GRESHAM HOUSE plc

INTERIM RESULTS 2008

CHAIRMAN'S INTERIM STATEMENT

Dear Shareholder,

The results for the half year ended 30th June 2008 primarily reflect the continuing significant downturn in the UK property market. Whilst your Board continues to seek ways to realise the inherent value in the property portfolio it feels that it is only prudent to reflect current market conditions in its valuations. As a consequence the capital account shows a loss of £2,388,000 which is mainly attributable to the provisions made against property values, offset to some extent by gains amounting to £395,000 in the investment portfolio during the same period. The revenue account shows a loss for the first six months amounting to £10,000 against a loss of £251,000 for the comparable period last year.

The basic net asset value as at 30th June 2008 was 783.7p compared with 837.9p at 31st December 2007.

The major variances in the revenue account between the two periods were the increase in rental income of £200,000, primarily from Southern Gateway in Speke, Liverpool, and the increase in other operating income of £143,000. This additional income has been offset by the share of our associate's operating loss of £50,000, being a full provision of the Group's investment in the adjoining site owned by New Capital (Speke) Limited.

As is our usual practice we have not carried out independent property valuations as at 30th June 2008 but the directors are of the opinion that the commercial property market has declined further since 1st February 2008, being the date of the last independent valuations, and have therefore considered it prudent to provide for a further fall of £3,292,000 against property values. Given the current market conditions your Board has made it a priority to attempt to secure suitable tenants for the unlet parts of the portfolio with its consequent beneficial effect on income and values, which would hopefully make the provisions made at this stage no longer relevant. Recent efforts over the last few months are beginning to show rewards with interest being shown in a number of properties by prospective tenants.

The planning application submitted by Linden Limited in respect of our site at Vincent Lane in Dorking has not received consent but the site has now been identified for residential use in the draft local development framework in the longer term. Linden is keen to remain involved with the project at the same consideration of £8.2 million, subject to planning being obtained, and discussions are currently taking place to amend the contract to reflect the change in circumstance. Our efforts to secure the sale of other sites within the portfolio continue but progress is tempered by the prevalent market conditions and, as such, your Board is of the opinion that the majority of the effort should go into enhancing the property values by securing increased rental streams.

Bank borrowings secured against properties remain at £17.6 million following the successful conclusion of negotiations for the renewal of a £6 million facility which fell due for repayment in May 2008. Whilst £11.2 million of this total is classified as short term borrowings, £9.6 million does not fall due for renewal until June 2009.

The value of the investment portfolio has increased by 2.7% since the year end compared with a decrease in the FTSE All Share index over the same period of 13.1%. The share price performance of Hallin Marine and Portland have been particularly notable with values increasing by 65.2% and 89% respectively. Against these Avesco is down 39%, Image Scan down 36%, Plus Markets Group down 38% and SpaceandPeople down 33%. Between the period end and 27th August 2008 the value of the portfolio has decreased by 3.5% as against a decline in the FTSE All Share index of 1.6%.

At the AGM held in June 2008 shareholders approved your Board's strategy to realise the Group's entire portfolios of both investments and property over a period of approximately five years. This period was set having regard to the current economic climate but the Board intends to do everything possible to achieve earlier realisations if this proves possible without significant sacrifice in values. Your Board can see no advantage to shareholders in accepting reduced values simply to achieve sales in a shorter time frame.

Finally your Board and I would like to thank shareholders for their continued support for our policy of seeking to secure the maximum return for all of our investors. Shareholders will be interested to know that the Times Online carried an article on 30th July 2008 headed "The 10 best stock market investments ever". Your company was included at number 8 on the list.

A P Stirling
Chairman

28th August 2008

UNAUDITED CONSOLIDATED INCOME STATEMENT

for the half year ended 30th June 2008

	Half year ended 30th June 2008			Half year ended 30th June 2007			Year ended 31st December 2007		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income:									
Dividend and Interest income	**157**	**–**	**157**	195	–	195	370	–	370
Rental income	**1,222**	**–**	**1,222**	1,022	–	1,022	2,339	–	2,339
Other operating income	**195**	**–**	**195**	52	–	52	92	–	92
Total Revenue	**1,574**	**–**	**1,574**	1,269	–	1,269	2,801	–	2,801
Gains on investments held at fair value	**–**	**395**	**395**	–	2,047	2,047	–	1,000	1,000
Movement in fair value of property investments	**–**	**(3,292)**	**(3,292)**	–	–	–	–	(4,085)	(4,085)
Total income and gains on investments	**1,574**	**(2,897)**	**(1,323)**	1,269	2,047	3,316	2,801	(3,085)	(284)
Expenses									
Other operating expenses	**(1,111)**	**–**	**(1,111)**	(1,141)	–	(1,141)	(2,650)	–	(2,650)
Group operating profit/(loss)	**463**	**(2,897)**	**(2,434)**	128	2,047	2,175	151	(3,085)	(2,934)
Share of associate's operating loss	**(50)**	**–**	**(50)**	–	–	–	(169)	–	(169)
Group and share of associate's operating (loss)/profit before interest and taxation	**413**	**(2,897)**	**(2,484)**	128	2,047	2,175	(18)	(3,085)	(3,103)
Finance costs	**(498)**	**–**	**(498)**	(466)	–	(466)	(991)	–	(991)
(Loss)/profit before taxation	**(85)**	**(2,897)**	**(2,982)**	(338)	2,047	1,709	(1,009)	(3,085)	(4,094)
Taxation	**–**	**373**	**373**	–	208	208	–	655	655
(Loss)/profit for the period	**(85)**	**(2,524)**	**(2,609)**	(338)	2,255	1,917	(1,009)	(2,430)	(3,439)
Attributable to:									
Equity holders of the parent	**(10)**	**(2,388)**	**(2,398)**	(251)	2,244	1,993	(993)	(1,879)	(2,872)
Minority interests	**(75)**	**(136)**	**(211)**	(87)	11	(76)	(16)	(551)	(567)
	(85)	**(2,524)**	**(2,609)**	(338)	2,255	1,917	(1,009)	(2,430)	(3,439)
Basic (loss)/earnings per Ordinary Share (note 5)			**(49.2p)**			40.9p			(58.9p)
Diluted earnings per Ordinary Share (note 5)			**(49.2p)**			40.7p			(58.9p)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 30th June 2008

	Half year ended 30th June 2008					
	Ordinary share capital £'000	Share premium £'000	Share based payments £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 31st December 2007	1,219	831	44	48,306	(9,538)	40,862
Loss for the period	–	–	–	(2,388)	(10)	(2,398)
Ordinary dividend paid (note 4)	–	–	–	–	(244)	(244)
Balance at 30th June 2008	1,219	831	44	45,918	(9,792)	38,220

	Half year ended 30th June 2007					
	Ordinary share capital £'000	Share premium £'000	Share based payments £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance as at 31st December 2006	1,219	831	28	49,908	(7,975)	44,011
Profit/(loss) for the period	–	–	–	2,244	(251)	1,993
Ordinary dividend paid (note 4)	–	–	–	–	(293)	(293)
Balance at 30th June 2007	1,219	831	28	52,152	(8,519)	45,711

	Year ended 31st December 2007					
	Ordinary share capital £'000	Share premium £'000	Share based payments £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance as at 31st December 2006	1,219	831	28	49,908	(7,975)	44,011
Loss for the period	–	–	–	(1,879)	(993)	(2,872)
Ordinary dividend paid (note 4)	–	–	–	–	(293)	(293)
Reserves transfer	–	–	–	277	(277)	–
Share based payments	–	–	16	–	–	16
Balance at 31st December 2007	1,219	831	44	48,306	(9,538)	40,862

UNAUDITED CONSOLIDATED BALANCE SHEET

as at 30th June 2008

Assets	30th June 2008 £'000	30th June 2007 £'000	31st December 2007 £'000
Non-current assets			
Investments held at fair value	14,347	15,157	14,265
Property investments	35,740	40,693	38,805
Investment in associate	–	–	–
Property, plant and equipment	481	494	487
Total non-current assets	50,568	56,344	53,557
Current assets			
Trade and other receivables	683	443	497
Accrued income and prepaid expenses	645	299	674
Other current assets	5,985	6,463	5,972
Cash and cash equivalents	1,180	756	1,337
Total current assets	8,493	7,961	8,480
Total assets	59,061	64,305	62,037
Current liabilities			
Trade and other payables	1,799	2,307	1,488
Short term borrowings	11,216	7,223	7,568
Total current liabilities	13,015	9,530	9,056
Total assets less current liabilities	46,046	54,775	52,981
Non-current liabilities			
Long term borrowings	6,421	6,137	10,130
Deferred taxation	475	1,295	848
	6,896	7,432	10,978
Net assets	39,150	47,343	42,003
Capital and reserves			
Ordinary share capital (note 6)	1,219	1,219	1,219
Share premium	831	831	831
Share based payments	44	28	44
Capital reserve	45,918	52,152	48,306
Retained earnings	(9,792)	(8,519)	(9,538)
Equity attributable to equity shareholders	38,220	45,711	40,862
Minority interest	930	1,632	1,141
Total equity	39,150	47,343	42,003
Basic net asset value per ordinary share (note 7)	783.7p	937.3p	837.9p
Diluted net asset value per ordinary share (note 7)	781.3p	934.0p	834.8p

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

for the half year ended 30th June 2008

	6 months to 30th June 2008 £'000	6 months to 30th June 2007 £'000	12 months to 31st December 2007 £'000
Cashflow from operating activities			
Investment income received	104	132	193
Interest received	53	63	177
Rental income received	1,071	1,124	2,464
Other cash payments	(613)	(357)	(2,344)
Net cash generated from operations (note 10)	615	962	490
Interest paid on property loans	(506)	(461)	(972)
Net cash flows from operating activities	109	501	(482)
Cash flows from investing activities			
Purchase of investments	(225)	(685)	(1,178)
Investment in associate	(50)	–	(350)
Sale of investments	538	920	1,406
Expenditure on investment properties	(224)	(2,541)	(4,727)
Disposal of investment properties	–	2,317	2,306
Purchase of developments in hand	–	(712)	(932)
	39	(701)	(3,475)
Cash flows from financing activities			
Repayment of loans	(221)	(201)	(422)
Receipt of loans	160	459	5,018
Equity dividends paid	(244)	(293)	(293)
	(305)	(35)	4,303
(Decrease)/increase in cash and cash equivalents	(157)	(235)	346
Cash and cash equivalents at start of period	1,337	991	991
Cash and cash equivalents at end of period	1,180	756	1,337

PRINCIPAL ACCOUNTING POLICIES

The Group's principal accounting policies have not changed from the audited financial statements for the year ended 31st December 2007 and are as follows:

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

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

Other standards and interpretations have been issued which will be effective for future reporting periods but have not been adopted in these financial statements as set out in note (w).

These interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting.

The financial statements highlight that the Group has loans of £11.2 million due within one year. Based on directors' forecasts of the Group's cash facilities, the Group will require two loans totalling £9.6 million to be refinanced when they fall due in June 2009. These financial statements have been prepared on a going concern basis which assumes that these loans will be renewed on similar terms.

The financial statements do not include any adjustment that would result in a failure to renew these bank loans or not secure alternative financing within the timescale required. After making enquiries, and having due regard to the above, the directors believe that the Group will have access to sufficient working capital for at least the next twelve months 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 period end. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(c) Presentation of Income Statement

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. Net capital returns may not be distributed by way of a dividend. The net revenue is the measure the directors believe appropriate in assessing the Group's compliance with certain requirements set out in section 842 of the Income and Corporation Taxes Act 1988. As permitted by section 230 of the Companies Act 1985, the Company has not presented its own income statement.

(d) Investments in associates

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

(e) Segmental reporting

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

PRINCIPAL ACCOUNTING POLICIES – Continued

(f) Income

(i) Dividend and interest income

Income from listed securities is recognised when the right to receive the dividend has been established. Interest receivable is recognised on an accruals basis.

(ii) Rental income

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

(g) Expenses

All expenses and interest payable are accounted for on an accruals basis. All expenses are allocated to revenue except the expenses which are incidental to the disposal of an investment which are deducted from the disposal proceeds of the investment.

(h) Property, plant and equipment

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

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

(i) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

Investment trusts which have approval under section 842 of the Income Corporation Taxes Act 1988 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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

(j) Operating leases

Amounts payable under operating leases are charged directly to the Income Statement on a straight line basis over the period of the lease. The aggregate cost of operating lease incentives provided by the Group are recognised as a reduction in rental income on a straight line basis over the lease term.

PRINCIPAL ACCOUNTING POLICIES – Continued

(k) Investments held at fair value through profit or loss

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 investments are classified as held at fair value through profit or loss.

(i) Securities

Purchases and sales of listed investments are recognised on the trade date, the date on which the Group commit to purchase or sell the investment. All investments are designated upon initial recognition as held at fair value, and are measured at subsequent reporting dates at fair value, which is either the market bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Fair values for unquoted investments, or for investments for which there is only an inactive market, are established by taking into account the International Private Equity and Venture Capital Valuation Guidelines as follows:

(i) Investments which have been made in the last 12 months are valued at cost in the absence of overriding factors;

(ii) Investments in companies at an early stage of development are also valued at cost in the absence of overriding factors;

(iii) Where investments have gone beyond the stage in their development in (ii) above, the shares may be valued by having regard to a suitable price-earnings ratio to that company's historic post-tax earnings or the net asset value of the investment; and

(iv) Where a value is indicated by a material arm's length market transaction by a third party in the shares of a company, that value may be used.

(ii) Loan Stock

Unquoted loan stock is classified as loans and receivables in accordance with IAS39 and carried at amortised cost using the Effective Interest Rate method. Movements in the amortised cost relating to interest income are reflected in the revenue column of the Income Statement and movements in respect of capital provisions are reflected in the capital column of the Income Statement. Loan stock accrued interest is recognised in the Balance Sheet as part of the carrying value of the loans and receivables at the end of each reporting period.

(iii) Properties

Investment properties are included in the balance sheet at fair value and are not depreciated.

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

Where construction or development work has commenced on development 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.

(l) Developments in hand

Developments in hand are valued at the lower of cost and net realisable value other than assets transferred from non current assets which are transferred at fair value. Third party interest which relates to properties held for, or in the course of, development is capitalised as incurred, when considered recoverable. Profits and losses arising from the sale of developments are dealt with through the Income Statement.

PRINCIPAL ACCOUNTING POLICIES – Continued

(m) Trade and other receivables

Other receivables are short term in nature and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts as any discounting of expected cash flows is considered to be immaterial.

(n) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(o) Dividends payable

All dividends are recognised in the period in which they are approved by shareholders.

(p) Bank borrowings

All bank loans are initially recognised at cost, being the fair value of the consideration received, less issue costs where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement. Interest costs on property loans attributable to investment properties are charged to the Income Statement as incurred. Interest costs on property loans attributable to development properties and to current assets are capitalised when considered recoverable.

(q) Convertible loan notes

Convertible loan notes issued by the Group are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market rate for similar non-convertible debt. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

(r) 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.

(s) Capital reserves

Capital Reserve – Realised

The following are accounted for in this reserve:

- gains and losses on the realisation of securities and property investments.
- realised exchange differences of a capital nature.
- expenses and finance costs, together with the related taxation effect, charged to this reserve in accordance with the above policies.
- realised gains and losses on transactions undertaken to hedge an exposure of a capital nature including guarantees.

PRINCIPAL ACCOUNTING POLICIES – Continued

(s) Capital reserves – continued

Capital Reserve – Unrealised

The following are accounted for in this reserve:

– increases and decreases in the valuation of investments held at the year-end.

– unrealised exchange differences of a capital nature.

– provisions charged against carrying value of investments held at the year end.

– provisions for deferred taxation in respect of revalued properties.

(t) Government grants

Capital based government grants are capitalised and offset against the cost of the asset in the Balance Sheet with any resultant increase in the fair value of the asset being credited to capital reserves.

Revenue based government grants are credited to the Income Statement in the same year as the expenditure is charged.

(u) Pensions

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

(v) Share based payments

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

(w) 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 2008 or later periods. The Group has not early adopted the standards, amendments and interpretations described below:

(i) IFRS 2 Share based payments

(ii) IFRS 3 Business combinations

(iii) IFRS 8 Operating Segments (effective from 1st January 2009)

(iv) IFRIC 11 IFRS 2 Group and Treasury share transactions (effective from 1st March 2007)

(v) IFRIC 12 Service concession arrangements (effective from 1st January 2008)

(vi) IFRIC 13 Customer loyalty programmes (effective from 1st January 2008)

(vii) IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1st January 2008)

(viii) Amendment to IAS 23 Borrowing costs (effective from 1st January 2009)

(ix) IAS 27 Consolidated and separate financial statements (amendment not yet adopted by the European Union)

(x) IAS 32 Financial instruments: presentation (amendment effective from 1st January 2009)

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

PRINCIPAL ACCOUNTING POLICIES – Continued

(x) Critical Accounting Estimates and Judgements

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, 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 judgement to select a variety of methods and makes assumptions that are mainly based on market conditions at each balance sheet date.

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

(iii) The value of property investments at year end is based on independent third party valuations.

NOTES TO THE FINANCIAL STATEMENTS

1. Comparative Information

The financial information contained in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the half years ended 30th June 2008 and 30th June 2007 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 2007 has been extracted from the latest published audited financial statements. The audited financial statements for the year ended 31st December 2007 have been filed with the Registrar of Companies. The report of the auditors on those financial statements contained no qualification or statement under section 237(2) or (3) of the Companies Act 1985.

2. Income

	Half year ended 30th June 2008 £'000	Half year ended 30th June 2007 £'000	Year ended 31st December 2007 £'000
Income from investments:			
Dividend income			
– Listed UK	104	141	193
Interest receivable			
– Bank & brokers	21	37	70
– Other	32	17	107
	157	195	370
Rental income	1,222	1,022	2,339
	1,379	1,217	2,709
Other operating income			
Dealing profits and losses	27	(81)	(88)
Management fees receivable	124	86	145
Other	44	47	35
	195	52	92
Total income	1,574	1,269	2,801
Total income comprises:			
Dividends	104	141	193
Interest	53	54	177
Other income	1,417	1,074	2,431
	1,574	1,269	2,801

3. Finance Costs

	Half year ended 30th June 2008 £'000	Half year ended 30th June 2007 £'000	Year ended 31st December 2007 £'000
Interest payable on loans and overdrafts	498	466	991
In addition:			
Interest capitalised on development properties	147	–	124

NOTES TO THE FINANCIAL STATEMENTS – Continued

4. Dividends

	Half year ended 30th June 2008 £'000	Half year ended 30th June 2007 £'000	Year ended 31st December 2007 £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31st December 2007 of 5p (2006: 6p) per share	244	293	293
	244	293	293

5. Earnings per Share

Basic return

The Basic earnings per share figure is based on the net loss attributable to equity holders of the parent for the half year of £2,398,000 (half year ended 30th June 2007: gain £1,993,000; year ended 31st December 2007: loss £2,872,000) and on 4,876,880 (half year ended 30th June 2007: 4,876,880; year ended 31st December 2007: 4,876,880) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

Diluted return

The Diluted earnings per share figure is based on the net loss attributable to equity holders of the parent for the half year of £2,398,000 (half year ended 30th June 2007: gain £1,993,000; year ended 31st December 2007: loss £2,872,000) and on 4,876,880 (half year ended 30th June 2007: 4,894,356; year ended 31st December 2007: 4,876,880) ordinary shares, being the weighted average number of ordinary shares in issue during the period. For the half year ended 30th June 2007 the figure included 17,476 shares deemed to have been issued at nil consideration as a result of options granted, which, as required under IAS 33 "Earnings per share" have not been recognised in the half year ended 30th June 2008 or the year ended 31st December 2007 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:

	Half year ended 30th June 2008 £'000	Half year ended 30th June 2007 £'000	Year ended 31st December 2007 £'000
Net revenue loss attributable to equity holders of the parent	(10)	(251)	(993)
Net capital (loss)/profit attributable to equity holders of the parent	(2,388)	2,244	(1,879)
Net total profit	(2,398)	1,993	(2,872)
Weighted average number of ordinary shares in issue during the period			
Basic	4,876,880	4,876,880	4,876,880
Diluted	4,876,880	4,894,356	4,876,880
	Pence	**Pence**	**Pence**
Basic earnings per share			
Revenue	(0.2)	(5.1)	(20.4)
Capital	(49.0)	46.0	(38.5)
Total basic earnings per share	(49.2)	40.9	(58.9)

NOTES TO THE FINANCIAL STATEMENTS – Continued

5. Earnings per Share – Continued

	Pence	Pence	Pence
Diluted earnings per share			
Revenue	(0.2)	(5.1)	(20.4)
Capital	(49.0)	45.8	(38.5)
Total diluted earnings per share	(49.2)	40.7	(58.9)

6. Ordinary Share Capital

	30th June 2008 £'000	30th June 2007 £'000	31st December 2007 £'000
Share Capital Authorised: £4,750,000 (30th June 2007 & 31st December 2007: £4,750,000) Allotted: Ordinary – 4,876,880 (30th June 2007: 4,876,880, 31st December 2007: 4,876,880) fully paid shares of 25p each	1,219	1,219	1,219

7. Net Asset Value per Share

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 (half year ended 30th June 2007: 4,876,880; year ended 31st December 2007: 4,876,880) 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 (half year ended 30th June 2007: 4,894,356; year ended 31st December 2007: 4,895,003) ordinary shares. The number of shares is based upon the number of shares in issue at the period end together with those number of shares deemed to have been issued at nil consideration as a result of options granted.

8. Investments – Securities

As at 30th June 2008 the Company's ten largest investments were:

	Market Value £'000	% of Portfolio
UK Listed Securities		
Welsh Industrial Investment Trust plc	980	6.8
Securities dealt in under AIM		
Avesco Group plc	260	1.8
Hallin Marine Subsea International plc	5,624	39.2
Image Scan Holdings plc	223	1.6
Plus Markets Group plc	363	2.5
Portland plc	1,116	7.8
SpaceandPeople plc	1,588	11.1
Securities dealt in under PLUS Market		
Wheelsure Holdings plc	280	1.9
Unlisted Securities		
Audiogravity Holdings Limited	228	1.6
Gizmo Packaging Limited	250	1.7
	10,912	76.0

NOTES TO THE FINANCIAL STATEMENTS – Continued

9. Related Party Transactions

Mr A. G. Ebel and Mr A. P. Stirling have a controlling interest in Watlington Securities Limited, a company which invoiced the Group a sum of £nil (half year ended 30th June 2007: £600; year ended 31st December 2007: £8,935) during the period. Conversely the Group invoiced the same company £20,000 (half year ended 30th June 2007: £600; year ended 31st December 2007: £75,000). At the period end there remained balances outstanding of £705 (half year ended 30th June 2007: £nil; year ended 31st December 2007: £1,216) and £23,500 (half year ended 30th June 2007: £nil; year ended 31st December 2007: £nil) respectively.

Management fees of £9,000 (half year ended 30th June 2007: £9,000; year ended 31st December 2007: £18,000) were invoiced to Welsh Industrial Investment Trust plc and £600 (half year ended 30th June 2007: £600; year ended 31st December 2007: £1,200) were invoiced to Beira Investment Trust plc, companies in which Mr A. P. Stirling is both a director and shareholder. At the period end there was a debtor balance of £1,787 (half year ended 30th June 2007: £nil; year ended 31st December 2007: £nil).

The Rowe Trust holds an interest of 331,709 (2007: 331,709) ordinary shares in the Company. Mr N. J. Rowe, Mr T. J. Rowe and their respective children are beneficiaries under the Rowe Trust. Since the period end, the Rowe Trust has increased its holding to 644,209 ordinary shares representing 13.2% of the Company's issue share capital.

10. Reconciliation of Operating Profit to Operating Cash Flows

	30th June 2008 £'000	30th June 2007 £'000	31st December 2007 £'000
Revenue return before taxation	(85)	(338)	(1,009)
Interest payable	498	461	991
Share based payments	–	–	16
Depreciation of property, plant and equipment	6	6	13
Share of associate's losses	50	–	169
	469	129	180
(Increase)/decrease in current assets	(174)	27	339
Increase/(decrease) in current liabilities	320	806	(29)
	615	962	490

NOTES TO THE FINANCIAL STATEMENTS – Continued

11. Segmental Reporting

	Investment £'000	Property Investment £'000	Other Activities £'000	Consolidated £'000
Half year ended 30th June 2008				
Revenue	269	1,251	–	1,520
Result	664	(2,456)	–	(1,792)
Unallocated corporate expenses				(696)
Operating profit				(2,488)
Share of associate's loss				(50)
Interest expense				(498)
Interest income				54
Loss before taxation				(2,982)
Half year ended 30th June 2007				
Revenue	145	1,061	–	1,206
Result	2,146	635	–	2,781
Unallocated corporate expenses				(669)
Operating profit				2,112
Interest expense				(466)
Interest income				63
Profit before taxation				1,709
Year ended 31st December 2007				
Revenue	211	2,412	–	2,623
Result	1,211	(2,535)	–	(1,324)
Unallocated corporate expenses				(1,787)
Operating loss				(3,111)
Share of associate's loss				(169)
Interest expense				(991)
Interest income				177
Loss before taxation				(4,094)

All revenue is derived from operations within the United Kingdom.

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