GRESHAM HOUSE plc

REPORT AND ACCOUNTS 2011

Registered number: 871 (England & Wales)

DIRECTORS AND ADVISERS

Company Number	871 incorporated in England
Directors	A G Ebel LL.B, F.C.A. *Non-executive Chairman* D Lucie-Smith F.C.A. *Chief Executive* B J Hallett F.C.A. *Finance* J A C Lorimer *Property* R A Chadwick F.C.A. *Non-executive* R H Chopin-John LL.M, B.A., F.C.I.S. *Non-executive*
Secretary	B J Hallett F.C.A.
Registered Office	5th Floor 17 Grosvenor Gardens London SW1W 0BD
Auditor	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
Solicitors	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Corporate Advisers & Brokers	Westhouse Securities Limited One Angel Court London EC2R 7HJ

CHAIRMAN'S STATEMENT

I am pleased to report on the full year results of the Group to 31 December 2011.

The Results

The revenue loss after taxation has decreased from £701,000 for the year to 31 December 2010 to £361,000 for the year ended 31 December 2011. Trading profits on the sale of development properties in 2011 were £795,000 reflecting the realised gain on our 75% joint venture interest in the development of the headquarters for Hallin Marine in Aberdeen. Significant cost reductions have been made, principally administration overheads which decreased by 25% from £1,221,000 in 2010 to £913,000 in 2011 and the reduction in finance costs from £1,039,000 in 2010 to £695,000 in 2011 primarily due to the calculation of the fair value of interest rate swaps falling by £237,000 as at year end.

Against these positive reductions in costs was a fall in rental income from £1,435,000 in 2010 to £1,036,000 in 2011. This was primarily due to the reduced rent at Newton-le-Willows where vacant possession is progressively being obtained by 2013 for the whole site following the grant of planning for residential, and at Vincent Lane, Dorking where the site is being cleared for sale.

Net Asset Value per share

As a result of the revaluation carried out at 31 December 2011 the value of the property investment portfolio was reduced by £1,804,000 to £27,443,000. The principal reduction amounting to £1,237,000 was in respect of the residential site at Newton-le-Willows where residential values have been under-performing due to the lack of demand in the North which has, in turn, led to a lack of construction activity on new sites. This revaluation deficit, when combined with the revenue loss of £361,000 and the losses within the securities portfolio of £203,000, result in the net asset value per share falling from 476.9p to 447.0p.

In addition, in the opinion of the Board, the net asset value attributable to equity shareholders is overstated because of the requirements of IFRS 3 to show minority stakes in subsidiaries with a negative net worth as a debit to equity. This requirement results in the overstatement of the value of the net assets attributable to equity shareholders by £1,043,000 or 19.4p per share. Adjusting for this reduces the net asset value per share to 427.6p at 31 December 2011. This treatment is further explained in note 21 to the Accounts.

Property Portfolio

The property investments were valued by Jones Lang LaSalle at 31 December 2011. Capital expenditure on the portfolio amounted to £627,000 during the year.

There has been little sign of improvement in the secondary property sector, principally as banks have been reluctant to lend and the lack of liquidity is continuing to have an adverse impact on this market. Having said that, we have been encouraged by planning gain opportunities at two of our sites.

At Newton-le-Willows, where consent for residential was granted on our 28 acres, we are now exploring the possibility of a food retail consent on 10 acres adjacent to the town centre. The local planning authority appears to be supportive and in April 2012 we submitted a planning application for a 6,500 sq.m. food superstore, petrol filling station and 460 car park spaces. The granting of a planning consent should lead to a significant uplift in the value of this asset and we anticipate a determination in the second half of 2012. We also believe that this would have a positive impact on the balance of the site where house builders have been reluctant to commit to a purchase and the potential sale of 18 acres to a national house builder fell through earlier this year.

We are pleased to report that planning consent has finally been granted on 1.2 acres at Vincent Lane, Dorking for a Lidl discount food store and we expect to complete the sale of the land in the second half of 2012. On the balance of the site, where we have exchanged conditional contracts for a sale to Persimmon Homes, the planners are due to determine our application for 30 houses in mid 2012.

At Southern Gateway, Speke, our principal tenant is continuing to expand its occupational space and we are in negotiations with potential tenants for the remaining vacant space.

CHAIRMAN'S STATEMENT – continued

Investment Portfolio

During the year we sold £3.9m of investments of which £3.3m were bonds that we had acquired in 2010. The sales showed total realised losses of £453,000, of which £185,000 related to the bonds.

The current investment portfolio of £9.1m is being sold in order to be in a position to liquidate the Company by the end of next year. Since the year end we have sold £721,000 of bonds and plan to progressively dispose of further bonds and equities during the current year.

Cash

Our cash at 31 December 2011 was £6,193,000 (2010: £2,831,000) whilst our borrowings amounted to £20,108,000 (2010: £17,744,000).

Debt of £15.0m is secured on the property portfolio of £27.4m which represents a loan to value of 55%. These loans mature in May and July 2012 but following detailed negotiations with the banks concerned the Board are confident that both these facilities will be extended.

There is in addition an overdraft facility in a subsidiary amounting to £5,071,000 which is secured against cash held by the Company.

The Future

We are progressing with our policy of disposing of all the assets of the Group. Each property and investment has an ongoing strategy to maximise value prior to disposal. Providing that there is no further significant deterioration in the commercial property market we believe that we are on course to achieve our proposed liquidation of the Group by the end of 2013.

26 April 2012

Tony Ebel
Chairman

CHIEF EXECUTIVE'S REPORT

Dear Shareholder,

The secondary property market has had another difficult year which has been exacerbated by the significant lack of funding by banks for such assets. We are planning the disposal of our properties in one of the worst markets seen for bank funding with our only property sale in 2011 being an office development in Aberdeen sold to a cash buyer for £5.5m. We are however still very focused on maximising value through planning gain and securing additional lettings at our properties and we anticipate that we should be able to dispose of these by the end of 2013.

Results for Year to 31 December 2011

The operating profit for the year, after taking into account the results of our joint venture, was £334,000 compared to £338,000 for the previous year ended 31 December 2010. The comparison between both years is as follows:

	2011 £'000	2010 £'000
Dividend and investment income	386	446
Rental income	1,036	1,435
Other income	81	186
Property outgoings	(1,051)	(1,068)
Administration overheads	(913)	(1,221)
Other	–	1
Trading profit	795	559
	334	338

The significant variances are as follows:

The decrease in rental income was as a result of our policy to vacate the industrial estates at Newton-le-Willows and at Vincent Lane, Dorking in order to secure vacant possession of both sites ready for sale.

Administrative overheads have decreased from £1,221,000 in 2010 to £913,000 in 2011 largely due to a substantial reduction in legal fees incurred in 2010 and a £71,000 loan provision in 2010 of which £30,000 was released in 2011, thereby resulting in a £101,000 favourable variance for 2011. Administrative overheads are now running at just under £1m per annum and are being carefully controlled.

Property Portfolio

The principal assets of the Group are the property investments consisting of five properties or sites which were independently valued at a total of £27,443,000 as at 31 December 2011. These investments represent 62% of the total assets of the Group. As a result of the deteriorating market, particularly in the North, the properties were written down by £1,804,000 at the year end with the principal reduction of £1,237,000 being at Newton-le-Willows which is now valued at £11,683,000. We have taken positive action to improve the value of the site by seeking a food retail planning consent on 10 acres which should substantially increase the value and have a positive effect on selling the remaining 18 acres of residential site.

Southern Gateway, Speke and Northern Gateway, Knowsley each have valuations of over £5m. The latter is a relatively newly constructed distribution/industrial warehouse of 148,000 sq.ft. for which we have seen more enquiries in the last few months than for some time. We remain optimistic of being able to report a letting or sale by the end of this year.

Vincent Lane, Dorking is now moving forward to the eventual sale of the whole site as contracts have been exchanged with Lidl for a food store at a price of £1.88m and a conditional contract has been exchanged with Persimmon Homes for the balance of the site for a sum of £3.085m. This latter sale is however subject to obtaining residential planning consent.

CHIEF EXECUTIVE'S REPORT – continued

Securities Portfolio

At 31 December 2011 the value of our investment portfolio had decreased from £12,386,000 in 2010 to £9,078,000 as a result of disposals of £3,948,000 and acquisitions of £843,000. The realised losses on sales amounted to £453,000 whilst the unrealised gains on the portfolio amounted to £250,000.

Our principal unquoted investment is that in Memorial Holdings Ltd of £2,568,000 which represents a minority holding in Kemnal Park Cemetery. The construction of the cemetery has been delayed by 12 months due to planning issues on the chapel but is expected to be partially operational in the summer of this year with the chapel construction completed by the end of the year.

The UK Bonds held at the end of the year amounted to £2,183,000. Since the year end we have sold a further £721,000 with plans for the balance to be sold during the first six months of this year.

Our principal AIM quoted shareholding is SpaceandPeople plc which markets and sells promotional space on behalf of shopping centres. The company recently announced a 30% rise in basic EPS on a like-for-like basis in respect of its year ending 31 December 2011. These results have had a positive impact on the share price since the year end.

There are strategies in place for the disposal of the whole of our investment portfolio over the next 18 months which, in turn, will result in a further decrease in our investment income.

Cash at Bank

As a result of our strategy to dispose of the Group's assets the cash at bank has increased to £6,193,000 as at 31 December 2011 from £2,831,000 at 31 December 2010. We do however have to continue to make investments in our property portfolio to maximise the value for eventual sale and, as a result, a further £627,000 was expended on our portfolio during 2011.

Borrowings

Borrowings in the Group increased from £17,744,000 at 31 December 2010 to £20,108,000 at 31 December 2011. The major part of this increase was to acquire long leasehold interests at Newton-le-Willows to enable vacant possession to be obtained on the site.

Borrowings consist of loans totalling £15,037,000 secured against our property investment portfolio and £5,071,000 of overdraft facilities secured against our cash balances. The loan facility is split between the Co-operative Bank in the sum of £9,932,000 which expires in May 2012 and with Royal Bank of Scotland in the sum of £5,105,000 which expires in July 2012. Confirmation has been received from the Co-operative Bank that it will extend the facility for a further 12 month period on similar terms but subject to a new condition which the directors fully expect to be able to meet; and in addition, confirmation has been received from Royal Bank of Scotland that it is not aware of any reason for seeking full repayment of the borrowing at this time and is considering favourably extending the facilities.

Disposal Strategy

We continue to work to our business plan of disposing of all your Company's assets by the end of 2013. I would like to thank all of our staff for their continued support whilst the Company is being wound down.

26 April 2012

Derek Lucie-Smith
Chief Executive

INVESTMENT OBJECTIVE & POLICY

Gresham House plc is an authorised investment trust listed on the London Stock Exchange. Following the passing of an ordinary resolution at the Company's 2011 annual general meeting its investment objective and policy is the orderly realisation of the Group's assets over a period of approximately two years with a view to returning capital to shareholders thereafter.

The Group continues to invest in both commercial properties and securities but only where this enhances or protects the value of existing investments whilst the realisation process is underway or where value can be achieved in new investments in the short term.

Investment in commercial properties must be undertaken through subsidiary undertakings, joint ventures or associates which are funded mainly through bank loans, both short term and long term. Certain of these property investments also provide a rental income flow which is intended to cover interest and any capital repayments of the related loans as well as contributing to the Group's operating cash flow.

Investment in securities is primarily by way of: (i) investing in corporate bonds with a minimum rating of B+ to provide income; (ii) investing in a portfolio of predominately UK equities to provide both income and capital growth; and (iii) acquiring equity stakes in fledgling unquoted companies with a view to contributing to their development. By their very nature these latter investments are considered to be of very high risk.

Investment trust status

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

Risk diversification and maximum exposures

Risk is spread by investing in commercial properties, corporate bonds and high risk securities. The executive directors have authority to make initial investments up to a value of £50,000. Once this exposure level is reached any additional investment requires final approval by the Board. No holding in any one investment can represent more than 15% of the value of the Company's portfolio at the time of the investment.

Borrowing

All property borrowing is made to specific subsidiary undertakings against specific assets held within that subsidiary undertaking or sub-group with cross guarantees from other group members where appropriate. Borrowings made for working capital purposes can be secured against any asset held within the Group. To minimise the exposure to interest rate movements, loans may have a mix of fixed and floating interest rates but with interest rate hedging where required. Gearing levels may be up to 100% of asset value at the time of obtaining the loan provided there was sufficient income, or potential income, to meet interest and any capital repayments.

Management

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

Principal risks, management and regulatory environment

The Board believes that, as per the previous year, the principal risks faced by the Group are:

Economic risk – events such as unfavourable economic conditions and/or movement in interest rates could affect trading conditions and consequently (i) the Company's investment portfolio, particularly the value of smaller company investments, and (ii) the value of the property investments.

INVESTMENT OBJECTIVE & POLICY – continued

Strategic and investment – poor investment strategy or consistently weak investments could lead to underperformance and insufficient returns. Investments in small unquoted companies involve a higher degree of risk than investments in companies traded on the main market of the London Stock Exchange. Investments in companies traded on AIM may be difficult to realise, particularly where the holding is large.

Regulatory – the Company is required to comply with the Companies Acts, the rules of the UK Listing Authority and International Financial Reporting Standards. A breach of any of these might lead to a suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report. The Company must also comply with section 1158 of the Corporation Tax Act 2010 to ensure that all gains made in the Company remain tax free. Any breach in these rules may lead to the Company losing its authorised investment trust status.

Financial and operating risk – inadequate controls may lead to misappropriation of assets, inappropriate accounting policies could lead to misreporting or breaches of regulations.

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

Asset liquidity risk – investments made by the Company may be difficult to realise.

Market liquidity risk – shareholders may find it difficult to sell their shares in the Company at a price which is near to the net asset value.

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

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

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

The Board seeks to mitigate these and other perceived risks by setting policies and by undertaking a risk assessment at least annually. Further details can be found in note 23.

REPORT OF THE DIRECTORS

To be presented to the members at the annual general meeting to be held at the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL on 30 May 2012 at 11.00 am.

Revenue account

The Group Statement of Comprehensive Income, which includes the revenue account, is set out on page 21 and shows the results for the year ended 31 December 2011.

Dividends

The directors recommend a final dividend for the year ended 31 December 2011 of 1.0p per ordinary share to be paid on 15 June 2012 to shareholders on the register at 6.00 pm on 25 May 2012.

Principal activities and business review

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

A review of the Group's business for the year together with developments since the year end and for the future is included in the Chairman's Statement on pages 2 and 3 and the Chief Executive's Report on pages 4 and 5.

The Board considers the main Key Performance Indicator applicable to the Group to be net asset value per share ("NAV"). As at 31 December 2011, the basic NAV was 447.0p (2010: 476.9p) or, in the opinion of the Board a more accurate figure as adjusted for non-controlling interests, 427.6p (2010: 472.7p). The main non-financial KPI is considered to be the amount of vacant space within the property portfolio. As at 31 December 2011 this totalled 349,924 sq. ft. representing 54% of the total available (2010: 391,118 sq. ft. and 54%), the decrease being principally as a result of the demolition of units at Vincent Lane, Dorking.

The principal risks of the Group relate to its investment activities in properties and securities and are explained in the Investment Policy and note 23 to the financial statements.

Although the Group does not have a formal environmental policy it does recognise the importance of environmental responsibility. The Group encourages the active involvement of persons working for and on behalf of the Group to minimise so far as reasonably practicable any adverse effects on the environment of their activities. Given the size of the Group the Board does not consider there to be any key performance indicators in respect of employees (currently totalling 7, including 3 executive directors) relevant to an understanding of the Group's financial position or performance, nor does it support any social and community initiatives.

For the year ended 31 December 2010 HM Revenue & Customs has approved the Company as an investment trust for the purposes of Section 1158 of the Corporation Tax Act 2010 and since that date the directors have sought to conduct its affairs so as to enable it to continue to maintain such approval.

The Company's shares may qualify for inclusion in a stocks and shares ISA depending on the interpretation of HM Revenue & Customs' rules. Any shareholder considering an investment in their ISA should take professional advice before so doing. The Company cannot take any responsibility for potential losses which may be incurred by shareholders.

The portfolio is not managed against a benchmark. The reference to the FTSE All Share Index in the Remuneration Report is provided only as a guide to shareholders. The portfolio is managed on a high risk strategy basis.

REPORT OF THE DIRECTORS – continued

Securities portfolio

At 31 December 2011 the securities portfolio was invested in the following sectors:	%
Property investment	38
Financial	32
Media & photography	16
Engineering	8
Utilities	3
Foods	2
Electrical	1
	100

Directors

The present directors are listed on page 1.

The directors retiring by rotation are Mr D Lucie-Smith and Mrs R H Chopin-John and, being eligible, offer themselves for re-election.

Under the provisions of the UK Corporate Governance Code, any non-executive director who has effectively served for more than nine years should, subject to effective performance and ongoing commitment to the role, stand for annual re-election. Consequently Mr A G Ebel now retires and offers himself for re-election.

Brief biographies of the directors concerned are as follows:

Tony Ebel (aged 67)

Tony Ebel is presently Chairman of the Company. He qualified as a lawyer and chartered accountant and has been a non-executive director of the Company since 1979. He has been responsible for a number of successful technology based start-up companies and is currently involved with companies operating in the management services, sports information and marketing technology sectors. A significant part of Mr Ebel's role has been, and continues to be, the evaluation of potential investments. He is currently a member of both the Audit and Remuneration Committees.

Derek Lucie-Smith (aged 64)

Derek Lucie-Smith is a chartered accountant who was appointed to the board in October 2008 as CEO. Derek has spent over 30 years in the property industry. He has a vast experience of the commercial property market and running quoted companies in the UK.

Rosemary Chopin-John (aged 66)

Rosemary Chopin-John has a long association with the Company having been company secretary for over 24 years before leaving to pursue other interests in 1991. Since January 1981 Mrs Chopin-John has been a trustee of the Rowe Trust which presently holds 12% of the issued share capital of the Company. She is currently a legal consultant to a private group of companies and a member of both the Audit and Remuneration Committees

Details of the current directors' emoluments together with the directors' interests in shares and share option schemes are provided in the Remuneration Report on pages 13 to 15. Contracts of significance in which the directors had a material interest are disclosed in note 25.

REPORT OF THE DIRECTORS – continued

Substantial interests

At the date of this report the following substantial interests representing three per cent or more of the total voting rights of the Company have been notified to the Company:

	%	Ordinary Shares
Parkwood Property Investments LLP	27.25	1,463,063
The Trustees of the Rowe Trust	12.00	644,209
Asset Value Investors Limited	10.02	538,000
A P Stirling	7.80	419,036

Financial risk management objectives

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

Directors' interests

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

	2011	2010
A G Ebel	22,550	22,550
B J Hallett	127,810	127,810
R H Chopin-John	5,000	3,000

In addition to the above D Lucie-Smith and J A C Lorimer have a beneficial interest in 1,463,063 ordinary shares held by Parkwood Property Investments LLP and Mrs R H Chopin-John, in her capacity as trustee, has a non-beneficial interest in 644,209 ordinary shares held by the Rowe Trust.

Share capital

At 1 January 2011 and 31 December 2011 there were 5,369,880 ordinary shares in issue with a nominal value of 25p each. The ordinary shares are listed on the London Stock Exchange.

The holders of ordinary shares are entitled to receive the Company's reports and accounts, to attend and speak at general meetings of the Company, to appoint proxies and exercise voting rights. There are no restrictions on transfer or limitations on the holding of any class of shares and no requirements for prior approval of any transfers.

Control

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

The rules about the appointment and replacement of directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force at the time.

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

The directors have been authorised at the last annual general meeting to allot ordinary shares. A resolution will be put to shareholders at the forthcoming annual general meeting to renew this authority.

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

REPORT OF THE DIRECTORS – continued

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

Share options

The last options granted were on 3 May 2005 over a total of 35,600 ordinary shares. As at 31 December 2011 8,000 have been exercised and 18,800 lapsed. The remaining options can be exercised at any time between 3 May 2008 and 3 May 2012 at a price of 337.5p.

Directors' responsibilities statement

The directors are responsible for preparing the directors' report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

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

In preparing these financial statements the directors are required to:

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

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

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

The directors confirm, to the best of their knowledge:

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

The names and functions of all the directors are stated on page 1.

REPORT OF THE DIRECTORS – continued

Going concern

Following the passing of an ordinary resolution at the Company's 2011 annual general meeting its investment objective is now the orderly realisation of the Group's assets over a period of approximately two years with a view to returning capital to shareholders thereafter. As a result, 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 financial statements if they had been prepared on a going concern basis. Further details can be found under paragraph (a) of the Principal Accounting Policies.

Payment policy

The Group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction and then to abide by these terms. At 31 December 2011 trade creditors represented 27 days purchases (2010: 11 days).

Statement as to disclosure of information to auditor

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

5th Floor
17 Grosvenor Gardens
London SW1W 0BD

26 April 2011

REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410). An ordinary resolution for the approval of this report will be put to the members at the forthcoming annual general meeting.

Remuneration Committee

The policy on directors' remuneration is formulated by the Remuneration Committee, which consists of the three non-executive directors of the Company under the chairmanship of Mr R A Chadwick. The Committee is responsible for determining the terms of service and remuneration of the executive directors. When designing schemes of performance-related remuneration the Committee will consider the provisions set out in Schedule A of the UK Corporate Governance Code issued in June 2010.

Remuneration policy

The Remuneration Committee's policy is designed to attract, retain and motivate the executive directors and other senior executives to reflect their levels of responsibility and experience. The Committee is of the opinion that there is no similar investment trust with which direct comparison can be made, but the Committee does consider generally the level of fees paid by other investment trusts that are of similar size when making its recommendations.

Remuneration package

Executive remuneration consists of a basic salary and certain benefits in kind, which include pension contributions and disability and health insurance, none of which are subject to performance criteria. Executive directors were also eligible for share options, details of which are shown below. Each element of remuneration paid to all directors is shown in detail on page 15.

Service contracts

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

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

(b) In the event of termination by the Company (otherwise than by reason of death, resignation or disqualification pursuant to the Company's Articles of Association or by statute or by court order) the executive directors are entitled to compensation equivalent to one month's salary for every year served.

(c) In the event that a non-executive director is not re-elected by shareholders in accordance with the Articles of Association his/her appointment shall terminate with immediate effect and the individual is entitled to payment in lieu of notice being the maximum notice period in his/her contract.

(d) In the event of termination for events as specified in the contract including negligence and incompetence in the performance of his/her duties, misconduct and serious breaches of the rules of the UKLA, then no compensation is payable.

Pensions

The Company contributes to a personal pension scheme for the benefit of Mr Hallett. For the year ended 31 December 2011 contributions amounted to £8,400 (2010: £8,400).

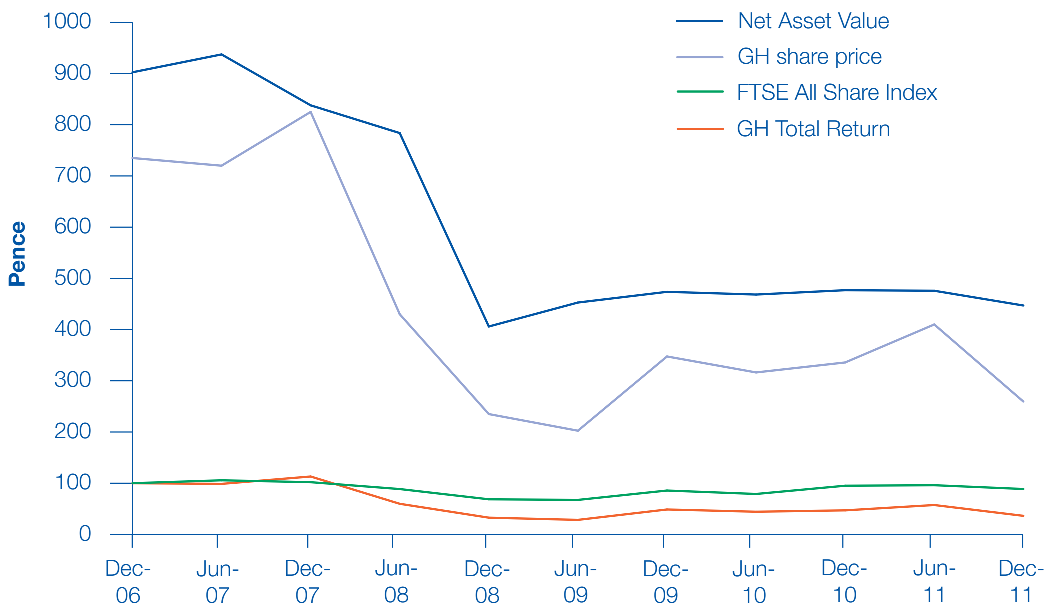
Non-executive directors' fees

The executive directors are responsible for determining the level of fees paid to the non-executive directors. Non-executive directors are not eligible for long-term incentive schemes.

REMUNERATION REPORT – continued

Company performance

The graph below illustrates the performance of Gresham House plc and a "broad equity market index" over the past five years. The directors consider the FTSE All Share Index to be the most appropriate for these purposes. As required by legislation performance is measured by total shareholder return (share price plus dividends paid). For additional shareholder information the graph also charts the Company's share price movement and net asset value. It should be noted however that none of this information should be regarded as a benchmark.



This graph shows the value, by the end of 2011, of £100 invested in Gresham House plc on 31 December 2006, (the GH Total Return), compared with the value of £100 invested in the FTSE All Share Index. The other points plotted are the values at intervening six monthly periods.

Comparative movements	1.1.2007	31.12.2011	% change
Gresham House share price	735.0p	259.5p	(64.7)%
Basic net asset value	902.4p	447.0p	(50.5)%
Gresham House shareholder return	100.0	36.3	(63.7)%
FTSE All Share Index	3,221.42	2,857.88	(11.3)%

REMUNERATION REPORT – continued

The following information has been audited:

Directors' emoluments

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

	Basic Salary £'000	Fees £'000	Benefits £'000	Pensions £'000	2011 £'000	2010 £'000
Executive:						
D Lucie-Smith (ii)	167	–	–	–	167	167
J A C Lorimer (ii)	134	–	–	–	134	134
B J Hallett	125	–	3	8	136	136
Non-executive:						
A G Ebel (Chairman)(ii)	25	25	5	–	55	304
S C Ackerman (i)	–	13	–	–	13	10
R A Chadwick	–	20	–	–	20	20
R H Chopin-John	–	20	–	–	20	20
Total	451	78	8	8	545	791
Total 2010	451	75	7	258	791	

(i) Mr S C Ackerman resigned on 19 May 2011.

(ii) Salary due to Messrs Lucie-Smith and Lorimer and fees due to Mr Ebel have been paid to businesses in which they have a material interest.

Share option schemes

Details of share options for each director are as follows:

	At 1 January 2011	At 31 December 2011	Earliest exercise date	Exercise price per share
B J Hallett	8,800	8,800	3 May 2008	337.5p

On 3 May 2005 the Remuneration Committee granted options over a total of 35,600 ordinary shares with an exercise price of 337.5p at any time between 3 May 2008 and 3 May 2012. As at 31 December 2011 8,000 options have been exercised and 18,800 lapsed.

As at 31 December 2011, the closing middle market price was 259.5p and the range of closing prices during the year ended 31 December 2011 was 245p to 432.5p.

The following information is unaudited:

The Remuneration Committee is responsible for the operation and administration of the Company's unapproved share option scheme. No options were granted during the years ended 31 December 2010 and 2011.

On behalf of the Board

R A Chadwick, *Chairman*, Remuneration Committee
26 April 2012

CORPORATE GOVERNANCE

The Board is accountable to the Company's shareholders for good corporate governance. This statement describes how the Company has applied the principles of good governance set out in the UK Corporate Governance Code issued in 2010 ("the Code") and the principles and recommendations published by the Association of Investment Companies in 2009, which provides a guide to best practice in certain areas of governance which are particularly relevant to investment trusts.

During the year ended 31 December 2011, with the exceptions outlined below, the directors consider that the Company has applied the principles and generally met the requirements of the Code.

Operation of the Board

The Board comprises the directors listed on page 1.

The Board is responsible for the overall strategy and management of the Group. There is a formal schedule of matters specifically reserved for Board decision including investment and performance objectives and policies, financial reporting and control, the approval of borrowings by the Group, any investments or disposals over certain thresholds and shareholder communication. The Board operates as a collective decision making forum. In the event that one or more directors cannot support a consensus decision then a vote would be taken and the views of the dissenting director recorded in the minutes. There were no such dissentions during 2011. Procedures are in place to enable individual directors to seek independent advice at the expense of the Company and appropriate cover is in place which insures directors against certain liabilities that they may incur in carrying out their duties on behalf of the Company. All directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring that Board procedures are complied with. Mr R A Chadwick is the senior independent director.

The Chairman and Chief Executive have clearly established responsibilities although these have not been defined in writing. In addition to chairing the Board, the Chairman is responsible for ensuring that the Board is kept properly informed and is consulted on all issues reserved to it. The Chief Executive has final executive responsibility to the Board for the success of the Group.

The Board, which currently consists of three executive and three non-executive directors, meets regularly throughout the year and receives accurate, timely and clear information in a form and of a quality appropriate to enable it to discharge its duties. There were five Board meetings, one meeting of the Audit Committee and one meeting of the Remuneration Committee held during the year and the attendance of the directors was as follows:

Number of meetings attended

Name of director	Board	Remuneration Committee	Audit Committee
A G Ebel	5 (5)	1(1)	– (1)
D Lucie-Smith	5 (5)	–	–
J A C Lorimer	5 (5)	–	–
B J Hallett	5 (5)	–	–
S C Ackerman	3 (3)	–	–
R A Chadwick	5 (5)	1(1)	1(1)
R H Chopin-John	5 (5)	1(1)	1(1)

Figures in brackets indicate the maximum number of meetings in the period which the director was a board or committee member as appropriate.

The Company has not complied with paragraph B.6.1 of the Code and has not undertaken a formal evaluation of its own performance and that of its committees. Given the nature and size of the Company this evaluation is an ongoing process undertaken by the Remuneration Committee as part of its review. The Board is satisfied that each director continues to contribute effectively and demonstrates commitment to the role.

CORPORATE GOVERNANCE – continued

Independence of the directors

As a smaller Company the Code requires it to have at least two independent non-executive directors. The Board has concluded that, at the date of this report, it meets this requirement. In judging independence the Board takes into account whether or not a director is independent of management and any business or other relationship that could affect or interfere with the exercise of objective judgement by that director, or his/her ability to act in the best interests of the Company and its subsidiaries. Messrs Ebel and Chadwick are considered to be independent notwithstanding that Mr Ebel has served for a period exceeding nine years.

The Company has not fully complied with paragraphs B.1.1 and D.1.3 as the remuneration for non-executive directors has in the past included share options. However, given the new investment objective and policy it is no longer deemed appropriate to grant share options. Details of options outstanding as at 31 December 2011 are shown in the Remuneration Report on page 15.

Re-election of directors

All directors are subject to re-election by shareholders at the first AGM following their appointment and, thereafter, are subject to retirement by rotation and re-election by shareholders in accordance with the Articles of Association whereby one third of the directors retire every year, or where their number is not a multiple of three, then the number constituting at least one third retire from office. Notwithstanding the foregoing, every director shall retire who was not appointed at either of the two previous annual general meetings and who has served for more than two years since his/her appointment or last reappointment. Directors are not appointed for specified terms nor have any automatic right of re-appointment. Because of the nature of an investment trust the Board believes that the contribution and independence of a director is not diminished by long service but that a detailed knowledge of the Company and its activities has a beneficial impact.

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

Audit Committee

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

Nomination Committee

The Company does not comply with paragraphs B.2.1 to B.2.4 of the Code. Given the small size of the Board, the Board as a whole fulfils the function of the Nomination Committee. Any Board member can propose new members who will be considered by the Board as a whole. No new non-executive director will be appointed without first being interviewed by each existing non-executive director.

The Company has not fully complied with paragraphs B.4.1 and B.4.2 but all requests for information, assistance and training are being met as and when requested.

CORPORATE GOVERNANCE – continued

Remuneration Committee

The Remuneration Committee is also a formally constituted committee of the Board with defined terms of reference, a copy of which is available from the Company on request. It consists of the three non-executive directors under the chairmanship of Mr R A Chadwick. The other members of the committee are Mr A G Ebel and Mrs R H Chopin-John. The Committee is responsible for determining the terms of service and remuneration of the executive directors and meets at least once a year.

Relations with shareholders

Given its size, the Company has not fully complied with provisions E.1.1 and E.1.2. Of the current four major shareholders, the Board believes that it has sufficient contact and understanding of their issues and concerns.

All members of the Board are willing to meet with shareholders at any time for the purpose of discussing matters in relation to the operation and prospects of the Group.

The Board welcomes as many shareholders as possible to attend the annual general meeting and encourages discussions on issues of concern or areas of uncertainty that they may have during and after the formal proceedings. The Company counts all proxy votes lodged at general meetings of the Company and indicates the number of proxy votes on each resolution, after it has been dealt with by a show of hands.

Accountability, internal controls and audit

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

Whilst the Group has technically ceased to be a going concern as it is the intention to realise assets and return capital to shareholders in due course, it continues to trade in an orderly fashion and, after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to fund ongoing activities for at least the next 12 months.

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

The Board is responsible for the Group's system of internal control, including financial, operational and compliance controls and risk management, and for reviewing its effectiveness. The Board has introduced procedures designed to meet the particular needs of the Group in managing the risks to which it is exposed, consistent with the guidance provided by the Turnbull Committee. These procedures include an annual review of the significant risks faced by the Group and an assessment of their potential impact and likelihood of occurrence. The Board takes advice from external advisors where considered necessary including where any significant transaction is being considered. The Board is satisfied with the effectiveness of internal controls but, by their very nature, these procedures can provide reasonable, but not absolute, assurance against material misstatement or loss. The process for the consolidation and preparation of the financial statements is overseen by the executive directors. The Board consider the performance of outsourced service providers on an ongoing basis.

The Board has reviewed the need for an internal audit function. The Board has decided that, given the nature of the Group's business and assets and the overall size of the Group, the systems and procedures currently employed by the Group provide sufficient assurance that a sound system of internal control, which safeguards shareholders investment and the Group's assets, is in place. An internal audit function is therefore considered unnecessary.

Details of substantial shareholdings, share capital and control can be found in the Report of the Directors on pages 10 and 11.

REPORT OF THE INDEPENDENT AUDITOR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRESHAM HOUSE PLC

We have audited the financial statements of Gresham House plc for the year ended 31 December 2011 which comprise the group statement of comprehensive income, the group and parent company statements of changes in equity, the group and parent company statements of financial position, the group and parent company statements of cash flows, the principal accounting policies, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

REPORT OF THE INDEPENDENT AUDITOR – continued

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out page 12, in relation to going concern; and
- the part of the corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the board on directors' remuneration.

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

26 April 2012

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000
Income:	1						
Dividend and interest income		386	–	386	446	–	446
Rental income		1,036	–	1,036	1,435	–	1,435
Sale of development in hand		–	–	–	3,025	–	3,025
Other operating income		81	–	81	186	–	186
Total Income		1,503	–	1,503	5,092	–	5,092
Operating costs:	2						
Costs of sale of development in hand		–	–	–	(2,434)	–	(2,434)
Property outgoings		(1,051)	–	(1,051)	(1,068)	–	(1,068)
Administrative overheads		(913)	–	(913)	(1,221)	(297)	(1,518)
Net trading (loss)/profit		(461)	–	(461)	369	(297)	72
Gains & (losses) on investments:							
Gains & (losses) on investments held at fair value		–	(203)	(203)	–	813	813
Movement in fair value of property investments		–	(1,804)	(1,804)	–	490	490
Profit on disposal of plant & equipment		–	–	–	1	–	1
Group operating (loss)/profit		(461)	(2,007)	(2,468)	370	1,006	1,376
Finance costs	4	(695)	–	(695)	(1,039)	–	(1,039)
Share of joint venture operating profit/(loss)		795	–	795	(32)	–	(32)
Group and share of joint venture operating profit/(loss) before taxation		(361)	(2,007)	(2,368)	(701)	1,006	305
Taxation	5	–	–	–	–	–	–
(Loss)/profit and total comprehensive income		(361)	(2,007)	(2,368)	(701)	1,006	305
Attributable to:							
Equity holders of the parent		264	(1,816)	(1,552)	(217)	1,173	956
Non-controlling interest		(625)	(191)	(816)	(484)	(167)	(651)
		(361)	(2,007)	(2,368)	(701)	1,006	305
Basic and diluted (loss)/earnings per ordinary share	6	4.9p	(33.8p)	(28.9p)	(4.3p)	23.5p	19.2p

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

The revenue and capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

STATEMENTS OF CHANGES IN EQUITY

Group

YEAR ENDED 31 DECEMBER 2011

	Notes	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000	Equity attributable to equity share- holders £'000	Non- controlling interest £'000	Total equity £'000
Balance as at 31 December 2010		1,342	2,302	14	35,902	(13,949)	25,611	(227)	25,384
(Loss)/profit for the period being total comprehensive income for the year		–	–	–	(1,816)	264	(1,552)	(816)	(2,368)
Ordinary dividends paid	7	–	–	–	–	(54)	(54)	–	(54)
Balance at 31 December 2011		1,342	2,302	14	34,086	(13,739)	24,005	(1,043)	22,962

YEAR ENDED 31 DECEMBER 2010

	Notes	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000	Equity attributable to equity share- holders £'000	Non- controlling interest £'000	Total equity £'000
Balance as at 31 December 2009		1,220	847	14	34,729	(13,683)	23,127	424	23,551
Profit/(loss) for the year being total comprehensive income for the year		–	–	–	1,173	(217)	956	(651)	305
Ordinary dividends paid	7	–	–	–	–	(49)	(49)	–	(49)
Issue of shares (net of costs of £46,000)		122	1,455	–	–	–	1,577	–	1,577
Balance at 31 December 2010		1,342	2,302	14	35,902	(13,949)	25,611	(227)	25,384

STATEMENTS OF CHANGES IN EQUITY – continued

Company

YEAR ENDED 31 DECEMBER 2011

	Notes	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 31 December 2010		1,342	2,302	14	12,197	205	16,060
(Loss)/profit for the period being total comprehensive income for the year		–	–	–	(203)	83	(120)
Ordinary dividends paid	7	–	–	–	–	(54)	(54)
Balance at 31 December 2011		1,342	2,302	14	11,994	234	15,886

YEAR ENDED 31 DECEMBER 2010

	Notes	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 31 December 2009		1,220	847	14	11,905	143	14,129
Profit for the period being total comprehensive income for the year		–	–	–	292	111	403
Ordinary dividends paid	7	–	–	–	–	(49)	(49)
Issue of shares (net of costs of £46,000)		122	1,455	–	–	–	1,577
Balance at 31 December 2010		1,342	2,302	14	12,197	205	16,060

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Notes	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Assets					
Non-current assets					
Investments – securities	8	6,808	12,386	6,808	12,386
Property investments	9	22,193	28,620	–	–
Investment in joint venture	10	–	908	–	–
Other investments	11	–	–	2	2
Plant and equipment	12	–	–	–	–
		29,001	41,914	6,810	12,388
Current assets					
Trade and other receivables	13	243	268	–	–
Accrued income and prepaid expenses		512	609	137	328
Other current assets	14	802	1,008	780	1,060
Cash and cash equivalents		6,193	2,831	6,005	2,542
Non current assets held for sale					
Investments – securities	8	2,270	–	2,270	–
Property investments	9	5,250	–	–	–
Total current assets and non current assets held for sale		15,270	4,716	9,192	3,930
Total assets		44,271	46,630	16,002	16,318
Current liabilities					
Trade and other payables	15	1,122	3,186	14	21
Short term borrowings	16	14,858	14,634	102	237
Other financial liabilities	17	79	88	–	–
Liabilities of a disposal group classified as held for sale					
Short term borrowings	16	5,250	–	–	–
		21,309	17,908	116	258
Total assets less current liabilities		22,962	28,722	15,886	16,060
Non-current liabilities					
Long term borrowings	17	–	3,110	–	–
Other financial liabilities	17	–	228	–	–
Deferred taxation	18	–	–	–	–
		–	3,338	–	–
Net assets		22,962	25,384	15,886	16,060
Capital and reserves					
Ordinary share capital	19	1,342	1,342	1,342	1,342
Share premium	20	2,302	2,302	2,302	2,302
Share option reserve	20/24	14	14	14	14
Capital reserve	20	34,086	35,902	11,994	12,197
Retained earnings	20	(13,739)	(13,949)	234	205
Equity attributable to equity shareholders		24,005	25,611	15,886	16,060
Non-controlling interest	20	(1,043)	(227)	–	–
Total equity		22,962	25,384	15,886	16,060
Basic and diluted net asset value per ordinary share	21	447.0p	476.9p	295.8p	299.1p

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 26 April 2012

D Lucie-Smith
Director

Registered number: 871 (England & Wales)

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Cash flows from operating activities					
Investment income received		65		63	
Interest received		508		73	
Rental income received		989		1,635	
Other cash payments		(1,795)		(2,172)	
Net cash utilised in operations	22		(233)		(401)
Interest paid on property loans		(848)		(838)	
			(848)		(838)
Net cash flows from operating activities			(1,081)		(1,239)
Cash flows from investing activities					
Purchase of investments		(843)		(9,346)	
Receipt from/(investment in) joint venture		1,703		(940)	
Sale of investments		3,955		10,197	
Sale of tangible fixed assets		–		3	
Repayment of loans		167		–	
Expenditure on investment properties		(2,832)		(1,191)	
Sale of developments in hand		–		3,025	
Purchase of developments in hand		(17)		(249)	
			2,133		1,499
Cash flows from financing activities					
Repayment of loans		(484)		(10,222)	
Receipt of loans		2,848		2,222	
Share capital issued		–		1,577	
Equity dividends paid		(54)		(49)	
			2,310		(6,472)
Increase/(decrease) in cash and cash equivalents			3,362		(6,212)
Cash and cash equivalents at start of year			2,831		9,043
Cash and cash equivalents at end of year			6,193		2,831

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Cash flows from operating activities					
Investment income received		65		63	
Interest received		508		73	
Other cash payments		(174)		(260)	
Net cash flows from operating activities	22	399		(124)	
Cash flows from investing activities					
Purchase of investments		(843)		(9,346)	
Sale of investments		3,948		1,576	
Repayment of loans		165		–	
Purchase of development in hand		(17)		–	
			3,253		(7,770)
Cash flows from financing activities					
Receipt of loans		432		453	
Repayment of loans		(567)		(237)	
Share capital issued		–		1,577	
Equity dividends paid		(54)		(49)	
			(189)		1,744
Increase/(decrease) in cash and cash equivalents			3,463		(6,150)
Cash and cash equivalents at start of year			2,542		8,692
Cash and cash equivalents at end of year			6,005		2,542

PRINCIPAL ACCOUNTING POLICIES

The Group's principal accounting policies are as follows:

(a) Basis of preparation

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

During 2011 the following accounting standards and guidance were adopted by the Group and were mandatory for the accounting period, but either had no material impact on the Group's financial statements or were not relevant to the operations of the Group:

(i) Amendment to IFRS 1 First time adoption of IFRS

(ii) Amendment to IAS 32 Financial instruments: Presentation

(iii) Amendment to IAS 24 Related party disclosures

(iv) IFRIC 14 Prepayments of a minimum funding requirement

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

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

As the Group's investment objective is now the orderly realisation of the Group's assets over a period of approximately two years 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 (as disclosed elsewhere within the accounting policies) are such that there would be no material adjustments to the financial statements if they had been prepared on a going concern basis.

The Group has short term bank borrowings of £20.1m due within one year including a loan of £9.9m from the Co-operative Bank repayable by 31 May 2012 and a further loan of £5.1m from Royal Bank of Scotland repayable by 16 July 2012. Confirmation has been received from the Co-operative Bank plc that it will extend the facility for a further 12 month period on similar terms but subject to a condition that needs to be met by the end of May 2012. The directors fully expect to be able to meet this additional requirement in the timescale stated. In addition confirmation has been received from the Royal Bank of Scotland plc that it is not aware of any reason for seeking full repayment of the borrowing at this time and is considering favourably extending the facilities.

On this basis the directors are of the opinion that the Group will have sufficient working capital to fund ongoing activities for at least the next 12 months.

(b) Basis of consolidation

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

PRINCIPAL ACCOUNTING POLICIES – continued

(c) Presentation of Statement of Comprehensive Income

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income. Net capital returns may not be distributed by way of a dividend. The net revenue is the measure the directors believe appropriate in assessing the Group's compliance with certain requirements set out in section 1158 of the Corporation Tax Act 2010. As permitted by section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. Details of the Company's results for the year are set out in note 20.

(d) Investments in associates and joint ventures

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

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

(e) Segment reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board in order to allocate resources to the segments and to assess their performance.

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

(f) Income

(i) *Dividend and interest income*

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

(ii) *Rental income*

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

(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 and acquisition costs which are charged to the capital account.

(h) Plant and equipment

All plant and equipment is stated at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation on plant and equipment is provided principally on a straight line basis at a rate of 25% in order to write off the cost of assets over their expected useful lives.

PRINCIPAL ACCOUNTING POLICIES – continued

(i) Taxation

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

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

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

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

Investment Trusts which have approval under section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains.

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

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

(j) Operating leases

Amounts payable under operating leases are charged directly to the Statement of Comprehensive Income on a straight line basis over the period of the lease. The aggregate costs 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.

(k) Investments

Financial assets designated as at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis, in accordance with the documented investment strategy of the Company. Information about these financial assets is provided internally on a fair value basis to the Group's key management. All equity investments are classified as held at fair value through profit or loss.

(i) *Properties*

Property investments are included in the Statement of Financial Position at fair value and are not depreciated.

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

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

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

Sale and purchase of property assets is generally recognised on unconditional exchange except where payment or completion is expected to occur significantly after exchange. For conditional exchanges, sales are recognised when the conditions have been satisfied. Profits and losses are calculated by reference to the carrying value at the end of the previous financial year, adjusted for subsequent capital expenditure and less directly related costs of sale.

PRINCIPAL ACCOUNTING POLICIES – continued

(ii) *Assets held for sale*
Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell (except where the exemptions of paragraph 5 of IFRS 5 apply) and are classified as such if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This is the case when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the sale is considered to be highly probable. A sale is considered to be highly probable if the appropriate level of management is committed to a plan to sell the asset, and a further active programme to locate a buyer and complete the plan has been initiated, Further, the asset has to be marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale is expected to qualify for recognition as a completed sale within one year from the date that it is classified as held for sale.

(iii) *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 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.

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

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

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

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

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

PRINCIPAL ACCOUNTING POLICIES – continued

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

(q) Trade and other payables

Other payables are not interest-bearing and are stated at their nominal value as any discounting of expected cash flows is considered to be immaterial.

(r) Interest rate swaps

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

(s) Capital reserves

The following realised amounts are accounted for in this reserve:

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

The following unrealised amounts are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year-end.
- unrealised exchange differences of a capital nature.
- provisions charged against carrying value of investments held at the year end.
- provisions for deferred taxation in respect of revalued properties.

(t) Pensions

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

(u) Share based payments

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

(v) Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2012 or later periods. The Group has not early adopted the standards, amendments and interpretations.

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

PRINCIPAL ACCOUNTING POLICIES – continued

(w) Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those used to determine (i) the value of investments at fair value through profit or loss, (ii) any impairment in the value of loans and (iii) the value of property investments.

(i) The value of investments at fair value through profit or loss is determined by using valuation techniques. As explained above, the Company uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions at each Statement of Financial Position date;

(ii) Loans are measured at amortised costs and provision is made for impairment as necessary based on the available latest information; and

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

NOTES TO THE ACCOUNTS

1 INCOME

	2011 £'000	2010 £'000
Income from investments		
Dividend income – Listed UK	65	63
Interest receivable: Bank and brokers	5	14
Other	316	369
	386	446
Rental income	1,036	1,435
	1,422	1,881
Trading income		
Sale of development in hand	–	3,025
Other operating income		
Dealing profits and losses	10	(38)
Management fees receivable	71	100
Other	–	124
	81	186
Total income	1,503	5,092
Total income comprises:		
Dividends	65	63
Interest	321	383
Rental income	1,036	1,435
Trading income	–	3,025
Other operating income	81	186
	1,503	5,092

2 OPERATING COSTS

Operating costs comprise the following:

	2011 Revenue £'000	2011 Capital £'000	2010 Revenue £'000	2010 Capital £'000
a) Net costs associated with the sale of development in hand	–	–	2,434	–
b) Property outgoings:				
Directors' emoluments (excluding benefits in kind)	134	–	134	–
Wages and salaries	49	–	50	–
Other operating costs	868	–	884	–
	1,051	–	1,068	–
c) Administrative overheads:				
Directors' emoluments (excluding benefits in kind)	403	–	400	250
Auditor's remuneration *	70	–	79	6
Wages and salaries	119	–	138	–
Redundancy costs	–	–	80	–
Social security costs	36	–	38	–
Operating lease rentals – land and buildings	29	–	27	–
Other operating costs	256	–	459	–
Direct costs of acquiring investments	–	–	–	41
	913	–	1,221	297
	1,964	–	4,723	297

NOTES TO THE ACCOUNTS – continued

2 OPERATING COSTS – continued

* A more detailed analysis of auditor's remuneration is as follows:	2011 £'000	2010 £'000
Audit fees	23	23
Auditor's other fees – category 1 (the auditing of accounts of subsidiaries of the Company pursuant to legislation)	41	41
Auditor's other fees – category 3 (other services relating to taxation)	5	15
Auditor's other fees – category 10 (other services)	1	6
	70	85

The directors consider the auditor was best placed to provide these other services. The Audit Committee reviews the nature and extent of non-audit services to ensure that independence is maintained.

The average number of persons employed by the Group, including the executive directors, was 7 (2010: 8).

The Group has the following annual commitments under operating leases:	2011 £'000	2010 £'000
Within 1 year	39	27
1 – 5 years	55	–
	94	27

3 DIRECTORS EMOLUMENTS

The emoluments of the directors and details of options held are disclosed in the Remuneration Report on page 15.

The directors are considered to be the Group's only key management personnel. Employers' National Insurance Contributions in respect of the directors for the year were £20,000 (2010: £20,000).

4 FINANCE COSTS

	2011 £'000	2010 £'000
Interest payable on loans and overdrafts	834	828
Finance fees	98	162
Movement in fair value of interest rate swaps	(237)	49
	695	1,039

NOTES TO THE ACCOUNTS – continued

5 TAXATION

	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000	2010 Revenue £'000	2010 Capital £'000	2010 Total £'000
(a) Analysis of charge in period:						
UK Corporation tax at 26.5% (2010: 28%)	–	–	–	–	–	–
Total tax charge	–	–	–	–	–	–
(b) Factors affecting tax charge for period:						
(Loss)/profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 26.5% (2010: 28%)	(96)	(532)	(628)	(196)	282	86
Tax effect of:						
Change in valuation allowance	–	–	–	–	193	193
Investment losses/(gains) not taxable	–	54	54	–	(145)	(145)
Dividend income not taxable	(17)	–	(17)	(18)	–	(18)
Expenses disallowed	3	–	3	23	83	106
Losses utilised in current year	(159)	–	(159)	(56)	(83)	(139)
Movement in losses carried forward	269	478	747	233	(330)	(97)
Consolidation adjustment	–	–	–	14	–	14
Actual tax charge	–	–	–	–	–	–

The Group has unutilised tax losses of approximately £10.9m (2010: £9.5m) available against future corporation tax liabilities. The potential deferred taxation asset of £2.8m (2010: £2.6m) in respect of these losses has not been recognised in these financial statements as, given the policy to realise the assets of the Group over approximately the next two years, it is not considered sufficiently probable that the Group will generate sufficient taxable profits to recover these amounts in full.

6 (LOSS)/EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share

The basic and diluted (loss)/earnings per share figure is based on the net loss for the year attributable to the equity shareholders of £1,552,000 (2010: profit £956,000) and on 5,369,880 (2010: 4,990,176) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

There were no potentially dilutive ordinary shares as at 31 December 2011.

The (loss)/earnings per ordinary share figures detailed above can be further analysed between revenue and capital as follows:-

	2011 £'000	2010 £'000
Net revenue profit/(loss) attributable to equity holders of the parent	264	(217)
Net capital (loss)/gain attributable to equity holders of the parent	(1,816)	1,173
Net total (loss)/gain	(1,552)	956
Weighted average number of ordinary shares in issue during the period	5,369,880	4,990,176
Basic and diluted (loss)/earnings per share	Pence	Pence
Revenue	4.9	(4.3)
Capital	(33.8)	23.5
Total basic (loss)/earnings per share	(28.9)	19.2

NOTES TO THE ACCOUNTS – continued

7 DIVIDENDS

	2011 £'000	2010 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2010 of 1p (2009: 1p) per share	54	49
	54	49

Set out below is the total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 1158 Corporation Tax Act 2010 are considered.

	2011 £'000	2010 £'000
Proposed final dividend for the year ended 31 December 2011 of 1p (2010: 1p) per share	54	54

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

8 INVESTMENTS – SECURITIES

Investments have been classified as follows:	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Non current assets	6,808	12,386	6,808	12,386
Non current assets held for sale	2,270	–	2,270	–
	9,078	12,386	9,078	12,386

A further analysis of total investments is as follows:	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Listed securities – on the London Stock Exchange	2,270	5,804	2,270	5,804
Listed securities – on overseas exchanges	–	3	–	3
Securities dealt in under AIM	1,370	1,753	1,370	1,753
Securities dealt in under PLUS Markets	153	178	153	178
Unlisted securities	5,285	4,648	5,285	4,648
Carrying value at 31 December	9,078	12,386	9,078	12,386
Investments valued at fair value through profit or loss	7,192	11,124	7,192	11,124
Loans and receivables valued at amortised cost	1,886	1,262	1,886	1,262
	9,078	12,386	9,078	12,386

Group – Year ended 31 December 2011

	Listed in UK £'000	Listed overseas £'000	AIM £'000	PLUS Markets £'000	Unlisted £'000	Total £'000
Opening cost	5,884	80	1,877	363	5,594	13,798
Opening unrealised gains & (losses)	(80)	(77)	(124)	(185)	(946)	(1,412)
Opening value	5,804	3	1,753	178	4,648	12,386
Movements in the year:						
Purchases at cost	–	–	–	–	843	843
Sales – proceeds	(3,427)	–	(365)	–	(156)	(3,948)
Sales – realised gains & (losses) on sales	(71)	–	(299)	–	(83)	(453)
Unrealised gains & (losses)	(36)	(3)	281	(25)	33	250
Closing value	2,270	–	1,370	153	5,285	9,078
Closing cost	2,386	80	1,213	363	6,198	10,240
Closing unrealised gains & (losses)	(116)	(80)	157	(210)	(913)	(1,162)
Closing value	2,270	–	1,370	153	5,285	9,078

NOTES TO THE ACCOUNTS – continued

8 INVESTMENTS – SECURITIES – continued

Group – Year ended 31 December 2010

	Listed in UK £'000	Listed overseas £'000	AIM £'000	PLUS Markets £'000	Unlisted £'000	Total £'000
Opening cost	337	352	2,415	301	3,022	6,427
Opening unrealised gains & (losses)	858	(322)	7,520	(53)	(1,707)	6,296
Opening value	1,195	30	9,935	248	1,315	12,723
Movements in the year:						
Purchases at cost	5,801	–	280	62	3,154	9,297
Sales – proceeds	(1,288)	(239)	(8,794)	–	(126)	(10,447)
Sales – realised gains & (losses) on sales	1,034	(301)	7,976	–	(188)	8,521
Unrealised gains & (losses)	(938)	245	(7,644)	(132)	761	(7,708)
Transfers between Unlisted and Listed Overseas	–	268	–	–	(268)	–
Closing value	5,804	3	1,753	178	4,648	12,386
Closing cost	5,884	80	1,877	363	5,594	13,798
Closing unrealised gains & (losses)	(80)	(77)	(124)	(185)	(946)	(1,412)
Closing value	5,804	3	1,753	178	4,648	12,386

Company – Year ended 31 December 2011

	Listed in UK £'000	Listed overseas £'000	AIM £'000	PLUS Markets £'000	Unlisted £'000	Total £'000
Opening cost	5,884	80	2,119	363	5,594	14,040
Opening unrealised gains & (losses)	(80)	(77)	(366)	(185)	(946)	(1,654)
Opening value	5,804	3	1,753	178	4,648	12,386
Movements in the year:						
Purchases at cost	–	–	–	–	843	843
Sales – proceeds	(3,427)	–	(365)	–	(156)	(3,948)
Sales – realised gains & (losses) on sales	(71)	–	(299)	–	(83)	(453)
Unrealised gains & (losses)	(36)	(3)	281	(25)	33	250
Closing value	2,270	–	1,370	153	5,285	9,078
Closing cost	2,386	80	1,455	363	6,198	10,482
Closing unrealised gains & (losses)	(116)	(80)	(85)	(210)	(913)	(1,404)
Closing value	2,270	–	1,370	153	5,285	9,078

NOTES TO THE ACCOUNTS – continued

8 INVESTMENTS – SECURITIES – continued

Company – Year ended 31 December 2010

	Listed in UK £'000	Listed overseas £'000	AIM £'000	PLUS Markets £'000	Unlisted £'000	Total £'000
Opening cost	337	352	2,620	301	3,022	6,632
Opening unrealised gains & (losses)	858	(322)	(1,084)	(53)	(1,707)	(2,308)
Opening value	1,195	30	1,536	248	1,315	4,324
Movements in the year:						
Purchases at cost	5,801	–	280	62	3,154	9,297
Sales – proceeds	(1,288)	(239)	(173)	–	(126)	(1,826)
Sales – realised gains & (losses) on sales	1,034	(301)	(608)	–	(188)	(63)
Unrealised gains & (losses)	(938)	245	718	(132)	761	654
Transfers between Unlisted and Listed Overseas	–	268	–	–	(268)	–
Closing value	5,804	3	1,753	178	4,648	12,386
Closing cost	5,884	80	2,119	363	5,594	14,040
Closing unrealised gains & (losses)	(80)	(77)	(366)	(185)	(946)	(1,654)
Closing value	5,804	3	1,753	178	4,648	12,386

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

Gains on investments held at fair value	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Realised gains & (losses) on sales	(453)	8,521	(453)	(63)
Unrealised gains & (losses)	250	(7,708)	250	654
Gains & (losses) on investments	(203)	813	(203)	591

An analysis of investments is as follows:

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Equity investments	4,911	5,309	4,911	5,309
Fixed income securities	2,281	5,815	2,281	5,815
Other loans	1,886	1,262	1,886	1,262
	9,078	12,386	9,078	12,386

NOTES TO THE ACCOUNTS – continued

8 INVESTMENTS – SECURITIES – continued

An analysis of the securities portfolio by broad industrial or commercial sector is contained within the Report of the Directors. The largest ten investments as at 31 December 2011 all of which are incorporated in Great Britain, with the exception of Memorial Holdings Limited which is incorporated in Jersey, and Xceed Imaging Limited which is incorporated in Israel, were:

	Market Value £'000	% of Portfolio
UK listed securities		
HSBC Bank plc – 5.75% bond	916	10.1
National Grid plc – 5.5% bond	227	2.5
Standard Chartered Bank plc – 6% bond	1,040	11.5
Securities dealt in under AIM		
Avesco Group plc – providers of specialist services to the corporate presentation, entertainment and broadcast markets	282	3.1
SpaceandPeople plc – marketing and sale of promotional space on behalf of shopping centres and other similar venues	1,011	11.1
Unquoted securities		
Attila (BR) Limited – 10% unsecured loan notes 2010-2015 – property investment company	888	9.8
AudioGravity Holdings Limited – development of advanced wind noise rejection technology	590	6.5
Memorial Holdings Limited – investment company specialising in the cemetery sector	2,568	28.3
SMU Investments Limited – 12% unsecured loan notes 2011 – mezzanine loan provider	767	8.5
Xceed Imaging Limited – an Israeli company engaged in the research, development, production and commercialisation of ophthalmic solutions and zoom lenses	200	2.2
	8,489	93.6

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

Attila (BR) Limited

No financial information is available as the company has yet to file accounts at Companies House

	10% Unsecured Loan notes 2010-2015	Ordinary 1p shares
Total issued	3,483,702	100,000
Number held	875,007	20,089
% of class	25.1	20.1
Cost (£'000s)	888	–
Market value (£'000s)	888	–

AudioGravity Holdings Limited

Financial Summary			
Year ended 31 July 2011	£'000s		
Turnover	nil	Shares	Ordinary 1p
Loss before interest	(335)	Total issued	66,209
Loss before tax	(335)	Number held	14,753
Loss after tax	(335)	% of class	22.3
Net assets	125	Cost (£'000s)	398
Dividend per share	nil	Market value (£'000s)	590
Total income recognised in the year	nil		

Memorial Holdings Limited

Financial Summary			
Period ended 31 December 2010	£'000s		
Turnover	nil	Shares	Ordinary 1p
Loss before interest	(82)	Total issued	10,000
Loss before tax	(82)	Number held	1,500
Loss after tax	(82)	% of class	15.0
Net liabilities	(72)	Cost (£'000s)	2,402
Dividend per share	nil	Market value (£'000s)	2,568
Total income recognised in the year	nil		

NOTES TO THE ACCOUNTS – continued

8 INVESTMENTS – SECURITIES – continued

SMU Investments Limited

Financial Summary

Period ended 31 March 2011	£'000s
Turnover	211
Profit before interest	211
Loss before tax	(28)
Loss after tax	(28)
Net liabilities	(26)
Dividend per share	nil
Total income recognised in the year	nil

	12% Unsecured Loan notes 2011	Ordinary 1p Shares
Total issued	2,295	2,117
Number held	767	767
% of class	33.4	36.2
Cost (£'000s)	767	1
Market value (£'000s)	767	1

Xceed Imaging Limited

Financial Summary

Year ended 31 December 2010	NIS'000s
Turnover	1,899
Loss before interest	(1,885)
Loss before tax	(2,108)
Loss after tax	(2,108)
Net assets	2,082
Dividend per share	nil
Total income recognised in the year	nil

	Ordinary
Shares	NIS 0.01
Total issued	145,445
Number held	7,000
% of class	4.8
Cost (£'000s)	200
Market value (£'000s)	200

9 PROPERTY INVESTMENTS

Property investments have been classified as follows:	Group	
	2011	2010
	£'000	£'000
Non current assets	22,193	28,620
Non current assets held for sale	5,250	–
	27,443	28,620

A further analysis of total property investments is as follows:

	Group	
	2011	2010
Net book value and valuation	£'000	£'000
At 1 January	28,620	24,600
Additions during the year – expenditure on existing properties	627	3,530
Revaluation during the year	(1,804)	490
At 31 December	27,443	28,620

Property investments are shown at fair value based on current use and any surplus or deficit arising on valuation of property is reflected in the capital column of the Statement of Comprehensive Income.

All property investments were valued by Jones Lang LaSalle Limited, Chartered Surveyors, as at 31 December 2011 at a combined total of £27,443,000. These external valuations were carried out on the basis of Market Value in accordance with the latest edition of the Valuation Standards published by the Royal Institution of Chartered Surveyors.

NOTES TO THE ACCOUNTS – continued

9 PROPERTY INVESTMENTS – continued

Operating leases

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

	2011 £'000	2010 £'000
Not later than one year	917	952
Between 2 and 5 years	1,444	2,190
Over 5 years	411	615
	2,772	3,757

Rental income recognised in the Statement of Comprehensive Income amounted to £1,036,000 (2010: £1,435,000).

The commercial leases vary with their location within the United Kingdom, however wherever the market allows they are being standardised where possible across the property portfolio. The commercial units are leased on terms where the tenant has the responsibility for repairs and running costs for each individual unit with a service charge payable to cover estate services provided by the Landlord.

The cost of the above properties as at 31 December 2011 is as follows:

	Group £'000
Brought forward	28,583
Additions during the year	627
	29,210

Capital commitments
Capital expenditure contracted for but not provided for in the financial statements for the Group was £317,000 (2010: £nil) and for the Company was £nil (2010: £nil).

Movement in fair value of property investments	Group	
	2011 £'000	2010 £'000
Realised gains on disposal of property	–	–
(Decrease)/increase in unrealised appreciation	(1,804)	490
Movement in fair value of property investments	(1,804)	490

10 INVESTMENT IN JOINT VENTURE

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Loans to joint venture	–	940	–	–
Less share of joint venture's losses	–	(32)	–	–
	–	908	–	–

The above investment relates to DIPS (Aberdeen) LLP in which the Group has a 75% interest. The loan to joint venture was repaid in full during the year.

NOTES TO THE ACCOUNTS – continued

10 INVESTMENT IN JOINT VENTURE – continued

The results of DIPS (Aberdeen) LLP for the period ended 31 December 2011, being the last financial information available are as follows:-

	2011 £'000	2010 £'000
Turnover	5,500	–
Profit/(loss) on ordinary activities before taxation	1,045	(46)
Taxation on ordinary activities	–	–
Profit/(loss) on ordinary activities after taxation	1,045	(46)
At 31 December		
Fixed assets	–	–
Current assets	9	3,513
Creditors: amounts falling due within one year	(9)	(1,498)
Creditors: amounts falling due after one year	–	(2,061)
	–	(46)

11 OTHER INVESTMENTS

	Company	
	2011	2010
Subsidiary undertakings	£'000	£'000
Shares – at cost	322	322
Less provision	(320)	(320)
	2	2

The principal subsidiary undertakings of Gresham House plc, all of which principally trade and are registered in England, are as follows:

	Held by Parent %	Held by other Group companies %
Chartermet Limited – property investment		75
Deacon Commercial Development and Finance Limited – property investment	75	25
Deacon Industrial Projects Limited – property development		100
Gresham House Finance Limited – finance	100	
Knowsley Industrial Property Limited – property investment		75
New Capital Developments Limited – property investment		75
Newton Estate Limited – property investment		100
Security Change Limited – finance and share dealing	100	
Watlington Investments Limited – investment	100	
Wolden Estates Limited – property investment		100

NOTES TO THE ACCOUNTS – continued

12 PLANT AND EQUIPMENT – GROUP

	2011 Motor Vehicles £'000	2011 Total £'000	2010 Motor Vehicles £'000	2010 Total £'000
Deemed cost				
As at 1 January	–	–	19	19
Disposals during the year	–	–	(19)	(19)
As at 31 December	–	–	–	–
Depreciation				
Balance 1 January	–	–	17	17
Charge for the year	–	–	–	–
Disposals during the year	–	–	(17)	(17)
Balance 31 December	–	–	–	–
Net book values at 31 December	–	–	–	–

13 TRADE AND OTHER RECEIVABLES

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Amounts receivable within one year:				
Trade receivables	377	358	–	–
Less allowance for credit losses	(134)	(90)	–	–
	243	268	–	–
Allowances for credit losses on trade receivables:				
Allowances as at 1 January	90	459	–	–
Changes during the year charged/(released) to Statement of Comprehensive Income:				
– allowances reversed	–	(412)	–	–
– additional allowances	44	43	–	–
Allowances as at 31 December	134	90	–	–

Trade and other receivables are assessed for impairment when older than 90 days. As at 31 December 2011, trade receivables of £28,000 (2010: £19,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
1-3 months	23	–	–	–
3-6 months	2	16	–	–
More than 6 months	3	3	–	–

As at 31 December 2011 trade receivables of £134,000 (2010: £90,000) were impaired and provided for. The ageing of these receivables is as follows:

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
1-3 months	8	–	–	–
3-6 months	8	16	–	–
6-12 months	42	27	–	–
More than 12 months	76	47	–	–

The main credit risk represents the possibility of tenants defaulting in their rental commitments. This risk is mitigated by regular monitoring of the financial covenant strength of the tenant base, together with regular meetings with the tenants.

NOTES TO THE ACCOUNTS – continued

14 OTHER CURRENT ASSETS

	Notes	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Listed and other securities held		22	20	–	–
Developments in hand	(a)	780	851	780	925
Other loans	(b)	–	137	–	135
		802	1,008	780	1,060

(a) Developments in hand consist of one property development site.

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

15 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Trade creditors	360	172	–	–
Other creditors	139	165	14	21
Accruals	623	2,849	–	–
	1,122	3,186	14	21

16 CURRENT LIABILITIES – SHORT TERM BORROWINGS

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Bank overdrafts and short-term loans (secured) (note 17)				
– property loans – within current liabilities	9,787	12,412	–	–
– other	5,071	2,222	102	237
	14,858	14,634	102	237
– property loans – liabilities of a disposal group classified as held for sale	5,250	–	–	–
	20,108	14,634	102	237

Property loans include £9.9m from the Co-operative Bank ("Co-op") repayable by 31 May 2012 and £5.1m from Royal Bank of Scotland ("RBS") repayable by 16 July 2012. Confirmation has been received from the Co-op that it will extend the facility for a further 12 month period but subject to a new condition. The directors fully expect to be able to meet this additional requirement. In addition confirmation has been received from RBS that it is not aware of any reason for seeking full repayment at this time and is considering favourably extending the facilities.

The other bank overdrafts are secured on cash balances totalling £5,100,000.

17 NON-CURRENT LIABILITIES – LONG TERM BORROWINGS

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Property Loans	–	3,110	–	–
	–	3,110	–	–

Property loans relate to property investments held in Newton Estate Limited, New Capital Developments Limited, Knowsley Industrial Property Limited and Chartermet Limited (all short term borrowings). The loans are secured by way of a legal mortgage over the investment property concerned, which have a total carrying value of £17.78m, and a floating charge over the assets of the relevant companies. In addition there are cross guarantees in place with fellow subsidiary undertakings and an interest guarantee by the parent.

NOTES TO THE ACCOUNTS – continued

17 NON-CURRENT LIABILITIES – LONG TERM BORROWINGS – continued

Details of total bank loans and overdrafts are as follows:

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
2.0% over bank base rate	5,041	–	–	–
2.5% over bank base rate	30	2,222	–	–
2.25% over 3 month LIBOR	5,105	5,307	–	–
2.75% over bank base rate	4,966	5,108	–	–
2.75% over 3 month LIBOR	4,966	5,107	–	–
	20,108	17,744	–	–

Loans or instalments thereof are repayable over the following periods:

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Less than 1 year	20,108	14,634	–	–
Between 1 and 2 years	–	3,110	–	–
Between 2 and 5 years	–	–	–	–
Over 5 years	–	–	–	–
	20,108	17,744	–	–

Details of interest rate swaps are as follows:

Start Date	Maturity Date	Nominal Amount	Fixed rate	Valuation 31 December 2011	Valuation 31 December 2010
		£'000	%	£'000	£'000
16 July 2009	16 July 2012	3,150	2.93	(43)	(122)
8 January 2007	31 December 2011	1,912	5.48	–	(88)
22 May 2009	22 May 2012	5,120	2.55	(36)	(106)
				(79)	(316)

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

Floating rate in all cases is 3 month LIBOR.

18 DEFERRED TAXATION

Under International Accounting Standards ("IAS") 12 (Income Taxes) provision is made for the deferred tax liability associated with the revaluation of property investments. The Group provides for deferred tax on property investments by reference to the tax that would be due on the sale of the property investments by applying the capital gains tax rate of 25 per cent (2010: 27 per cent) to the revaluation surplus after indexation allowance.

The deferred tax provision on the revaluation of property investments calculated under IAS 12 is £nil at 31 December 2011 (2010: £nil).

NOTES TO THE ACCOUNTS – continued

19 SHARE CAPITAL

	2011	2010
Share Capital	£'000	£'000
Authorised: £4,750,000 (2010: £4,750,000)		
Allotted: Ordinary – 5,369,880 (2010: 5,369,880) fully paid shares of 25p each	1,342	1,342

As at 31 December 2011 there were 8,800 options outstanding under the Company's Approved Share Option Scheme which can be exercised anytime between 3 May 2008 and 3 May 2012 at an exercise price of 337.5p.

20 RESERVES

	2011				2010			
	Share premium account £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000	Share premium account £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000
Group								
Balance at 1 January	2,302	14	35,902	(13,949)	847	14	34,729	(13,683)
Issue of share capital	–	–	–	–	1,455	–	–	–
Net (loss)/profit on realisation of investments	–	–	(453)	–	–	–	8,521	–
Gains/(losses) on revaluation	–	–	250	–	–	–	(7,708)	–
(Deficit)/surplus arising on property revaluation	–	–	(1,613)	–	–	–	657	–
Capital costs for the year	–	–	–	–	–	–	(297)	–
Revenue profit/(loss) for the year	–	–	–	264	–	–	–	(217)
Dividends paid	–	–	–	(54)	–	–	–	(49)
As at 31 December	2,302	14	34,086	(13,739)	2,302	14	35,902	(13,949)
Company								
Balance at 1 January	2,302	14	12,197	205	847	14	11,905	143
Issue of share capital	–	–	–	–	1,455	–	–	–
Net loss on realisation of fixed asset investments	–	–	(453)	–	–	–	(63)	–
Gains/(losses) on revaluation	–	–	250	–	–	–	654	–
Capital costs for the year	–	–	–	–	–	–	(299)	–
Revenue profit for the year	–	–	–	83	–	–	–	111
Dividends paid	–	–	–	(54)	–	–	–	(49)
As at 31 December	2,302	14	11,994	234	2,302	14	12,197	205

	2011	2010
Non-controlling interest:	£'000	£'000
Balance as at 1 January	(227)	424
Interest in revenue return for the year	(625)	(484)
Interest in capital return for the year	(191)	(167)
	(1,043)	(227)

The following amounts within Capital reserve are realised:-

	2011	2010
	£'000	£'000
Group	36,627	37,080
Company	13,157	13,610

NOTES TO THE ACCOUNTS – continued

21 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 year end and on 5,369,880 (2010: 5,369,880) ordinary shares being the number of ordinary shares in issue at the year end. No shares were deemed to have been issued at nil consideration as a result of options granted and hence there were no potentially dilutive ordinary shares as at 31 December 2011.

	£'000
The movement during the year of the assets attributable to ordinary shares were as follows:	
Total net assets attributable at 1 January 2011	25,611
Total recognised (losses)/gains for the year	(1,552)
Dividends appropriated in the year	(54)
Total net assets attributable at 31 December 2011	24,005

However the above calculation assumes that any negative balance for non-controlling interests will not impact on the net asset value amount. As there is no legal obligation for these amounts to be reimbursed or repaid by the non-controlling interests and, given the Company's investment objective, it is the Board's opinion that a more accurate reflection of the figure for net asset value is one which is based on Total equity rather than Equity attributable to equity shareholders. In this instance the basic and diluted net asset value per share reduces to 427.6p (2010: 472.7p).

22 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Revenue return before taxation	(361)	(701)	83	111
Interest payable	598	877	–	–
Profit on disposal of property, plant & equipment	–	(1)	–	–
Share of joint venture (profits)/losses	(795)	32	–	–
	(558)	207	83	111
Decrease/(increase) in current assets	169	(158)	323	(239)
Increase/(decrease) in current liabilities	156	(450)	(7)	4
	(233)	(401)	399	(124)

23 FINANCIAL INSTRUMENTS

The Company's business is that of an Authorised Investment Trust and it conducts its affairs so as to qualify as an investment trust under Section 1158 of the Corporation Tax Act 2010. As an investment trust, the Company invested in securities for the long term and is obliged to distribute the majority of its investment income less administrative expenses by way of dividend.

The Group consists of the Company and subsidiary undertakings whose principal activities are property investment/ development and financial services.

The Group's financial instruments, which are held in accordance with the Group's objectives and policies, comprise:

(i) securities consisting of listed and unlisted equity shares and corporate bonds;

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

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

(iv) short term and long-term borrowings;

(v) interest rate swaps.

NOTES TO THE ACCOUNTS – continued

23 FINANCIAL INSTRUMENTS – continued

As at 31 December 2011 the following categories of financial instruments were held by:

Group:

	2011		2010	
	Loans and receivables £'000	Assets at fair value through profit or loss £'000	Loans and receivables £'000	Assets at fair value through profit or loss £'000
Financial assets per Statement of Financial Position				
Investments – securities	1,886	7,192	1,262	11,124
Trade and other receivables	243	–	268	–
Accrued income	298	–	401	–
Trading securities	–	22	–	20
Other loans	–	–	137	–
Cash and cash equivalents	6,193	–	2,831	–
	8,620	7,214	4,899	11,144

	2011		2010	
	Liabilities at fair value through profit or loss £'000	Other financial liabilities £'000	Liabilities at fair value through profit or loss £'000	Other financial liabilities £'000
Financial liabilities per Statement of Financial Position				
Trade, other creditors and accruals	–	1,122	–	3,186
Property loans – short term	–	15,037	–	12,412
long term	–	–	–	3,110
Other loans – short term	–	5,071	–	2,222
Other financial liabilities	79	–	316	–
	79	21,230	316	20,930

Company:

	2011		2010	
	Loans and receivables £'000	Assets at fair value through profit or loss £'000	Loans and receivables £'000	Assets at fair value through profit or loss £'000
Financial assets per Statement of Financial Position				
Investments – securities	1,886	7,192	1,262	11,124
Accrued income	137	–	328	–
Other loans	–	–	135	–
Cash and cash equivalents	6,005	–	2,542	–
	8,028	7,192	4,267	11,124

	2011 Other financial liabilities £'000	2010 Other financial liabilities £'000
Financial liabilities per Statement of Financial Position		
Trade, other creditors and accruals	14	21
Other loans	102	237
	116	258

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

NOTES TO THE ACCOUNTS – continued

23 FINANCIAL INSTRUMENTS – continued

Valuation inputs

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

Quoted market prices – Level 1

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

Valuation technique using observable inputs – Level 2

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

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. This category includes early-stage private equity investments and loan stocks held for the longer term. The valuation methodology for level 3 financial assets can be found in accounting policy (k).

Further details of the securities portfolio can be found in note 8 of these financial statements.

An analysis of the Group's and Company's financial instruments measured at fair value by hierarchy is set out below.

Group:	31 December 2011 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets/(liabilities) at fair value through profit or loss:				
Investments – securities				
– Equities	4,911	1,523	–	3,388
– Fixed income	2,281	2,281	–	–
Trading securities				
– Equities	22	22	–	–
– Loans	–	–	–	–
Interest rate swaps	(79)	–	(79)	–
	7,135	3,826	(79)	3,388

	31 December 2010 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets/(liabilities) at fair value through profit or loss:				
Investments – securities				
– Equities	5,309	1,934	–	3,375
– Fixed income	5,815	5,815	–	–
Trading securities				
– Equities	20	19	–	1
– Loans	–	–	–	–
Interest rate swaps	(316)	–	(316)	–
	10,828	7,768	(316)	3,376

NOTES TO THE ACCOUNTS – continued

23 FINANCIAL INSTRUMENTS – continued

Company:

	31 December 2011 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets/(liabilities) at fair value through profit or loss:				
Investments – securities				
– Equities	4,911	1,523	–	3,388
– Fixed income	2,281	2,281	–	–
	7,192	3,804	–	3,388

	31 December 2010 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets/(liabilities) at fair value through profit or loss:				
Investments – securities				
– Equities	5,309	1,934	–	3,375
– Fixed income	5,815	5,815	–	–
	11,124	7,749	–	3,375

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

Group:	Investments – securities £'000	Trading securities £'000	Total £'000
31 December 2011			
Opening balance	3,375	1	3,376
Total gains or losses:			
In profit or loss	–	6	6
In other comprehensive income	26	–	26
Purchases	13	–	13
Sales	(26)	(7)	(33)
Closing balance	3,388	–	3,388
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	4	–	4

	Investments – securities £'000	Trading securities £'000	Total £'000
31 December 2010			
Opening balance	1,113	43	1,156
Total gains or losses:			
In profit or loss	–	(37)	(37)
In other comprehensive income	685	–	685
Purchases	1,882	–	1,882
Sales	(26)	(5)	(31)
Transfer out of level 3	(279)	–	(279)
Closing balance	3,375	1	3,376
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	501	(37)	464

NOTES TO THE ACCOUNTS – continued

23 FINANCIAL INSTRUMENTS – continued

Company	Investments – securities £'000	Trading securities £'000	Total £'000
31 December 2011			
Opening balance	3,375	–	3,375
Total gains or losses:			
In other comprehensive income	26	–	26
Purchases	13	–	13
Sales	(26)	–	(26)
Closing balance	3,388	–	3,388
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	4	–	4

	Investments – securities £'000	Trading securities £'000	Total £'000
31 December 2010			
Opening balance	1,113	–	1,113
Total gains or losses:			
In other comprehensive income	685	–	685
Purchases	1,882	–	1,882
Sales	(26)	–	(26)
Transfer out of level 3	(279)	–	(279)
Closing balance	3,375	–	3,375
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	501	–	501

The Group's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The main risks to which the Group is exposed are market price risk, credit risk, interest rate risk and liquidity risk. The nature and extent of the financial instruments outstanding at the Statement of Financial Position date and the risk management policies employed by the Group are summarised below.

Market price risk

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

The Board's strategy in managing the market price risk inherent in the Company's portfolio of equity investments is determined by the requirement to meet the Company's investment objective as discussed on page 6. No single investment is permitted to exceed 15% of total investment assets at the point of investment. The executive directors manage these risks by regular reviews of the portfolio within the context of current market conditions.

The Company's total comprehensive income and Statement of Financial Position can be affected by foreign exchange movements due to the Company having assets denominated in currencies other than the Group's base currency (Sterling) although the Board does not believe this exposure to be material. As at 31 December 2011 the Company had an investment valued at £nil denominated in US dollars (2010: £3,000).

The majority of the value of the Company's securities portfolio are bonds traded on the London Stock Exchange (24%). Within this sub-portfolio are three of the Company's largest investments which account for 100% of the value of that sub-portfolio. As at 31 March 2012, the Company's bond portfolio had decreased by 0.04%.

Unquoted investments are valued as per accounting policy (k) in these financial statements. Regular reviews of the financial results, combined with close contact with the management of these investments, provides sufficient information to support these valuations.

As at 31 March 2012 the value of the overall securities portfolio had increased by £195,000 (i.e. 2.1%) from that as at the year end increasing total comprehensive income and net assets by a similar sum. Based on values as at 31 December 2011 a 10% movement in the value of the portfolio would be equivalent to a movement of £908,000 in both comprehensive income and net assets.

NOTES TO THE ACCOUNTS – continued

23 FINANCIAL INSTRUMENTS – continued

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

Credit risk
Credit risk is the risk that the counterparty will fail to discharge an obligation or commitment that it has entered into with the Group.

The Group's maximum exposure to credit risk is:

	2011 £'000	2010 £'000
Financial assets/(liabilities) at fair value through profit or loss	7,135	10,828
Loan stock investments held at amortised cost	1,886	1,262
Other loans	–	137
Trade and other receivables	243	268
Accrued income	298	401
Cash and cash equivalents	6,193	2,831
	15,755	15,727

The Group has an exposure to credit risk in respect of both loan stock investments and other loans, most of which have no security attached to them, or where they do, such security will rank after any bank debt, and in respect of trade and other receivables, details of which can be found in note 13 to these financial statements. The Company's exposure to credit risk is restricted to investments, cash and cash equivalents, other loans and accrued income totalling £15,220,000 (2010: £15,391,000).

Cash and cash equivalents consist of cash in hand and balances with banks. In order to maintain its investment trust status the Company invests some of its surplus funds in lower risk market instruments including corporate bonds which have no less than a B+ rating. To reduce the risk of counterparty default the group deposits the rest of its surplus funds in approved high quality banks.

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

	2011 £'000	2010 £'000
(a) Loan stock investments		
Repayable within:- 1 year	917	26
1-2 years	81	150
2-3 years	–	211
3-4 years	888	–
4-5 years	–	875
	1,886	1,262

As at 31 December 2011 Loan Stock investments totalling £323,000 (2010: £247,000) were impaired and provided for.

	2011 £'000	2010 £'000
(b) Other Loans		
Repayable within:- 1 year	–	135
1-2 years	–	2
	–	137

As at 31 December 2011 other loans totalling £196,000 (2010: £226,000) were impaired and provided for and loans with a value of £nil (2010: £135,000) were overdue for payment but not impaired.

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

NOTES TO THE ACCOUNTS – continued

23 FINANCIAL INSTRUMENTS – continued

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

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

The interest rate exposure profile of the Group's financial assets and liabilities as at 31 December 2011 and 2010 were:

Group:

	Nil rate assets £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liability loans £'000	Floating rate liability loans £'000	Net total £'000
As at 31 December 2011						
Portfolio	4,911	4,167	–	–	–	9,078
Dealing securities	22	–	–	–	–	22
Cash	–	–	6,193	–	–	6,193
Trade and other receivables	243	–	–	–	–	243
Accrued income	298	–	–	–	–	298
Creditors						
– falling due within 1 year	(1,122)	–	–	–	(20,108)	(21,230)
Other financial liabilities						
(interest rate swaps)	–	–	–	(79)	–	(79)
	4,352	4,167	6,193	(79)	(20,108)	(5,475)

	Nil rate assets £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liability loans £'000	Floating rate liability loans £'000	Net total £'000
As at 31 December 2010						
Portfolio	5,309	7,077	–	–	–	12,386
Dealing securities	20	–	–	–	–	20
Cash	–	–	2,831	–	–	2,831
Trade and other receivables	268	–	–	–	–	268
Accrued income	401	–	–	–	–	401
Other loans	–	137	–	–	–	137
Creditors						
– falling due within 1 year	(3,186)	–	–	–	(14,634)	(17,820)
– falling due after 1 year	–	–	–	–	(3,110)	(3,110)
Other financial liabilities						
(interest rate swaps)	–	–	–	(316)	–	(316)
	2,812	7,214	2,831	(316)	(17,744)	(5,203)

Nil rate assets comprise the portfolio of ordinary shares, dealing securities and non-interest bearing loans.

Fixed rate assets comprise preference shares, fixed rate loans, unsecured loans and loans repayable on demand, with a weighted average interest rate of 8.4% (2010: 7.5%). Fixed rate liability loans comprise interest rate swaps with a weighted average interest rate of 2.7% (2010: 3.2%).

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

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

NOTES TO THE ACCOUNTS – continued

23 FINANCIAL INSTRUMENTS – continued

The interest rate exposure profile of the Company's financial assets and liabilities as at 31 December 2011 and 2010 were:

Company:

	Nil rate assets £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liability loans £'000	Floating rate liability loans £'000	Net total £'000
As at 31 December 2011						
Portfolio	4,911	4,167	–	–	–	9,078
Cash	–	–	6,005	–	–	6,005
Accrued income	137	–	–	–	–	137
Creditors						
– falling due within 1 year	(116)	–	–	–	–	(116)
	4,932	4,167	6,005	–	–	15,104

	Nil rate assets £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liability loans £'000	Floating rate liability loans £'000	Net total £'000
As at 31 December 2010						
Portfolio	5,309	7,077	–	–	–	12,386
Cash	–	–	2,542	–	–	2,542
Accrued income	328	–	–	–	–	328
Other loans	–	135	–	–	–	135
Creditors						
– falling due within 1 year	(258)	–	–	–	–	(258)
	5,379	7,212	2,542	–	–	15,133

Although the Company holds investments that pay interest, the Board does not consider it appropriate to assess the impact of interest rate changes upon the value of the investment portfolio as interest rate changes are only one factor affecting market price and the impact is likely to be immaterial. However, as the Group has substantial bank borrowings, the section below shows the sensitivity of interest payable to change in interest rates:

	2011 £'000 Profit and net assets	2010 £'000 Profit and net assets
If interest rates were 0.5% lower with all other variables constant – increase	101	89
Increase in earnings and net asset value per ordinary share (pence)	1.87	1.66
If interest rates were 0.5% higher with all other variables constant – decrease	(101)	(89)
Decrease in earnings and net asset value per ordinary share (pence)	(1.87)	(1.66)

Liquidity risk

The investments in equity investments in AIM and PLUS Markets traded companies may be difficult to realise at their carrying value, particularly if the investment represents a significant holding in the investee company. Similarly investments in equity and fixed interest stocks of unquoted companies that the Company holds are only traded infrequently. They are not readily realisable and may not be realised at their carrying value where there are no willing purchasers.

The Group aims to hold sufficient cash to be able to provide loan interest and quarterly capital repayment cover of at least 6 months.

NOTES TO THE ACCOUNTS – continued

23 FINANCIAL INSTRUMENTS – continued

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
31 December 2011			
Bank borrowings	20,541	–	–
Derivative financial instruments	76	–	–
Trade payables	360	–	–
Other creditors	147	–	–
	21,124	–	–

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
31 December 2010			
Bank borrowings	5,231	13,308	–
Derivative financial instruments	272	88	–
Trade payables	172	–	–
Other creditors	2,302	–	–
	7,977	13,396	–

Capital risk management
The Group manages its capital to ensure that entities within the Group and the Company will be able to continue to trade in an orderly fashion whilst maintaining sustainable returns to shareholders.

The capital structure of the Group and Company consists of both short term and long term borrowings as disclosed in notes 16 and 17, cash and cash equivalents and equity attributable to equity shareholders of the Company comprising issued share capital, share premium, reserves and retained earnings as disclosed in notes 19 and 20. The Board reviews the capital structure of the Group and the Company on a regular basis. The financial measures that are subject to review include cash flow projections and the ability to meet capital expenditure and other contracted commitments, projected gearing levels and interest covenants although no absolute targets are set for these.

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Debt	(20,108)	(17,744)	(102)	(237)
Cash and cash equivalents	6,193	2,831	6,005	2,542
Net (debt)/cash	(13,915)	(14,913)	5,903	2,305
Net (debt)/cash as a % of net assets	(60.6)%	(58.7)%	37.2%	14.4%

NOTES TO THE ACCOUNTS – continued

24 SHARE BASED PAYMENTS

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

	2011		2010	
	Share options Number	Weighted average price (p)	Share options Number	Weighted average price (p)
Outstanding at 1 January & 31 December	8,800	337.5	8,800	337.5

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

Inputs into the Black Scholes model at the time of valuation were as follows:

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

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

The Group recognised total expenses of £nil (2010: £nil) in respect of share based payment transactions.

25 DIRECTORS' BENEFICIAL SHAREHOLDINGS AND RELATED PARTY TRANSACTIONS

Directors' beneficial shareholdings as at 31 December 2011

The interests of directors in the largest investments held by the Company, as disclosed in note 8, and in investments in which the Company has a holding of at least 20% of the issued share capital are nil other than:

	A G Ebel	D Lucie-Smith	B J Hallett	R A Chadwick
Securities dealt in under AIM				
Avesco plc	–	–	5,000	–
SpaceandPeople plc	30,000	–	52,000	42,500
Unlisted securities				
AudioGravity Holdings Limited	–	–	125	–
Memorial Holdings Limited	230	1,000*	–	–
SMU Investments Limited Loan Notes	76,680	–	–	–

* Mr D Lucie-Smith has an interest in Reddish LLP and Pelham (London) Limited which in turn hold 1,000 shares and £250,000 loan notes respectively in Memorial Holdings Ltd

Related party transactions

Group

Mr A G Ebel and Mr B J Hallett had an interest in Watlington Securities Limited, a company which the Group invoiced £5,210 (2010: £35,750). At the year end there were no balances outstanding. During the year, the Group was invoiced £25,000 (2010: £25,000) for consultancy services supplied by Microdisc Limited, a company in which Mr A G Ebel has an interest.

Mr D Lucie-Smith has an interest in Pelham (London) Limited and Prince's Place LLP which, as reported in the Remuneration Report, invoiced the Group a sum of £170,000 (2010: £168,641) during the year in respect of his services and associated office costs. At the year end there was a balance outstanding of £767 (2010: £nil).

Conversely, during the year, the Group invoiced City Real Estate Acquisitions Limited £2,879 (2010: £13,646), and Prince's Place LLP £3,424 (2010: £4,094) for rent and rates. Mr D Lucie-Smith has an interest in each of these companies. At the year end there were balances outstanding of £nil (2010: £6,511) from City Real Estate Acquisitions Limited and £nil (2010: £1,330) from Princes Place LLP.

Rent and rates totalling £7,085 (2010: £nil) were invoiced to Tribute Management Limited during the year, a company in which Mr D Lucie-Smith is a director. At the year end £3,159 (2010: £nil) was due from Tribute Management Limited.

NOTES TO THE ACCOUNTS – continued

25 DIRECTORS' BENEFICIAL SHAREHOLDINGS AND RELATED PARTY TRANSACTIONS – continued

Mr J A C Lorimer has an interest in New Park Lane Limited and Parkwood Asset Management Limited which, as reported in the Remuneration Report, the former invoiced the Group a sum of £133,500 (2010: £133,625) in respect of his services during the year. Conversely the Group invoiced New Park Lane Limited a sum of £399 (2010: £623) and Parkwood Asset Management Limited £1,704 (2010: £2,709). At the year end there was a balance outstanding of £496 (2010: £1,016) from Parkwood Asset Management Limited.

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 £153,000 (2010: £153,000) at year end against which a provision of £153,000 (2010: £153,000) has been made.

The amount of loan made to Lancashire Tea Limited, in which the Group has a 49% interest and in which Mr D Lucie-Smith and Mr B J Hallett are directors, amounted to £300,000 (2010: £250,000) at year end against which a provision of £150,000 (2010: £100,000) has been made. Additionally, management fees of £12,000 (2010: £nil) were invoiced to Lancashire Tea Limited and at the year end £12,781 (2010: £nil) was due from Lancashire Tea Limited. Gresham House plc has also provided a guarantee with a maximum potential liability of £17,500.

The amount of loan made to New Capital Enterprises Limited, in which the Group has a 20% interest and in which Mr A G Ebel, Mr D Lucie-Smith and Mr B J Hallett are directors, amounted to £81,437 (2010: £211,291) at year end. In addition there was a sum of £46,200 (2010: £9,600) relating to accrued interest outstanding at that time.

The Rowe Trust holds an interest of 644,209 (2010: 644,209) ordinary shares in the Company. Mrs R H Chopin-John is a trustee of the Rowe Trust but has no beneficial interest.

Company
During the year Gresham House plc repaid loans totalling £135,525 to (2010: received £216,309 from) Security Change Limited. At the year end £102,061 was owed to Security Change Limited (2010: £237,586).

Gresham House plc has given guarantees over bank loans held by subsidiary undertakings with a maximum potential liability of £5,880,000, and an interest shortfall guarantee. In addition the Company has £505,000 of cash held in interest deposit accounts to satisfy bank loan covenants.

26 SEGMENTAL REPORTING

	Investment		Property Investment		Elimination		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010
Revenue	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
External income	466	479	1,032	4,599	–	–	1,498	5,078
Inter-segment income	1,133	916	–	–	(1,133)	(916)	–	–
Total revenue	1,599	1,395	1,032	4,599	(1,133)	(916)	1,498	5,078
(Loss)/gain on investments at fair value	(203)	813	–	–	–	–	(203)	813
Movement on property investments at fair value	–	–	(1,804)	490	–	–	(1,804)	490
Profit on disposal of property, plant and equipment	–	–	–	1	–	–	–	1
Total income and gains	1,396	2,208	(772)	5,090	(1,133)	(916)	(509)	6,382
Segment expenses	–	(47)	(1,051)	(3,502)	–	–	(1,051)	(3,549)
Inter-segment expense	–	–	(1,133)	(916)	1,133	916	–	–
Interest expense	(134)	(113)	(561)	(926)	–	–	(695)	(1,039)
Segment profit/(loss)	1,262	2,048	(3,517)	(254)	–	–	(2,255)	1,794
Unallocated corporate expenses							(913)	(1,471)
Operating (loss)/profit							(3,168)	323
Share of joint venture profit/(loss)							795	(32)
Interest income							5	14
(Loss)/profit before taxation							(2,368)	305

26 SEGMENTAL REPORTING – continued

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

All activity and revenue is derived from operations within the United Kingdom. Three customers accounted for £692,000 of the external income for the Property Investment segment. Property operating expenses relating to property investments that did not generate any rental income were £105,000 (2010: £nil).

	Investment		Property Investment		Unallocated		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other Information								
Segment assets	16,147	16,413	28,124	30,217	–	–	44,271	46,630
Segment liabilities	(5,415)	(2,464)	(15,894)	(18,782)	–	–	(21,309)	(21,246)
	10,732	13,949	12,230	11,435	–	–	22,962	25,384
Capital expenditure	843	9,297	627	3,530	–	–	1,470	12,827
Depreciation	–	–	–	–	–	–	–	–
Non-cash expenses other than depreciation	–	–	–	–	–	–	–	–

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

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "Meeting") of Gresham House plc (the "Company") will be held at the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL on 30 May 2012 at 11.00 am for the following purposes:

ORDINARY RESOLUTIONS

1. To receive and adopt the report of the directors and the accounts for the year ended 31 December 2011 and the auditable part of the directors' Remuneration Report together with the report of the auditor;
2. To approve and adopt the Remuneration Report;
3. To declare a dividend to shareholders recommended by the directors of 1p per ordinary share to be paid on 15 June 2012 to the holders of ordinary shares at close of business on 25 May 2012;
4. To re-elect as a director Mr D Lucie-Smith who retires in accordance with the Company's articles of association and offers himself for re-election;
5. To re-elect as a director Mrs R H Chopin-John who retires in accordance with the Company's articles of association and offers himself for re-election;
6. To re-elect as a director Mr A G Ebel who retires in accordance with the provisions of the UK Corporate Governance Code and offers himself for re-election;
7. To appoint PKF (UK) LLP as the Company's auditor to hold office from the conclusion of the Meeting until the conclusion of the next annual general meeting of the Company and to authorise the directors to fix their remuneration;
8. For the purposes of section 551 of the Companies Act 2006 (the "Act") (and so that expressions used in this resolution shall bear the same meanings as in the said section 551):

   (a) to authorise the directors, generally and unconditionally, to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Act respectively up to a maximum nominal amount of £443,015 to such persons and at such times and on such terms as they think proper during the period expiring at the earlier of the close of business on 31 August 2013 or the end of the next annual general meeting of the Company (unless previously revoked or varied by the Company in general meeting); and further

   (b) to authorise the directors, generally and unconditionally, to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Act) in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as maybe) to the respective number of equity securities held by them up to an aggregate nominal amount of £443,015 during the period expiring at the earlier of the close of business on 31 August 2013 or end of the next annual general meeting of the Company, subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

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

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

By Order of the Board,
B J Hallett, Secretary
26 April 2012

5th Floor, 17 Grosvenor Gardens
London SW1W 0BD

NOTES TO THE NOTICE OF MEETING

Entitlement to attend and vote

1. Pursuant to section 360B of the Companies Act 2006 (the "Act") and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company specifies that only those members registered on the Company's register of members at:

    - 11.00 am on 28 May 2012; or,
    - if this Meeting is adjourned, at 11.00 am on the day two days prior to the adjourned Meeting,

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

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. A member may appoint more than one proxy to attend the Meeting, provided each proxy is appointed to exercise the rights attached to a different share or shares held by that member (the number of shares in respect of which each proxy is appointed must be specified). The right to appoint a proxy does not apply to any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person").

3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.

4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

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

    To appoint a proxy using the proxy form, the form must be:

    - completed and signed;
    - sent or delivered to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA; and
    - received by Neville Registrars no later than 11.00 am on 28 May 2012.

    In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

    Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxies through CREST

6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

    In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent Neville Registrars (ID 7RA11) by 11.00 am on 28 May 2012, (or, in the case of an adjournment of the Meeting, not later than 11.00 am on the day two days prior to the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

NOTES TO THE NOTICE OF MEETING – continued

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

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

Changing proxy instructions

7. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. Telephone 0121 585 1131 (lines are open Mon-Fri 8.30 am – 5.30 pm) or from overseas +44 121 585 1131.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

8. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Neville Registrars no later than 11.00 am on 28 May 2012.

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

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

Joint holders of shares

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

Availability of documents

10. Copies of the terms and conditions of appointment of the non-executive directors are available for inspection at the registered office of the Company, 5th Floor, 17 Grosvenor Gardens, London SW1W 0BD, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this notice until the conclusion of the Meeting and will be available for inspection at the place of the Meeting for at least 15 minutes prior to and during the Meeting.

Issued shares and total voting rights

11. As at 5.00 pm on 25 April 2012, being the last business day prior to the publication of this notice, the Company's issued share capital comprised 5,369,880 ordinary shares of 25 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 11.00 am on 30 May 2012 is 5,369,880.

NOTES TO THE NOTICE OF MEETING – continued

Communication

12. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):

    - calling our shareholder helpline on 0121 585 1131, (lines are open Mon-Fri 8.30 am – 5.30 pm) or from overseas +44 121 585 1131.

    You may not use any electronic address provided either:

    - in this notice of Meeting; or
    - any related documents (including the Chairman's letter and proxy form),

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

Information to be published

13. The information required to be published by section 311(A) of the Act (information about the contents of this notice and numbers of shares in the Company and voting rights exercisable at the Meeting and details of any members' statements, members' resolutions and members' items of business received after the date of this notice) may be found at www.greshamhouse.com.

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

Nominated Person

15. A Nominated Person may under an agreement between him/her and the member who nominated him/her, have a right to be appointed (or to have someone else appointed) as a proxy entitled to attend and speak and vote at the Meeting. Nominated Persons are advised to contact the member who nominated them for further information on this and the procedure for appointing any such proxy.

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

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