GRESHAM HOUSE plc

INTERIM RESULTS 2007

CHAIRMAN'S INTERIM STATEMENT

Dear Shareholder,

The results for the half year ended 30th June, 2007 show an overall profit for the period of £1,993,000 against a profit of £1,858,000 for the comparable period last year. Basic earnings per ordinary share were 40.9p against 38.1p for the first half of 2006.

The major variances in the Revenue account between the two periods were the decrease in rental income of £248,000, primarily as a result of no rental income being received during the current period in respect of the unit at Deacon Park, Knowsley which was destroyed by fire, and an increase in operating expenses of £202,000. This increase was due, in the main, to a combination of increased staff costs and property related costs together with a provision against a loan made by a trading subsidiary.

The gains made in the capital account relate entirely to the increase in the value of the investment portfolio during the period under review with significant increases being shown in the value of our investments in Hallin Marine Subsea International plc, Plus Markets Group plc, SpaceandPeople plc and Welsh Industrial Investment Trust plc offset by a fall in Image Scan Holdings plc. I am pleased to report that, despite the general fall in the market since the period end, the overall value of the portfolio (as at 31st August, 2007) has increased by a further modest amount thanks to an increase in Hallin Marine's share price and the introduction of one of our unquoted investments, Wheelsure Holdings plc, to PLUS Market.

As a result the Group's basic net asset value has risen from 902.4p as at 1st January 2007 to 937.3p as at 30th June, an increase of 34.9p or 3.9%. By comparison the FTSE All Share Index has increased by 5.7% over the same period.

With the exception of the transactions referred to below, the Board has taken the view that, whilst it is likely that there may have been movements in the value of individual properties, the overall value of the property portfolio as at 30th June 2007 on an existing use basis remains the same as at the year end plus the attributable costs incurred during the period under review.

As shareholders will be aware from my statement contained within the Report and Accounts for 2006 and from the recent announcement made by your Company, the site at Vincent Lane, Dorking has now been sold for a consideration of £8.2 million conditional only upon planning permission being granted for residential development by November 2008. As at 30th June 2007 this property has been included in the Group accounts at a value of £2.9 million. In addition, your Company has announced that it has signed heads of agreement, which do not constitute a legally binding commitment at this stage, with another third party to sell the Group's property interests on Speke Boulevard, Speke, Liverpool for a consideration of £61 million or 85% of market value, whichever is the higher, conditional upon planning permission being granted for change to A1 retail and shareholder approval. As at 30th June 2007 these interests have been valued in the Group accounts at £9 million. The heads of terms include a provision that planning permission must be obtained within five years from the date of obtaining shareholder approval. This proposed sale will now be put into solicitors' hands to prepare formal contracts.

As the proposed Speke transaction falls within Rule 10.5 of the Listing Rules shareholder approval will be required. An explanatory circular will be sent to shareholders in due course, once formal contracts have been agreed, together with a Notice convening an Extraordinary General Meeting of the Company.

A P Stirling
Chairman

27th September 2007

UNAUDITED CONSOLIDATED INCOME STATEMENT

for the half year ended 30th June 2007

	Half year ended 30th June 2007			Half year ended 30th June 2006			Year ended 31st December 2006		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income:									
Dividend and interest income	**195**	**–**	**195**	179	–	179	346	–	346
Rental income	**1,022**	**–**	**1,022**	1,270	–	1,270	2,664	–	2,664
Other operating income	**52**	**–**	**52**	161	–	161	276	–	276
Total Revenue	**1,269**	**–**	**1,269**	1,610	–	1,610	3,286	–	3,286
Gains on investments held at fair value	**–**	**2,047**	**2,047**	–	1,289	1,289	–	1,495	1,495
Movement in fair value of property investments	**–**	**–**	**–**	–	360	360	–	5,286	5,286
Total income and gains on investments	**1,269**	**2,047**	**3,316**	1,610	1,649	3,259	3,286	6,781	10,067
Expenses									
Other operating expenses	**(1,141)**	**–**	**(1,141)**	(939)	–	(939)	(1,640)	–	(1,640)
Finance costs	**(466)**	**–**	**(466)**	(576)	–	(576)	(1,213)	–	(1,213)
	(1,607)	**–**	**(1,607)**	(1,515)	–	(1,515)	(2,853)	–	(2,853)
(Loss)/profit before taxation	**(338)**	**2,047**	**1,709**	95	1,649	1,744	433	6,781	7,214
Taxation	**–**	**208**	**208**	–	121	121	17	128	145
(Loss)/profit for the period	**(338)**	**2,255**	**1,917**	95	1,770	1,865	450	6,909	7,359
Attributable to:									
Equity holders of the parent	**(251)**	**2,244**	**1,993**	209	1,649	1,858	669	5,753	6,422
Minority interests	**(87)**	**11**	**(76)**	(114)	121	7	(219)	1,156	937
	(338)	**2,255**	**1,917**	95	1,770	1,865	450	6,909	7,359
Basic earnings per Ordinary Share (Note 2)			**40.9p**			38.1p			131.7p
Diluted earnings per Ordinary Share (Note 2)			**40.7p**			38.1p			131.4p

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 30th June 2007

	Half year ended 30th June 2007					
	Ordinary share capital £'000	Share premium £'000	Share Based payments £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance at 31st December 2006	1,219	831	28	49,908	(7,975)	44,011
(Loss)/profit for the period	–	–	–	2,244	(251)	1,993
Ordinary dividend paid (Note 3)	–	–	–	–	(293)	(293)
Balance at 30th June 2007	1,219	831	28	52,152	(8,519)	45,711

	Half year ended 30th June 2006					
	Ordinary share capital £'000	Share premium £'000	Share Based payments £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance as at 31st December 2005	1,218	822	12	44,155	(8,401)	37,806
Profit for the period	–	–	–	1,649	209	1,858
Ordinary dividend paid (Note 3)	–	–	–	–	(244)	(244)
Balance at 30th June 2006	1,218	822	12	45,804	(8,436)	39,420

	Year ended 31st December 2006					
	Ordinary share capital £'000	Share premium £'000	Share Based payments £'000	Capital reserve £'000	Retained earnings £'000	Total £'000
Balance as at 31st December 2005	1,218	822	12	44,155	(8,401)	37,806
Profit for the period	–	–	–	5,753	669	6,422
Ordinary dividend paid (Note 3)	–	–	–	–	(244)	(244)
Issue of shares	1	9	–	–	–	10
Share based payments	–	–	16	–	1	17
Balance at 31st December 2006	1,219	831	28	49,908	(7,975)	44,011

UNAUDITED CONSOLIDATED BALANCE SHEET

as at 30th June 2007

	30th June 2007	30th June 2006	31st December 2006
Assets	£'000	£'000	£'000
Non current assets			
Investments held at fair value	15,157	13,789	13,345
Property investments	40,693	34,626	40,469
Property, plant and equipment	494	506	500
Total non current assets	56,344	48,921	54,314
Current assets			
Trade and other receivables	443	500	568
Accrued income and prepaid expenses	299	1,015	342
Other current assets	6,463	9,390	5,607
Cash and cash equivalents	756	1,188	991
Total current assets	7,961	12,093	7,508
Total assets	64,305	61,014	61,822
Current liabilities			
Trade and other payables	2,307	2,329	1,498
Short term borrowings	7,223	9,952	6,765
Current tax payable	–	17	–
Total current liabilities	9,530	12,298	8,263
Total assets less current liabilities	54,775	48,716	53,559
Non current liabilities			
Long term borrowings	6,137	7,009	6,337
Deferred taxation	1,295	1,509	1,503
	7,432	8,518	7,840
Net assets	47,343	40,198	45,719
Capital and reserves			
Ordinary share capital (Note 4)	1,219	1,218	1,219
Share premium	831	822	831
Share based payments	28	12	28
Capital reserve	52,152	45,804	49,908
Retained earnings	(8,519)	(8,436)	(7,975)
Equity attributable to equity shareholders	45,711	39,420	44,011
Minority interest	1,632	778	1,708
Total equity	47,343	40,198	45,719
Basic net asset value per ordinary share (Note 5)	937.3p	808.8p	902.4p
Diluted net asset value per ordinary share (Note 5)	934.0p	807.4p	900.1p

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

for the half year ended 30th June 2007

	6 months to 30th June 2007 £'000	6 months to 30th June 2006 £'000	12 months to 31st December 2006 £'000
Cashflow from operating activities			
Investment income received	132	118	180
Interest received	63	61	166
Rental income received	1,124	1,122	2,530
Other cash payments	(357)	(749)	(1,958)
Net cash generated from operations	962	552	918
Interest paid on 8% Secured Redeemable Loan Stock 2006	–	(146)	(342)
Interest paid on property loans	(461)	(506)	(929)
Net cash flows from operating activities	501	(100)	(353)
Cash flows from investing activities			
Purchase of investments	(685)	(1,137)	(1,693)
Sale of investments	920	1,411	2,617
Purchase of investment properties	(2,541)	(365)	(490)
Disposal of investment properties	2,317	–	–
Insurance proceeds received	–	–	3,700
Purchase of developments in hand	(712)	(203)	(523)
	(701)	(294)	3,611
Cash flows from financing activities			
Repayment of loans	(201)	(252)	(2,360)
Repayment of 8% Loan Stock	–	–	(3,662)
Receipt of loans	459	1,215	3,126
Share capital issued	–	–	10
Equity dividends paid	(293)	(244)	(244)
	(35)	719	(3,130)
(Decrease)/increase in cash and cash equivalents	(235)	325	128
Cash and cash equivalents at start of period	991	863	863
Cash and cash equivalents at end of period	756	1,188	991

PRINCIPAL ACCOUNTING POLICIES

The Group's principal accounting policies are as follows:

(a) Basis of accounting

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.

(b) Basis of preparation

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") in December 2005 is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings made up to 30th June, 2007. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(d) Presentation of Income Statement

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

(e) Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the entity. The Group's associates are accounted for in accordance with IAS39 Financial Instruments: Recognition and Measurement ("IAS 39") as investments designated at fair value through the income statement and in accordance with paragraph 1 of IAS 28 Investments in Associates ("IAS 28"), equity accounting is not required.

(f) Segmental reporting

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

(g) Income

(i) Dividend and interest income

Income from listed securities and interest receivable is accounted for on a receivable basis.

(ii) Rental income

Rental income comprises property rental income receivable net of VAT.

(h) 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 are deducted from the disposal proceeds of the investment.

PRINCIPAL ACCOUNTING POLICIES – Continued

(i) Property, plant and equipment

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

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

(j) Taxation

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

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

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

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

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

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

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

(k) Operating leases

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

(l) Investments

(i) Securities

Purchases and sales of listed investments are recognised on the trade date, the date on which the Group commit to purchase or sell the investment. All investments are designated upon initial recognition as held at fair value, and are measured at subsequent reporting dates at fair value, which is either the 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;

PRINCIPAL ACCOUNTING POLICIES – Continued

(l) Investments – continued

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

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

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

(ii) Properties

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

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

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

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

(m) Developments in hand

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

(n) Trade and other receivables

Other receivables do not carry any interest and are short term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(o) 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.

(p) Dividends payable

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

(q) Bank borrowings

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

PRINCIPAL ACCOUNTING POLICIES – Continued

(r) Convertible loan notes

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

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

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

(s) Trade and other payables

Other payables are not interest-bearing and are stated at their nominal value.

(t) Capital reserves

Capital Reserve – Realised.

The following are accounted for in this reserve:

– gains and losses on the realisation of securities and property investments.

– realised exchange differences of a capital nature.

– expenses and finance costs, together with the related taxation effect, charged to this reserve in accordance with the above policies.

– realised gains and losses on transactions undertaken to hedge an exposure of a capital nature including guarantees.

Capital Reserve – Unrealised.

The following are accounted for in this reserve:

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

– unrealised exchange differences of a capital nature.

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

– provisions for deferred taxation in respect of revalued properties.

(u) Government grants

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

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

(v) Pensions

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

(w) Share based payments

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

NOTES TO THE FINANCIAL STATEMENTS

1. Comparative information

The financial information contained in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the half year ended 30th June 2007 and 30th June 2006 has not been audited. The information for the year ended 31st December 2006 has been extracted from the latest published audited financial statements. The audited financial statements for the year ended 31st December 2006 have been filed with the Registrar of Companies. The report of the auditors on those financial statements contained no qualification or statement under section 237(2) or (3) of the Companies Act 1985.

2. Earnings per share

Basic return

The Basic earnings per share figure is based on the net gain attributable to equity holders of the parent for the half year of £1,993,000 (half year ended 30th June 2006: £1,858,000; year ended 31st December 2006: £6,422,000) and on 4,876,880 (half year ended 30th June 2006: 4,873,880; year ended 31st December 2006: 4,874,587) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

Diluted return

The Diluted earnings per share figure is based on the net gain attributable to equity holders of the parent for the half year of £1,993,000 (half year ended 30th June 2006: £1,858,000; year ended 31st December 2006: £6,422,000) and on 4,894,356 (half year ended 30th June 2006: 4,882,556; year ended 31st December 2006: 4,887,061) ordinary shares, being the weighted average number of ordinary shares in issue during the period together with 17,476 (half year ended 30th June 2006: 8,676; year ended 31st December 2006: 12,474) shares deemed to been issued at nil consideration as a result of options granted.

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

	Half year ended 30th June 2007 £'000	Half year ended 30th June 2006 £'000	Year ended 31st December 2006 £'000
Net revenue (loss)/profit attributable to equity holders of the parent	(251)	209	669
Net capital profit attributable to equity holders of the parent	2,244	1,649	5,753
Net total profit	1,993	1,858	6,422
Weighted average number of ordinary shares in issue during the period			
Basic	4,876,880	4,873,880	4,874,587
Diluted	4,894,356	4,882,556	4,887,061
Basic earnings per share	Pence	Pence	Pence
Revenue	(5.1)	4.3	13.7
Capital	46.0	33.8	118.0
Total basic earnings per share	40.9	38.1	131.7
Diluted earnings per share	Pence	Pence	Pence
Revenue	(5.1)	4.3	13.7
Capital	45.8	33.8	117.7
Total diluted earnings per share	40.7	38.1	131.4

NOTES TO THE FINANCIAL STATEMENTS – continued

3. Dividends

	Half year ended 30th June 2007 £'000	Half year ended 30th June 2006 £'000	Year ended 31st December 2006 £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2006 of 6p (2005: 5p) per share	293	244	244
	293	244	244

4. Ordinary Share Capital

	30th June 2007 £'000	30th June 2006 £'000	31st December 2006 £'000
Share Capital			
Authorised: £4,750,000 (30th June 2006 & 31st December 2006: £4,750,000)			
Allotted: Ordinary – 4,876,880 (30th June 2006: 4,873,880 31st December 2006: 4,876,880) fully paid shares of 25p each	1,219	1,218	1,219

5. Net Asset Value per Share

Basic

Basic net asset value per ordinary share is based on Equity attributable to equity shareholders at each respective period end and on 4,876,880 (half year ended 30th June 2006: 4,873,880; year ended 31st December 2006: 4,876,880) ordinary shares being the number of ordinary shares in issue at the period end.

Diluted

Diluted net asset value per ordinary share is based on Equity attributable to equity shareholders at each respective period end and on 4,894,356 (half year ended 30th June 2006: 4,882,556; year ended 31st December 2006: 4,889,354) ordinary shares. The number of shares is based upon the number of shares in issue at the period end together with those number of shares deemed to have been issued at nil consideration as a result of options granted.

NOTES TO THE FINANCIAL STATEMENTS – Continued

6. Segmental reporting

	Investment £'000	Property Investment £'000	Other Activities £'000	Consolidated £'000
Half year ended 30th June 2007				
Revenue	145	1,061	–	1,206
Result	2,146	635	–	2,781
Unallocated corporate expenses				(669)
Operating profit				2,112
Interest expense				(466)
Interest income				63
Profit before taxation				1,709
Half year ended 30th June 2006				
Revenue	279	1,270	–	1,549
Result	1,629	1,560	–	3,189
Unallocated corporate expenses				(930)
Operating profit				2,259
Interest expense				(576)
Interest income				61
Profit before taxation				1,744
Year ended 31st December 2006				
Revenue	369	2,751	–	3,120
Result	1,561	7,628	–	9,189
Unallocated corporate expenses				(928)
Operating profit				8,261
Interest expense				(1,213)
Interest income				166
Profit before taxation				7,214

All revenue is derived from operations within the United Kingdom.

Perivan Financial Print 210354