



GRESHAM HOUSE plc

INTERIM RESULTS 2004

GRESHAM HOUSE plc

CHAIRMAN'S INTERIM STATEMENT

Dear Shareholder,

The results for the half year ended 30th June, 2004 show a return on ordinary activities after tax for the Revenue account of £509,000, compared with £279,000 for the comparable period last year and a small loss of £2,000 for the Capital account compared with a loss of £176,000 for the same period last year. Overall this has resulted in a basic return per ordinary share of 10.6p against 2.3p for the comparable period last year.

Income streams in total have remained constant compared with the similar period last year. Whilst there has been a significant increase of £306,000 in rental income this has been offset by a similar fall in other operating income, particularly construction activities. These activities however also account for the majority of the decrease in Other expenses.

Improvements to the property portfolio have continued during the period under review and, since the property revaluation has only recently been undertaken, it has been considered prudent to set these costs of £195,000 against revaluation reserves. As a result diluted net asset value has increased to 573.0p from 568.3p as at the beginning of the period, an increase of 0.8% compared with an almost identical increase of 0.9% in the FTSE All Share Index.

In my statement at the year end I reported that it was the Board's intention to selectively dispose of part of the property portfolio during 2004. We are currently in advanced negotiations which I believe will result in the disposal of a significant part of the property portfolio in the near future. As soon as this has been achieved the appropriate announcement will be made.

Your Board continues with its strategy of seeking innovative early stage investments in companies that have a real prospect of high growth and the development of the property portfolio.

A P Stirling

Chairman

27th September, 2004

GRESHAM HOUSE plc

UNAUDITED CONSOLIDATED STATEMENT OF TOTAL RETURN

For the half year ended 30th June, 2004

	6 months to 30th June, 2004 (Unaudited)			6 months to 30th June, 2003 (Unaudited)			Year ended 31st December, 2003 (Audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Loss)/gains on Investments Income:	-	(2)	(2)	-	(176)	(176)	-	2	2
Dividend and Interest Income	84	-	84	114	-	114	234	-	234
Rental Income	1,811	-	1,811	1,505	-	1,505	3,193	-	3,193
Other operating income	71	-	71	331	-	331	444	-	444
	1,966	(2)	1,964	1,950	(176)	1,774	3,871	2	3,873
Other expenses	(703)	-	(703)	(940)	-	(940)	(1,204)	-	(1,204)
Net return before finance costs and taxation	1,263	(2)	1,261	1,010	(176)	834	2,667	2	2,669
Interest payable and similar charges	(720)	-	(720)	(731)	-	(731)	(1,458)	-	(1,458)
Return on ordinary activities before taxation	543	(2)	541	279	(176)	103	1,209	2	1,211
Taxation	-	-	-	-	-	-	-	-	-
Return on ordinary activities after taxation	543	(2)	541	279	(176)	103	1,209	2	1,211
Minority Interest	(34)	-	(34)	-	-	-	(56)	-	(56)
Return attributable to equity shareholders	509	(2)	507	279	(176)	103	1,153	2	1,155
Dividend - Equity shares	-	-	-	-	-	-	(149)	-	(149)
Transfer to reserves	509	(2)	507	279	(176)	103	1,004	2	1,006
Basic return per Ordinary Share	10.6p	-	10.6p	6.2p	(3.9)p	2.3p	25.1p	-	25.1p
Diluted return per Ordinary Share	10.6p	-	10.6p	6.0p	(3.8)p	2.2p	24.9p	-	24.9p

Statement of Total Recognised Gains and Losses

	30th June, 2004 £'000	30th June, 2003 £'000	31st December, 2003 £'000
Profit for the financial period	509	279	1,153
Net movement on capital reserves	(2)	(176)	2
Surplus and write back of impairment on property revaluation	(195)	-	5,298
Minority interest in reserves	-	-	(1,006)
	312	103	5,447

Notes

- (i) The revenue column of this statement is the consolidated profit and loss account of the group.
- (ii) All revenue and capital items in the above statement derive from continuing operations.

GRESHAM HOUSE plc

UNAUDITED CONSOLIDATED BALANCE SHEET

as at 30th June 2004

	30th June, 2004 (Unaudited)	30th June, 2003 (Unaudited)	31st December, 2003 (Audited)
	£'000	£'000	£'000
Investments			
Securities	6,887	6,234	6,746
Properties	37,200	31,666	37,200
Tangible assets	531	391	539
	44,618	38,291	44,485
Current assets	7,616	7,779	8,397
Creditors - amounts falling due within one year	5,593	5,496	6,350
Net current assets	2,023	2,283	2,047
Total assets less current liabilities	46,461	40,574	46,532
Creditors - amounts falling due after more than one year	17,658	18,452	18,013
Deferred income	245	245	245
	28,738	21,877	28,274
Capital and reserves			
Called up share capital (Note 5)	1,202	1,151	1,189
Share premium account	659	453	554
Other reserves			
Revaluation reserve	12,605	8,064	12,800
Capital reserve - realised	22,727	22,425	22,671
Capital reserve - unrealised	(228)	(256)	(170)
Revenue reserves	(9,323)	(9,960)	(9,832)
Shareholders' funds	27,642	21,877	27,212
Minority interests	1,096	-	1,062
	28,738	21,877	28,274
Basic Net Asset Value per ordinary share	574.7p	475.2p	572.3p
Diluted Net Asset Value per ordinary share	573.0p	461.4p	568.3p

GRESHAM HOUSE plc

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

for the half year to 30th June, 2004

	6 months to 30th June, 2004 (Unaudited) £'000	6 months to 30th June, 2003 (Unaudited) £'000	12 months to 31st December, 2003 (Audited) £'000
Cashflow from operating activities			
Investment income received	61	81	133
Interest received	23	33	101
Rental income received	1,663	1,477	2,990
Other cash payments	<u>(745)</u>	<u>(121)</u>	<u>(316)</u>
Net cash inflow from operating activities (Note 2)	<u>1,002</u>	<u>1,470</u>	<u>2,908</u>
Returns on investment and servicing of finance			
Interest paid on 8% Secured Redeemable Loan Stock 2006	(146)	(146)	(293)
Interest paid on property loans	(795)	(577)	(1,148)
Net cash outflow from investments and servicing of finance	<u>(941)</u>	<u>(723)</u>	<u>(1,441)</u>
Capital expenditure and financial investment			
Sale of tangible fixed assets	-	6	6
Purchase of tangible fixed assets	-	(19)	(19)
Purchase of investments	(971)	(557)	(1,415)
Sale of investments	828	795	1,320
Net loans repaid/(advanced)	348	(51)	-
Purchase of/improvements to investment properties	(195)	(690)	(1,039)
Purchase of developments in hand	(145)	(146)	(2,392)
Net cash outflow from capital expenditure and financial investment	<u>(135)</u>	<u>(662)</u>	<u>(3,539)</u>
Corporation tax paid			
	<u>-</u>	<u>-</u>	<u>-</u>
Equity dividends paid			
	<u>(148)</u>	<u>(141)</u>	<u>(142)</u>
Cash outflow before use of liquid resources and financing			
	<u>(222)</u>	<u>(56)</u>	<u>(2,214)</u>
Management of liquid resources			
Acquisition of listed securities held for dealing	(87)	(261)	(335)
Financing			
Repayment of loans	(457)	(391)	(889)
Receipt of loans	74	199	1,797
Share capital issued	118	132	271
Net cash inflow/(outflow) from financing	<u>(265)</u>	<u>(60)</u>	<u>1,179</u>
Decrease in cash	<u>(574)</u>	<u>(377)</u>	<u>(1,370)</u>

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	6 months to 30th June, 2004 (Unaudited) £'000	6 months to 30th June, 2003 (Unaudited) £'000	12 months to 31st December, 2003 (Audited) £'000
Retained profit for the period	509	279	1,004
Surplus and write back of impairment on property revaluation	(195)	-	5,298
Net movement on capital reserves	(2)	(177)	2
Exercise of options to subscribe for share capital	118	132	271
Minority interest in reserves	-	-	(1,006)
	<u>430</u>	<u>234</u>	<u>5,569</u>
Shareholders' funds at beginning of period	<u>27,212</u>	<u>21,643</u>	<u>21,643</u>
Shareholders' funds at end of period	<u>27,642</u>	<u>21,877</u>	<u>27,212</u>

GRESHAM HOUSE plc

NOTES TO THE INTERIM STATEMENT

for the half year to 30th June, 2004

1 Basis of Preparation

- (a) The interim statement has been prepared in accordance with the accounting policies as set out in the Group's Report and Accounts for the year ended 31st December, 2003.
- (b) The interim statement is neither audited nor reviewed. The figures for the year ended 31st December, 2003 do not comprise statutory accounts for the purpose of section 240 of the Companies Act 1985, and have been extracted from the Group's full accounts for that year which received an unqualified Auditors' Report and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The accounts have been filed with the Registrar of Companies.
- (c) In accordance with the Company's accounting policies the above figures take into account the results of significant investments only to the extent of dividends received amounting to £1,717 (2003: £1,717).

2 Reconciliation of operating profit to operating cash flows

	6 months to 30th June, 2004 (Unaudited) £'000	6 months to 30th June, 2003 (Unaudited) £'000	12 months to 31st December, 2003 (Audited) £'000
Return on ordinary activities before taxation	543	279	1,209
Interest payable	<u>720</u>	<u>731</u>	<u>1,458</u>
	1,263	1,010	2,667
Depreciation	8	4	9
Loan provision written back	-	-	(40)
Decrease/(increase) in debtors	74	(611)	64
(Decrease)/increase in creditors	<u>(343)</u>	<u>1,067</u>	<u>208</u>
Net cash flow from operating activities	<u>1,002</u>	<u>1,470</u>	<u>2,908</u>

3 Reconciliation of net cash flow to movement in net debt

	6 months to 30th June, 2004 (Unaudited) £'000	6 months to 30th June, 2003 (Unaudited) £'000	12 months to 31st December, 2003 (Audited) £'000
Decrease in cash for the period	(574)	(377)	(1,370)
Cash outflow from repayment of debt	474	391	889
Cash inflow from loans received	(91)	(199)	(1,797)
Cash outflow from increase in liquid resources	<u>87</u>	<u>261</u>	<u>335</u>
Movement in net debt in the period	(104)	76	(1,943)
Net debt at beginning of period	<u>(19,833)</u>	<u>(17,840)</u>	<u>(17,890)</u>
Balance at end of period	<u>(19,937)</u>	<u>(17,764)</u>	<u>(19,833)</u>

4 Analysis of net debt

	At 1st January 2004 £'000	Cash flow £'000	Other non-cash changes £'000	At 30th June 2004 £'000
Cash in hand and at bank/brokers	1,189	(591)	-	598
Bank overdraft	(17)	17	-	-
	<u>1,172</u>	<u>(574)</u>	<u>-</u>	<u>598</u>
Debt due within one year	(3,673)	383	(355)	(3,645)
Debt due after one year	<u>(18,013)</u>	<u>-</u>	<u>355</u>	<u>(17,658)</u>
	<u>(21,686)</u>	<u>383</u>	<u>-</u>	<u>(21,303)</u>
Current asset investments	681	87	-	768
	<u>(19,833)</u>	<u>(104)</u>	<u>-</u>	<u>(19,937)</u>

5 Called up share capital

During the period under review 10,000 share options were exercised at par under the Unapproved Share Option Schemes and, in addition, 44,890 ordinary shares were issued under the terms of the 8% Secured Redeemable Loan Stock 2006; 19,784 ordinary shares at a price of 284p per share and 25,106 ordinary shares at a price of 236p per share. The allotted share capital has therefore increased by 54,890 ordinary shares.