GRESHAM HOUSE plc

INTERIM RESULTS 2013

CHAIRMAN'S INTERIM STATEMENT AND MANAGEMENT REPORT

The half year results for the six months ended 30 June 2013 show an increased overall loss on the combined Revenue and Capital account of £2,014,000 compared to a loss of £791,000 for the corresponding period in 2012. This loss represents 30.7p per ordinary share (six months ended 30 June 2012: loss of 14.0p per ordinary share). As a consequence the net asset value per share has decreased from 472.5p at 31 December 2012 to 439.3p at 30 June 2013. However, as mentioned in previous results announcements, in the opinion of Directors, this value is overstated because of the requirements of IAS27 to show minority stakes in subsidiaries with a negative net worth as a debit to equity. The net asset value per share after adjusting for the negative balance for non-controlling interests would be 405.1p against 445.1p at 31 December 2012.

Revenue Account

The revenue loss for the six months ended 30 June 2013 was £909,000 against a loss for the corresponding period in 2012 of £352,000. The principal reasons for the increase were:-

- the reduction in investment income of £172,000 primarily as a result of the sale of the quoted bonds and the repayment of unsecured loan stock;
- a decrease of £88,000 in rental income following the sale of our unit at Deacon Park, Knowsley in 2012;
- an increase in property outgoings of £209,000 is as a result of the provision of £225,000 made against the six acre development site at Knowsley which has now been written down to £550,000; and
- an increase of £76,000 in finance costs to £440,000 for the six months ended 30 June 2013 which was due to the results for 2012 including a write back of £65,000 in the fair value of interest rate swaps.

We anticipate interest costs to decrease during the second half of the year due to the reduction in short term borrowings as a result of the continued sale of investment properties and the repayment of the overdraft facility. The bank loans currently outstanding amount to £9,715,000 compared with £11,906,000 at 30 June 2013 and £20,458,000 at 31 December 2012.

Capital Account

The capital account shows a deficit for the half year ended 30 June 2013 of £1,105,000 compared to a loss for the similar period to 30 June 2012 of £439,000.

Due to the weakness of the retail market in the north west, the Board, as part of their portfolio valuation review, decided to seek independent advice from our valuers, Jones Lang LaSalle Limited, for certain of the property assets at 30 June 2013. This directors' valuation has resulted in an overall decrease in the property portfolio of £1,072,000.

The value of the site at Newton Le Willows has decreased by £1,015,000 due to the fact that a food retailer has not been secured for a pre let on the retail element of the site. It has been a difficult market for the food retailers and a number of the larger ones are reducing their expansion programmes.

There were downward valuations on both Southern Gateway and Vincent Lane but these were mainly offset by an upward valuation of Northern Gateway where we have just completed the letting of the property to a good quality tenant.

The securities portfolio showed losses of £33,000 for the half year ended 30 June 2013. The two principal write downs were our investment in Memorial Holdings Limited of £288,000 and the provision of £295,000 against our investment in AudioGravity Holdings Limited. This was however largely offset by the continued success of SpaceandPeople plc which added £516,000 to the value of the investment portfolio in the period under review.

CHAIRMAN'S INTERIM STATEMENT AND MANAGEMENT REPORT – continued

Property Portfolio

The commercial property market is continuing to show a slow but steady improvement and this has been reflected in some of the positive progress that has been made with the letting and disposal of some of our assets.

At Vincent Lane, Dorking, Persimmon Homes completed its acquisition of 1.8 acres in August 2013 for £2,950,000 and are due to commence construction shortly.

At Northern Gateway, Knowsley, TT Assembly Systems (UK) Ltd, a subsidiary of Toyota Tsusho Corp, have signed a 10 year lease on this 143,000sq ft warehouse and contracts are now with lawyers for the sale of this investment.

At Newton le Willows, terms have been agreed with a national house builder for the sale of 5.75 acres and there is a possibility that this house builder will wish to secure additional land in due course.

Securities Portfolio

The value of the portfolio has decreased from £7,054,000 at year end to £5,660,000 at 30 June 2013. Disposals during the half year included the remaining bond, the majority of the holding in Avesco Group plc and the shares held in Public i Ltd. Total sales amounted to £1,363,000 and showed a small profit over the December year end valuation. The portfolio now consists primarily of the investment in SpaceandPeople plc and four unquoted investments.

With regard to the latter the board decided to make a 50% provision of £295,000 against the investment in AudioGravity Holdings Limited as a result of disappointing progress in agreeing a licence and a further £288,000 against the investment in Memorial Holdings Limited representing our proportion of all development expenditure incurred in the six months ended 30 June 2013. The cemetery is now fully operational following completion of the chapel at the end of March and is ahead of forecast on off-site cremations but down on interment sales. A dedicated Muslim section has just been opened and the management are taking active steps to develop this important market.

The investment in SpaceandPeople plc continues to show good returns following excellent results from the company with a value of £2,012,250 as at 30 June 2013. As at the date of this report this value has increased by over 20% since the half year end.

Realisation of the Group's assets

We continue with the process of the orderly realisation of the group's assets and reducing the cost base. To this end we recently announced that all directors had been served notice under their contracts which will terminate on 31 July 2014. The Board will however ensure that, if required, adequate senior management will be in place after that time.

Our contractual completions during August, together with that anticipated at the end of September, has eliminated our borrowings at RBS and is expected to reduce those at the Co-operative Bank to around £4 million. This represents a significant milestone in our programme of realisation.

Tony Ebel
Chairman

27 August 2013

UNAUDITED CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Half year ended 30 June 2013			Half year ended 30 June 2012			Year ended 31 December 2012		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income:									
Dividend and interest income	**196**	**–**	**196**	368	–	368	690	–	690
Rental income	**432**	**–**	**432**	520	–	520	1,038	–	1,038
Other operating income	**30**	**–**	**30**	25	–	25	102	–	102
Total Income (note 6)	**658**	**–**	**658**	913	–	913	1,830	–	1,830
Operating Costs:									
Property outgoings	**(694)**	**–**	**(694)**	(485)	–	(485)	(989)	–	(989)
Administrative overheads	**(433)**	**–**	**(433)**	(416)	–	(416)	(841)	–	(841)
Net trading (loss)/profit	**(469)**	**–**	**(469)**	12	–	12	–	–	–
Gains/(losses) on investments:									
Gains/(losses) on investments held at fair value	**–**	**(33)**	**(33)**	–	(181)	(181)	–	(280)	(280)
Movement in fair value of property investments	**–**	**(1,072)**	**(1,072)**	–	(258)	(258)	–	2,086	2,086
Group operating (loss)/profit	**(469)**	**(1,105)**	**(1,574)**	12	(439)	(427)	–	1,806	1,806
Finance costs (note 7)	**(440)**	**–**	**(440)**	(364)	–	(364)	(810)	–	(810)
Group operating (loss)/profit before taxation	**(909)**	**(1,105)**	**(2,014)**	(352)	(439)	(791)	(810)	1,806	996
Taxation	**–**	**–**	**–**	–	–	–	–	–	–
(Loss)/profit and total comprehensive income	**(909)**	**(1,105)**	**(2,014)**	(352)	(439)	(791)	(810)	1,806	996
Attributable to:									
Equity holders of the parent	**(494)**	**(1,156)**	**(1,650)**	(323)	(431)	(754)	(428)	1,848	1,420
Non-controlling interest	**(415)**	**51**	**(364)**	(29)	(8)	(37)	(382)	(42)	(424)
	(909)	**(1,105)**	**(2,014)**	(352)	(439)	(791)	(810)	1,806	996
Basic and diluted (loss)/earnings per ordinary share (note 8)			**(30.7p)**			(14.0p)			26.4p

UNAUDITED CONDENSED GROUP STATEMENTS OF CHANGES IN EQUITY

Half year ended 30 June 2013

	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000	Equity attributable to equity shareholders £'000	Non–controlling interest £'000	Total equity £'000
Balance at 31 Dec 2012	1,342	2,302	–	35,934	(14,207)	25,371	(1,467)	23,904
Loss for the period being total comprehensive income for the period	–	–	–	(1,156)	(494)	(1,650)	(364)	(2,014)
Ordinary dividend paid (note 9)	–	–	–	–	(134)	(134)	–	(134)
Balance at 30 June 2013	1,342	2,302	–	34,778	(14,835)	23,587	(1,831)	21,756

Half year ended 30 June 2012

	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000	Equity attributable to equity shareholders £'000	Non-controlling interest £'000	Total equity £'000
Balance at 31 Dec 2011	1,342	2,302	14	34,086	(13,739)	24,005	(1,043)	22,962
Loss for the period being total comprehensive income for the period	–	–	–	(431)	(323)	(754)	(37)	(791)
Ordinary dividend paid (note 9)	–	–	–	–	(54)	(54)	–	(54)
Balance at 30 June 2012	1,342	2,302	14	33,655	(14,116)	23,197	(1,080)	22,117

Year ended 31 December 2012

	Ordinary share capital £'000	Share premium £'000	Share option reserve £'000	Capital reserve £'000	Retained earnings £'000	Equity attributable to equity shareholders £'000	Non-controlling interest £'000	Total equity £'000
Balance as at 31 Dec 2011	1,342	2,302	14	34,086	(13,739)	24,005	(1,043)	22,962
Profit/(loss) for the period being total comprehensive income for the period	–	–	–	1,848	(428)	1,420	(424)	996
Ordinary dividend paid	–	–	–	–	(54)	(54)	–	(54)
Share options lapsed	–	–	(14)	–	14	–	–	–
Balance at 31 Dec 2012	1,342	2,302	–	35,934	(14,207)	25,371	(1,467)	23,904

UNAUDITED CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	30 June 2013	30 June 2012	31 December 2012
Assets	£'000	£'000	£'000
Non current assets			
Investments – securities (note 10)	5,567	6,585	5,905
Property investments	17,500	19,189	21,516
Total non current assets	23,067	25,774	27,421
Current assets			
Trade and other receivables	315	320	187
Accrued income and prepaid expenses	787	489	626
Other current assets	550	780	775
Cash and cash equivalents	920	7,480	8,348
Non current assets held for sale			
Investments – securities (note 10)	93	1,133	1,149
Property investments	9,250	8,254	7,380
Total current assets and non current assets held for sale	11,915	18,456	18,465
Total assets	34,982	44,230	45,886
Current liabilities			
Trade and other payables	1,320	975	1,524
Short term borrowings	4,000	13,097	14,958
Other financial liabilities	–	15	–
Liabilities of a disposal group classified as held for sale			
Short term borrowings	7,906	8,026	5,500
	13,226	22,113	21,982
Total assets less current liabilities	21,756	22,117	23,904
Non current liabilities			
Deferred taxation	–	–	–
	–	–	–
Net assets	21,756	22,117	23,904
Capital and reserves			
Ordinary share capital (note 11)	1,342	1,342	1,342
Share premium	2,302	2,302	2,302
Share option reserve	–	14	–
Capital reserve	34,778	33,655	35,934
Retained earnings	(14,835)	(14,116)	(14,207)
Equity attributable to equity shareholders	23,587	23,197	25,371
Non-controlling interest	(1,831)	(1,080)	(1,467)
Total equity	21,756	22,117	23,904
Basic and diluted net asset value per ordinary share (note 12)	439.3p	432.0p	472.5p

UNAUDITED CONDENSED GROUP STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2013

	6 months to 30 June 2013 £'000	6 months to 30 June 2012 £'000	12 months to 31 December 2012 £'000
Cashflow from operating activities			
Investment income received	84	70	76
Interest received	106	185	453
Rental income received	443	508	1,093
Other cash payments	(1,221)	(977)	(1,686)
Net cash utilised from operations (note 13)	(588)	(214)	(64)
Interest paid on property loans and bank overdrafts	(359)	(386)	(757)
Net cash flows from operating activities	(947)	(600)	(821)
Cash flows from investing activities			
Purchase of investments	(2)	(152)	(571)
Sale of investments	1,363	1,355	2,343
Sale of investment properties	1,757	–	1,500
Expenditure on investment properties	(910)	(248)	(563)
Purchase of developments in hand	(3)	(29)	(29)
	2,205	926	2,680
Cash flows from financing activities			
Repayment of loans	(8,552)	(222)	(1,956)
Receipt of loans	–	1,237	2,306
Equity dividends paid	(134)	(54)	(54)
	(8,686)	961	296
(Decrease)/increase in cash and cash equivalents	(7,428)	1,287	2,155
Cash and cash equivalents at start of period	8,348	6,193	6,193
Cash and cash equivalents at end of period	920	7,480	8,348

NOTES TO THE ACCOUNTS

1 REPORTING ENTITY

Gresham House plc ("the Company") is a company incorporated in England. The unaudited condensed group interim financial statements of the Company as at and for the six months ended 30 June 2013 comprise the Company and its subsidiary undertakings (together referred to as the "Group"). All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2 STATEMENT OF COMPLIANCE

The financial information for the half years ended 30 June 2013 and 30 June 2012 have neither been subject to an audit nor a review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board. The comparative financial information presented herein for the year ended 31 December 2012 does not constitute full statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Group's annual report and accounts for the year ended 31 December 2012 have been delivered to the Registrar of Companies. The Group's independent auditor's report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The financial information in these condensed financial statements is that of the holding company and all of its subsidiaries (the "Group"). It has been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the annual report and accounts for the year ended 31 December 2012 which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The unaudited condensed group interim financial statements were approved by a duly appointed and authorised committee of the Board of Directors on 27 August 2013.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these unaudited condensed group interim financial statements are the same as those applied by the Group in its group financial statements as at and for the year ended 31 December 2012.

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

The interim financial statements highlight that the Group has loans of £11.9m due within one year consisting of a facility of £9.56m from The Co-operative Bank plc which has an expiry date of 31 May 2014 and a facility with the Royal Bank of Scotland of £2.35m which has an expiry date of 30 September 2013. The RBS facility has been repaid in full subsequent to the period end, on 7 August 2013.

The directors' forecast of the Group's cash facilities has assumed that the Co-operative Bank facility will be renewed. In the event that this assumption proves to be incorrect, the directors believe that the Group has sufficient assets that can be sold, or alternative sources of finance secured thereon, to fund any timing shortfall.

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

NOTES TO THE ACCOUNTS – continued

4 ESTIMATES

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

In preparing these unaudited condensed group interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the group financial statements as at and for the year ended 31 December 2012.

5 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policy are consistent with those disclosed in the group financial statements as at and for the year ended 31 December 2012.

6 INCOME

	Half year ended 30 June 2013 £'000	Half year ended 30 June 2012 £'000	Year ended 31 December 2012 £'000
Income from investments			
Dividend income			
– Listed UK	84	70	76
Interest receivable			
– Bank & brokers	44	31	70
– Other	68	267	544
	196	368	690
Rental income	432	520	1,038
	628	888	1,728
Other operating income			
Dealing profits and losses	1	2	6
Management fees receivable	29	23	96
	30	25	102
Total income	658	913	1,830
Total income comprises:			
Dividends	84	70	76
Interest	112	298	614
Rental income	432	520	1,038
Other operating income	30	25	102
	658	913	1,830

7 FINANCE COSTS

	Half year ended 30 June 2013 £'000	Half year ended 30 June 2012 £'000	Year ended 31 December 2012 £'000
Interest payable on loans and overdrafts	323	380	758
Finance fees	117	49	131
Movement in fair value of interest rate swaps	–	(65)	(79)
	440	364	810

NOTES TO THE ACCOUNTS – continued

8 (LOSS)/EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share

The basic and diluted (loss)/earnings per share figure is based on the total net loss attributable to equity holders of the parent for the half year of £1,650,000 (half year ended 30 June 2012: £754,000; year ended 31 December 2012: profit of £1,420,000) and on 5,369,880 (half year ended 30 June 2012 & year ended 31 December 2012: 5,369,880) ordinary shares, being the weighted average number of ordinary shares in issue during each respective period.

There were no potentially dilutive ordinary shares as at 30 June 2013.

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

	Half year ended 30 June 2013 £'000	Half year ended 30 June 2012 £'000	Year ended 31 December 2012 £'000
Net revenue loss attributable to equity holders of the parent	(494)	(323)	(428)
Net capital (loss)/gain attributable to equity holders of the parent	(1,156)	(431)	1,848
Net total (loss)/profit	(1,650)	(754)	1,420
Weighted average number of ordinary shares in issue during the period	5,369,880	5,369,880	5,369,880
	Pence	Pence	Pence
Basic and diluted (loss)/earnings per share			
Revenue	(9.2)	(6.0)	(8.0)
Capital	(21.5)	(8.0)	34.4
Total basic (loss)/earnings per share	(30.7)	(14.0)	26.4

9 DIVIDENDS

	Half year ended 30 June 2013 £'000	Half year ended 30 June 2012 £'000	Year ended 31 December 2012 £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2012 of 2.5p (2011: 1p) per share	134	54	54
	134	54	54

NOTES TO THE ACCOUNTS – continued

10 INVESTMENTS – SECURITIES

As at 30 June 2013 the Company's ten largest investments were:-

	Market Value £'000	% of Securities Portfolio
UK listed securities		
Royal & Sun Alliance 7 3/8% preference shares	91	1.6
Securities dealt in under AIM		
Avesco Group plc	52	0.9
SpaceandPeople plc	2,021	35.7
Securities dealt in under ISDX		
Wheelsure Holdings plc	51	0.9
Unquoted securities		
Attila (BR) Limited – Loan Notes	915	16.2
AudioGravity Holdings Limited	295	5.2
Kemnal Investments Limited – Loan Notes	399	7.0
Lancashire Tea Limited (in liquidation) – Loan Notes	25	0.4
Memorial Holdings Limited	1,786	31.6
Northgate plc preference shares	12	0.2
	5,647	99.7

11 ORDINARY SHARE CAPITAL

	30 June 2013 £'000	30 June 2012 £'000	31 December 2012 £'000
Share Capital Allotted: Ordinary – 5,369,880 (30 June 2012 & 31 December 2012: 5,369,880) fully paid shares of 25p each	1,342	1,342	1,342

12 NET ASSET VALUE PER SHARE

Basic and diluted

Basic and diluted net asset value per ordinary share is based on Equity attributable to equity shareholders at the period end and on 5,369,880 (half year ended 30 June 2012 & year ended 31 December 2012: 5,369,880) ordinary shares being the number of ordinary shares in issue at the period 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 30 June 2013.

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 405.1p (half year ended 30 June 2012: 411.9p; year ended 31 December 2012: 445.1p).

NOTES TO THE ACCOUNTS – continued

13 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	30 June 2013 £'000	30 June 2012 £'000	31 December 2012 £'000
Revenue return before taxation	(909)	(352)	(810)
Interest payable	323	315	679
	(586)	(37)	(131)
Decrease/(increase) in current assets	285	(27)	(30)
(Decrease)/increase in current liabilities	(287)	(150)	97
	(588)	(214)	(64)

14 RELATED PARTY TRANSACTIONS

During the period the Group was invoiced £12,500 (half year ended 30 June 2012: £12,500; year ended 31 December 2012: £25,000) for consultancy services supplied by Microdisc Limited, a company in which Mr A G Ebel has an interest. There were no amounts outstanding at any period end.

Mr D Lucie-Smith has an interest in Prince's Place LLP and ES2 Developments Limited which the former invoiced the Group a sum of £83,750 (half year ended 30 June 2012: £84,000; year ended 31 December 2012: £168,000) in respect of his services and associated office costs. At the period end £nil (half year ended 30 June 2012: £nil; year ended 31 December 2012: £550) was due to Prince's Place LLP. Conversely, during the period, the Group invoiced ES2 Developments Limited £9,923 (half year ended 30 June 2012: £nil; year ended 31 December 2012: £9,750) and Prince's Place LLP £1,053 (half year ended 30 June 2012: £3,283; year ended 31 December 2012: £2,563) for rent and rates. At the period end Prince's Place LLP owed £643 (half year ended 30 June 2012: £1,906; year ended 31 December 2012: £nil) and ES2 Developments Limited owed £6,057 (half year ended 30 June 2012 and year ended 31 December 2012: £nil).

Rent and rates totalling £767 (half year ended 30 June 2012: £4,723; year ended 31 December 2012: £5,477) were invoiced to Kemnal Park Limited during the period, a company in which Mr D Lucie-Smith and Mr A G Ebel are directors. At the period end £46 (half year ended 30 June 2012: £11,352; year ended 31 December 2012: £nil) was due from Kemnal Park Limited.

Mr J A C Lorimer has an interest in New Park Lane Limited and Parkwood Asset Management Limited which the former invoiced the Group a sum of £68,753 (half year ended 30 June 2012: £66,750; year ended 31 December 2012: £133,500) in respect of his services during the period. Conversely the Group invoiced Parkwood Asset Management Limited £658 (half year ended 30 June 2012: £2,320; year ended 31 December 2012: £1,472) for rent and rates. At the period end Parkwood Asset Management Limited owed £1,282 (half year ended 30 June 2012: £1,008; year ended 31 December 2012: £388).

The total holding of loan stock in Abshot Finance Company Limited, in which the Group has a 50% interest and in which Mr B J Hallett is a director, amounted to £149,000 (half year ended 30 June 2012: £153,000; year ended 31 December 2012: £149,000) at the period end against which a provision of £149,000 (half year ended 30 June 2012: £153,000; year ended 31 December 2012: £149,000) has been made.

The amount of loan made to Lancashire Tea Limited (in Liquidation), in which the Group has a 49% interest and in which Mr D Lucie-Smith and Mr B J Hallett are directors, amounted to £320,000 (half year ended 30 June 2012 and year ended 31 December 2012: £320,000) at the period end against which a provision of £295,000 (half year ended 30 June 2012: £220,000; year ended 31 December 2012: £295,000) has been made. Additionally, management fees of £1,000 (half year ended 30 June 2012: £3,000; year ended 31 December 2012: £6,000) and rent totalling £6,773 (half year ended 30 June 2012: £6,773; year ended 31 December 2012: £13,547) were invoiced to Lancashire Tea Limited and at the period end £82,266 (half year ended 30 June 2012: £55,185; year ended 31 December 2012,: £69,978) was due from Lancashire Tea Limited, against which a provision of £82,266 (half year ended 30 June 2012: £55,185; year ended 31 December 2012: £61,116) has been made.

The Rowe Trust holds an interest of 644,209 (half year ended 30 June 2012 and year ended 31 December 2012: 644,209) ordinary shares in the Company. Mrs R H Chopin-John is a trustee of the Rowe Trust but has no beneficial interest.

NOTES TO THE ACCOUNTS – continued

15 SEGMENTAL REPORTING

As at 30 June 2013 the Group is organised into two main operating segments – Investment in Securities and Property Investment. These segments are the basis on which the Group reports its segment information for management purposes.

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

	Investment £'000	Property Investment £'000	Consolidated £'000
Half year ended 30 June 2013			
Revenue	196	418	614
Result	373	(1,998)	(1,625)
Unallocated corporate expenses			(433)
Operating loss			(2,058)
Interest income			44
Loss before taxation			(2,014)
Half year ended 30 June 2012			
Revenue	377	505	882
Result	780	(1,186)	(406)
Unallocated corporate expenses			(416)
Operating loss			(822)
Interest income			31
Loss before taxation			(791)
Year ended 31 December 2012			
Revenue	727	1,033	1,760
Result	1,613	154	1,767
Unallocated corporate expenses			(841)
Operating profit			926
Interest income			70
Profit before taxation			996

All revenue is derived from operations within the United Kingdom.

NOTES TO THE ACCOUNTS – continued

16 FINANCIAL INSTRUMENTS

Valuation inputs

IFRS 13 – Fair Value Measurement – requires an entity to classify its financial assets and liabilities held at fair value according to a hierarchy that reflects the significance of observable market inputs. The classification of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined below.

Quoted market prices – Level 1

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

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.

Fair values for unquoted investments, or for investments for which there is only an inactive market, are established by taking into account the International Private Equity and Venture Capital Valuation Guidelines as follows:

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

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

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

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

NOTES TO THE ACCOUNTS – continued

16 FINANCIAL INSTRUMENTS – continued

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

30 June 2013	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets at fair value through profit or loss:				
Investments – securities				
– Equities	4,208	2,124	–	2,084
– Fixed income	103	103	–	–
	4,311	2,227	–	2,084

30 June 2012	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets/(liabilities) at fair value through profit or loss:				
Investments – securities				
– Equities	4,677	1,657	–	3,020
– Fixed income	1,144	1,144	–	–
Interest rate swaps	(15)	–	(15)	–
	5,806	2,801	(15)	3,020

31 December 2012	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets at fair value through profit or loss:				
Investments – securities				
– Equities	4,543	1,846	–	2,697
– Fixed income	1,161	1,161	–	–
	5,704	3,007	–	2,697

NOTES TO THE ACCOUNTS – continued

16 FINANCIAL INSTRUMENTS – continued

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

30 June 2013	Investments – securities £'000	Trading securities £'000	Total £'000
Opening balance	2,697	–	2,697
Total gains or losses:			
In profit or loss	(573)	–	(573)
Purchases	–	–	–
Sales	(40)	–	(40)
Closing balance	2,084	–	2,084
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(580)	–	(580)

30 June 2012	Investments – securities £'000	Trading securities £'000	Total £'000
Opening balance	3,388	–	3,388
Total gains or losses:			
In profit or loss	(359)	–	(359)
Purchases	1	–	1
Sales	(10)	–	(10)
Closing balance	3,020	–	3,020
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	4	–	4

31 December 2012	Investments – securities £'000	Trading securities £'000	Total £'000
Opening balance	3,388	–	3,388
Total gains or losses:			
In profit or loss	(682)	4	(678)
Purchases	1	–	1
Sales	(10)	(4)	(14)
Closing balance	2,697	–	2,697
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(682)	–	(682)

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

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

We confirm that to the best of our knowledge:

(a) the unaudited condensed group interim financial statements, which have been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group;

(b) the Chairman's interim statement and management report includes a fair review of the information required by:

   (i) DTR 4.2.7R of the Disclosure and Transparency Rule, being an indication of important events that have occurred during the first six months of the financial year and their impact on the unaudited condensed group interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

   (ii) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Principal risks and uncertainties

The Board consider the principal risks and uncertainties relating to the Group for the next six months to be the same as detailed in the group financial statements for the year ended 31 December 2012. Full details of the risks and uncertainties are detailed under the Investment Policy section and in Note 21 of those financial statements.

The principal risks to the business include:-

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

A G Ebel
Chairman

D Lucie-Smith
Chief Executive Officer

Produced by Colourfast Financial