

Terra Catalyst Fund
Unaudited Interim Financial Statements
For the six months ended 30th September 2011

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Directors and other information

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**Investment Manager’s Report
For the six months ended 30th September 2011**

NAV Performance

The Net Asset Value (“NAV”) of Terra Catalyst Fund (“TCF” or the “Company”) at the reporting period end date of 30th September 2011 was 77.2 pence per share and the share price of TCF on that date was 60.5 pence per share. The NAV per share declined over the six months since 31st March 2011 by 11.7%.

The third quarter of 2011 was an exceptionally difficult quarter for stock markets around the world as the Eurozone economic crisis moved into a much more critical phase. During the month of August in particular, markets experienced negative price action which had not occurred since the post-Lehman crash in 2008. At the same time correlations between different global markets increased dramatically. The portfolio of TCF was not immune from this and the shares in a range of portfolio companies fell significantly in the reporting period under review.

The performance of the Company’s NAV relative to the EPRA (European Public Real Estate Association) index over the current financial year is given in the table below:

Date	EPRA price index	% change since start of FY	TCF NAV	% change since start of FY	TCF share price	% change since start of FY
31st March 2011	1435.8	-	87.5	-	74.5	-
30th September 2011	1215.7	-15.3%	77.2	-11.7%	60.5	-18.8%

Whilst the portfolio of stocks which are both currently held and historically have been held in the portfolio of TCF bears no relation to the composition of the EPRA index, we include this comparison as a familiar benchmark which is widely referenced by managers of equity portfolios comprising listed property stocks.

Investors should note that the recent NAV performance of TCF has been materially affected by the fact that on 16th December 2009, the largest single investment, Spazio, was delisted and held at a directors’ valuation. This valuation was initially the weighted average purchase cost. Then from 31st March 2010, Spazio has been held at a price based on an underlying valuation model which at the period end of 30th September 2011 was EUR 4.92 per share (which compares to the externally appraised NAV of the underlying company of EUR 10.17). Spazio comprised approximately 37.72% of TCF’s portfolio as at 30th September 2011.

An additional measure of value that TCF periodically reports to its investors is the underlying “look through” NAV of the Company. This number reflects the underlying NAV of the Company’s individual holdings rather than the share price or carrying value. On this basis, the “look through” NAV per share was 176 pence as at 30th September 2011 (a 6.7% increase in the equivalent measure as at 31st March 2011 of 165 pence).

The difference between the reported TCF NAV per share of 77.2 pence and the underlying “look through” NAV per share of 176 pence gives an indication of the substantial potential latent value in the portfolio as at the period end. The application of our activist strategy should enable us to close the gap between these two NAV measures over time.

Investment Manager's Report (continued)
For the six months ended 30th September 2011

Portfolio Review and Investment Activity

As at 30th September 2011, the Company's key holdings were as follows:

TCF Holdings	£m	% Portfolio	% shares held across Laxey managed funds
Spazio Investment NV	32.6	38%	72.4%
Quintain Estates	9.0	10%	13.1%
NR Nordic and Russian Properties	4.5	5%	16.3%
Assura Group	4.5	5%	5.2%
Tamar European Ind Fund	4.4	5%	29.8%
Capital & Regional	4.2	5%	8.8%
Lok n Store Group	4.0	5%	29.0%
Sirius Real Estate	2.9	3%	10.0%
Carpathian plc	1.5	2%	29.8%
ING UK Real Estate Income Trust ZDP	1.2	1%	n/a
Bulgarian Land Development	-	-	15.8%
Other	17.6	21%	Various
Total Investments	86.4	100%	
Cash/(borrowings) and other assets/ (liabilities)	(12.4)		
Net assets	74.0		

Investors should note that TCF's holding in each of the above positions is only a part of the total holding in each position across all funds managed by Laxey Partners Ltd ("Laxey", "the Investment Manager"), ("Laxey Funds"). TCF invests alongside other Laxey funds in pursuing its strategy and benefits from working alongside this additional capital.

During the period under review, TCF increased its stake in Quintain Estates and also made some other smaller investments which are contained within the "Other" category. These investments were made at prices which offered very material discounts to the stated net asset value of the underlying property funds and companies.

TCF received approximately EUR 10.2m of cash distributions from NR Nordic during the period under review and a further EUR 4.7m from Carpathian. Additionally cash distributions were made by Spazio of approximately EUR 3.9m and by Rugby Estates plc of approximately £0.618m.

Shortly after the period end, Spazio made a major distribution to shareholders of EUR 20m, of which TCF's share was approximately EUR 6.7m.

The most recent distribution of EUR 6.7m by Spazio has been placed into a pledged bank account pending the final resolution of a tax claim against Spazio by the Italian tax authorities relating to the injection of the Telecom Italia assets into Spazio in 2006. The directors of Spazio are currently advised that it is unlikely that the tax claim by the Italian tax authorities will be successful. Assuming a favourable outcome for TCF, the pledge on the bank account will be released once the legal procedures around this claim have been formally concluded, at which point the cash will fully available for use within TCF. At the time of writing, legal procedures are not expected to be resolved until early 2012.

Hedging and Gearing

The Investment Manager may mitigate against certain country, currency and other market risks by applying hedges where appropriate. Hedges against foreign currency exposure for that part of the portfolio whose underlying assets are based in continental Europe were, and continue to be, applied.

As at 30th September 2011, there were no other hedges or short positions in place other than in relation to foreign currency exposure. TCF had a net debt position at period end of approximately 16.8% of net assets. Actual and anticipated cash inflows from various investments are expected to significantly reduce this net debt position.

**Investment Manager's Report (continued)
For the six months ended 30th September 2011**

Share buybacks and capital distributions

During the period under review, TCF bought back 3,113,328 shares at a weighted average purchase price of 73.8 pence. All of these shares were subsequently cancelled.

In total TCF has bought back 27,543,328 shares since inception at a weighted average purchase price of 54.7 pence. This is equal to approximately 24% of the shares outstanding at the date of the IPO. As at 30th September 2011 there were a total of 95,857,542 shares outstanding.

On 1st August 2011, TCF announced its intention to pay a cash distribution to shareholders of 4 pence per annum, payable in equal six monthly instalments of 2 pence.

Outlook

It is still too early to know the full impact of the current Eurozone economic crisis on property markets. The events of the summer have certainly led to a noticeable slowdown in activity across a number of our underlying holdings. At the time of writing, this has not yet fully fed through to the pricing of individual property transactions but we expect the remainder of 2011 to be challenging.

Our underlying holdings have generated a high level of cash returns over the period under review and this process is expected to continue going forward, despite the overall market conditions.

As further cash comes in, it will naturally de-gear TCF and generate funds for the payment of distributions to shareholders. It is also our intention to continue to search for opportunities within our universe of stocks, amongst which very substantial discounts have reappeared in recent months. In any such re-investment opportunity, we will take into account the level of cash resources available to us and our commitments to make cash distribution payments to shareholders going forward.

Review of Selected Major Holdings

Spazio Investment ("Spazio")

This externally-managed formerly AIM listed property fund specialises in Italian industrial real estate. As at 31st December 2010 Spazio owned a portfolio of EUR 540m of Italian industrial properties of which around 41% comprised 218 Telecom Italia exchange buildings. The external manager is Prelios RE (formerly known as Pirelli Real Estate).

When Laxey Funds joined the share register in February 2008, over 60% of the shares of Spazio were already in the hands of just four shareholders. This situation resulted in poor liquidity and a depressed share price. In addition, negative sentiment associated with externally-managed, AIM listed property vehicles affected the stock. Laxey Partners worked with the Spazio board through the summer of 2008 to try and address these issues.

After the Lehman crisis, the share price of Spazio collapsed and in June 2009 Terra European Investments BV ("TEI"), a vehicle wholly owned by Laxey Funds, announced a cash offer at a price of EUR 5.125 per share for all of the shares in Spazio Investment NV not already owned by Laxey Funds. On 13th July 2009 TEI declared the offer unconditional and announced aggregate holdings of 66.3% of the Spazio shares in issue, and subsequent acceptances and purchases of shares increased TEI's holding in Spazio to 71.4%.

TCF has made a significant investment into TEI and therefore has a significant stake in an entity which controls Spazio. The investment made by TCF into TEI will be kept to less than 50% of the shares in TEI and therefore Spazio will not be consolidated into the accounts of TCF. TCF currently has a stake of 46.3% in TEI, and therefore a 33.1% economic interest in Spazio.

At an EGM on the 3rd December 2009, shareholders resolved to delist Spazio. This subsequently took place on 16th December 2009. Following delisting, a number of agreements were entered into with Pirelli RE by TEI to regulate the management of the delisted company. These agreements include the involvement of Celtic Italy who has been awarded a co-agency mandate alongside Pirelli RE Agency to sell Spazio's property portfolio. The application of this additional resource has significantly speeded up the disposals process.

**Investment Manager's Report (continued)
For the six months ended 30th September 2011**

During the year to 31st December 2009, Spazio completed sales of a total of EUR 51.3m of assets, comprising EUR 47.4m of investment properties and EUR 3.9m of development properties. The investment properties were sold at an average discount of 4.3% to the 31st December 2008 Open Market Valuation ("OMV").

During the year to 31st December 2010, Spazio completed sales of EUR 112.4m of assets, comprising EUR 107.4m of investment properties and EUR 5m of development properties. The investment properties were sold at an average discount of 6.5% to the 31st December 2009 OMV.

Spazio completed further sales of EUR 50.0m of assets during the first half of 2011 at an average discount (for the EUR 46.9m of investment properties sold) of 11.1% to the appraised OMV at 31st December 2010. In Q3 2011, Spazio completed on EUR 5.9m of sales at an average discount (for the EUR 4.4m of investment properties) to the appraised OMV at 31st December 2010 of 8.1%.

Compared with the average cost of TCF's investment in Spazio of EUR6.68, EUR 2.39 per share in distributions had been received by 30th September 2011.

Although real estate market conditions in Italy remain challenging, Spazio currently has a significant pipeline of sales projected for completion during the next two quarters and therefore expects to be able to continue to sell assets and make returns of cash to shareholders over the next 12 months. The marketing effort is continually being reviewed and strengthened and Spazio has established itself in the Italian market as a reliable counterparty for sales transactions.

In October 2011, Spazio made a major cash distribution to shareholders of EUR 20m. Under the terms of the distribution, all shareholders had to place their respective shares of these funds into pledged accounts pending the final resolution of a tax claim against Spazio by the Italian tax authorities relating to the injection of the Telecom Italia assets into Spazio in 2006. The directors of Spazio have taken advice from Italian tax lawyers and are currently advised that it is very unlikely that the tax claim by the Italian tax authorities will be successful. Assuming a favourable outcome for Spazio, the pledge on the bank accounts will be released once the legal procedures around this claim have been formally concluded, at which point the cash will fully available for use by the respective Spazio shareholders. At the time of writing, legal procedures are not expected to be concluded until early 2012.

The 31st December 2010 portfolio OMV of Spazio was EUR 539.8m and the portfolio net loan to value ratio was 51%. Spazio returned a total of EUR 38.5m of cash in 2010 and a further EUR 10m in the first half of 2011 with EUR 29m distributed so far in the second half of the year. Following the September cash distribution, the externally appraised NAV per share of Spazio was EUR 10.17 compared to a carrying value by TCF of EUR 4.92 per share.

Laxey Funds held a total holding of 72.4% in Spazio as at 30th September 2011.

NR Nordic and Russia Properties ("NR Nordic")

This externally-managed Euronext listed property fund had a portfolio of EUR 494m as at 31st December 2010 of real estate primarily located in Sweden and Russia with a mix of industrial, office, logistic, retail and hotel use. NR Nordic IPO-ed in November 2006 as Northern European Properties with the objective of investing in the Nordic and Baltic Europe region to generate a high income yield for investors.

After the downturn in the property markets in 2008, it became clear that NR Nordic was no longer capable of fulfilling its original IPO objectives, the share price collapsed and the share register became highly concentrated with 4 major entities owning significantly over half of the total shares of the fund.

Laxey Funds (including TCF) have been shareholders of NR Nordic since February 2008, and have pushed for a number of major changes to the board, the first of which took place in August 2008 with further changes in September 2009. As a result of these efforts, the original chairman stepped down and four shareholder representatives have been appointed. The new board has reviewed the strategic options available to the company with a view to maximising cash returns to shareholders over a reasonable timeframe.

Investment Manager's Report (continued)
For the six months ended 30th September 2011

On 29th September 2009 Ohman, a financial advisor for Ian Livingstone and Richard Livingstone, the original promoters of NR Nordic, announced that they were considering a possible joint offer for the company. On 25th January 2010, Holowent Limited, a vehicle controlled by the Livingstone brothers, announced a cash offer for NR Nordic and Russian Properties at EUR 0.24 per share. On 7th April 2010, Holowent Limited announced that as only 2.4% of shareholders other than bidder had accepted the offer, the acceptance condition had not been fulfilled and the offer was therefore allowed to lapse.

On 20th December 2010, NR Nordic announced a major transaction with Kungsleden AB to sell substantially all of its assets in Sweden to this listed Swedish property company. At the same time, NR Nordic negotiated early repayment of its debt at a significant discount to the par value, a deal on the Russian assets with the manager of the portfolio and also several smaller transactions on the remaining assets in the portfolio. The transactions subsequently completed in the first half of 2011 and NR Nordic currently expects to be able to return between EUR 0.44 and EUR 0.46 per share to shareholders.

An interim payment of EUR 0.185 per share was made in June 2011, with a further EUR 0.09 per share paid in August 2011. A further distribution of EUR 0.04 has been announced for December 2011 with the remainder of the value in NR Nordic expected in the first half of 2012 once it has completed a liquidation process of certain of its subsidiaries.

Laxey, along with other major shareholders, has been consulted on several occasions during the course of the negotiations on the various components of the deal. We are satisfied with the likely final outcome which represents a modest discount to the NAV of EUR 0.48 per share as at March 2010 and a considerably better result than the offer which TCF turned down in April 2010 of EUR 0.24 per share.

Funds under the management of Laxey Partners had a total holding of 16.3% in NR Nordic as at end September 2011.

Carpathian plc ("Carpathian")

This AIM listed fund has a EUR 327m (December 2010) portfolio of retail assets in Central and Eastern Europe ("CEE") with the majority of the portfolio in Poland.

Having been launched in July 2005 as Dawnay Day Carpathian, it was one of the earlier examples of the AIM offshore property funds, and as such was able to acquire some relatively good quality retail assets before the CEE direct property market became excessively overheated. However, like all AIM funds where the base management fee was a percentage of gross assets, there was a significant incentive to continue to buy properties even when the market had become very frothy, with a further capital increase for this purpose taking place as late as May 2007. As a result the assets vary significantly in quality from institutional grade shopping centres to retail warehouse assets in very secondary locations.

In October 2008 Carpathian announced the appointment of Hawkpoint Partners to conduct a strategic review in order to maximise shareholder value. After pressure from its shareholders, Carpathian announced on 17th November 2008, the appointment of a new chairman who is an experienced restructuring specialist well known to Laxey.

In May 2009 Carpathian announced the results of its strategic review which essentially comprises the return of surplus cash to shareholders in the short term and the orderly realisation of its portfolio over the medium term. The first EUR 0.045 per share was returned to shareholders in December 2009.

In February 2010, Carpathian announced a new portfolio management agreement with its external manager Carpathian Asset Management. The new agreement runs until the end of 2011 and will remunerate the manager based on cash returns to shareholders in the period until the end of the plan. Laxey has engaged actively with the board of Carpathian throughout this process to maximise shareholder value and ensure a satisfactory outcome to the orderly realisation of its portfolio.

From July 2010, Carpathian announced a series of asset disposals, the most significant one of which was the disposal in May 2011 of the Promenada shopping centre in Warsaw to Atrium European Real Estate (a major listed company) for a headline price of EUR 169.5m. This disposal was at a significant premium to the December 2009 valuation. Carpathian is currently on track to substantially turn its portfolio into cash by the end of 2011. The December 2010 net asset value which reflects the contracted sales prices for the majority of the portfolio as at that date was EUR 0.39 per share.

**Investment Manager's Report (continued)
For the six months ended 30th September 2011**

On 21st September 2011, Carpathian declared a dividend of EUR 0.25 per share which was subsequently paid to shareholders in October. One or more further significant distributions are expected in the next few months.

Compared with the average cost of TCF's investment in Carpathian of EUR 0.20 per share, EUR 0.32 per share in distributions have been received as expected.

Laxey Funds held a total holding of 29.8% in Carpathian as at end September 2011.

Tamar European Industrial Fund ("TEIF")

Tamar European Industrial Fund (formerly known as Kenmore European Industrial Fund) launched onto the AIM market in 2006 and acquired a portfolio of secondary industrial properties across continental Europe with a particular focus on France, Benelux and Scandinavia. As at 31st December 2010, it owned a portfolio of investment properties with a valuation of £251m.

Unlike many of the AIM property funds, TEIF managed the downturn in its markets from 2008 onwards relatively well, despite being highly leveraged at the top of the market. TEIF sold a significant volume of property over the period 2008 to 2010 in order to de-leverage. In total, its portfolio shrank from £428m as at December 2007 to £251m three years later. Over the same period, the NAV per share fell from 121 pence to 80 pence which, whilst a significant decline, is nonetheless a far better result than the majority of its peers in the sector.

Unfortunately, TEIF was still unable to avoid a punitive refinancing in the fourth quarter of 2010 and subsequently recognised that its ability to generate income returns to shareholders had been badly damaged by the higher finance charges it was incurring as a result.

On 3rd June 2011, it announced that "the Board does not believe that the portfolio in its current form is best placed to allow the Company to achieve its investment objective". At the same time, the company announced its intention to conduct an orderly disposal of the Scandinavian part of the portfolio (valued at around £100m).

Laxey Partners will continue to engage closely with the board of TEIF to ensure that shareholder value is maximised over the next few years. Having purchased a substantial position at nearly 60% discount to NAV, we are optimistic that the investment should deliver attractive returns in due course.

Laxey Funds held a total holding of 29.8% in TEIF as at end September 2011.

**Review Report by KPMG Audit LLC to Terra Catalyst Fund
For the six months ended 30th September 2011**

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2011, which comprises the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

The annual financial statements of the Company are prepared in accordance with IFRSs. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2011 is not prepared, in all material respects, in accordance with IAS 34 and the AIM Rules.

KPMG Audit LLC

Chartered Accountants

Heritage Court

41 Athol Street

Douglas

Isle of Man IM99 1HN

30 November 2011

Statement of Comprehensive Income
For the six months ended 30th September 2011

		2011	(Note 5)
	Note	GBP	2010
			GBP
Income			
Dividends on long equity securities and investment funds		9,962,552	4,065,837
Interest			
- Cash balances		14,940	47,262
- Derivatives		1,973	-
- Loan		-	84,614
Net realised gains/(losses) on financial assets and liabilities at fair value through profit or loss			
- Cash balances		108,272	(126,568)
- Equities and Funds		(1,599,048)	(564,982)
- Derivatives		1,098,249	(255,104)
- Forwards		(487,623)	3,976,737
Net unrealised (losses) / gains on financial assets and liabilities other than currency forwards at fair value through profit or loss			
- Cash balances		(57,463)	2,932
- Equities and Funds		(19,782,285)	5,290,375
- Derivatives		(74,547)	379,729
Net unrealised gains/(losses) on currency forwards at fair value through profit or loss		1,257,612	(2,394,610)
Total net investment (expense)/income		<u>(9,557,367)</u>	<u>10,506,222</u>
Expenses			
Dividends payable on short positions		-	32,325
Investment management fee	13	198,586	736,770
Administration fees		77,585	72,093
Audit fees		7,771	8,500
Other expenses	6	268,554	321,997
Interest expense			
- Cash balances		167,528	90,017
- Derivatives		12,546	8,317
Total expenses		<u>732,570</u>	<u>1,270,019</u>
(Loss)/profit for the period		<u>(10,289,937)</u>	<u>9,236,203</u>
Other comprehensive income		-	-
Total comprehensive (loss)/income for the period		<u>(10,289,937)</u>	<u>9,236,203</u>
Earnings per ordinary share			
Basic and fully diluted	10	<u>(GBP0.11)</u>	<u>GBP 0.09</u>

The notes are an integral part of these interim financial statements.

Statement of Financial Position
As at 30th September 2011

			(Note 5)
	Note	2011 GBP	2011 GBP
Current Assets			
Cash at bank and brokers		141,838	2,247,477
Cash held as margin at brokers		2,792	14,189
Equities - long at fair value through profit or loss	7	76,392,850	89,537,800
Equities - long swaps at fair value through profit or loss	7	-	81,330
Investment funds - long at fair value through profit or loss	7	9,698,828	10,988,767
Investment funds - long swaps at fair value through profit or loss	7	6,783	-
Amounts receivable on currency forwards		573,771	-
Other debtors and accrued income		4,043,624	9,071
Total Assets		90,860,486	102,878,634
Equity			
Share capital	8	958,576	989,709
Share premium		100,169,674	102,450,794
Retained losses		(27,157,535)	(16,867,598)
Total Equity		73,970,715	86,572,905
Liabilities			
Overdrawn balances at brokers		16,676,466	14,268,294
Amounts payable on currency forwards		-	684,115
Amounts due for outstanding purchase settlements		-	40,417
Other creditors and accrued expenses		213,305	1,312,903
Total liabilities		16,889,771	16,305,729
Total liabilities and equity		90,860,486	102,878,634
Net asset value per ordinary share	9	0.77	0.87

These interim financial statements were approved and authorised by the Board of Directors on 29 November 2011 and are signed on their behalf by:

Martin Adams
Director

Michael Haxby
Director

The notes are an integral part of these interim financial statements.

Statement of Changes in Equity
For the six months ended 30th September 2011

	Share Capital	Share Premium	Retained losses	Total
	GBP	GBP	GBP	GBP
Balance at 1st April 2010	1,060,709	106,870,508	(30,982,017)	76,949,200
Total comprehensive income				
Profit for the period	-	-	9,236,203	9,236,203
Other comprehensive income	-	-	-	-
Transaction with owners recorded directly in equity: Contributions by and distributions to owners				
Repurchase of shares	(51,000)	(3,035,160)	-	(3,086,160)
Balance at 30th September 2010	<u>1,009,709</u>	<u>103,835,348</u>	<u>(21,745,814)</u>	<u>83,099,243</u>
	Share Capital	Share Premium	Retained losses	Total
	GBP	GBP	GBP	GBP
Balance at 1st April 2011	989,709	102,450,794	(16,867,598)	86,572,905
Total comprehensive income				
Loss for the period	-	-	(10,289,937)	(10,289,937)
Other comprehensive income	-	-	-	-
Transaction with owners recorded directly in equity: Contributions by and distributions to owners				
Repurchase of shares	(31,133)	(2,281,120)	-	(2,312,253)
Balance at 30th September 2011	<u>958,576</u>	<u>100,169,674</u>	<u>(27,157,535)</u>	<u>73,970,715</u>

The notes are an integral part of these interim financial statements.

Statement of Cash Flows
For the six months ended 30th September 2011

	2011	(Note 5)
	GBP	2010
		GBP
Cash flows from operating activities:		
Dividends received	5,927,804	3,421,472
Interest received	16,914	619,201
Prepaid expenses	195	-
Dividends paid on short positions	-	(75,106)
Management fee paid	(1,337,993)	(1,124,916)
Administration fee paid	(79,391)	(71,303)
Other expenses paid	(245,785)	(291,520)
Interest paid	(168,999)	(105,253)
Decrease in loan receivable	-	630,319
Decrease in cash held as margin	11,397	2,615,160
Purchase of investments	(19,317,386)	(20,286,652)
Proceeds from sales of investments	12,991,685	14,590,820
Net cash flow from operating activities	<u>(2,201,559)</u>	<u>(77,778)</u>
Cash flows from financing activities:		
Repurchase of shares	<u>(2,312,253)</u>	<u>(1,883,759)</u>
Net cash flow from financing activities	<u>(2,312,253)</u>	<u>(1,883,759)</u>
(Decrease)/increase in cash and cash equivalents	<u>(4,513,812)</u>	<u>(1,961,537)</u>
Opening cash and cash equivalents	(12,020,817)	1,179,671
Closing cash and cash equivalents	<u>(16,534,629)</u>	<u>(781,866)</u>

The notes are an integral part of these interim financial statements.

Notes to the financial statements
For the six months ended 30th September 2011

1. General

The Company was incorporated in the Cayman Islands on 21st December 2007 and its shares were admitted to AIM, a market operated by London Stock Exchange plc, on 25th February 2008.

At the Annual General Meeting held on 29th September 2009, the shareholders approved an amendment to the investment policy. The revised investing policy is set out below:

"The Company has been established to achieve an absolute return for its shareholders (in sterling) primarily through capital growth by investment in property (up to a maximum of 30% of the Company's gross asset value) and property related securities. The Company may hold large positions in a concentrated number of portfolio companies and there is no limit on the amount of the Company's assets which may be invested in any one investment. There is no restriction of the length of time that investments may be held. The Company may incur borrowings up to an amount equal to 200% of the Company's Net Asset Value. Other than those stated, there are no investing restrictions or restrictions in relation to cross-holdings. The Company intends, but is not obliged, to provide shareholders with returns by way of annual dividends.

The Company's strategy by which its investing policy is achieved is to take positions in undervalued securities and actively seeking to close the valuation gap between the value at which the security is trading and its intrinsic value."

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements.

These condensed interim financial statements were approved by the Board of Directors on 29 November 2011.

(b) Estimates

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

In preparing these interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31st March 2011.

3. Significant accounting policies

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31st March 2011.

4. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31st March 2011.

5. Comparative figures

The comparative figures shown in the Statement of Financial Position is at 31st March 2011 and in the case of the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows are for the six months to 30th September 2010.

Notes to the financial statements (continued)
For the six months ended 30th September 2011

6. Other Expenses

	2011 GBP	2010 GBP
Legal and professional fees	-	2,327
Directors fees	94,007	102,781
Custodian fees	4,246	3,495
Miscellaneous fees	130,711	208,697
Other Expenses	39,590	4,697
	<u>268,554</u>	<u>321,997</u>

7. Investments

	30th September 2011 GBP	31st March 2011 GBP
Long positions:		
Market value	<u>86,098,461</u>	<u>100,607,897</u>
Cost	<u>104,396,091</u>	<u>99,048,695</u>

The Company has an indirect holding in Spazio Investment NV valued at £32,623,802, or 35.90% of the total assets of the Company as at 30th September 2011. The Directors, with the advice of the Investment Manager, have resolved to carry the investment at its current estimated realisable value, being EUR4.92 per share (31st March 2011: EUR 5.78 per share) which has been derived based on an underlying valuation model. The carrying value of EUR 4.92 per Spazio share compares to the externally appraised NAV of Spazio as at 30th September 2011 of EUR 10.17 per share.

Spazio is currently in discussions with the Italian tax authorities on three separate matters in relation to the taxation of that company. The most significant uncertainty relates to a potential retrospective change in the tax status of certain classes of Italian real estate funds which could, in a worst case scenario, result in a material tax liability for Spazio. Whilst such an outcome is a possibility, the board of Spazio is currently advised that such an outcome is improbable and therefore no provision has been made by Spazio, or the Company in the valuation of its interest in Spazio, in relation to this matter.

8. Share capital

Authorised Share Capital	30th September 2011 Number	30th September 2011 GBP	31st March 2011 Number	31st March 2011 GBP
Ordinary shares of GBP0.01 each	1,000,000,000	<u>10,000,000</u> <u>10,000,000</u>	1,000,000,000	<u>10,000,000</u> <u>10,000,000</u>
Issued share capital				
At 1st April	98,970,870	989,709	106,070,870	1,060,709
Repurchased during period	<u>(3,113,328)</u>	<u>(31,133)</u>	<u>(7,100,000)</u>	<u>(71,000)</u>
	<u>95,857,542</u>	<u>958,576</u>	<u>98,970,870</u>	<u>989,709</u>

Notes to the financial statements (continued)
For the six months ended 30th September 2011

9. Net asset value per share

The net asset value per share as at 30th September 2011 is GBP 0.77 based on 95,857,542 ordinary shares in issue as at that date (31st March, 2011: GBP0.87 based on 98,970,870 ordinary shares).

10. Earnings per share

Basic earnings per share is calculated based on the loss for the period of GBP 10,289,937 and the weighted-average number of ordinary shares in issue during the period of 98,325,333 (2010: profit of GBP 9,236,203 and 105,894,367 shares). There is no difference between the basic and diluted earnings per ordinary share.

11. Prime brokerage agreements

Under the terms of the prime brokerage agreement which the Company has entered into, the prime broker holds a first fixed charge over the Company's assets and cash held with the prime broker as security for the payment and performance by the Company of its obligations to the prime broker.

12. Gearing

Gearing, or leverage, is the percentage of borrowing compared to the percentage of assets. Pursuant to the Company's articles of association, this borrowing should not exceed 200% of the NAV.

13. Related parties

The Company and the Investment Manager are related by virtue of the existence of a material contract. As at 30th September 2011, the Investment Manager owned 19,550,870 shares (2010: 16,550,870) in the Company. Fees payable to the Investment Manager in respect of the six month period ended 30th September 2011 were GBP 198,586 (2010: GBP 736,770) of which GBP 29,312 (2010: GBP 584,166) was outstanding at the period end.

Michael Haxby, a Director of the Company, is also a Director of Laxey Partners Ltd, the Investment Manager to the Company.

Celtic Italy s.r.l ("Celtic") is a related party as Andrew Shepherd, Rhys Jones and Nicholas James all received remuneration from Celtic group of companies during the past twelve months. In addition, Andrew Shepherd, Rhys Jones and subsidiary companies of the Laxey group are significant shareholders in Celtic Property Developments SA, the holding company for the Celtic group of companies. Celtic Property Developments SA listed on the Warsaw stock exchange in December 2010.

14. Subsequent events

In preparing these financial statements, the Company has evaluated events that have occurred from 1st October 2011 through 29 November 2011 (the date that the interim statements were issued/available to be issued) and except as already included in the notes to financial statements, it has determined that no events have occurred that would require recognition or additional disclosures in these financial statements.

Supplementary Information**Reconciliation of Net Asset Value to Shareholder's Funds per Statement of Financial Position**

	2011 US\$	2011 US\$
Net Assets as at 30 th September 2011/31 st March 2011	76,615,166	85,290,847
Revaluation of Spazio Investment NV from EUR 5.32 to EUR 4.92 (31 st March 2011: EUR5.59 to EUR 5.78 per share)	(2,644,451)	1,282,058
Shareholder's Funds per Statement of Financial Position	<u>73,970,715</u>	<u>86,572,905</u>