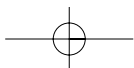
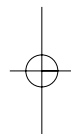
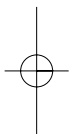
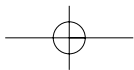


gresham computing plc
interim report 2005





CONTENTS

Directors and Advisers	02
Chairman's Statement	03
Group Income Statement	06
Group Balance Sheet	07
Group Cash Flow Statement	08
Group Statement of Recognised Income and Expense	09
Notes to the Interim Financial Statements	10

Gresham Computing plc
Registered No. 1072032

Directors

A M Howarth
J E Aves

A J S Walton-Green
S W Purchase
D Osman
C M Errington

Non-Executive Chairman
Non-Executive Director,
Chairman of Audit and Remuneration Committees
Chief Executive
Commercial Director
Operations Director
Finance Director

Secretary

C M Errington

Registered Office

Sopwith House
Brook Avenue
Warsash
Southampton
SO31 9ZA

Joint Brokers

KBC Peel Hunt Ltd
62 Threadneedle Street
London
EC2R 8HP

Auditors

Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

Joint Brokers and Financial Advisers

Robert W Baird Ltd
Mint House
77 Mansell Street
London
E1 8AF

Registrars

Lloyds TSB Registrars
Registrar's Department
The Causeway
Worthing
West Sussex
BN99 6DA

Bankers

HSBC Bank plc
165 High Street
Southampton
SO14 2NZ

Financial PR

Financial Dynamics
Holborn Gate
26 Southampton Buildings
London
WC2A 1PB

Solicitors

Shoosmiths
Russell House
1550 Parkway
Solent Business Park
Fareham
PO15 7AG

CHAIRMAN'S STATEMENT

For the period ended 30 June 2005:

- Turnover for the period up by 8% to £6.63m (2004: £6.14m);
- Loss before tax £0.7m for the period (2004: £0.6m loss);
- Loss after tax £0.6m for the period (2004: £0.6m loss);
- Net funds of £2.1m at 30 June 2005;
- Continuing positive progress with Cable & Wireless Real Time Nostro ("CWRTN") service with the 4 largest banks in the world now data providers;
- Disappointing performance from Integration; and
- Storage business performing well.

International Financial Reporting Standards ("IFRS")

These interim financial statements have been prepared under the new IFRS accounting regime, which came into force this year. Comparatives have been restated and a full analysis of the differences between UK Generally Accepted Accounting Practice ("UK GAAP") and IFRS, together with reconciliations of previously issued financial statements from UK GAAP to IFRS was issued by the Company today.

Real Time Nostro

Progress with the Cable & Wireless Real Time Nostro ("CWRTN") service continues to be very positive. This month's Sibos conference in Copenhagen saw CWRTN gather further momentum with new interest in the service coming from many parties. A pleasing and important aspect has also been the closer collaboration with SWIFT in recent months, something that we believe is evident from the updates provided by Cable and Wireless plc ("Cable & Wireless").

CWRTN Data Providers

Data providers are vital to the service because they provide the payment information that subscribers can utilise and view. In April 2005, I reported that 11 banks had agreed to provide data to the service, including 4 of the "top 10" largest banks in the world. At Sibos this month, Cable & Wireless provided an update on CWRTN confirming that the number of banks having now agreed to be data providers has increased from 11 to 18. Significantly, with the addition of HSBC and ABN Amro, the provider banks now include the 4 largest banks in the world (Citibank, JP Morgan, HSBC and Bank of America) and a total of 7 banks from the top 20 banks (Mizuho, Barclays and ABN Amro making up the 7).

HSBC has agreed to provide data from 42 currencies, representing all of its clearing branches worldwide. This will significantly increase the currency coverage of the service. The addition of ABN Amro as a data provider further enhances currency coverage with data from a major Euro clearer available to subscribers. It is our belief that the speed of roll out of CWRTN to subscribers is directly related to the number of currencies covered by the service. The recent announcements of new data providers will significantly enhance the value of the service to subscribers.

CWRTN Subscribers

The RTN Browser service allows subscribers real time access to international payment information from provider banks published from the RTN hub. As of today, more than 10 banks are using the service.

The RTN direct service differs from the browser service in that data is transferred directly into a bank's systems from the RTN hub, data being delivered as soon as it is received. This allows the user bank's systems to receive a 'pushed' information feed and to process the transaction data in real time. Barclays went live as the first subscriber to the direct service in early 2005 and a number of other major banks are currently evaluating the service with a view to adoption.

The number of application vendors, signed up by Cable & Wireless as partners, continues to grow and now totals eleven. These vendors are important because they provide software that allows banks to utilise the direct service and to extract maximum value from the real time information feed provided by the CWRTN service.

SWIFTNet

Cable & Wireless' preferred method of data delivery to and from the CWRTN hub is via the SWIFTNet IP infrastructure. SWIFT is the industry-owned co-operative supplying secure, standardised messaging services and interface software to 7,600 financial institutions in 200 countries. Co-operation with SWIFT is key, enabling banks to maximise the value of their investment in the secure SWIFTNet IP infrastructure.

Real Time Nostro User Group

This group continues as a forum for sharing CWRTN service ideas and experiences as well as key issues associated with cash management. The user group consists of both banks that have already joined the service and those that anticipate joining at some future point. The forum reinforces Real Time Nostro as a global industry initiative. It is notable that SWIFT has recently become a member of this group.

Integration

In the first half of 2005, progress towards realising opportunities in the Integration business has been slower than expected, however trading has improved in the second half.

Progress with our Integrated Client Money Solution between a major UK bank and its larger corporate customers was slower in the first half of 2005 than hoped. However, we now expect progress in the second half to be stronger, with the addition of several more customers for the service and an increasing pipeline.

We continue to invest in developing our patent pending payables financing solution, Gresham Payables Financing Solution ("GPFS"). GPFS provides suppliers of large buyers the opportunity for early drawdown of receivables in real time, making the service analogous to electronic receivables factoring. Our preferred method of delivery for GPFS is now as a service offering as opposed to a licence only model. As a result, we expect the rewards to be higher. We are currently in contractual discussions with a number of parties regarding taking GPFS to market, with a model of building recurring revenues over time.

In early 2005, we acquired the intellectual property of a business developing solutions in the instant messaging market. This technology has now been married with our Casablanca® integration technology and we are now taking this newly developed Real Time Secure Communications ("RTSC") solution, demonstrated at our AGM in June 2005, to market in partnership with BT. Our RTSC solution integrates the functionality of instant messaging, such as 'presence' and delivery of real time information, with existing core systems and facilitates collaborative working. Although it has taken longer to take the RTSC solution to market than we initially anticipated, with a consequential adverse impact on 2005 revenue, RTSC is now progressing well. RTSC is available in the BT technology centre and initial customer reaction during the market testing phase has been positive. We are now pursuing a number of significant opportunities with BT.

Casablanca® remains a core element of our integration business giving our clients and partners a serious alternative to more traditional integration products or approaches. It has increasingly given us access to significant opportunities, typically alongside major partners, from which we anticipate long-standing business to develop. Our continued investment in Casablanca® remains considerable, however revenues, particularly through our premium channel

partner, have to date fallen well short of expectations.

Storage

The upturn in market conditions for storage continued into 2005, with Storage performing strongly in the period compared to 2004, despite increasing market competition.

We have continued to invest in the development of our storage product line in order to expand our market reach. I am pleased to announce the release of our new, patent pending, Storage Consolidation Platform. This new platform will provide an unprecedented level of interoperability between storage applications, centralise management of available tape storage resources and will greatly facilitate the increasing demands for storage consolidation. In addition, the ability of users to implement specific business rules and policies will enhance both visibility and control of mainstream storage applications. The functionality and flexibility of our platform will prove particularly useful to library vendors but it also has wide market applicability for the enterprise user and to all concerned in the Storage Area Network (SAN) arena.

Contract Staff Business

Our staff placement business grew strongly during the period, with revenues increasing significantly compared with the first half of 2004. The growth arose from the provision of temporary staff, with higher margin permanent staff revenues remaining at modest levels.

Future Outlook

Our strategy is increasingly built around the provision of real time solutions and continues to be targeted at medium to long term opportunities, in particular around our core business areas of banking and integration. In addition to growing organically, where appropriate, we will seek to divest non-core activities and also consider acquisitions that

accelerate our growth within core business areas.

Building a significant base of major bank data providers is central to the strategy for CWRTN since this broadens the currency coverage over which subscribers can obtain real time information. Interest in CWRTN was high at Sibos this month and the Board believes that a critical mass of data providers is fast approaching. Looking ahead, we expect to see further growth in the number of data providers to the CWRTN service. While revenues are relatively modest and, as previously indicated, will take a number of years to build to their full potential, we expect to see increased growth in the number of subscribers as the service moves into a wider user adoption phase. Our belief is that CWRTN can be of assistance to banks in meeting increasing regulatory pressures around international payments and this factor should encourage take up of the service.

Integration work in the second half has picked up and significant opportunities continue to be identified. Direct sales of Casablanca® remain disappointingly slow and, as a result, we intend establishing further channels to market to broaden our reach.

We expect further development of our real time solutions, GPFS, RTSC and our Storage Consolidation Platform, in the remainder of 2005, with operational deployment of these solutions expected in the first half of 2006.

Taking into account all these factors, we anticipate improved trading in the second half of 2005 compared to the first half, with a more significant improvement in 2006.



Alan Howarth
Chairman
21 September 2005

gresham computing plc

GROUP INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Notes	6 months ended 30 June 2005 Unaudited £'000	6 months ended 30 June 2004 Unaudited £'000	12 months ended 31 December 2004 Unaudited £'000
Revenue		6,634	6,136	12,398
Cost of goods sold	2	(3,471)	(2,789)	(5,796)
Trading profit		3,163	3,347	6,602
Administrative expenses		(3,946)	(4,014)	(7,867)
Finance income		49	118	217
Finance costs		(8)	(10)	(19)
Loss before tax		(742)	(559)	(1,067)
Taxation	3	110	—	305
Attributable loss for the period		(632)	(559)	(762)
Earnings per share	4			
Basic loss per share - pence		(1.27)	(1.13)	(1.54)
Diluted loss per share - pence		(1.27)	(1.13)	(1.54)



GROUP BALANCE SHEET
AT 30 JUNE 2005

	Notes	At 30 June 2005 Unaudited £'000	At 30 June 31 2004 Unaudited £'000	At December 2004 Unaudited £'000
Assets				
Non-current assets				
Property, plant and equipment		1,278	1,442	1,400
Intangible assets		1,560	1,156	1,245
		2,838	2,598	2,645
Current assets				
Trade and other receivables		7,793	7,541	7,640
Cash and cash equivalents		2,105	3,411	3,016
		9,898	10,952	10,656
Total assets		12,736	13,550	13,301
Equity and liabilities				
Equity attributable to equity holders of the parent				
Called up equity share capital		2,490	2,470	2,479
Share premium account		9,937	9,670	9,713
Foreign currency translation reserve		(85)	(32)	(29)
Retained earnings		(4,489)	(3,687)	(3,875)
	6	7,853	8,421	8,288
Non-current liabilities				
Finance leases		38	43	40
Deferred income		118	394	268
Current liabilities				
Finance leases		37	67	61
Trade and other payables		4,690	4,625	4,644
Total liabilities		4,883	5,129	5,013
Total equity and liabilities		12,736	13,550	13,301

	At 30 June 2005 Unaudited £'000	At 30 June 31 2004 Unaudited £'000	At December 2004 Unaudited £'000
Net cash outflow from operating activities			
Loss before tax and financing	(783)	(667)	(1,265)
Depreciation and amortisation	189	203	392
Share based payment expense	18	14	29
Increase in trade and other receivables	(371)	(1,240)	(1,318)
Increase in trade payables and provisions	32	489	241
Cash outflow from operations	(915)	(1,201)	(1,921)
Interest paid	(8)	(10)	(19)
Net income taxes received / (paid)	259	(26)	(40)
Net cash outflow from operating activities	(664)	(1,237)	(1,980)
Cash flows from investing activities			
Interest received	49	103	199
Disposal of associated undertaking	24	-	387
Capital expenditure	(307)	(361)	(512)
Disposal of property, plant and equipment	-	3	-
Net cash (used in) / generated from investing activities	(234)	(255)	74
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	33	37	89
Decrease in obligations under finance leases	(38)	(40)	(81)
Net cash (used in) / generated by financing activities	(5)	(3)	8
Net decrease in cash and cash equivalents	(903)	(1,495)	(1,898)
Cash and cash equivalents at beginning of period	3,016	4,923	4,923
Exchange adjustments	(8)	(17)	(9)
Cash and cash equivalents at end of period	2,105	3,411	3,016

**GROUP STATEMENT OF
RECOGNISED INCOME AND EXPENSE**
FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Unaudited 6 months ended 30 June 2005 £'000	Unaudited 6 months ended 30 June 2004 £'000	Unaudited 12 months ended 31 December 2004 £'000
Exchange differences on translation of foreign operations	(56)	(32)	(29)
Net expense recognised directly in equity	(56)	(32)	(29)
Attributable loss for the period	(632)	(559)	(762)
Total recognised income and expense for the period	(688)	(591)	(791)

- 1 These unaudited interim financial statements have been prepared under International Financial Reporting Standards ("IFRS") that are expected to be in issue for the year ending 31 December 2005 and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.
- The accounting policies applied in preparation of these financial statements together with reconciliations of previously issued financial statements from UK Generally Accepted Accounting Practice ("UK GAAP") to International Financial Reporting Standards ("IFRS") are set out in the announcement issued by the Company on 22 September 2005 entitled: Restatement of Financial Information under International Financial Reporting Standards ("IFRS").
- The interim financial statements were approved by the Board on 21 September 2005. The statutory accounts for the year ended 31 December 2004, prepared under UK GAAP, received an unqualified auditor's report and have been delivered to the Registrar of Companies.
- The interim report will be sent to shareholders. Further copies may be obtained from the Company Secretary, Gresham Computing plc, Sopwith House, Brook Avenue, Warsash, Southampton, SO31 9ZA.

2 Segment reporting

All revenue relates to continuing operations.

Analysis of revenue by business segment:

	Six months ended 30 June 2005			Six months ended 30 June 2004		
	Segment revenue £'000	Inter- segment revenue £'000	External revenue £'000	Segment revenue £'000	Inter- segment revenue £'000	External revenue £'000
Solutions	1,828	—	1,828	2,288	—	2,280
Specialist contract staff	1,654	(10)	1,644	950	—	950
Enterprise Solutions	3,482	(10)	3,472	3,230	—	3,230
Enterprise Software	3,162	—	3,162	2,910	(4)	2,906
	6,644	(10)	6,634	6,140	(4)	6,136

Analysis of loss before tax by business segment:

	Six months ended		Year ended
	30 June 2005 £'000	30 June 2004 £'000	31 December 2004 £'000
Enterprise Solutions	(1,313)	(831)	(2,035)
Enterprise Software	1,070	738	1,754
	(243)	(93)	(281)
Common costs	(540)	(574)	(984)
Net interest receivable	41	108	198
Loss before tax	(742)	(559)	(1,067)

Common costs comprise the costs of all central group services.



NOTES TO THE INTERIM FINANCIAL STATEMENTS

AT 30 JUNE 2005

3 Taxation

	Six months ended 30 June 2005 £'000	30 June 2004 £'000	Year ended 31 December 2004 £'000
Adjustments in respect of prior years:			
UK Corporation tax research and development credit	110	—	305
	110	—	305

4 Earnings per share

Earnings per share has been calculated using the following earnings and weighted average shares outstanding:

	Six months ended 30 June 2005 £'000	30 June 2004 £'000	Year ended 31 December 2004 £'000
Earnings			
Basic and fully diluted earnings	(632)	(559)	(762)
	(632)	(559)	(762)
For basic weighted average Potential ordinary shares	49,646,035 —	49,310,700 —	49,407,419 —
Diluted weighted average number of shares	49,646,035	49,310,700	49,407,419

Diluted earnings per share are identical to basic earnings per share in all cases because potential diluting events would have the effect of reducing the loss per ordinary share.

5 Dividends

No interim dividend has been paid or proposed for the period ended 30 June 2005 and no dividends were paid or proposed in the comparative periods.

6 Group Statement of Changes in Equity

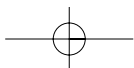
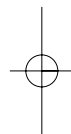
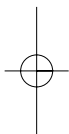
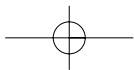
	Share capital £'000	Share premium £'000	Currency translation reserves £'000	Retained earnings £'000	Total £'000
31 December 2003	2,464	9,639	—	(3,142)	8,961
Exchange differences on translation of foreign operations	—	—	(32)	—	(32)
Share based expense recognised in the income statement	—	—	—	14	14
Issue of shares	6	31	—	—	37
Attributable loss for the period	—	—	—	(559)	(559)
At 30 June 2004	2,470	9,670	(32)	(3,687)	8,421
Exchange differences on translation of foreign operations	—	—	3	—	3
Share based expense recognised in the income statement	—	—	—	15	15
Issue of shares	9	43	—	—	52
Attributable loss for the period	—	—	—	(203)	(203)
At 31 December 2004	2,479	9,713	(29)	(3,875)	8,288
Exchange differences on translation of foreign operations	—	—	(56)	—	(56)
Share based expense recognised in the income statement	—	—	—	18	18
Issue of shares net of expenses	11	224	—	—	235
Attributable loss for the period	—	—	—	(632)	(632)
At 30 June 2005	2,490	9,937	(85)	(4,489)	7,853

7 IFRS differences

To aid comparison, the following table summarises the key differences between the IFRS loss after tax presented in these financial statements and the loss after tax that would have been presented under UK GAAP.

	Six months ended 30 June 2005 £'000	30 June 2004 £'000	Year ended 31 December 2004 £'000
Attributable loss as reported under IFRS	(632)	(559)	(762)
Goodwill amortisation reversal	(54)	(54)	(108)
Residual value of property	(29)	(29)	(58)
Lease incentives	(15)	(15)	(30)
Holiday pay	45	56	36
Share options	18	14	29
Research and development expenditure capitalised	(250)	—	—
Loss under UK GAAP 30 June 2005	(917)	(587)	(893)







Sopwith House Brook Avenue Warsash Southampton SO31 9ZA

Tel: +44 (0)1489 555500 Fax: +44 (0)1489 555560 www.gresham-computing.com