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# GRESHAM HOUSE plc

INTERIM RESULTS 2014

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## CHAIRMAN'S INTERIM STATEMENT AND MANAGEMENT REPORT

The half year results for the six months ended 30 June 2014 show an increase in the overall loss on the combined Revenue and Capital account of £2,512,000 compared to a loss of £2,014,000 for the corresponding period in 2013. This loss represents 51.9p per ordinary share compared with the six months ended 30 June 2013 which showed a loss of 30.7p per ordinary share. As a consequence the net asset value per share has decreased from 378.5p at 31 December 2013 to 331.7p at 30 June 2014.

### Revenue Account

The revenue loss for the six months ended 30 June 2014 was £204,000 against a loss for the corresponding period in 2013 of £909,000. The principal reasons for the decrease were:-

- a gain of £215,000 as a result of the reduction in the provision made against the six acre development site at Knowsley which has now been sold;
- a reduction in other property outgoings of £208,000 reflecting savings made in legal and professional fees; and
- a decrease of £335,000 in finance costs reflecting the reduction in bank borrowings from £11.9m as at 30 June 2013 to £3.3m as at 30 June 2014.

### Capital Account

The capital account shows a loss for the half year ended 30 June 2014 of £2,308,000 compared to a deficit for the similar period to 30 June 2013 of £1,105,000.

The value of the property known as Southern Gateway in Speke, Liverpool has increased by £1.25m since year end to a value of £6.6m largely as a result of improving market conditions reflected in current negotiations with new and existing tenants. This increase has been offset by a reduction in the value of the site at Newton-le-Willows of £1.4m due to significant abnormal site costs being identified at the part of the site sold to Persimmon Homes Ltd, the extended payment terms within the contract and a further £400,000 in necessary capital expenditure.

The securities portfolio showed losses of £1,715,000 for the half year ended 30 June 2014 primarily as a result of the fall in the share price of SpaceandPeople plc following a profit warning in April 2014 and a further provision against the unquoted investment portfolio. The investment in SpaceandPeople plc as at 30 June 2014 is valued at £1,382,000 compared to a year end value of £2,805,000.

### Property Portfolio

The principal assets of the Group remain the property in Speke, Liverpool and the site at Newton-le-Willows valued by Jones Lang LaSalle at a total of £16.55m as at 30 June 2014, down from £16.7m as at year end. As previously reported contracts have been exchanged with Persimmon Homes Limited on 29 April 2014 for the sale of 22.8 acres of the 30 acre site at Newton-le-Willows for £7.43m, plus overage, conditional upon Persimmon obtaining satisfactory detailed planning permission. This asset has however been valued at a discounted amount of £6.55m in the interim results to take into account the extended payment terms over a period of 42 months from completion.

### Securities Portfolio

The value of the portfolio has decreased from £5,159,000 at year end to £3,440,000 at 30 June 2014 reflecting the significant fall in the value of the investment in SpaceandPeople plc in April 2014. In addition to that investment the portfolio consists principally of one investment dealt in under ISDX and four unquoted investments against which a further provision of £316,000 has been made.

### Future of the Group

As announced on 25 June 2014 the Board is in discussions relating to the future of the Company and Group which, if bought to a satisfactory conclusion, would provide an attractive alternative to the current plan of liquidation and distribution as approved at the 2011 annual general meeting. To recap, the expected key features of the alternative plan as announced (the "Proposals") include:

- the appointment of a substantially new board of directors and a new management team whose members would include individuals with long-standing and successful investment track records;

## CHAIRMAN'S INTERIM STATEMENT AND MANAGEMENT REPORT – continued

- a new strategic direction for the Company including the proposed development of an asset management business and investment portfolio;
- the issue of new ordinary shares in the Company by way of a placing to new investors at a discount of 11.25 per cent. to the net asset value per ordinary share as at 30 June 2014 in order to raise approximately £20 million;
- the issue of shareholder warrants to be admitted to trading on AIM, to those holders of the Company's shares, other than placees, on a one shareholder warrant per five ordinary shares basis exercisable at the net asset value per ordinary share as at 30 June 2014;
- the purchase of up to 850,000 supporter warrants by members of the new team at a price of £0.075 per supporter warrant exercisable at the net asset value per ordinary share as at 30 June 2014;
- the cancellation of the Company's listing on the Main Market and the admission of the share capital of the Company as enlarged by the placing and the shareholder warrants to trading on AIM;
- the cancellation of the Company's share premium account including the share premium arising on the issue of the new ordinary shares;
- the amendment of the Company's investment policy; and
- the loss of investment trust status which will result in any capital gains realised by the Company, less any capital losses available, being subject to corporation tax.

Progress is being made to implement the Proposals and it is anticipated that a circular containing details of the Proposals and an AIM admission document will be sent to shareholders by the end of September 2014. Since the announcement on 25 June 2014 (summerised above) and as part of the negotiations, it is expected that the placing price will be set at the net asset value per ordinary share at 30 June 2014 as adjusted to reflect any movement in the share price of SpaceandPeople plc (being the only material quoted investment in the Group's portfolio) between 30 June 2014 and the latest practicable date prior to the finalisation of the investor documentation (the "Adjusted Value") discounted by 11.25 per cent. The exercise price of the shareholder warrants and supporter warrants (see above) are expected to be at the Adjusted Value. The circular will include a notice of general meeting of the Company at which various resolutions will be put to shareholders in order to seek approval for the Proposals, including special resolutions which will require approval of 75% of the votes cast to be in favour. If any of the resolutions are not approved by shareholders, none of the Proposals will proceed.

The Board believes that, if implemented, the Proposals provide an attractive alternative to the current plan of liquidation and distribution which, as announced, will involve a significant amount of the proceeds of realisation being distributed to shareholders in multiple stages over an estimated four years as monies become available following a sale of the Company's property assets.

In addition to the Proposals we continue with the process of the orderly realisation of the Group's assets and a reduction of the group's cost base. To this end all directors' service contracts and letters of appointment terminated on 31 July 2014. In order for the Company to meet its statutory obligations and continue with the Proposals above each of Richard Chadwick, Brian Hallett, John Lorimer and myself have entered into letters of appointment whereby we will act as non-executive directors of the Company and, additionally, the Company has engaged with the service companies of each of us for the provision of consultancy services which can be terminated upon one months' notice. Rosemary Chopin-John ceased acting as a director on the 31 July and I would like to thank her for her valuable contribution over the past six years.

The focus of your directors continues to be securing the best possible position for our shareholders and ensuring that the Company is well placed to gain the maximum benefit from its remaining assets.

Tony Ebel  
*Chairman*

27 August 2014

## UNAUDITED CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Half year ended 30 June 2014			Half year ended 30 June 2013			Year ended 31 December 2013		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Income:</b>									
Dividend and interest income	155	-	155	196	-	196	268	-	268
Rental income	475	-	475	432	-	432	999	-	999
Other operating income	39	-	39	30	-	30	76	-	76
<b>Total Income (note 6)</b>	<b>669</b>	<b>-</b>	<b>669</b>	<b>658</b>	<b>-</b>	<b>658</b>	<b>1,343</b>	<b>-</b>	<b>1,343</b>
<b>Operating Costs:</b>									
Property outgoings	(271)	-	(271)	(694)	-	(694)	(1,243)	-	(1,243)
Administrative overheads	(497)	-	(497)	(433)	-	(433)	(846)	-	(846)
<b>Net trading loss</b>	<b>(99)</b>	<b>-</b>	<b>(99)</b>	<b>(469)</b>	<b>-</b>	<b>(469)</b>	<b>(746)</b>	<b>-</b>	<b>(746)</b>
<b>Losses on investments:</b>									
Losses on investments held at fair value	-	(1,715)	(1,715)	-	(33)	(33)	-	(504)	(504)
Movement in fair value of property investments	-	(593)	(593)	-	(1,072)	(1,072)	-	(1,439)	(1,439)
<b>Group operating loss</b>	<b>(99)</b>	<b>(2,308)</b>	<b>(2,407)</b>	<b>(469)</b>	<b>(1,105)</b>	<b>(1,574)</b>	<b>(746)</b>	<b>(1,943)</b>	<b>(2,689)</b>
Finance costs (note 7)	(105)	-	(105)	(440)	-	(440)	(757)	-	(757)
<b>Group operating loss before taxation</b>	<b>(204)</b>	<b>(2,308)</b>	<b>(2,512)</b>	<b>(909)</b>	<b>(1,105)</b>	<b>(2,014)</b>	<b>(1,503)</b>	<b>(1,943)</b>	<b>(3,446)</b>
Taxation	-	-	-	-	-	-	-	-	-
<b>Loss and total comprehensive income</b>	<b>(204)</b>	<b>(2,308)</b>	<b>(2,512)</b>	<b>(909)</b>	<b>(1,105)</b>	<b>(2,014)</b>	<b>(1,503)</b>	<b>(1,943)</b>	<b>(3,446)</b>
Attributable to:									
Equity holders of the parent	(183)	(2,604)	(2,787)	(494)	(1,156)	(1,650)	(1,281)	(2,216)	(3,497)
Non-controlling interest	(21)	296	275	(415)	51	(364)	(222)	273	51
	<b>(204)</b>	<b>(2,308)</b>	<b>(2,512)</b>	<b>(909)</b>	<b>(1,105)</b>	<b>(2,014)</b>	<b>(1,503)</b>	<b>(1,943)</b>	<b>(3,446)</b>
<b>Basic and diluted loss per ordinary share (note 8)</b>			<b>(51.9p)</b>			<b>(30.7p)</b>			<b>(65.1p)</b>

## UNAUDITED CONDENSED GROUP STATEMENTS OF CHANGES IN EQUITY

## Half year ended 30 June 2014

	Ordinary share capital £'000	Share premium £'000	Capital reserve £'000	Retained earnings £'000	Equity attributable to equity shareholders £'000	Non- controlling interest £'000	Total equity £'000
Balance at 31 Dec 2013	1,342	2,302	33,384	(16,704)	20,324	–	20,324
Loss for the period being total comprehensive income for the period	–	–	(2,604)	(183)	(2,787)	275	(2,512)
Transfer of non-controlling interest deficit	–	–	296	(21)	275	(275)	–
Reserves transfer	–	–	835	(835)	–	–	–
Balance at 30 June 2014	<u>1,342</u>	<u>2,302</u>	<u>31,911</u>	<u>(17,743)</u>	<u>17,812</u>	<u>–</u>	<u>17,812</u>

## Half year ended 30 June 2013 (Restated)

	Ordinary share capital £'000	Share premium £'000	Capital reserve £'000	Retained earnings £'000	Equity attributable to equity shareholders £'000	Non- controlling interest £'000	Total equity £'000
Balance at 31 Dec 2012	1,342	2,302	35,822	(15,562)	23,904	–	23,904
Loss for the period being total comprehensive income for the period	–	–	(1,156)	(494)	(1,650)	(364)	(2,014)
Transfer of non-controlling interest deficit	–	–	51	(415)	(364)	364	–
Ordinary dividend paid (note 9)	–	–	–	(134)	(134)	–	(134)
Balance at 30 June 2013	<u>1,342</u>	<u>2,302</u>	<u>34,717</u>	<u>(16,605)</u>	<u>21,756</u>	<u>–</u>	<u>21,756</u>

## Year ended 31 December 2013

	Ordinary share capital £'000	Share premium £'000	Capital reserve £'000	Retained earnings £'000	Equity attributable to equity shareholders £'000	Non- controlling interest £'000	Total equity £'000
Balance as at 31 Dec 2012	1,342	2,302	35,822	(15,562)	23,904	–	23,904
Loss for the period being total comprehensive income for the period	–	–	(2,216)	(1,281)	(3,497)	51	(3,446)
Transfer of non-controlling interest deficit	–	–	(222)	273	51	(51)	–
Ordinary dividend paid (note 9)	–	–	–	(134)	(134)	–	(134)
Balance at 31 Dec 2013	<u>1,342</u>	<u>2,302</u>	<u>33,384</u>	<u>(16,704)</u>	<u>20,324</u>	<u>–</u>	<u>20,324</u>

## UNAUDITED CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	30 June 2014 £'000	30 June 2013 (Restated) £'000	31 December 2013 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Investments – securities (note 10)	3,440	5,567	5,159
Property investments	10,000	17,500	9,270
<b>Total non current assets</b>	<u>13,440</u>	<u>23,067</u>	<u>14,429</u>
<b>Current assets</b>			
Trade and other receivables	100	315	358
Accrued income and prepaid expenses	616	787	639
Other current assets	–	550	415
Cash and cash equivalents	1,044	920	1,625
<b>Non current assets held for sale</b>			
Investments – securities (note 10)	–	93	–
Property investments	6,550	9,250	7,430
<b>Total current assets and non current assets held for sale</b>	<u>8,310</u>	<u>11,915</u>	<u>10,467</u>
<b>Total assets</b>	<u>21,750</u>	<u>34,982</u>	<u>24,896</u>
<b>Current liabilities</b>			
Trade and other payables	660	1,320	826
Short term borrowings	3,278	4,000	3,746
<b>Liabilities of a disposal group classified as held for sale</b>			
Short term borrowings	–	7,906	–
	<u>3,938</u>	<u>13,226</u>	<u>4,572</u>
<b>Total assets less current liabilities being net assets</b>	<u><u>17,812</u></u>	<u><u>21,756</u></u>	<u><u>20,324</u></u>
<b>Capital and reserves</b>			
Ordinary share capital (note 11)	1,342	1,342	1,342
Share premium	2,302	2,302	2,302
Capital reserve	31,911	34,717	33,384
Retained earnings	(17,743)	(16,605)	(16,704)
<b>Equity attributable to equity shareholders</b>	<u>17,812</u>	<u>21,756</u>	<u>20,324</u>
<b>Non-controlling interest</b>	–	–	–
<b>Total equity</b>	<u><u>17,812</u></u>	<u><u>21,756</u></u>	<u><u>20,324</u></u>
<b>Basic and diluted net asset value per ordinary share (note 12)</b>	<u><u>331.7p</u></u>	<u><u>405.2p</u></u>	<u><u>378.5p</u></u>

## UNAUDITED CONDENSED GROUP STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2014

	6 months to 30 June 2014 £'000	6 months to 30 June 2013 £'000	12 months to 31 December 2013 £'000
<b>Cashflow from operating activities</b>			
Investment income received	88	84	88
Interest received	1	106	108
Rental income received	483	443	1,037
Other cash payments	(653)	(1,221)	(2,118)
	<u>(81)</u>	<u>(588)</u>	<u>(885)</u>
Net cash utilised from operations (note 13)			
Interest paid on property loans and bank overdrafts	(74)	(359)	(600)
	<u>(155)</u>	<u>(947)</u>	<u>(1,485)</u>
<b>Cash flows from investing activities</b>			
Purchase of investments	(10)	(2)	(89)
Sale of investments	14	1,363	1,480
Sale of investment properties	148	1,757	11,466
Expenditure on investment properties	(460)	(910)	(1,227)
Sale of developments in hand	417	–	–
Purchase of developments in hand	(67)	(3)	(22)
	<u>42</u>	<u>2,205</u>	<u>11,608</u>
<b>Cash flows from financing activities</b>			
Repayment of loans	(468)	(8,552)	(16,937)
Receipt of loans	–	–	225
Equity dividends paid	–	(134)	(134)
	<u>(468)</u>	<u>(8,686)</u>	<u>(16,846)</u>
<b>Decrease in cash and cash equivalents</b>	(581)	(7,428)	(6,723)
Cash and cash equivalents at start of period	1,625	8,348	8,348
	<u>1,044</u>	<u>920</u>	<u>1,625</u>



## NOTES TO THE ACCOUNTS

### 1 REPORTING ENTITY

Gresham House plc (“the Company”) is a company incorporated in England. The unaudited condensed group interim financial statements of the Company as at and for the six months ended 30 June 2014 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

The financial information for the half years ended 30 June 2014 and 30 June 2013 have neither been subject to an audit nor a review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board. The comparative financial information presented herein for the year ended 31 December 2013 does not constitute full statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group’s annual report and accounts for the year ended 31 December 2013 have been delivered to the Registrar of Companies. The Group’s independent auditor’s report on those accounts was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The auditor did however raise an Emphasis of Matter in relation to going concern as follows:

#### **‘Emphasis of matter – financial statements prepared other than on a going concern basis**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the Basis of Preparation accounting policy concerning the basis on which the financial statements were prepared. As the objective of the directors is to achieve an orderly realisation of the Group’s assets over a relatively short period with a view to returning capital to shareholders thereafter, the financial statements have been prepared on a basis other than that of going concern.’

The financial information in these condensed financial statements is that of the holding company and all of its subsidiaries (the “Group”). It has been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the annual report and accounts for the year ended 31 December 2013 which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The unaudited condensed group interim financial statements were approved by a duly appointed and authorised committee of the Board of Directors on 27 August 2014.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these unaudited condensed group interim financial statements are the same as those applied by the Group in its group financial statements as at and for the year ended 31 December 2013.

Where presentational guidance set out in the Statement of Recommended Practice (“the SORP”) for investment trusts issued by the Association of Investment Companies (“the AIC”) is consistent with the requirements of IFRS and appropriate in the context of the Company’s activities, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The unaudited condensed group interim financial statements highlight that the Group has loans of £3.3m due within one year from The Co-operative Bank plc repayable on demand and in any event by 30 September 2014. The loan agreement with the Co-operative Bank plc includes a special condition that the facility is initially until 30 September 2014 with a further extension (to be provided by side letter) to 31 December 2014 subject to progress with disposals/repayments but no side letter has yet been signed. The Board is also seeking terms from another bank to refinance the position for a longer term.

As the Group’s investment objective is the orderly realisation of the Group’s assets over a relatively short period with a view to returning capital to shareholders thereafter, the Group technically ceases to be a going concern as it is the intention to realise assets and return capital to shareholders in due course. During the realisation period the Group expects to trade in an orderly fashion and, in the directors’ opinion, the valuation bases applied to the assets and liabilities are such that there would be no material adjustments to the interim financial statements if they had been prepared on a going concern basis.

## NOTES TO THE ACCOUNTS – continued

**3 SIGNIFICANT ACCOUNTING POLICIES – continued**

In preparing the accounts for the year ended 31 December 2013 the directors considered the relationship between the creditors of a non-wholly owned loss-making subsidiary and the wider group and concluded that arrangements are in place which enable losses previously attributable to the non-controlling interest to be absorbed by equity holders of the parent. Consequently, an adjustment was made within equity to reflect these arrangements, with comparative numbers restated accordingly. The impact on the balance sheet as at 30 June 2013 is to reduce the debit balance attributable to the non-controlling interest by £1,831,000, with a corresponding reduction to equity attributable to shareholders of the parent. There is no impact on group profit or total equity for any prior period.

**4 ESTIMATES**

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

In preparing these unaudited condensed group interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the group financial statements as at and for the year ended 31 December 2013.

**5 FINANCIAL RISK MANAGEMENT**

The Group's financial risk management objectives and policy are consistent with those disclosed in the group financial statements as at and for the year ended 31 December 2013.

**6 INCOME**

	Half year ended 30 June 2014 £'000	Half year ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
<b>Income from investments</b>			
Dividend income			
– Listed UK	88	84	88
Interest receivable			
– Bank & brokers	1	44	46
– Other	66	68	134
	<u>155</u>	<u>196</u>	<u>268</u>
Rental income	475	432	999
	<u>630</u>	<u>628</u>	<u>1,267</u>
<b>Other operating income</b>			
Dealing profits and losses	–	1	1
Management fees receivable	26	29	75
Other income	13	–	–
	<u>39</u>	<u>30</u>	<u>76</u>
<b>Total income</b>	<u>669</u>	<u>658</u>	<u>1,343</u>
<b>Total income comprises:</b>			
Dividends	88	84	88
Interest	67	112	180
Rental income	475	432	999
Other operating income	39	30	76
	<u>669</u>	<u>658</u>	<u>1,343</u>

## NOTES TO THE ACCOUNTS – continued

**7 FINANCE COSTS**

	Half year ended 30 June 2014 £'000	Half year ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Interest payable on loans and overdrafts	71	323	504
Finance fees	34	117	253
	<u>105</u>	<u>440</u>	<u>757</u>

**8 LOSS PER SHARE****Basic and diluted loss per share**

The basic and diluted loss per share figure is based on the total net loss attributable to equity holders of the parent for the half year of £2,787,000 (half year ended 30 June 2013: £1,650,000; year ended 31 December 2013: £3,497,000) and on 5,369,880 (half year ended 30 June 2013 & year ended 31 December 2013: 5,369,880) ordinary shares, being the weighted average number of ordinary shares in issue during each respective period.

There were no potentially dilutive ordinary shares as at 30 June 2014.

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

	Half year ended 30 June 2014 £'000	Half year ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Net revenue loss attributable to equity holders of the parent	(183)	(494)	(1,281)
Net capital loss attributable to equity holders of the parent	(2,604)	(1,156)	(2,216)
Net total loss	<u>(2,787)</u>	<u>(1,650)</u>	<u>(3,497)</u>
Weighted average number of ordinary shares in issue during the period	5,369,880	5,369,880	5,369,880
	Pence	Pence	Penc
Basic and diluted loss per share			
Revenue	(3.4)	(9.2)	(23.8)
Capital	(48.5)	(21.5)	(41.3)
Total basic loss per share	<u>(51.9)</u>	<u>(30.7)</u>	<u>(65.1)</u>

**9 DIVIDENDS**

	Half year ended 30 June 2014 £'000	Half year ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2013 of nil (2012: 2.5p) per share	–	134	134
	<u>–</u>	<u>134</u>	<u>134</u>

## NOTES TO THE ACCOUNTS – continued

**10 INVESTMENTS – SECURITIES**

As at 30 June 2014 the Company's investment portfolio consisted of:-

	Market Value £'000	% of Securities Portfolio
<b>UK listed securities</b>		
Royal & Sun Alliance 7 3/8% preference shares	105	3.1
<b>Securities dealt in under AIM</b>		
SpaceandPeople plc	1,382	40.2
<b>Securities dealt in under ISDX</b>		
Wheelsure Holdings plc	86	2.5
<b>Unquoted securities</b>		
Attila (BR) Limited – Loan Notes	945	27.5
Kemnal Investments Limited – Loan Notes	466	13.5
Lancashire Tea Limited (in liquidation) – Loan Notes	15	0.4
Memorial Holdings Limited		
Others	441	12.8
	–	–
	<u>3,440</u>	<u>100.0</u>

**11 ORDINARY SHARE CAPITAL**

	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000
Share Capital			
Allotted: Ordinary – 5,369,880 (30 June 2013 & 31 December 2013: 5,369,880) fully paid shares of 25p each	<u>1,342</u>	<u>1,342</u>	<u>1,342</u>

**12 NET ASSET VALUE PER SHARE****Basic and diluted**

Basic and diluted net asset value per ordinary share is based on Equity attributable to equity shareholders at the period end and on 5,369,880 (half year ended 30 June 2013 & year ended 31 December 2013: 5,369,880) ordinary shares being the number of ordinary shares in issue at the period end. There were no potentially dilutive ordinary shares as at 30 June 2014.

**13 RECONCILIATION OF LOSS BEFORE TAXATION TO OPERATING CASH FLOWS**

	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000
Revenue return before taxation	(204)	(909)	(1,503)
Interest payable	71	323	504
	<u>(133)</u>	<u>(586)</u>	<u>(999)</u>
Decrease in current assets	145	285	484
Decrease in current liabilities	(93)	(287)	(370)
	<u>(81)</u>	<u>(588)</u>	<u>(885)</u>

## NOTES TO THE ACCOUNTS – continued

**14 RELATED PARTY TRANSACTIONS**

During the period the Group was invoiced £12,500 (half year ended 30 June 2013: £12,500; year ended 31 December 2013: £25,000) for consultancy services supplied by Microdisc Limited, a company in which Mr A G Ebel has an interest. There were no amounts outstanding at any period end.

Mr D Lucie-Smith has an interest in Pelham (London) Limited and Prince's Place LLP which invoiced the Group a sum of £93,550 (half year ended 30 June 2013: £83,750; year ended 31 December 2013: £174,152) in respect of his services and associated office costs. At the period end there was a balance outstanding of £nil (half year ended 30 June 2013: £nil; year ended 31 December 2013: £1,644).

Conversely, during the period, the Group invoiced LSS Developments LLP £5,048 (half year ended 30 June 2013: £nil; year ended 31 December 2013: £5,584), ES2 Developments Limited £nil (half year ended 30 June 2013: £9,923; year ended 31 December 2013: £14,971) and Prince's Place LLP £536 (half year ended 30 June 2013: £1,053; year ended 31 December 2013: £1,589) for rent and rates. Mr Lucie-Smith has an interest in these companies. At the period end there were balances outstanding of £3,702 (half year ended 30 June 2013: £nil; year ended 31 December 2013: £6,701) from LSS Developments LLP, £354 (half year ended 30 June 2013: £643; year ended 31 December 2013: £nil) from Prince's Place LLP and £nil (half year ended 30 June 2013: £6,057; year ended 31 December 2013: £3,655) from ES2 Developments LLP.

Rent and rates totalling £nil (half year ended 30 June 2013: £767; year ended 31 December 2013: £1,548) were invoiced to Kemnal Park Limited during the period, a company in which both Mr Ebel and Mr Lucie-Smith were directors. At the period end there was a balance outstanding of £52 (half year ended 30 June 2013: £46; year ended 31 December 2013: £nil).

Mr J A C Lorimer has an interest in New Park Lane Limited and Parkwood Asset Management Limited which the former invoiced the Group a sum of £68,752 (half year ended 30 June 2013: £68,753; year ended 31 December 2013: £137,505) in respect of his services during the period. Conversely the Group invoiced Parkwood Asset Management Limited £335 (half year ended 30 June 2013: £658; year ended 31 December 2013: £1,592) for rent and rates. At the period end Parkwood Asset Management Limited owed £530 (half year ended 30 June 2013: £1,282; year ended 31 December 2013: £803).

The total holding of loan stock in Abshot Finance Company Limited, in which the Group has a 50% interest and in which Mr B J Hallett is a director, amounted to £149,000 (half year ended 30 June 2013 and year ended 31 December 2013: £149,000) at the period end against which a provision of £149,000 (half year ended 30 June 2013 and year ended 31 December 2013: £149,000) has been made.

The amount of loan made to Lancashire Tea Limited (in liquidation), in which the Group has a 49% interest and in which Mr D Lucie-Smith and Mr B J Hallett were directors, amounted to £270,000 (half year ended 30 June 2013: £320,000; year ended 31 December 2013: £270,000) at the period end against which a provision of £255,000 (half year ended 30 June 2013: £295,000; year ended 31 December 2013: £255,000) has been made. No interest was charged during any period.

The Rowe Trust holds an interest of 644,209 (half year ended 30 June 2013 and year ended 31 December 2013: 644,209) ordinary shares in the Company. Mrs R H Chopin-John is a trustee of the Rowe Trust but has no beneficial interest.

**15 SEGMENTAL REPORTING**

As at 30 June 2014 the Group is organised into two main operating segments – Investment in Securities and Property Investment. These segments are the basis on which the Group reports its segment information for management purposes.

## NOTES TO THE ACCOUNTS – continued

**15 SEGMENTAL REPORTING – continued**

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

	Investment £'000	Property Investment £'000	Consolidated £'000
<b>Half year ended 30 June 2014</b>			
Revenue	209	460	669
Result	(1,414)	(601)	(2,015)
Unallocated corporate expenses			(497)
Operating loss			(2,512)
Interest income			–
Loss before taxation			(2,512)
<b>Half year ended 30 June 2013</b>			
Revenue	196	418	614
Result	373	(1,998)	(1,625)
Unallocated corporate expenses			(433)
Operating loss			(2,058)
Interest income			44
Loss before taxation			(2,014)
<b>Year ended 31 December 2013</b>			
Revenue	310	987	1,297
Result	337	(2,983)	(2,646)
Unallocated corporate expenses			(846)
Operating profit			(3,492)
Interest income			46
Profit before taxation			(3,446)

All revenue is derived from operations within the United Kingdom.

**16 FAIR VALUE MEASUREMENTS****Valuation inputs**

IFRS 13 – Fair Value Measurement – 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.

## NOTES TO THE ACCOUNTS – continued

**16 FAIR VALUE MEASUREMENTS – continued***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.

*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, historical observations on the level of the input or analytical techniques.

For investment properties the significant unobservable inputs used in the valuation at 30 June 2014 are the estimated rental value (ERV) of the properties and the market capitalisation rate (yield). The ERV has been determined by reference to rents currently achieved on existing leases and the rents being asked by landlords advertising properties of a similar specification in that geographical region. The market capitalisation rate has been determined by reference to actual market transactions for properties in that region, with adjustment made to reflect the particular characteristics of that property. A decrease in the ERV or an increase in the market capitalisation rate will decrease the fair value of the investment property. Conversely an increase in the ERV or decrease in the market capitalisation rate will increase the fair value.

For investments in securities, which includes early-stage private equity investments, the significant unobservable inputs used include cash flow forecasts and discount rates. An increase in the discount rate applied will decrease the fair value of the investment whereas a decrease in the rate will increase the fair value.

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 historical 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.

## NOTES TO THE ACCOUNTS – continued

**16 FAIR VALUE MEASUREMENTS – continued**

An analysis of the Group's assets measured at fair value by hierarchy is set out below.

<b>30 June 2014</b>		Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit or loss:				
Property investments	16,550	–	–	16,550
Investments – securities				
– Equities	1,910	1,469	–	441
– Fixed income	104	104	–	–
	<u>18,564</u>	<u>1,573</u>	<u>–</u>	<u>16,991</u>
<b>30 June 2013</b>		Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit or loss:				
Property investments	26,750	–	–	26,750
Investments – securities				
– Equities	4,208	2,124	–	2,084
– Fixed income	103	103	–	–
	<u>31,061</u>	<u>2,227</u>	<u>–</u>	<u>28,834</u>
<b>31 December 2013</b>		Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit or loss:				
Property investments	16,700	–	–	16,700
Investments – securities				
– Equities	3,639	2,881	–	758
– Fixed income	104	104	–	–
	<u>20,443</u>	<u>2,985</u>	<u>–</u>	<u>17,458</u>



## NOTES TO THE ACCOUNTS – continued

**16 FAIR VALUE MEASUREMENTS – continued**

Set out below is a reconciliation of financial assets measured at fair value based on level 3.

<b>30 June 2014</b>	Property investments £'000	Investments – securities £'000	Trading securities £'000	Total £'000
Opening balance	16,700	758	–	17,458
Total gains or losses:				
In profit or loss	(593)	(317)	–	(910)
Purchases	443	–	–	443
Sales	–	–	–	–
Closing balance	<u>16,550</u>	<u>441</u>	<u>–</u>	<u>16,991</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>(593)</u>	<u>(317)</u>	<u>–</u>	<u>(910)</u>
<b>30 June 2013</b>	Property investments £'000	Investments – securities £'000	Trading securities £'000	Total £'000
Opening balance	28,896	2,697	–	31,593
Total gains or losses:				
In profit or loss	(1,072)	(573)	–	(1,645)
Purchases	1,008	–	–	1,008
Sales	(2,082)	(40)	–	(2,122)
Closing balance	<u>26,750</u>	<u>2,084</u>	<u>–</u>	<u>28,834</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>(1,072)</u>	<u>(580)</u>	<u>–</u>	<u>(1,652)</u>
<b>31 December 2013</b>	Property investments £'000	Investments – securities £'000	Trading securities £'000	Total £'000
Opening balance	28,896	2,697	–	31,593
Total gains or losses:				
In profit or loss	(1,439)	(1,898)	2	(3,335)
Purchases	942	–	–	942
Sales	(11,699)	(41)	(2)	(11,742)
Closing balance	<u>16,700</u>	<u>758</u>	<u>–</u>	<u>17,458</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>(2,446)</u>	<u>(1,904)</u>	<u>2</u>	<u>(4,348)</u>

## RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF YEARLY FINANCIAL REPORT

We confirm that to the best of our knowledge:

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

### Principal risks and uncertainties

The Board consider the principal risks and uncertainties relating to the Group for the next six months to be the same as detailed in the group financial statements for the year ended 31 December 2013. Full details of the risks and uncertainties are detailed under the Investment Policy section and in Note 20 of those financial statements.

The principal risks to the business include:-

Economic;  
Strategic and investment;  
Regulatory;  
Financial and operating;  
Market price;  
Asset and market liquidity;  
Interest rate;  
Credit; and  
Property

A G Ebel  
*Chairman*

B J Hallett  
*Director*



