	(244)	–	(244)
Issue of shares		1	16	–	–	–	17	–	17
Share based payments		–	–	(2)	–	6	4	–	4
Balance at 31st December, 2008		1,220	847	42	30,363	(12,650)	19,822	331	20,153

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, 2009							
Balance as at 31st December, 2008		1,220	847	42	6,108	100	8,317
Profit for the period being total comprehensive income for the period		–	–	–	5,797	64	5,861
Ordinary dividends paid	7	–	–	–	–	(49)	(49)
Share based payments		–	–	(28)	–	28	–
Balance at 31st December, 2009		1,220	847	14	11,905	143	14,129

	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 comprehensive income for the period		–	–	–	(5,823)	70	(5,753)
Ordinary dividends 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

STATEMENTS OF FINANCIAL POSITION

AS AT 31st DECEMBER, 2009

	Notes	The Group 2009 £'000	The Group 2008 £'000	The Company 2009 £'000	The Company 2008 £'000
Assets					
Non-current assets					
Investments – securities	8	12,723	6,688	4,324	6,688
Property investments	9	24,600	25,750	–	–
Investment in joint venture	10	–	–	–	–
Other investments	11	–	–	2	2
Property, plant and equipment	12	2	3	–	–
Total non-current assets		37,325	32,441	4,326	6,690
Current assets					
Trade and other receivables	13	504	361	–	–
Accrued income and prepaid expenses		714	1,721	18	1,012
Other current assets	14	3,408	3,432	1,131	–
Cash and cash equivalents		9,043	1,839	8,692	756
Total current assets		13,669	7,353	9,841	1,768
Total assets		50,994	39,794	14,167	8,458
Current liabilities					
Trade and other payables	15	1,432	1,702	17	13
Short term borrowings	16	19,037	17,939	21	128
Total current liabilities		20,469	19,641	38	141
Total assets less current liabilities		30,525	20,153	14,129	8,317
Non-current liabilities					
Long term borrowings	17	6,707	–	–	–
Other financial liabilities	17	267	–	–	–
Deferred taxation	18	–	–	–	–
		6,974	–	–	–
Net assets		23,551	20,153	14,129	8,317
Capital and reserves					
Ordinary share capital	19	1,220	1,220	1,220	1,220
Share premium	20	847	847	847	847
Share option reserve	20/24	14	42	14	42
Capital reserve	20	34,729	30,363	11,905	6,108
Retained earnings	20	(13,683)	(12,650)	143	100
Equity attributable to equity shareholders		23,127	19,822	14,129	8,317
Non-controlling interest		424	331	–	–
Total equity		23,551	20,153	14,129	8,317
Basic net asset value per ordinary share	21	473.7p	406.0p	289.4p	170.4p
Diluted net asset value per ordinary share	21	473.7p	405.3p	289.4p	170.1p

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 27th April, 2010

D. Lucie-Smith
Director

Registered number: 871 (England and Wales)

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31st DECEMBER, 2009

	Notes	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Cashflow from operating activities					
Investment income received		142		166	
Interest received		58		100	
Rental income received		1,819		2,431	
Other cash payments		(2,053)		(1,601)	
Net cash generated from operations	22		(34)		1,096
Interest paid on property loans		(717)		(967)	
			(717)		(967)
Net cash flows from operating activities			(751)		129
Cash flows from investing activities					
Purchase of investments		(1,252)		(264)	
Investment in joint venture		(10)		(171)	
Sale of investments		1,089		1,511	
Sale of tangible fixed assets		980		–	
Expenditure on investment properties		(374)		(513)	
Disposal of investment properties		–		56	
Purchase of developments in hand		(234)		(260)	
			199		359
Cash flows from financing activities					
Repayment of loans		(18,090)		(443)	
Receipt of loans		25,895		684	
Share capital issued		–		17	
Equity dividends paid		(49)		(244)	
			7,756		14
Increase in cash and cash equivalents			7,204		502
Cash and cash equivalents at start of period			1,839		1,337
Cash and cash equivalents at end of period			9,043		1,839

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31st DECEMBER, 2009

	Notes	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Cashflow from operating activities					
Investment income received		172		187	
Interest received		14		16	
Other cash payments		(310)		(127)	
Net cash generated from operations	22		(124)		76
Cash flows from investing activities					
Purchase of investments		(1,252)		(264)	
Sale of investments		9,413		1,511	
Sale of tangible fixed assets		980		–	
Purchase of development in hand		(925)		–	
			8,216		1,247
Cash flows from financing activities					
Receipt of loans		1,771		452	
Repayment of loans		(1,878)		(1,407)	
Share capital issued		–		17	
Equity dividends paid		(49)		(244)	
			(156)		(1,182)
Increase in cash and cash equivalents			7,936		141
Cash and cash equivalents at start of period			756		615
Cash and cash equivalents at end of period			8,692		756

PRINCIPAL ACCOUNTING POLICIES

The Group's principal accounting policies are as follows:

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

During 2009 the following accounting standards and guidance were adopted by the Group:

(i) IAS 1 (Revised) Presentation of Financial Statements
The revised standard has changed the way the Group's primary financial statements have been presented. The revision required information to be aggregated on the basis of shared characteristics and introduced a "statement of comprehensive income" to enable readers to analyse changes in an entity's equity resulting from transactions with owners separately from "non-owner" changes. Comparative information has been re-presented so that it also is in conformity with the revised standard.

(ii) IFRS 7 (Amendment) Financial Instruments: Disclosures
The amendment introduced a three-level hierarchy for fair value measurement disclosures and required entities to provide additional disclosures about the relative reliability of those fair valued instruments. In addition the amendment clarified and enhanced liquidity risk disclosure requirements to enable users to better evaluate the nature and extent of liquidity risk arising from financial instruments and how the entity managed risk. The Group has provided these additional disclosures in the notes to the financial statements.

(iii) IFRS 8 Operating Segments
IFRS 8 replaced IAS 14 and requires operating segments to be identified on the basis of internal reports about components that are regularly reviewed by the Board. The new standard has not significantly impacted the way management reports segmental information as this is the basis on which the Group is organised and managed.

During 2009 the following standards and interpretations were adopted by the Group and were mandatory for the accounting period, but either had no material impact on the Group's financial statements or were not relevant to the operations of the Group:

(i) IFRS 1 (Amendment) First time adoption of IFRS
(ii) IFRS 2 (Amendment) Share-based payment
(iii) IAS 23 (Amendment) Borrowing Costs
(iv) IAS 27 (Amendment) Consolidated and Separate Financial Statements
(v) IAS 32 (Amendment) Financial Instruments Presentation
(vi) IAS 39 and IFRS 7 (Amendment) Financial Instruments Recognition and Measurement
(vii) IAS 40 (Amendment) Investment Property
(viii) IFRIC 9 (Amendment) Financial instruments: Recognition and measurement, and Reassessment of embedded derivatives
(ix) IFRIC 13 Customer loyalty programmes
(x) IFRIC 15 Agreements for the construction of real estate
(xi) IFRIC 16 Hedges of a net investment in a foreign operation

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 (v).

PRINCIPAL ACCOUNTING POLICIES – CONTINUED

The financial statements highlight that the Group has loans of £19.0 million due within one year. On the basis that (i) the Other loan of £8.3 million has been repaid in full since year end and (ii) The Co-operative Bank plc facility of £10.5 million is technically repayable on demand but has an expiry date of 31st May, 2012 and confirmation has been received that it is not the bank's current intention to call the loan facility, these financial statement have been prepared on a going concern basis.

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

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

(c) Presentation of Statement of Comprehensive Income
In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the statement of comprehensive income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. Net capital returns may not be distributed by way of a dividend. The net revenue is the measure the directors believe appropriate in assessing the Group's compliance with certain requirements set out in section 842 of the Income and Corporation Taxes Act 1988. As permitted by section 408 of the Companies Act 2006, the Company has not presented its own statement of comprehensive income. Details of the Company's results for the year are set out in note 20.

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

A joint venture is an entity over which the Group has joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The investment in a joint venture is initially recognised at cost and adjusted for the Group's share of the changes in the net assets of the joint venture after the date of acquisition, and for any impairment in value. If the Group's share of losses in a joint venture exceeds its interest in the joint venture, the Group discontinues recognising its share of further losses.

(e) Segment reporting
The Group has adopted IFRS 8 Operating Segments with effect from 1st January, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to report two sets of segments (business and geographical).

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

(f) Income

(i) *Dividend and interest income*
Income from listed securities is recognised when the right to receive the dividend has been established. Interest receivable is recognised on an accruals basis.

(ii) *Rental income*
Rental income comprises property rental income receivable net of VAT, recognised on a straight line basis over the lease term.

PRINCIPAL ACCOUNTING POLICIES – CONTINUED

(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 is stated at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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 Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

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

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

Investment trusts which have approval under section 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 statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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

(j) Operating leases
Amounts payable under operating leases are charged directly to the Statement of Comprehensive Income on a straight line basis over the period of the lease. The aggregate 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 Statement of Comprehensive Income and movements in respect of capital provisions are reflected in the capital column of the Statement of Comprehensive Income. Loan stock accrued interest is recognised in the Statement of Financial Position as part of the carrying value of the loans and receivables at the end of each reporting period.

(iii) *Properties*
Investment properties are included in the statement of financial position 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 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.

PRINCIPAL ACCOUNTING POLICIES – CONTINUED

(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 Statement of Comprehensive Income.

(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 Statement of Comprehensive Income 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) Interest rate swaps
Interest rate swaps are classified as fair value through profit and loss financial instruments. Movements in fair value are taken directly to profit and loss under finance costs and the carrying values are reflected in the Statement of Financial Position under assets or liabilities as appropriate.

(s) Capital reserves
The following realised amounts 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.

The following unrealised amounts 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.

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

PRINCIPAL ACCOUNTING POLICIES – CONTINUED

(u) Share based payments
The cost of granting share options and other share based remuneration to employees and directors is recognised through the Statement of Comprehensive Income 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.

(v) 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, 2010 or later periods. The Group has not early adopted the standards, amendments and interpretations described below:

(i) IFRS 3 Business combinations (effective from 1st July, 2009)

(ii) IFRIC 17 Distributions of non-cash assets to owners (effective from 1st July, 2009)

(iii) IFRIC 18 Transfers of assets from customers (effective from 1st July, 2009)

(iv) Amendment to IFRS 1 First time adoption of IFRS (effective from 1st January, 2010)

(v) Amendment to IFRS 2 Share-based payments (effective from 1st January, 2010)

(vi) Amendment to IAS 27 Consolidated and separate financial statements (effective from 1st July, 2009)

(vii) Amendment to IAS 32 Financial instruments: Presentation (effective from 1st February, 2010)

(viii) 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.

(w) 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 statement of financial position 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

	2009 £'000	2008 £'000
Income from investments		
Dividend income – Listed UK	142	166
Interest receivable: Bank and Brokers	27	63
Other	31	37
	200	266
Rental income	2,112	2,451
	2,312	2,717
Other operating income		
Dealing profits and losses	(54)	(178)
Management fees receivable	79	141
Other	37	31
	62	(6)
Total income	2,374	2,711
Total income comprises:		
Dividends	142	166
Interest	58	100
Rental income	2,112	2,451
Other operating income	62	(6)
	2,374	2,711

NOTES TO THE ACCOUNTS – CONTINUED

2 OPERATING COSTS

Operating costs comprise the following:	2009 £'000	2008 £'000
a) Property outgoings and impairments:		
Directors' emoluments (excluding benefits in kind)	108	23
Wages and salaries	42	43
Provision against developments in hand	102	2,220
Other operating costs	1,125	1,005
	1,377	3,291
b) Administrative overheads:		
Directors' emoluments (excluding benefits in kind)	352	588
Auditors' remuneration *	87	73
Depreciation	1	11
Wages and salaries	111	174
Redundancy costs	16	106
Social security costs	38	42
Share based payments to employees	–	4
Operating lease rentals – land and buildings	17	28
Other operating costs	214	436
	836	1,462
	2,213	4,753

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

	2009 £'000	2008 £'000
Audit fees	23	23
Auditors' other fees – category 1 (The auditing of accounts of subsidiaries of the company pursuant to legislation)	35	40
Auditors' other fees – category 3 (Other services relating to taxation)	24	10
Auditors' other fees – category 10 (Other services)	5	–
	87	73

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 (2008: 7). No staff costs were incurred by the Company.

The Group has the following annual commitments under operating leases:	2009 £'000	2008 £'000
Within 1 year	54	21
1 – 5 years	216	–
Over 5 years	27	–
	297	21

The operating lease may be determined by either party on 24th June, 2011 and 24th June, 2013 by the giving of not less than 6 months prior written notice.

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 pages 14 to 17.

4 FINANCE COSTS

	2009 £'000	2008 £'000
Interest payable on loans and overdrafts	785	927
Movement in fair value of interest rate swaps	267	–
	1,052	927

In addition £43,000 (2008: £269,000) was capitalised on development properties.

5 TAXATION

	2009 Revenue £'000	2009 Capital £'000	2009 Total £'000	2008 Revenue £'000	2008 Capital £'000	2008 Total £'000
(a) Analysis of credit in period:						
UK Corporation tax at 28% (2008: 28.5%)	–	–	–	–	–	–
Adjustments in respect of prior years:						
Corporation tax	–	–	–	–	–	–
Total group tax on profits	–	–	–	–	–	–
Deferred tax on potential capital gains	–	–	–	–	(848)	(848)
Adjustment in respect of prior years	–	–	–	–	–	–
Total tax credit	–	–	–	–	(848)	(848)
(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% (2008: 28.5%)	(252)	1,217	965	(895)	(5,510)	(6,405)
Tax effect of:						
Change in valuation allowance	–	408	408	–	2,025	2,025
Investment (gains)/losses not taxable	–	(1,644)	(1,644)	–	1,804	1,804
Profit on disposal of property not taxable	(4)	–	(4)	–	(144)	(144)
Dividend income not taxable	(40)	–	(40)	(47)	–	(47)
Expenses disallowed	47	–	47	107	–	107
Losses utilised in current year	(111)	–	(111)	(150)	(7)	(157)
Losses carried forward for future offset	286	19	305	985	971	1,956
Consolidation adjustment	74	–	74	–	–	–
Other differences – rate change	–	–	–	–	13	13
Actual tax credit	–	–	–	–	(848)	(848)

The Group has unutilised tax losses of approximately £9.4 million (2008: £14.0 million) available against future corporation tax liabilities. The potential deferred taxation asset of £2.6 million (2008: £3.9 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 profit for the year attributable to the equity shareholders of £3,354,000 (2008: loss £20,817,000) and on 4,881,880 (2008: 4,879,694) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

There are no shares deemed to have been issued as at 31st December, 2009.

The calculation for diluted earnings per share for 2008 would have included 8,908 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:

	2009 £'000	2008 £'000
Net revenue loss attributable to equity holders of the parent	(1,012)	(2,874)
Net capital gain attributable to equity holders of the parent	4,366	(17,943)
Net total gain/(loss)	3,354	(20,817)
Weighted average number of ordinary shares in issue during the period	4,881,880	4,879,694
Basic and diluted earnings per share	Pence	Pence
Revenue	(20.7)	(58.9)
Capital	89.4	(367.7)
Total basic earnings per share	68.7	(426.6)

7 DIVIDENDS

	2009 £'000	2008 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31st December, 2008 of 1p (2007: 5p) per share	49	244
	49	244

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, 2009 of 1p (2008: 1p) per share	49	49

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 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Listed securities – on the London Stock Exchange	1,195	764	1,195	764
Listed securities – on overseas exchanges	30	35	30	35
Securities dealt in under AIM	9,935	4,680	1,536	4,680
Securities dealt in under PLUS Markets	248	120	248	120
Unlisted securities	1,315	1,089	1,315	1,089
Carrying value at 31st December	12,723	6,688	4,324	6,688
Investments valued at fair value through profit or loss	12,521	6,353	4,122	6,353
Loans and receivables valued at amortised cost	202	335	202	335
	12,723	6,688	4,324	6,688

Year Ended 31st December, 2009

	Listed in UK £'000	Listed overseas £'000	AIM £'000	PLUS Markets £'000	Unlisted £'000	Total £'000
Group:						
Opening cost	142	352	3,098	472	2,727	6,791
Opening unrealised gains/(losses)	622	(317)	1,582	(352)	(1,638)	(103)
Opening value	764	35	4,680	120	1,089	6,688
Movements in the year:						
Purchases at cost	253	–	65	77	857	1,252
Sales – proceeds	(224)	–	(541)	–	(324)	(1,089)
Sales – realised gains/(losses) on sales	166	–	25	–	(718)	(527)
Unrealised gains/(losses)	236	(5)	5,938	299	(69)	6,399
Transfers between AIM, PLUS and Unlisted	–	–	(232)	(248)	480	–
Closing value	1,195	30	9,935	248	1,315	12,723
Closing cost	337	352	2,415	301	3,022	6,427
Closing unrealised gains/(losses)	858	(322)	7,520	(53)	(1,707)	6,296
Closing value	1,195	30	9,935	248	1,315	12,723

NOTES TO THE ACCOUNTS – CONTINUED

8 INVESTMENTS – SECURITIES – continued

Year Ended 31st December, 2008

	Listed in UK £'000	Listed overseas £'000	AIM £'000	PLUS Markets £'000	Unlisted £'000	Total £'000
Group:						
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 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 gains/(losses)	(1,020)	(316)	(4,290)	(238)	(529)	(6,393)
Transfers between Listed, AIM, PLUS and Unlisted	(12)	–	60	(85)	37	–
Closing 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 value	764	35	4,680	120	1,089	6,688

Year Ended 31st December, 2009

	Listed in UK £'000	Listed overseas £'000	AIM £'000	PLUS Markets £'000	Unlisted £'000	Total £'000
Company:						
Opening cost	142	352	3,339	472	2,727	7,032
Opening unrealised gains/(losses)	622	(317)	1,341	(352)	(1,638)	(344)
Opening value	764	35	4,680	120	1,089	6,688
Movements in the year:						
Purchases at cost	253	–	65	77	857	1,252
Sales – proceeds	(224)	–	(8,865)	–	(324)	(9,413)
Sales – realised gains/(losses) on sales	166	–	8,313	–	(718)	7,761
Unrealised gains/(losses)	236	(5)	(2,425)	299	(69)	(1,964)
Transfers between AIM, PLUS and Unlisted	–	–	(232)	(248)	480	–
Closing value	1,195	30	1,536	248	1,315	4,324
Closing cost	337	352	2,620	301	3,022	6,632
Closing unrealised gains/(losses)	858	(322)	(1,084)	(53)	(1,707)	(2,308)
Closing value	1,195	30	1,536	248	1,315	4,324

NOTES TO THE ACCOUNTS – CONTINUED

8 INVESTMENTS – SECURITIES – continued

Year Ended 31st December, 2008

	Listed in UK £'000	Listed overseas £'000	AIM £'000	PLUS Markets £'000	Unlisted £'000	Total £'000
Company:						
Opening cost	508	352	3,986	557	2,813	8,216
Opening unrealised gains/(losses)	1,642	(1)	5,631	(114)	(1,109)	6,049
Opening 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 gains/(losses)	(1,020)	(316)	(4,290)	(238)	(529)	(6,393)
Transfers between Listed, AIM, PLUS and Unlisted	(12)	–	60	(85)	37	–
Closing value	764	35	4,680	120	1,089	6,688
Closing cost	142	352	3,339	472	2,727	7,032
Closing unrealised gains/(losses)	622	(317)	1,341	(352)	(1,638)	(344)
Closing value	764	35	4,680	120	1,089	6,688

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

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Realised gains/(losses) on sales	(527)	63	7,761	63
Unrealised gains/(losses)	6,399	(6,393)	(1,964)	(6,393)
Gain/(loss) on investments	5,872	(6,330)	5,797	(6,330)

An analysis of investments is as follows:

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Equity investments	12,140	6,243	3,741	6,243
Fixed income securities	381	110	381	110
Convertible loans	63	27	63	27
Other loans	139	308	139	308
	12,723	6,688	4,324	6,688

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, 2009 all of which are incorporated in Great Britain, with the exception Hallin Marine Subsea International plc which is incorporated in the Isle of Man and Memorial Holdings Limited which is incorporated in Jersey, were:

	Market Value £'000	% of Portfolio
UK and overseas listed securities		
Lloyds TSB plc – 13% bond	267	2.1
Welsh Industrial Investment Trust plc – an authorised investment trust in the sector of UK capital growth	788	6.2
Securities dealt in under AIM		
Byotrol plc – a group engaged in the development patenting and sale of products based on microbial technology	118	0.9
Hallin Marine Subsea International plc – specialise in offshore sub-sea intervention primarily for the oil, gas and telecommunication industries	8,399	66.0
Plus Markets Group plc – the UK's independent provider of primary and secondary equity market services	94	0.7
Infrastrata plc – development and operation of gas storage facilities and gas infrastructure	168	1.3
SpaceandPeople plc – marketing and sale of promotional space on behalf of shopping centres and other similar venues	873	6.9
Securities dealt in under PLUS Markets		
Wheelsure Holdings plc – development and sale of safety products predominately in the transport and service industries	248	2.0
Unquoted securities		
AudioGravity Holdings Limited – development of advanced wind noise rejection technology	228	1.8
Memorial Holdings Limited – investment company specialising in the cemetery sector	680	5.3
	11,863	93.2

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

AudioGravity Holdings Limited
Financial Summary

Year ended 31st July, 2009	£'000s	Shares	Ordinary 1p
Turnover	nil		
Loss before interest	(216)	Total issued	44,251
Loss before tax	(217)	Number held	9,116
Loss after tax	(217)	% of class	20.6
Net assets	49	Cost (£'000s)	228
Dividend per share	nil	Market value (£'000s)	228
Total income recognised in the year	nil		

NOTES TO THE ACCOUNTS – CONTINUED

8 INVESTMENTS – SECURITIES – continued

Memorial Holdings Limited

No financial information available as the Company was incorporated on 11th December, 2009

Shares	Ordinary
	£1
Total issued	1,000
Number held	499
% of class	49.9
Cost (£'000s)	680
Market value (£'000s)	680

9 INVESTMENTS – PROPERTIES

	Group 2009 £'000	2008 £'000
Net book value and valuation		
At 1st January	25,750	38,805
Additions during the year – expenditure on existing properties	374	513
Revaluation during the year:	(1,524)	(13,568)
At 31st December	24,600	25,750

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 Statement of Comprehensive Income.

All investment properties were valued by King Sturge LLP, Chartered Surveyors, as at 31st December, 2009 at a combined total of £24,600,000. These external valuations were carried out on the basis of Market Value in accordance with the latest edition of the Valuation Standards published by the Royal Institution of Chartered Surveyors.

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

	2009 £'000	2008 £'000
Not later than one year	995	1,456
Between 2 and 5 years	2,144	2,948
Over 5 years	1,959	2,134
	5,098	6,538

NOTES TO THE ACCOUNTS – CONTINUED

9 INVESTMENTS – PROPERTIES – continued

Rental income recognised in the Statement of Comprehensive Income amounted to £2,112,000 (2008: £2,451,000).

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, 2009 is as follows:

	Group £'000
Brought forward	24,679
Additions during the year	374
	25,053

Capital commitments	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Capital expenditure contracted for but not provided for in the accounts	–	46	–	–

Movement in fair value of property investments	Group	
	2009 £'000	2008 £'000
Realised gains on disposal of property	–	56
Decrease in unrealised appreciation	(1,524)	(13,568)
Movement in fair value of property investments	(1,524)	(13,512)

NOTES TO THE ACCOUNTS – CONTINUED

10 INVESTMENT IN JOINT VENTURE

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Loan to joint venture (net of provision)	350	340	–	–
Less share of joint venture's losses	(350)	(340)	–	–
	–	–	–	–

Loan to joint venture relates to a loan to New Capital (Speke) Limited in which the Group has a 50% (2008: 45%) equity interest.

A LPA Receiver was appointed on 1st September, 2009. No financial information is available after this date and the Group believes that it no longer has any control over this entity and hence no longer considers it a joint venture.

The Group is unaware of any capital commitments or contingent liabilities in respect of this entity.

The results of New Capital (Speke) Limited for the two years ended 28th February, 2009, being the last financial information available are as follows:

	2009 £'000	2008 £'000
Turnover	113	7
Loss on ordinary activities before taxation	(494)	(748)
Taxation on ordinary activities	–	–
Loss on ordinary activities after taxation	(494)	(748)
At 28th February		
Fixed assets	6,149	6,122
Current assets	406	383
Creditors: amounts falling due within one year	(4,730)	(4,383)
Creditors: amounts falling due after one year	(3,139)	(2,943)
	(1,314)	(821)

NOTES TO THE ACCOUNTS – CONTINUED

11 OTHER INVESTMENTS

	Company 2009 £'000	Company 2008 £'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

NOTES TO THE ACCOUNTS – CONTINUED

12 PROPERTY, PLANT AND EQUIPMENT

	Group					
		2009			2008	
	Motor Vehicles £'000	Freehold Property £'000	Total £'000	Motor Vehicles £'000	Freehold Property £'000	Total £'000
Deemed cost						
As at 1st January	19	–	19	19	525	544
Disposals during the year	–	–	–	–	(525)	(525)
As at 31st December	19	–	19	19	–	19
Depreciation						
Balance 1st January	16	–	16	15	42	57
Charge for the year	1	–	1	1	10	11
Disposals during the year	–	–	–	–	(52)	(52)
Balance 31st December	17	–	17	16	–	16
Net book values at 31st December, 2009	2	–	2	3	–	3
Net book values at 31st December, 2008	3	–	3	4	483	487

	Company	
	2009 Freehold Property £'000	2008 Freehold Property £'000
Deemed cost		
Balance 1st January	–	525
Disposals during the year	–	(525)
As at 31st December	–	–
Depreciation		
Balance 1st January	–	42
Charge for the year	–	10
Disposals during the year	–	(52)
Balance 31st December	–	–
Net book values at 1st January	–	483
Net book values at 31st December	–	–

NOTES TO THE ACCOUNTS – CONTINUED

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Amounts receivable within one year:				
Trade receivables	963	910	–	–
Less allowance for credit losses	(459)	(549)	–	–
	504	361	–	–
Allowances for credit losses on trade receivables:				
Allowances as at 1st January	549	392	–	–
Changes during the year charged/(released) to Statement of Comprehensive Income – allowances reversed	(146)	–	–	–
– additional allowances	56	157	–	–
Allowances as at 31st December	459	549	–	–

Trade and other receivables are assessed for impairment when older than 90 days. As at 31st December, 2009, trade receivables of £64,000 (2008: £53,000) were past due but not impaired. The ageing analysis of these trade receivables in as follows:

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
1-3 months	–	–	–	–
3-6 months	20	38	–	–
More than 6 months	44	15	–	–

As at 31st December, 2009 trade receivables of £459,000 (2008: £549,000) were impaired and provided for. The aging of these receivables is as follows:

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
1-3 months	9	25	–	–
3-6 months	28	53	–	–
6-12 months	79	44	–	–
More than 12 months	343	427	–	–

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 £504,000 (2008: £361,000).

NOTES TO THE ACCOUNTS – CONTINUED

14 OTHER CURRENT ASSETS

	Notes	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Listed and other securities held		63	142	–	–
Developments in hand	(a)	3,138	3,006	925	–
Other loans	(b)	207	284	206	–
		3,408	3,432	1,131	–

(a) Developments in hand consist of three 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 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Trade creditors	192	361	–	–
Other creditors	199	266	17	13
Accruals	1,041	1,075	–	–
	1,432	1,702	17	13

16 CURRENT LIABILITIES – SHORT TERM BORROWINGS

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Bank overdrafts and short-term loans (secured) (note 17)				
– property loans	10,712	17,939	–	–
– other	8,325	–	21	128
	19,037	17,939	21	128

Property loans include £10,515,000 due to The Co-Operative Bank plc which is technically repayable on demand. This facility does however have an expiry date of 31st May, 2012 and confirmation has been received from the bank that it is not their intention to call this facility.

NOTES TO THE ACCOUNTS – CONTINUED

17 NON-CURRENT LIABILITIES – LONG TERM BORROWINGS

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Property Loans	6,707	–	–	–
	6,707	–	–	–

The loans relate to property investments held in Chartermet Limited, Deacon Industrial Projects Limited, Knowsley Industrial Property Limited and Newton Estate Limited (all long term borrowings) and New Capital Developments Limited (short term borrowings).

Details of total loans are as follows:

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Bank loans				
7.09% fixed	–	3,624	–	–
1.2% over 3 month LIBOR	–	225	–	–
1.0% over bank base rate	–	2,067	–	–
1.0% over 3 month LIBOR	8,325	–	–	–
3.25% over bank base rate	–	1,457	–	–
2.5% over bank base rate	–	6,000	–	–
1.5% over 3 month LIBOR	–	4,566	–	–
2.25% over 3 month LIBOR	6,947	–	–	–
2.75% over bank base rate	5,236	–	–	–
2.75% over 3 month LIBOR	5,236	–	–	–
	25,744	17,939	–	–

Property loans are secured by way of a legal mortgage over the investment property or development in hand concerned which have a carrying value of £24.6 million, and a floating charge over the assets of the relevant company. In addition there are cross guarantees in place with fellow subsidiary undertakings and an interest guarantee by the parent.

The other bank loan is secured on cash of £8,325,000 held on deposit with the relevant bank.

Loans or instalments thereof are repayable over the following periods:

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Less than 1 year	19,037	17,939	–	–
Between 1 and 2 years	3,923	–	–	–
Between 2 and 5 years	2,784	–	–	–
Over 5 years	–	–	–	–
	25,744	17,939	–	–

Details of interest rate swaps are as follows:

Start Date	Maturity Date	Nominal Amount £'000	Fixed rate %	Floating rate	Valuation 31st December, 2009 £'000
16th July, 2009	16th July, 2012	3,550	2.93	3 month LIBOR	(78)
8th January, 2007	31st December, 2011	2,037	5.48	3 month LIBOR	(142)
22nd May, 2009	22nd May, 2012	5,307	2.55	3 month LIBOR	(47)
					(267)

Movements in fair value are taken directly to the Statement of Comprehensive Income under finance costs and are reflected in the Statement of Financial Position under current assets or current liabilities as appropriate.

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% (2008: 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, 2009 (2008: £nil).

Analysis of deferred tax

	Group revaluation of investment properties £'000	Company £'000
At 31st December, 2007	848	–
Recognised in income statement (note 5)	(848)	–
At 31st December, 2008	–	–
Recognised in income statement (note 5)	–	–
At 31st December, 2009	–	–

19 CALLED UP SHARE CAPITAL

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

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, 2009 nil (2008: 5,000) of these options were exercised and 16,800 lapsed (2008: 2,000).

NOTES TO THE ACCOUNTS – CONTINUED

20 RESERVES

	2009 Share premium account £'000	2009 Share option reserve £'000	2009 Capital reserve £'000	2009 Retained earnings £'000	2008 Share premium account £'000	2008 Share option reserve £'000	2008 Capital reserve £'000	2008 Retained earnings £'000
Group								
Balance at 1st January	847	42	30,363	(12,650)	831	44	48,306	(9,538)
Issue of share capital	–	–	–	–	16	–	–	–
Share based payments	–	(28)	–	28	–	(2)	–	6
Net (loss)/profit on realisation of investments	–	–	(527)	–	–	–	63	–
Net profit on disposal of property plant & equipment	–	–	–	–	–	–	507	–
Gains/(losses) on revaluation	–	–	6,399	–	–	–	(6,393)	–
Deficit arising on property revaluation	–	–	(1,495)	–	–	–	(12,176)	–
(Loss)/profit on disposal of investment properties	–	–	(11)	–	–	–	56	–
Revenue loss for the year	–	–	–	(1,012)	–	–	–	(2,874)
Dividends paid	–	–	–	(49)	–	–	–	(244)
As at 31st December	847	14	34,729	(13,683)	847	42	30,363	(12,650)
Company								
Balance at 1st January	847	42	6,108	100	831	44	11,931	268
Issue of share capital	–	–	–	–	16	–	–	–
Share based payments	–	(28)	–	28	–	(2)	–	6
Net profit/(loss) on realisation of fixed asset investments	–	–	7,761	–	–	–	63	–
Net profit on disposal of property plant & equipment	–	–	–	–	–	–	507	–
Gains/(losses) on revaluation	–	–	(1,964)	–	–	–	(6,393)	–
Revenue profit for the year	–	–	–	64	–	–	–	70
Dividends paid	–	–	–	(49)	–	–	–	(244)
As at 31st December	847	14	11,905	143	847	42	6,108	100

	2009 £'000	2008 £'000
Non-controlling interest:		
Balance as at 1st January	331	1,141
Interest in revenue return for the year	111	(266)
Interest in capital return for the year	(18)	(544)
Balance as at 31st December	424	331

The following amounts within Capital reserve are realised:

	2009 £'000	2008 £'000
Group	28,856	29,394
Company	13,972	6,211

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 (2008: 4,881,880) 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 4,881,880 (2008: 4,890,788) ordinary shares. The number of shares is based upon the number of shares in issue at the year end together with nil (2008: 8,908) 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, 2009	19,822
Total recognised gains for the year	3,354
Dividends appropriated in the year	(49)
Total net assets attributable at 31st December, 2009	23,127

22 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Revenue return before taxation	(901)	(3,140)	64	70
Interest payable	1,052	927	–	–
Share based payments	–	4	–	4
Depreciation of property, plant and equipment	1	11	–	10
Share of joint venture losses	10	171	–	–
	162	(2,027)	64	84
Decrease/(increase) in current assets	142	2,869	(192)	(8)
(Decrease)/increase in current liabilities	(338)	254	4	–
	(34)	1,096	(124)	76

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 and corporate bonds;

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

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

(iv) short term and long-term borrowings;

(v) interest rate swaps.

The following categories of financial instruments, as at 31st December, 2009, were held by:

Group:	2009		2008	
	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 Statement of Financial Position				
Investments – securities	202	12,521	335	6,353
Investment in joint venture	–	–	–	–
Trade and other receivables	504	–	361	–
Accrued income	182	–	1,262	–
Trading securities	–	63	–	142
Other loans	207	–	284	–
Cash and cash equivalents	9,043	–	1,839	–
	10,138	12,584	4,081	6,495

	2009		2008	
	Liabilities at fair value through profit and loss £'000	Other financial liabilities £'000	Liabilities at fair value through profit and loss £'000	Other financial liabilities £'000
Financial liabilities per Statement of Financial Position				
Trade, other creditors and accruals	–	1,432	–	1,702
Property loans – short term	–	10,712	–	17,939
long term	–	6,707	–	–
Other loans – short term	–	8,325	–	–
Other financial liabilities	267	–	–	–
	267	27,176	–	19,641

NOTES TO THE ACCOUNTS – CONTINUED

23 FINANCIAL INSTRUMENTS – continued

Company:

	2009 Loans and receivables £'000	2009 Assets at fair value through profit or loss £'000	2008 Loans and receivables £'000	2008 Assets at fair value through profit or loss £'000
Financial assets per Statement of Financial Position				
Investments – securities	202	4,122	335	6,353
Accrued income	18	–	1,012	–
Cash and cash equivalents	8,692	–	756	–
Other loans	206	–	–	–
	9,118	4,122	2,103	6,353

	2009 Other financial liabilities £'000	2008 Other financial liabilities £'000
Financial liabilities per Statement of Financial Position		
Trade and other creditors	17	13
Other loans	21	128
	38	141

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

Group: Fair value measurement at end of reporting period using:

	31st December 2009 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets and liabilities measured at fair value				
Description				
Financial assets/(liabilities) at fair value through profit or loss:				
Investments – securities				
– Equities	12,140	11,027	–	1,113
– Fixed income	381	381	–	–
Trading securities				
– Equities	20	20	–	–
– Loans	43	–	–	43
Interest rate swaps	(267)	–	(267)	–
	12,317	11,428	(267)	1,156

Company: Fair value measurement at end of reporting period using:

	31st December 2009 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Assets and liabilities measured at fair value				
Description				
Financial assets at fair value through profit or loss:				
Investments – securities				
– Equities	3,741	2,628	–	1,113
– Fixed income	381	381	–	–
	4,122	3,009	–	1,113

NOTES TO THE ACCOUNTS – CONTINUED

23 FINANCIAL INSTRUMENTS – continued

Group:

	Financial assets at fair value through profit or loss:		
	Investments – securities £'000	Trading securities £'000	Total £'000
Assets measured at fair value based on level 3			
Opening balance	754	101	855
Total gains or losses:			
In profit or loss	–	(37)	(37)
In other comprehensive income	(644)	–	(644)
Purchases	680	–	680
Sales	(157)	(21)	(178)
Transfer into level 3	480	–	480
Closing balance	1,113	43	1,156
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(489)	(37)	(526)

Company:

	Financial assets at fair value through profit or loss:		
	Investments – securities £'000	Trading securities £'000	Total £'000
Assets measured at fair value based on level 3			
Opening balance	754	–	754
Total gains or losses:			
In other comprehensive income	(644)	–	(644)
Purchases	680	–	680
Sales	(157)	–	(157)
Transfer into level 3	480	–	480
Closing balance	1,113	–	1,113
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(489)	–	(489)

Valuation inputs

During the year, the Group adopted the requirements of IFRS 7 – Financial Instruments: Disclosures. This requires an entity to classify its financial assets and liabilities held at fair value according to a hierarchy that reflects the significance of observable market inputs. The classification of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined below.

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

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

NOTES TO THE ACCOUNTS – CONTINUED

23 FINANCIAL INSTRUMENTS – continued

Valuation technique using significant unobservable inputs – Level 3
Financial instruments, the valuation of which incorporate significant inputs for the asset or liability that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques. This category includes early-stage private equity investments and loan stocks held for the longer term. The valuation methodology for level 3 financial assets can be found in accounting policy (k).

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 Statement of Financial Position date and the risk management policies employed by the Group are summarised below.

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

The Board's strategy in managing the market price risk inherent in the Company's portfolio of equity investments is determined by the requirement to meet the Company's investment objective as discussed on page 7. 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 comprehensive income and Statement of Financial Position 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, 2009 the Company had an investment valued at £30,000 denominated in Australian dollars (2008: £35,000), and an investment valued at £17,000 denominated in US dollars (2008: £nil).

The majority of the value of the Company's investment portfolio is traded on AIM (78.1%) within the sub-portfolio are the Company's largest investments, Hallin Marine Subsea International plc and SpaceandPeople plc which account for 93.3% of the value of that sub-portfolio. As at 31st March, 2010, SpaceandPeople had increased by 15%, whilst the investment in Hallin had been sold. The remainder of the AIM portfolio had decreased by an average of 4%.

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, 2010 the value of the overall investment portfolio had increased by £64,000 (i.e. 2%) from that as at the year end increasing total comprehensive income and net assets by a similar sum. Based on values as at 31st December, 2009 a 10% movement in the value of the portfolio would be equivalent to a movement of £1,273,000 in both comprehensive income and net assets.

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:

	2009 £'000	2008 £'000
Loan stock investments held at amortised cost	202	335
Other loans	207	284
Trade and other receivables	504	361
Accrued income	182	1,262
Cash and cash equivalents	9,043	1,839
	10,138	4,081

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 £8,912,000 (2008: £2,103,000).

Cash and cash equivalents consist of cash in hand and balances with banks. In order to maintain its investment trust status the Company invests some of its surplus funds in lower risk market instruments including corporate bonds which have no less than a B+ rating. To reduce the risk of counterparty default the group deposits the rest of its surplus funds in approved high quality banks. Since the year end a sum of £8,325,000 has been utilised to repay a short term loan.

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

	2009 £'000	2008 £'000
(a) Loan stock investments		
Repayable within: 1 year	102	308
1-2 years	–	27
2-3 years	100	–
3-4 years	–	–
	202	335

As at 31st December, 2009 Loan Stock investments totalling £134,000 (2008: £143,000) were impaired and provided for.

	2009 £'000	2008 £'000
(b) Other Loans		
Repayable within: 1 year	207	284
1-2 years	–	–
	207	284

As at 31st December, 2009 other loans totalling £186,000 (2008: £182,000) were impaired and provided for and loans with a value of £206,000 (2008: £281,000) were overdue for payment but not impaired.

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

NOTES TO THE ACCOUNTS – CONTINUED

23 FINANCIAL INSTRUMENTS – continued

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

The Group's assets include fixed and floating rate interest instruments as detailed below. The Group is exposed to interest rate movements on its floating rate liabilities. The Group has attempted to minimise this risk by structuring its borrowings through the use of interest rate swaps. Under interest rate swaps the Group agrees with other parties to exchange, at quarterly intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The interest rate exposure profile of the Group's financial assets and liabilities as at 31st December, 2009 and 2008 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, 2009						
Portfolio	12,140	583	–	–	–	12,723
Dealing securities	63	–	–	–	–	63
Cash	–	–	9,043	–	–	9,043
Trade and other receivables	504	–	–	–	–	504
Accrued income	182	–	–	–	–	182
Other loans	–	207	–	–	–	207
Creditors						
– falling due within 1 year	(1,432)	–	–	–	(19,037)	(20,469)
– falling due after 1 year	–	–	–	–	(6,707)	(6,707)
Other financial liabilities (interest rate swaps)	–	–	–	(267)	–	(267)
	11,457	790	9,043	(267)	(25,744)	(4,721)

	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)
– falling due after 1 year	–	–	–	–	–	–
	6,306	729	1,839	(3,624)	(14,315)	(9,065)

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 8.12% (2008: 8.69%). Fixed rate liability loans comprise interest rate swaps and bank loans with a weighted average interest rate of 3.22% (2008: 7.09%).

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

NOTES TO THE ACCOUNTS – CONTINUED

23 FINANCIAL INSTRUMENTS – continued

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

The interest rate exposure profile of the Company's financial assets and liabilities as at 31st December, 2009 and 2008 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, 2009						
Portfolio	3,741	583	–	–	–	4,324
Cash	–	–	8,692	–	–	8,692
Accrued income	18	–	–	–	–	18
Creditors						
– falling due within 1 year	(38)	–	–	–	–	(38)
	3,721	583	8,692	–	–	12,996

	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

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:

	2009 £'000 Profit and net assets	2008 £'000 Profit and net assets
If interest rates were 0.5% lower with all other variables constant – increase	129	90
Increase in earnings and net asset value per ordinary share (pence)	2.64	1.84
If interest rates were 0.5% higher with all other variables constant – decrease	(129)	(90)
Decrease in earnings and net asset value per ordinary share (pence)	(2.64)	(1.84)

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

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	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Debt	(25,744)	(17,939)	(21)	(128)
Cash and cash equivalents	9,043	1,839	8,692	756
Net (debt)/cash	(16,701)	(16,100)	8,671	628
Net (debt)/cash as a % of net assets	(70.1)%	(79.9)%	61.4%	7.6%

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:

	2009		2008	
	Share options Number	Weighted average price (p)	Share options Number	Weighted average price (p)
Outstanding at 1st January	25,600	337.5	32,600	337.5
Lapsed during the year	(16,800)	(337.5)	(2,000)	(337.5)
Exercised during the year	–	–	(5,000)	(337.5)
Outstanding 31st December	8,800	337.5	25,600	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 £nil (2008: £4,000) 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, 2009

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	570,000	200,000	–
SpaceandPeople Plc	30,000	52,000	10,000
Securities dealt in under PLUS Market			
Wheelsure Holdings plc	–	189,990	–

Related Party Transactions

Group

Mr A. G. Ebel has a controlling interest in Watlington Securities Limited, a company which invoiced the Group a sum of £2,238 (2008: £14,910) during the year. Conversely the Group invoiced the same company £53,265 (2008: £57,364). At the year end there were no balances outstanding. At the year end, the company has accrued £25,000 (2008: £nil) for consultancy services supplied by Microdisc Limited, a company in which Mr A. G. Ebel has an interest.

Mr D. Lucie-Smith has an interest in Pelham (London) Limited and Prince's Place LLP which, as reported in the Remuneration Report, invoiced the Group a sum of £147,753 (2008: £37,974) during the year in respect of his services and associated office costs. At the year end there was a balance outstanding of £4,016 (2008: £10,654)

Conversely, during the year, the Group invoiced City Real Estate Acquisitions Limited £10,109 (2008: £nil), Parkwood Asset Management Limited £2,522 (2008: £nil) and Prince's Place LLP £2,129 (2008: £nil) for rent and rates. Mr D. Lucie-Smith has an interest in each of these companies. There were no amounts due from these companies at the year end.

Mr J. A. C. Lorimer has an interest in New Park Lane Limited which, as reported in the Remuneration Report, invoiced the Group a sum of £108,250 (2008: £22,968) in respect of his services during the year. Conversely the Group invoiced New Park Lane Limited a sum of £617 (2008: £nil). There were no amounts outstanding as at the year end.

Management fees of £nil (2008: £800) 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 £158,000 (2008: £179,000), against which a provision of £116,000 (2008: £79,000) has been made.

As reported in the Remuneration Report a charge of £nil (2008: £1,524) 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 (2008: 644,209) ordinary shares in the Company. Mrs R. H. Chopin-John is a trustee of the Rowe Trust but has no beneficial interest.

Mr A. P. Stirling, a former director of the Company, has an interest in Friars Management Services Limited which invoiced the Group a sum of £161,828 (2008: £201,128) during the year under an agreement for the provision of services dated 17th September, 2008. As notice was given to terminate this agreement on 22nd October, 2008 all such sums were fully provided for at 31st December, 2008. There were no amounts outstanding as at the year end.

Company

During the year Gresham House plc repaid loans to Security Change Limited totalling £106,906 (2008: £954,338) and acquired a secured loan from Security Change Limited for a sum of £230,203 (2008: £nil). At the year end £21,278 was owed to Security Change Limited (2008: £128,184). In addition Gresham House plc acquired a development in hand from New Capital Developments Limited for a sum of £925,000 (2008: £nil), and sold investments to Watlington Investments Limited totalling £8,325,000 (2008: £nil).

Gresham House plc has given guarantees over bank loans held by subsidiary undertakings with a maximum potential liability of £9,250,000, and an interest shortfall guarantee. Bank loans totalling £8,325,000 included above were repaid on 4th February, 2010. In addition the Company has £340,000 of cash held in an interest deposit account to satisfy bank loan covenants, and £8,325,000 of cash held as collateral for the bank loan repaid on 4th February, 2010.

26 POST BALANCE SHEET EVENTS

The Group disposed of its entire holding in Hallin Marine Subsea International plc on 4th February, 2010 for a consideration of £8,621,000 realising a gain of £8,584,000 against an original cost of £37,000. The carrying value of this investment as at 31st December, 2009 was £8,399,000. This is considered to be a non-adjusting post balance sheet event.

NOTES TO THE ACCOUNTS – CONTINUED

27 SEGMENTAL REPORTING

	Investment		Property Investment		Elimination		Consolidated	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Revenue								
External income	183	65	2,133	2,546	–	–	2,316	2,611
Inter – segment income	981	1,156	–	666	(981)	(1,822)	–	–
Total revenue	1,164	1,221	2,133	3,212	(981)	(1,822)	2,316	2,611
Gain/(loss) on investments at fair value	5,872	(6,330)	–	–	–	–	5,872	(6,330)
Losses on property investments at fair value	–	–	(1,524)	(13,512)	–	–	(1,524)	(13,512)
Profit on disposal of property, plant and equipment	–	507	–	–	–	–	–	507
Total income and gains	7,036	(4,602)	609	(10,300)	(981)	(1,822)	6,664	(16,724)
Segment expenses	–	–	(1,377)	(3,291)	–	–	(1,377)	(3,291)
Interest expense	–	–	(1,052)	(927)	–	–	(1,052)	(927)
Segment profit/(loss)	7,036	(4,602)	(1,820)	(14,518)	(981)	(1,822)	4,235	(20,942)
Unallocated corporate expenses							(836)	(1,462)
Operating profit/(loss)							3,399	(22,404)
Share of joint venture loss							(10)	(171)
Interest income							58	100
Profit/(loss) before taxation							3,447	(22,475)

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

All activities and revenue is derived from operations within the United Kingdom. One customer accounted for £660,000 of the external income for the Property Investment segment. Property operating expenses relating to investment properties that did not generate any rental income were £117,000 (2008: £112,000).

	Investment		Property Investment		Unallocated		Consolidated	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Other Information								
Segment assets	22,007	9,321	28,987	30,473	–	–	50,994	39,794
Segment liabilities	(8,578)	(253)	(18,865)	(19,388)	–	–	(27,443)	(19,641)
	13,429	9,068	10,122	11,085	–	–	23,551	20,153
Capital expenditure	1,252	264	374	513	–	–	1,626	777
Depreciation	–	–	1	1	–	11	1	12
Non-cash expenses other than depreciation	–	–	–	–	–	4	–	4

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "Meeting") of Gresham House plc (the "Company") will be held at the offices of Arbuthnot Securities Limited, Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR on 10th June, 2010 at 11.00 am for the following purposes:

ORDINARY RESOLUTIONS

1. To receive and adopt the report of the directors and the accounts for the year ended 31st December, 2009 together with the report of the auditors;
2. To approve and adopt the Remuneration Report;
3. To declare a dividend to shareholders of 1p per ordinary share, to be paid on 25th June, 2010 to the holders of ordinary shares at close of business on 28th May, 2010;
4. To re-elect as a director Mr A. G. Ebel 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 B. J. Hallett who retires in accordance with the Company's articles of association and offers himself for re-election;
6. To appoint PKF (UK) LLP as the Company's auditors to hold office from the conclusion of the Meeting until the conclusion of the next annual general meeting of the Company and to authorise the directors to fix their remuneration;
7. For the purposes of section 551 of the Companies Act 2006 (the "Act") (and so that expressions used in this resolution shall bear the same meanings as in the said section 551):

   (a) to authorise the directors, generally and unconditionally, to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Act respectively up to a maximum nominal amount of £402,755 to such persons and at such times and on such terms as they think proper during the period expiring at the earlier of the close of business on 31st August, 2011 or the end of the next annual general meeting of the Company (unless previously revoked or varied by the Company in general meeting); and further

   (b) to authorise the directors, generally and unconditionally, to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Act) in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as maybe) to the respective number of equity securities held by them up to an aggregate nominal amount of £402,755 during the period expiring at the earlier of the close of business on 31st August, 2011 or end of the next annual general meeting of the Company, subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

NOTICE OF ANNUAL GENERAL MEETING – CONTINUED

(c) to authorise the Company to make, prior to the expiry of such period, any offer or agreement which would or might require such shares or rights to be allotted or granted after the expiry of the said period and the directors may allot such shares or grant such rights in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution;

so that all previous authorities of the directors pursuant to the said section 551 of the Act or section 80 of the Companies Act 1985 be and are hereby revoked.

8. to revise the Company's investment objective and policy so that the investment objective and policy be augmented as follows:

"The Company's objective is to provide shareholders with long term capital and income growth by a combination of investing in commercial property, bonds and equities"

By Order of the Board,
B. J. Hallett, Secretary
27th April, 2010

5 Prince's Gate
London SW7 1QJ

NOTES TO THE NOTICE OF MEETING

Entitlement to attend and vote

1. Pursuant to section 360B of the Act and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company specifies that only those members registered on the Company's register of members at:
   - 11.00 am on 8th June, 2010; or,
   - if this Meeting is adjourned, at 11.00 am on the day two days prior to the adjourned Meeting,

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

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, provided each proxy is appointed to exercise the rights attached to a different share or shares held by that member (the number of shares in respect of which each proxy is appointed must be specified). The right to appoint a proxy does not apply to any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person").
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 to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:
   - completed and signed;
   - sent or delivered to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
   - received by Capita Registrars no later than 11.00 am 8th June, 2010.

   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 Capita Registrars (ID RA10) by 11.00 am 8th June, 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

NOTES TO THE NOTICE OF MEETING – CONTINUED

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

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

Changing proxy instructions

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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone 0871 664 0300 (Calls cost 10p per minute plus network extras, lines are open Mon-Fri 8.30 am – 5.30 pm) 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, PXS, 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 11.00 am 8th June, 2010.

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

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

Joint holders of shares

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

Availability of documents

10. Copies of the terms and conditions of appointment of the non-executive directors are available for inspection at the registered office of the Company, 5 Princes Gate, London SW7 1QJ, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this notice until the conclusion of the Meeting and will be available for inspection at the place of the Meeting for at least 15 minutes prior to and during the Meeting.

Issued shares and total voting rights

11. As at 5.00 pm on 26th April, 2010, being the last business day prior to the publication of this notice, 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 11.00 am on 10th June, 2010 is 4,881,880.

NOTES TO THE NOTICE OF MEETING – CONTINUED

Communication

12. 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, lines are open Mon-Fri 8.30 am – 5.30 pm) or from overseas +44 208 639 3399.

    You may not use any electronic address provided either:
    - in this notice of Meeting; or
    - any related documents (including the Chairman's letter and proxy form),

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

Information to be published

13. The information required to be published by section 311(A) of the Act (information about the contents of this notice and numbers of shares in the Company and voting rights exercisable at the Meeting and details of any members' statements, members' resolutions and members' items of business received after the date of this notice) may be found at www.greshamhouse.com.
14. Members representing 5% or more of the total voting rights of all the members or at least 100 persons (being either members who have a right to vote at the Meeting and hold shares on which there has been paid up an average sum, per member, of £100 or persons satisfying the requirements set out in section 153(2) of the Act) may require the Company, under section 527 of the Act to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The business which may be dealt with at the Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

Nominated Person

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

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