



GRESHAM HOUSE plc

INTERIM RESULTS 2009

Chairman's Interim Statement and Management Report

I am pleased to report that the half year results show a much reduced revenue loss of £140,000 compared to the loss for the year to 31st December, 2008 of £3,140,000. The annual result included a provision of £2,220,000 against the value of the development sites which, if excluded, would have reduced the 2008 loss to £920,000. The half year loss compares with a loss for the half year ending 30th June, 2008 of £85,000.

Rental income for the current half year was £1,027,000. This fell by £195,000 compared to the half year to 30th June, 2008 as a result of the loss of income at Newton-le-Willows where a major distribution tenant reduced their space requirement at the expiry of their lease.

Both administration overheads and finance costs were lower than the corresponding half year in 2008. The administration overheads reduction of £236,000 is principally due to overall consolidation of staff and considerably lower legal fees than in 2008 whilst the finance cost reduction from £498,000 to £320,000 is due to the reduction in interest rates since last year. Interest rates on the majority of the loans are now locked in for at least 2 years so it is anticipated that this benefit will be ongoing.

Capital account for the half year to 30th June, 2009

The capital surplus for the half year was £2,628,000 against a loss in the similar period last year of £2,524,000. The surplus was as a result of the value of our quoted investment portfolio increasing by £2,675,000 in the six months to 30th June, 2009 and net realised gains on share disposals of £186,000. The principal reason for the significant increase in the value of the investment portfolio was the performance of Hallin Marine which increased in value by 76% following the announcement of record results in March, resulting in an unrealised gain of £2,368,000.

The overall increase in the share portfolio was partly offset by the provision made against Investment Properties of £233,000 by prudently writing off capital expenditure incurred in the half year.

As a consequence of the above the basic net asset value per share as at 30th June, 2009 shows a healthy increase of 46.8p to 452.8p per share, representing an increase of 11.5% since the year end.

However, following a trading update in July 2009, Hallin Marine's share price has fallen back by 38p as at close of business on 26th August, 2009 against its valuation as at 30th June, resulting in a decrease in the value of our investment of £1,406,000. Had this occurred in the first half our increase in net asset value at that time would have been limited to 18.0p.

Finance

I am delighted to report that all loans relating to Property Investments have now been refinanced for a minimum period of two years. The Royal Bank of Scotland has renewed loans totalling £3,514,000 which mature in June 2011 with the balance of our loan amounting to £14,215,000 maturing in 2012.

A new loan from The Royal Bank of Scotland of £3.6 million replaced the existing facility from Morgan Stanley on which we obtained a settlement discount of £148,000. This profit will be taken in the accounts for the full year.

The group's cash balance as at 30th June, 2009 amounted to £2.7 million. We intend to ensure that we have a surplus of cash available to enable us to cover any adverse cash movements resulting from tenant failure or voids in our property portfolio. We continue to follow our stated policy of progressive realisation of the investment portfolio.

Property portfolio

As is the Company's usual practice no interim independent valuations have been carried out as at 30th June, 2009. We have maintained the value of the properties at 31st December, 2008 valuations and, as a result, have provided for £233,000 against capital expenditure incurred in the first 6 months to 30th June, 2009.

Whilst we have let 17,000 sq.ft. of warehouse space at Southern Gateway, Speke so far this year, we anticipate losing further rental income at Newton-le-Willows later in the year as two leases expire. We understand that the present distribution tenant is unlikely to renew all 217,000 sq.ft. currently occupied. Strenuous efforts are being made to improve lettings but there is a significant amount of industrial and distribution space available on the market in the North West. Our recently constructed warehouse at Northern Gateway, Knowsley has also proved difficult to let but we remain optimistic of a potential sale of this facility.

Chairman's Interim Statement and Management Report – Continued

We are implementing planning consents at Newton-le-Willows, Vincent Lane, Dorking and a 6 acre site at Knowsley. We expect to have positive news on the Newton-le-Willows application early next year where an application for 400 houses and around 25,000 sq.ft. of commercial space is to be submitted shortly. It is our understanding that the local council are likely to be supportive of our plans.

Outline terms have been agreed for the sale of Vincent Lane, Dorking to a major food retailer and discussions are ongoing with the local council to achieve the required planning consent.

A new planning application is being submitted in respect of our 6 acre development site in Knowsley to include food retail.

Terms have been agreed with Mole Valley council for the release of an onerous Section 106 agreement on our development site in Dorking. This had restricted lettings to local users and the release of this condition will enable us to market the unfettered site to secure national as well as local tenants.

Investment portfolio

Investments sales during the first half year amounted to £575,000 resulting in net realised gains £186,000. We continue with the policy of reducing the investment portfolio when the opportunities arise.

The value of the portfolio increased by £2,675,000 over the period to £9,017,000 at the 30th June, 2009. The principal increase was that of our largest investment, which continues to be Hallin Marine, recording a rise of £2,368,000 to £5,476,000. As mentioned above however the share price has since fallen back.

Future prospects

Our approach of progressively improving our property portfolio and the opportunity to release potential planning gains will to some extent offset the continued downward pressure on the commercial property market. Capital growth (all properties), as measured by the Investment Property Data Bank (IPD), has decreased by 13.3% since 1st January, 2009. Signs are looking positive that we may be close to the bottom of the market as the IPD index produced the lowest negative capital growth decline in two years, falling by 0.13% in July 2009. The market however remains difficult through falling rents and tenant failure.

We continue to remain cautiously optimistic that we will gradually see a return in capital value appreciation and more liquidity in the debt markets to enable a slow recovery in 2010.

We would like to thank the executive board and the staff for their efforts in securing improved results and extending bank loans in what has continued to be a very difficult period.

Tony Ebel
Chairman

27th August, 2009

GRESHAM HOUSE plc

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Half year ended 30th June, 2009			Half year ended 30th June, 2008			Year ended 31st December, 2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income:									
Dividend and Interest income	140	–	140	157	–	157	266	–	266
Rental income	1,027	–	1,027	1,222	–	1,222	2,451	–	2,451
Other operating income	46	–	46	195	–	195	(6)	–	(6)
Total Revenue	1,213	–	1,213	1,574	–	1,574	2,711	–	2,711
Gains/(losses) on investments held at fair value	–	2,861	2,861	–	395	395	–	(6,330)	(6,330)
Movement in fair value of property investments	–	(233)	(233)	–	(3,292)	(3,292)	–	(13,512)	(13,512)
Profit on disposal of property, plant & equipment	–	–	–	–	–	–	–	507	507
Total income and gains/(losses) on investments	1,213	2,628	3,841	1,574	(2,897)	(1,323)	2,711	(19,335)	(16,624)
Operating Costs									
Property outgoings and impairments	(559)	–	(559)	(411)	–	(411)	(3,291)	–	(3,291)
Administrative overheads	(464)	–	(464)	(700)	–	(700)	(1,462)	–	(1,462)
	(1,023)	–	(1,023)	(1,111)	–	(1,111)	(4,753)	–	(4,753)
Group operating profit/(loss)	190	2,628	2,818	463	(2,897)	(2,434)	(2,042)	(19,335)	(21,377)
Finance costs	(320)	–	(320)	(498)	–	(498)	(927)	–	(927)
Share of associate's operating loss	(10)	–	(10)	(50)	–	(50)	(171)	–	(171)
Group and share of associate's operating loss before taxation	(140)	2,628	2,488	(85)	(2,897)	(2,982)	(3,140)	(19,335)	(22,475)
Taxation	–	–	–	–	373	373	–	848	848
Profit/(loss) and total comprehensive income for the period	(140)	2,628	2,488	(85)	(2,524)	(2,609)	(3,140)	(18,487)	(21,627)
Attributable to:									
Equity holders of the parent	(312)	2,646	2,334	(10)	(2,388)	(2,398)	(2,874)	(17,943)	(20,817)
Minority interests	172	(18)	154	(75)	(136)	(211)	(266)	(544)	(810)
	(140)	2,628	2,488	(85)	(2,524)	(2,609)	(3,140)	(18,487)	(21,627)
Basic earnings/(loss) per Ordinary Share (note 9)			47.8p			(49.2p)			(426.6p)
Diluted earnings/(loss) per Ordinary Share (note 9)			47.8p			(49.2p)			(426.6p)

GRESHAM HOUSE plc

Unaudited Condensed Consolidated Statements of Changes in Equity

	Half year ended 30th June, 2009							
	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000	Equity attributable to equity shareholders £'000	Minority interest £'000	Total £'000
Balance at 31st December, 2008	1,220	847	42	30,363	(12,650)	19,822	331	20,153
Loss for the period being total income and expense for the period	–	–	–	2,646	(312)	2,334	154	2,488
Ordinary dividend paid (note 8)	–	–	–	–	(49)	(49)	–	(49)
Balance at 30th June, 2009	<u>1,220</u>	<u>847</u>	<u>42</u>	<u>33,009</u>	<u>(13,011)</u>	<u>22,107</u>	<u>485</u>	<u>22,592</u>
	Half year ended 30th June, 2008							
	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000	Equity attributable to equity shareholders £'000	Minority interest £'000	Total £'000
Balance at 31st December, 2007	1,219	831	44	48,306	(9,538)	40,862	1,141	42,003
Loss for the period being total income and expense for the period	–	–	–	(2,388)	(10)	(2,398)	(211)	(2,609)
Ordinary dividend paid (note 8)	–	–	–	–	(244)	(244)	–	(244)
Balance at 30th June, 2008	<u>1,219</u>	<u>831</u>	<u>44</u>	<u>45,918</u>	<u>(9,792)</u>	<u>38,220</u>	<u>930</u>	<u>39,150</u>
	Year ended 31st December, 2008							
	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000	Equity attributable to equity shareholders £'000	Minority interest £'000	Total £'000
Balance as at 31st December, 2007	1,219	831	44	48,306	(9,538)	40,862	1,141	42,003
Loss for the period being total income and expense for the period	–	–	–	(17,943)	(2,874)	(20,817)	(810)	(21,627)
Ordinary dividend paid (note 8)	–	–	–	–	(244)	(244)	–	(244)
Issue of shares	1	16	–	–	–	17	–	17
Share based payments	–	–	(2)	–	6	4	–	4
Balance at 31st December, 2008	<u>1,220</u>	<u>847</u>	<u>42</u>	<u>30,363</u>	<u>(12,650)</u>	<u>19,822</u>	<u>331</u>	<u>20,153</u>

GRESHAM HOUSE plc

Unaudited Condensed Consolidated Balance Sheet

as at 30th June, 2009

	30th June, 2009 £'000	30th June, 2008 £'000	31st December, 2008 £'000
Assets			
Non current assets			
Investments held at fair value	9,017	14,347	6,688
Property investments	25,750	35,740	25,750
Investment in associate	–	–	–
Property, plant and equipment	3	481	3
Total non current assets	<u>34,770</u>	<u>50,568</u>	<u>32,441</u>
Current assets			
Trade and other receivables	358	683	361
Accrued income and prepaid expenses	514	645	1,721
Other current assets	3,361	5,985	3,432
Cash and cash equivalents	2,741	1,180	1,839
Total current assets	<u>6,974</u>	<u>8,493</u>	<u>7,353</u>
Total assets	<u>41,744</u>	<u>59,061</u>	<u>39,794</u>
Current liabilities			
Trade and other payables	1,374	1,799	1,702
Short term borrowings	7,363	11,216	17,939
Total current liabilities	<u>8,737</u>	<u>13,015</u>	<u>19,641</u>
Total assets less current liabilities	<u>33,007</u>	<u>46,046</u>	<u>20,153</u>
Non current liabilities			
Long term borrowings	10,415	6,421	–
Deferred taxation	–	475	–
	<u>10,415</u>	<u>6,896</u>	<u>–</u>
Net assets	<u>22,592</u>	<u>39,150</u>	<u>20,153</u>
Capital and reserves			
Ordinary share capital (note 10)	1,220	1,219	1,220
Share premium	847	831	847
Share based payments	42	44	42
Capital reserve	33,009	45,918	30,363
Retained earnings	(13,011)	(9,792)	(12,650)
Equity attributable to equity shareholders	<u>22,107</u>	<u>38,220</u>	<u>19,822</u>
Minority interest	<u>485</u>	<u>930</u>	<u>331</u>
Total equity	<u>22,592</u>	<u>39,150</u>	<u>20,153</u>
Basic net asset value per ordinary share (note 11)	<u>452.8p</u>	<u>783.7p</u>	<u>406.0p</u>
Diluted net asset value per ordinary share (note 11)	<u>452.8p</u>	<u>781.3p</u>	<u>405.3p</u>

GRESHAM HOUSE plc

Unaudited Condensed Consolidated Cash Flow Statement

for the half year ended 30th June, 2009

	6 months to 30th June, 2009 £'000	6 months to 30th June, 2008 £'000	12 months to 31st December, 2008 £'000
Cashflow from operating activities			
Investment income received	117	104	166
Interest received	23	53	100
Rental income received	1,027	1,071	2,431
Other cash payments	<u>(984)</u>	<u>(613)</u>	<u>(1,601)</u>
Net cash generated from operations (note 14)	183	615	1,096
Interest paid on property loans	<u>(331)</u>	<u>(506)</u>	<u>(967)</u>
Net cash flows from operating activities	<u><u>(148)</u></u>	<u><u>109</u></u>	<u><u>129</u></u>
Cash flows from investing activities			
Purchase of investments	(31)	(225)	(264)
Investment in associate	(10)	(50)	(171)
Sale of investments	564	538	1,511
Expenditure on investment properties	(233)	(224)	(513)
Disposal of property, plant & equipment	980	–	–
Disposal of investment properties	–	–	56
Purchase of developments in hand	<u>(10)</u>	<u>–</u>	<u>(260)</u>
	<u><u>1,260</u></u>	<u><u>39</u></u>	<u><u>359</u></u>
Cash flows from financing activities			
Repayment of loans	(10,804)	(221)	(443)
Receipt of loans	10,643	160	684
Share capital issued	–	–	17
Equity dividends paid	<u>(49)</u>	<u>(244)</u>	<u>(244)</u>
	<u><u>(210)</u></u>	<u><u>(305)</u></u>	<u><u>14</u></u>
Increase/(decrease) in cash and cash equivalents			
	902	(157)	502
Cash and cash equivalents at start of period	<u>1,839</u>	<u>1,337</u>	<u>1,337</u>
Cash and cash equivalents at end of period	<u><u>2,741</u></u>	<u><u>1,180</u></u>	<u><u>1,839</u></u>

GRESHAM HOUSE plc

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

1. Reporting Entity

Gresham House plc (“the Company”) is a company incorporated in England. The unaudited consolidated interim financial statements of the Company as at and for the six months ended 30th June, 2009 comprise the Company and its subsidiary undertakings (together referred to as the “Group”). All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2. Statement of Compliance

These unaudited consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting*. They do not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. The Group has adopted IAS 1 (Revised) *Presentation of Financial Statements* for the first time in these interim financial statements.

The unaudited consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group and Company as at and for the year ended 31st December, 2008 which were prepared in accordance with IFRS as adopted by the European Union and those parts of the Companies Act 1985 applicable to companies reporting under IFRS, and have been reported on by the Company’s auditors. The auditors’ report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The unaudited consolidated interim financial statements were approved by a duly appointed and authorised committee of the Board of Directors on 27th August, 2009. The financial information for the half years ended 30th June, 2009 and 30th June, 2008 has not been audited and the auditors have not reported on or reviewed these interim financial statements. The information for the year ended 31st December, 2008 has been extracted from the latest published audited financial statements.

3. Significant Accounting Policies

The accounting policies applied by the Group in these unaudited consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31st December, 2008.

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 interim financial statements on a basis compliant with the recommendations of the SORP.

4. Critical Accounting Estimates and Judgements

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

In preparing these unaudited consolidated interim financial statements, the significant judgements made by management were the same as those that applied to the consolidated financial statements as at and for the year ended 31st December, 2008.

5. Principal Risks

The principal risks of the Group are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31st December, 2008.

GRESHAM HOUSE plc

Notes to the Unaudited Condensed Consolidated Interim Financial Statements – Continued

6. Income

	Half year ended 30th June, 2009 £'000	Half year ended 30th June, 2008 £'000	Year ended 31st December, 2008 £'000
Income from investments:			
Dividend income			
– Listed UK	117	104	166
Interest receivable			
– Bank & brokers	9	21	63
– Other	14	32	37
	<u>140</u>	<u>157</u>	<u>266</u>
Rental income	<u>1,027</u>	<u>1,222</u>	<u>2,451</u>
	<u>1,167</u>	<u>1,379</u>	<u>2,717</u>
Other operating income			
Dealing profits and losses	(7)	27	(178)
Management fees receivable	44	124	141
Other	9	44	31
	<u>46</u>	<u>195</u>	<u>(6)</u>
Total income	<u>1,213</u>	<u>1,574</u>	<u>2,711</u>
Total income comprises:			
Dividends	117	104	166
Interest	23	53	100
Other income	1,073	1,417	2,445
	<u>1,213</u>	<u>1,574</u>	<u>2,711</u>

7. Finance Costs

	Half year ended 30th June, 2009 £'000	Half year ended 30th June, 2008 £'000	Year ended 31st December, 2008 £'000
Interest payable on loans and overdrafts	<u>320</u>	<u>498</u>	<u>927</u>
In addition:			
Interest capitalised on development properties	<u>43</u>	<u>147</u>	<u>269</u>

GRESHAM HOUSE plc

Notes to the Unaudited Condensed Consolidated Interim Financial Statements – Continued

8. Dividends

	Half year ended 30th June, 2009 £'000	Half year ended 30th June, 2008 £'000	Year ended 31st December, 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	<u>49</u>	<u>244</u>	<u>244</u>
	<u><u>49</u></u>	<u><u>244</u></u>	<u><u>244</u></u>

9. Earnings per Share

Basic and diluted earnings per share

The Basic and diluted earnings per share figure is based on the net profit attributable to equity holders of the parent for the half year of £2,334,000 (half year ended 30th June, 2008: loss of £2,398,000; year ended 31st December, 2008: loss of £20,817,000) and on 4,881,880 (half year ended 30th June, 2008: 4,876,880; year ended 31st December, 2008: 4,879,694) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The calculation for diluted earnings per share for the period ended 30th June, 2009 should have included a figure in respect of shares deemed to have been issued at nil consideration as a result of options granted. However as this would have reduced the weighted average number of shares in issue by 9,247 and hence result in the diluted earnings per share being greater than the basic earnings per share they have not been recognised. The calculation for the period ended 30th June, 2008 and year ended 31st December, 2008 is the same as the basic earnings per share as the result for the respective periods was a loss.

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

	Half year ended 30th June, 2009 £'000	Half year ended 30th June, 2008 £'000	Year ended 31st December, 2008 £'000
Net revenue loss attributable to equity holders of the parent	(312)	(10)	(2,874)
Net capital profit/(loss) attributable to equity holders of the parent	<u>2,646</u>	<u>(2,388)</u>	<u>(17,943)</u>
Net total profit/(loss)	<u><u>2,334</u></u>	<u><u>(2,398)</u></u>	<u><u>(20,817)</u></u>
Weighted average number of ordinary shares in issue during the period			
Basic and diluted	4,881,880	4,876,880	4,879,694
	Pence	Pence	Pence
Basic and diluted earnings per share			
Revenue	(6.4)	(0.2)	(58.9)
Capital	<u>54.2</u>	<u>(49.0)</u>	<u>(367.7)</u>
Total basic and diluted earnings per share	<u><u>47.8</u></u>	<u><u>(49.2)</u></u>	<u><u>(426.6)</u></u>

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements – Continued

10. Ordinary Share Capital

	30th June, 2009 £'000	30th June, 2008 £'000	31st December, 2008 £'000
Share Capital Authorised: £4,750,000 (30th June, 2008 & 31st December, 2008: £4,750,000) Allotted: Ordinary – 4,881,880 (30th June, 2008: 4,876,880, 31st December, 2008: 4,881,880) fully paid shares of 25p each	<u>1,220</u>	<u>1,219</u>	<u>1,220</u>

11. Net Asset Value per Share

(i) As at 30th June, 2009:

Basic and diluted net asset value

Basic and diluted net asset value per ordinary share is based on Equity attributable to equity shareholders at each respective period end and on 4,881,880 ordinary shares being the number of ordinary shares in issue at the period end.

The calculation for diluted net asset value should have included a figure in respect of shares deemed to have been issued at nil consideration as a result of options granted. However as this would have reduced the number of ordinary shares in issue at the period end by 9,247 and hence result in the diluted net asset value per share being greater than the basic net asset value per share they have not been recognised.

(ii) As at 30th June, 2008 and 31st December, 2008:

Basic

Basic net asset value per ordinary share is based on Equity attributable to equity shareholders at each respective period end and on 4,876,880 (year ended 31st December, 2008: 4,881,880) ordinary shares being the number of ordinary shares in issue at the period end.

Diluted

Diluted net asset value per ordinary share is based on Equity attributable to equity shareholders at each respective period end and on 4,891,946 (year ended 31st December, 2008: 4,890,788) ordinary shares.

The number of shares is based upon the number of shares in issue at the period end together with those number of shares deemed to have been issued at nil consideration as a result of option granted.

12. Investments – Securities

As at 30th June, 2009 the Company's ten largest investments were:

	Market Value £'000	% of Portfolio
UK Listed Securities		
Welsh Industrial Investment Trust plc	473	5.2
Securities dealt in under AIM		
Byotrol plc	104	1.2
Hallin Marine Subsea International plc	5,476	60.7
Plus Markets Group plc	181	2.0
Portland plc	144	1.6
SpaceandPeople plc	873	9.7
Securities dealt in under PLUS Market		
Wheelsure Holdings plc	175	1.9
Unlisted Securities		
Audiogravity Holdings Limited	228	2.5
Gizmo Packaging Limited	188	2.1
Strathclyde University Incubator Limited	120	1.3
	<u>7,962</u>	<u>88.2</u>

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Notes to the Unaudited Condensed Consolidated Interim Financial Statements – Continued

13. Related Party Transactions

Mr A. G. Ebel has a controlling interest in Watlington Securities Limited, a company which invoiced the Group a sum of £nil (half year ended 30th June, 2008: £nil; year ended 31st December, 2008: £14,910) during the period. Conversely the Group invoiced the same company £33,969 (half year ended 30th June, 2008: £20,000; year ended 31st December, 2008: £57,364). At the period end there remained balances outstanding of £nil (half year ended 30th June, 2008: £705; year ended 31st December, 2008: £nil) and £5,214 (half year ended 30th June, 2008: £23,500; year ended 31st December, 2008: £nil) respectively.

Mr D. Lucie-Smith has an interest in Pelham (London) Limited which invoiced the Group a sum of £11,504 (half year ended 30th June, 2008: £nil; year ended 31st December, 2008: £9,264). At the period end there remained balances outstanding of £nil (half year ended 30th June, 2008: £nil; year ended 31st December, 2008: £9,264).

The Rowe Trust holds an interest of 644,209 (year ended 31st December, 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.

Monies due to Mr D. Lucie-Smith of £62,500 (half year ended 30th June, 2008: £nil; year ended 31st December, 2008: £29,000) and Mr J. Lorimer of £50,000 (half year ended 30th June, 2008: £nil; year ended 31st December, 2008: £23,000) have been invoiced by businesses in which they have a material interest.

All figures shown above exclude VAT other than the balances outstanding at the respective period ends which are shown inclusive of VAT.

14. Reconciliation of Operating Profit to Operating Cash Flows

	30th June, 2009 £'000	30th June, 2008 £'000	31st December, 2008 £'000
Revenue return before taxation	(140)	(85)	(3,140)
Interest payable	320	498	927
Share based payments	–	–	4
Depreciation of property, plant and equipment	–	6	11
Share of associate's losses	10	50	171
	<u>190</u>	<u>469</u>	<u>(2,027)</u>
(Increase)/decrease in current assets	310	(174)	2,869
Increase/(decrease) in current liabilities	(317)	320	254
	<u>183</u>	<u>615</u>	<u>1,096</u>

GRESHAM HOUSE plc

Notes to the Unaudited Condensed Consolidated Interim Financial Statements – Continued

15. Segmental Reporting

	Investment £'000	Property Investment £'000	Consolidated £'000
Half year ended 30th June, 2009			
Revenue	163	1,027	1,190
Result	3,024	235	3,259
Unallocated corporate expenses			(464)
Operating loss			2,795
Share of associate's loss			(10)
Interest expense			(320)
Interest income			23
Profit before taxation			2,488
Half year ended 30th June, 2008			
Revenue	269	1,251	1,520
Result	664	(2,456)	(1,792)
Unallocated corporate expenses			(696)
Operating loss			(2,488)
Share of associate's loss			(50)
Interest expense			(498)
Interest income			54
Loss before taxation			(2,982)
Year ended 31st December, 2008			
Revenue	65	2,546	2,611
Result	(5,758)	(14,257)	(20,015)
Unallocated corporate expenses			(1,462)
Operating loss			(21,477)
Share of associate's loss			(171)
Interest expense			(927)
Interest income			100
Loss before taxation			(22,475)

All revenue is derived from operations within the United Kingdom.

**Responsibility Statement of the Directors in respect of the Unaudited Condensed Consolidated
Interim Financial Statements**

We confirm that to the best of our knowledge:

- (a) the unaudited consolidated interim financial statements, which have been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;
- (b) the Chairman's interim statement and management report includes a fair review of the information required by:
 - (i) DTR 4.2.7R of the Disclosure and Transparency Rule, being an indication of important events that have occurred during the first six months of the financial year and their impact on the unaudited consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (ii) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Principal risks and uncertainties

The Board consider the principal risks and uncertainties relating to the Group for the next six months to be the same as detailed in the consolidated financial statements for the year ended 31st December, 2008. Full details of the risks and uncertainties are detailed under the Investment Policy section of those financial statements.

The principal risks to the business are:

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

A. G. Ebel
Chairman

D. Lucie-Smith
Chief Executive Officer

