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Gresham Computing plc
(“Gresham,” “the Group” or “the Company”)

Preliminary Results for the year ended 31 December 2006

Gresham, the specialist provider of real-time financial solutions and storage solutions, today announces preliminary results for the year ended 31 December 2006.

Highlights:

- Revenue stream improved 4% to £14.5m (2005: £13.9m);
- 67% reduction in Loss before Tax to £414,000 (2005: £1.25m);
- Enhanced year-end cash position at £3.56m (2005: £1.97m);
- Successful re-branding of product suite under the ‘Clareti’ name to broaden and drive sales;
- Real Time Nostro – rebranded as Clareti Cash Reporting – continues to benefit from Gresham’s role as sales and support lead: 22 major banks now provide data, 5 major banks have agreed to receive data as a live feed, and 5 use the secure web browser.
- Signed a new agreement in December 2006 to provide a hosted intraday cash management solution to a major bank’s corporate customers which is expected to go live in 2007 and be rolled out over several years.
- Further expansion of global footprint with opening of new offices in the key financial centres of New York and Kuala Lumpur.
- Today announced a cash reporting and payables financing service with Cable & Wireless as the first customer.

Financial Highlights:

	FY 2006	FY 2005
	£,000	£,000
Revenue	14,522	13,982
Trading Loss	(530)	(1,356)
Loss before Tax	(414)	(1,246)
Attributable to equity holders of the Parent	(374)	(1,101)
Loss per share (pence)	(0.74)	(2.20)
Cash	3,557	1,973

Commenting on the results Andrew Walton-Green, Gresham Chief Executive Officer, said:

“In recent years we have invested heavily in building up a full range of innovative solutions for the payments, cash management and storage segments. Our primary focus now rests on getting these products to market. As a result we continue to invest in high calibre sales, pre-sales and marketing resources to help us service our global markets. We also continue to expand our global footprint and have recently opened new offices in the key financial centres of New York and Kuala Lumpur.

Our payment and cash reporting solutions for both the banking and corporate markets are already delivering revenues. We expect these revenues to grow considerably in the medium to long-term. Furthermore, we believe that the addition of supply chain financing to our solutions portfolio will substantially enhance our medium to long-term prospects and we anticipate making significant progress on this strategic initiative during the coming financial year.”

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CHAIRMAN'S STATEMENT

Gresham is a specialist in real-time financial and storage solutions. Today we provide our products and solutions to more than 500 businesses around the world including nearly a quarter of the Fortune 500.

We pride ourselves in offering innovative business solutions backed by enterprise class technology. The dedication of our staff ensures superb delivery and support of our customers globally. As a result, in our 35th year since incorporation, we have a well-deserved reputation for innovation, technical excellence and reliability, borne of a strong service culture.

As a group, we have high aspirations. I am pleased to report that we are making solid progress towards realising our ambitions.

Overview of the year

2006 can be characterised as a year of increased focus and of growth. Perhaps the most visible result of this increased focus has been the successful re-branding of our product suite under the 'Clareti' brand name. The Clareti brand now forms a solid platform on which we can continue to improve our efficiency in bringing Gresham's innovative solutions to market.

Real-time financial solutions

In April 2006, Gresham took on the leading sales and technical support roles for the Clareti Cash Reporting Service ("CCRS"), previously known as Real Time Nostro. CCRS is a global solution to SWIFTNet Cash Reporting that provides a single, consolidated view of multi-currency cash positions. Through close cooperation with Cable & Wireless and our joint customers, the major banks, we have effected a smooth transition of operational responsibilities to enable us to lead this global initiative. Cable & Wireless continue to provide secure hosting and a global telecommunications infrastructure.

We currently have 22 major banks that have agreed to provide data to the service, the latest being The Bank of New York. Today, 14 of these banks provide near real-time data to our hub. The increase in the number of live provider banks who are populating our database with multi-currency payment information clearly increases the value of the hub service to both new and existing users. We currently have 5 major banks that have agreed to receive data as a live data feed and 5 for the browser. The browser is an effective tool to gain near real-time visibility of an individual transaction; a single customer; a bank's position in a single currency; a single correspondent or a real-time status report on its global multi-currency multi-correspondent position. The service is used to monitor both what *has happened* as well as what is *expected to happen* providing alerts and reports to manage exceptions as they occur. As a result, the service is proving a valuable tool for management and investigations in global cash management. While the live data feed is more expensive than our browser service, the benefits of aggregated, normalised data being fed into a bank's core systems enables intraday reconciliation. This in turn enables all of a bank's core processes to be enabled to extract the maximum value from this data.

Our strategy has been to expand our service offering of real-time intraday cash management into the corporate market, providing national data as well as international data. We therefore offer a range of Clareti solutions to enable our banking customers to provide intraday/real-time payment information to their customers. We are pleased to announce that in December 2006 we signed a new agreement to provide a hosted solution for a major global bank to provide intraday cash management services to their UK corporate customers. The service is expected to go live in 2007 and be rolled out to the bank's key customers over time, with the bank acting as the sales channel.

As well as providing cash reporting technology to understand what *has happened*, we have developed a simple and effective cash reporting solution that provides vital information about what *will happen* in the future. This patent pending solution combines Gresham cash reporting and payables financing technology and enables a supplier to see payments that it will receive from a buyer in the future, information that is of immense value to a business. The payables financing technology module then enables a supplier to take early payment from a buyer with a financial institution funding the gap between early payment and the actual payment from the buyer. Unlocking the financial supply chain represents a huge market opportunity both for Gresham and the wider market. We are currently engaged in a number of exciting opportunities with this technology combination in Europe and Asia.

I am pleased to announce today the launch of our combined cash reporting and payables financing service, which is available to both banks and companies. The service will be securely hosted by Cable & Wireless, who will also be the launch customer. Together we will enable their major suppliers to have 'Clareti' around the financial supply chain.

Once payment data enters the corporate environment, it typically needs to be managed. For the largest companies in the world, this necessitates the use of cash management software, reconciliation software and treasury management software. Gresham has some but not all of the software required to deliver a complete solution. As a result we have chosen to work with major partners to ensure we are able to provide a best of breed solution to some of the largest banks and corporate groups in the world. We are very pleased to act as a key integration partner for Wall Street Systems in Asia Pacific where we are building upon our credentials established from successfully implementing global cash management solutions for Khazanah Nasional and Petronas; the regions largest and most influential organisations.

All banks are under pressure to reduce payment costs. In Europe, the Single European Payments Area initiative and Target 2 are key drivers for cost reduction, greater visibility and control. However, there are also significant opportunities for banks that can deliver fully integrated payment solutions to enhance customer value through "netting" or re-routing of high value payments through low cost mechanisms. Through years of experience in this area and in particular the core banking technology now developed and implemented with some of the largest banks in the world for the CCRS initiative, we are now able to provide a fully integrated and configurable payments hub which enables a bank to leverage it's existing payment silos to deliver real-time payment solutions.

Batch processing and legacy systems are still prevalent in most parts of the financial services market place. Whilst much of what we do today is focused on real-time financial solutions and modern technology, we have a real advantage from our ability to unite legacy and modern systems using know-how and technology developed over many years. Gresham is currently working with some of the largest financial institutions in the world to unlock the value from these systems with world class enterprise solutions spanning integration, internet banking, automated lending decisions and delivery of real-time stock exchange data to a PC or a mobile device.

Storage solutions

Our storage software currently resides in some of the largest data centres in the world providing a key link between the business and its tape storage silos. Since we first came to market with a product around 10 years ago, we now have over 4300 installations of Clareti EDT in hundreds of customers around the world; 70 of which are Fortune 500 companies. Clareti EDT dynamically manages tape drives and works in a TSM/StorageTek, TSM/IBM and TSM/ADIC environment. TSM is a high-end enterprise back-up product from IBM used by many of the largest companies in the world.

As a result, Clareti EDT remains a strong feature of our storage business, both in terms of maintenance revenues and new license sales. Our interaction with truly global customers ensures that we remain at the leading edge of enterprise storage and as a result we are recognised by our customers as experts in our field. From this deep understanding of the market and enterprise customer requirements, we developed our new flagship storage product Clareti VTL (Virtual Tape Library), launched in mid 2006.

Emerging VTL solutions provide companies with the ability to more efficiently manage their data storage requirements. By creating a “virtual tape” on a disk, open systems and mainframe systems perform their normal back-up operations and instead of backing up to tape they are fooled into backing up to multiple disk arrays. This enables very fast back-up times. However, since disk is considerably more expensive than tape as a storage media and arguably less resilient, the largest data users globally still then want to move the data to tape. Clareti VTL was developed to enable back up to tape via disk and as a result is the only virtual tape system that can address each of these concerns with a single solution. Integrating seamlessly into existing environments, Clareti VTL will work with any back up application, any tape drive or media type. Superior management and support features ensure business continuance, while letting you control the storage enterprise. In addition, Clareti VTL is flexible enough to scale from the enterprise level down to the small business.

The capabilities of our Clareti VTL solution were put to the test in mid 2006 when we came second to EMC in an external analysts assessment of the VTL disk market. We beat 11 other competing solutions in the VTL disk storage market without even demonstrating our key benefit of then actually writing data to tape.

We secured our first OEM partner for Clareti VTL in mid 2006 and anticipate securing further OEM deals in 2007. We also started making direct approaches to customers supported by our enhanced sales and marketing resources. The solution is now live in the market with a growing customer base.

In February 2007, we completed the restructuring of our small French data back-up business and this business is now in maintenance mode.

Financial Results

Group revenues were up 4% to £14.52m (2005: £13.98m) generating a loss of £0.37m after tax (2005: loss £1.10m) with cash at year end of £3.56m (2005: £1.97m).

EMEA revenues grew 6% to £8.82m (2005: £8.33m) from an overall net increase in sales of real-time financial solutions after taking into account reductions in our IT staff placement business and French storage business. Profitability in EMEA improved significantly with growth in the real-time financial solutions business and reduced losses from our French storage business driving this change.

North American revenues grew 2% to £3.94m (2005: £3.87m) as sales of our new VTL storage solution and growth in our real-time financial solutions business. Overall we increased costs in the second half as we added new management, sales and marketing resources in this region.

Asia Pacific revenues remained relatively static year on year as we completed a major cash management integration project and saw further pipeline sales delayed to 2007 and from weakening of the A\$ against the £. This coupled, with a planned increase in sales and marketing cost base, resulted in a small reduction in profitability taking the region to an £81k loss (2005: £96k profit).

Revenue from real-time financial solutions grew 9% to £11.82m (2005: £10.81m) notwithstanding a £0.48m reduction in revenue from our IT staff placement business.

Revenue from storage solutions fell 15% to £2.70m (2005: £3.17m), arising primarily from a planned restructuring of our French storage business and a general weakening of the US\$.

People and Technology

Two of Gresham's greatest assets are its people and technology.

In 2006, we significantly increased our investment in senior management, sales, pre sales and marketing people. As well as strengthening the main Board with the appointment of a group sales and marketing director, we hired proven country leaders in EMEA and North America, both of whom brought strong sales backgrounds in our chosen markets. We intend to further strengthen the team in 2007, taking into account market opportunities. I welcome those that have chosen to join us at this exciting time and look forward to working with them in the future.

Our staff numbers however remained relatively static year on year taking into account the reduction from restructuring our French operations and new recruitment activity.

Gresham creates enterprise-class software based solutions, with Clareti Cash Reporting and more recently Clareti VTL exemplifying our abilities. Software development is only half the work and we are now placing much greater emphasis on taking these solutions to market and becoming sales and marketing led. We continue to invest in technology that adds significant value in our chosen markets and during 2006 we launched a number of new technologies to support organic growth.

The Board

In May, we underlined our focus on becoming sales and marketing led with the creation of a new role and appointment to the Board of Rob Glenn as group sales and marketing director. Rob is an experienced sales professional and this new position was created to drive our sales and marketing efforts globally.

In June, Dean Osman stepped down from the Board after 8 years and took up a new operational role in Gresham EMEA to drive our real-time financial solutions business in this key market.

Strategy

Our strategy is to grow the business organically by focusing on real-time financial solutions and storage solutions, whilst controlling costs. In support of this strategy, we opened an office in Kuala Lumpur to support our work with Wall Street Systems in Asia Pacific and more recently opened an office in New York to step up our North American real-time financial solutions business in what is the largest market in the world for our solutions.

We will continue to work with partners to bring solutions to existing and new customers and extend our reach globally. Where appropriate, we will seek acquisitions to accelerate our growth in the real-time financial solutions market.

Over the past six months, we have engaged heavily with analysts, customers, suppliers and the market generally to verify our position and propositions. The markets for real-time financial solutions and storage solutions are very large and we believe that Gresham technology is well placed to satisfy both existing and growing demand in both. We have strengthened our businesses with the addition of new people and increased our sales and marketing capabilities to achieve growth based on meeting the needs of our customers.

Outlook

We have invested heavily over the last few years to build an innovative range of products in the payments, cash management and storage markets.

Our current investment is in getting our products to market. We will continue to invest in high calibre sales, pre-sales and marketing resources to service our global markets and at present, we are making this investment ahead of revenues. We are also investing in key geographies and have recently opened new offices in New York and Kuala Lumpur.

Our solutions are intended to deliver short, medium and long-term returns in the real-time financial and storage solutions markets. Our new storage product, mobile real-time data solutions, integration and cash management solutions all afford short-term revenue opportunities, complementing the existing revenues from our legacy products.

Our payment and cash reporting services and solutions for both the banking and corporate markets are already delivering revenues. We would expect these to grow considerably over the medium to long-term. The addition of supply chain financing to this portfolio we believe will add substantially to our medium and long-term prospects and we anticipate making significant progress on this strategic initiative this year.

Alan Howarth
Chairman
26 March 2007

Group income statement
For the year ended 31 December 2006

	Notes	31 December 2006 £'000	31 December 2005 £'000
Revenue	2	14,522	13,982
Cost of goods sold		(6,928)	(7,205)
Gross profit		7,594	6,777
Administrative expenses		(8,124)	(8,133)
Trading loss	2	(530)	(1,356)
Finance revenue		132	124
Finance costs		(16)	(14)
Loss before taxation		(414)	(1,246)
Taxation		40	145
Attributable to equity holders of the parent	5	(374)	(1,101)
Loss per share (total and continuing)			
Basic loss per share - pence	3	(0.74)	(2.20)
Diluted loss per share - pence	3	(0.74)	(2.20)

Group statement of recognised income and expense
For the year ended 31 December 2006

	2006 £'000	2005 £'000
Exchange differences on translation of foreign operations	(103)	-
Net expense recognised directly in equity	(103)	0
Attributable loss for the period	(374)	(1,101)
Total recognised income and expense for the period	(477)	(1,101)

Group balance sheet
At 31 December 2006

	Notes	31 December 2006 £'000	31 December 2005 £'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,195	1,271
Intangible assets		5,879	1,879
		<hr/> 7,074	<hr/> 3,150
Current assets			
Trade and other receivables		3,543	8,175
Income tax receivable		305	252
Other financial assets		32	40
Cash and cash equivalents		3,557	1,973
		<hr/> 7,437	<hr/> 10,440
TOTAL ASSETS	2	<hr/> <hr/> 14,511	<hr/> <hr/> 13,590
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Called up equity share capital		2,518	2,513
Share premium account		10,037	10,009
Other reserves		1,039	1,039
Foreign currency translation reserve		(132)	(29)
Retained earnings		(6,383)	(5,973)
	5	<hr/> 7,079	<hr/> 7,559
Non-current liabilities			
Financial liabilities		0	21
Deferred income		1,562	680
Current liabilities			
Financial liabilities		0	43
Income tax payable		121	109
Trade and other payables		5,749	5,178
Total liabilities	2	<hr/> 7,432	<hr/> 6,031
TOTAL EQUITY AND LIABILITIES		<hr/> <hr/> 14,511	<hr/> <hr/> 13,590

Group cashflow statement
For the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Cashflows from operating activities			
Trading loss		(530)	(1,356)
Depreciation, amortisation and impairment		481	586
Share based payment (credit) / expense		(36)	42
Decrease / (Increase) in trade and other receivables		1,321	(1,424)
Increase in trade and other payables		1,441	976
Cash inflow / (outflow) from operations	6	2,677	(1,176)
Net income taxes received		0	431
Net cash inflow / (outflow) from operating activities		2,677	(745)
Cash flows from investing activities			
Interest received		132	84
Repayment of convertible bonds		0	400
Purchase of property, plant and equipment		(180)	(155)
Disposal of property, plant and equipment		0	4
Payments to acquire intangible fixed assets		(956)	(709)
Net cash used in investing activities		(1,004)	(376)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		33	140
Share issue costs		0	(10)
Interest paid		(8)	(14)
Decrease in obligations under finance leases		(59)	(65)
Net cash (used in) / generated by financing activities		(34)	51
Net increase / (decrease) in cash and cash equivalents		1,639	(1,070)
Cash and cash equivalents at beginning of period		1,973	3,016
Exchange adjustments		(55)	27
Cash and cash equivalents at end of period		3,557	1,973

Notes to the financial information

1 Basis of preparation

The above financial information does not constitute statutory financial statements as defined by section 240 of the Companies Act 1985. The results for the year ended 31 December 2006 and the balance sheet at that date are extracted from the statutory financial statements (on which the auditors have given an unqualified opinion) which will be filed with the Registrar of Companies. The comparative financial information is extracted from the statutory accounts for the year ended 31 December 2005 (on which the auditors gave an unqualified opinion). The financial statements are prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2 Segmental information

Prior year adjustment and restatement of segment information comparatives

In October 2006, the group announced the launch of its Clareti Real-Time Financial Solutions and Clareti Storage Solutions. On the same date, the group began to re-organise such that reporting of results and operations was on a geographic basis with a managing director responsible for and reporting on each country. From 1 January 2007, results have been reported to the board based on a primary geographic segment.

Taking into account the requirements of IAS 14 in the context of the changes described above, the directors consider that the dominant source and nature of risk and return is now geographic based and have revised the segments disclosed in these financial statements accordingly.

Specifically, in these financial statements the primary segment has been changed from business segment to geographic segment and the secondary segment has been changed from geographic segment to business segment. In addition, the business segments themselves have been revised such that Real-Time Financial Solutions and Storage Solutions have replaced Enterprise Solutions and Enterprise Storage.

The identification of segments is part of the segment accounting policy and accordingly the change has been accounted for and disclosed in accordance with IAS 8 as a prior year adjustment with restatement of comparative segment information.

Segments

The primary segment reporting format is determined to be geographic segments as the group's risks and rates of return are affected predominantly by differences in geography. Secondary segment information is reported by business segment. The operating businesses are organised and managed separately according to geography, with each segment representing a strategic business unit that offers the Clareti range of solutions to market.

The group's geographic segments are based on the location of the group's assets. Sales to external customers disclosed in geographic segments are based on the geographic location of its customers and destination. The geographic segments relate primarily to operations in the following countries: Asia Pacific: Australia and Malaysia; EMEA: UK and Northern Europe; North America: United States of America, Canada and the Caribbean.

The real time financial solutions segment is a supplier of solutions predominantly to the finance and banking markets. Included within the real time financial solutions segment is the group's IT staff placement business and, because this business contributes significant revenues, certain additional information concerning the results of this business have been provided to aid understanding of the overall segment results. The storage solutions segment is a supplier of solutions predominantly to the enterprise level storage market.

Transfer prices between segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

Primary reporting format - Geographic segments

The information previously reported in respect of the year ended 31 December 2005 has been restated as detailed above.

The following tables present revenue and profit/loss and certain asset and liability information regarding the group's geographical segments for the years ended 31 December 2006 and 2005 (as restated), all of which are continuing.

Revenue by source	Year ended 31 December 2006			Year ended 31 December 2005		
	Segment revenue £'000	Inter-segment sales £'000	Sales to external customers £'000	Segment revenue £'000	Inter-segment sales £'000	Sales to external customers £'000
Asia Pacific	2,384	(613)	1,771	2,269	(488)	1,781
EMEA	8,869	(54)	8,815	8,337	(4)	8,333
North America	3,936	0	3,936	3,874	(6)	3,868
	<u>15,189</u>	<u>(667)</u>	<u>14,522</u>	<u>14,480</u>	<u>(498)</u>	<u>13,982</u>

Revenue by destination	2006 £'000	2005 £'000
Asia Pacific	3,104	2,571
EMEA	9,817	9,910
North America	1,601	1,501
	<u>14,522</u>	<u>13,982</u>

Result by segment	Year ended 31 December 2006				Year ended 31 December 2005			
	Asia Pacific £'000	EMEA £'000	North America £'000	Total £'000	Asia Pacific £'000	EMEA £'000	North America £'000	Total £'000
Segment result	(81)	95	711	725	96	(1,101)	808	(197)
Unallocated expenses				(1,255)				(1,159)
Trading loss				(530)				(1,356)
Net finance revenue				116				110
Loss before income tax				(414)				(1,246)
Income tax credit				40				145
Net loss for the year				<u>(374)</u>				<u>(1,101)</u>

Assets by segment	Year ended 31 December 2006				Year ended 31 December 2005			
	Asia Pacific £'000	EMEA £'000	North America £'000	Total £'000	Asia Pacific £'000	EMEA £'000	North America £'000	Total £'000
Segment assets	1,438	5,943	2,166	9,547	1,843	7,277	1,384	10,504
Unallocated assets				4,964				3,086
Total assets				<u>14,511</u>				<u>13,590</u>
Segment liabilities	(342)	(5,219)	(1,536)	(7,097)	(621)	(3,725)	(1,584)	(5,930)
Unallocated liabilities				(335)				(101)
Total liabilities				<u>(7,432)</u>				<u>(6,031)</u>

Other segment information	Year ended 31 December 2006				Year ended 31 December 2005			
	Asia	EMEA	North	Total	Asia	EMEA	North	Total
	Pacific		America		Pacific		America	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital expenditure:								
Tangible assets	14	65	101	180	5	90	52	147
Intangible assets	0	380	576	956	78	352	479	909
	14	445	677	1,136	83	442	531	1,056
Depreciation	12	186	42	240	25	213	42	280
Amortisation	15	185	13	213	7	84	0	91
Impairment losses	0	28	0	28	0	215	0	215

Unallocated assets and liabilities comprise certain property, plant and equipment, cash and taxation.

Secondary reporting format - Business segments

The information previously reported in respect of the year ended 31 December 2005 has been restated as detailed above.

The following tables present revenue, expenditure and certain asset information regarding the group's business segments for the years ended 31 December 2006 and 2005 (as restated).

Revenue by business segment	2006	2005
	£'000	£'000
Real Time Financial Solutions	11,823	10,812
Storage Solutions	2,699	3,170
	<u>14,522</u>	<u>13,982</u>

Included in the Real Time Financial Solutions business segment is £3,411,000 of revenue in respect of the IT staff placement business (2005: £3,892,000).

Other information	Year ended 31 December 2006			Year ended 31 December 2005		
	Real Time Financial Solutions	Storage	Total	Real Time Financial Solutions	Storage	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Assets by business segment						
Segment assets	7,849	1,698	9,547	9,402	1,102	10,504
Unallocated assets			4,964			3,086
Total assets			<u>14,511</u>			<u>13,590</u>
Capital expenditure:						
Tangible assets	88	92	180	79	68	147
Intangible assets	475	481	956	430	479	909
	563	573	1,136	509	547	1,056

Unallocated assets and liabilities comprise certain property, plant and equipment, cash and taxation.

3 Loss per ordinary share

Basic loss per share amounts are calculated by dividing net loss or profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss or profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares except when such dilutive instruments would reduce the loss per share.

The following reflects the loss and share data used in the basic and diluted loss per share computations:

	<i>2006</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Net loss attributable to equity holders of the parent	(374)	(1,101)
	<i>2006</i>	<i>2005</i>
Basic weighted average number of shares	50,293,800	49,945,603
Dilutive potential ordinary shares:		
Employee share options	-	-
Diluted weighted average number of shares	50,293,800	49,945,603
Basic loss per share - pence	(0.74)	(2.20)
Diluted loss per share - pence	(0.74)	(2.20)

The employee share options are not dilutive because they would reduce the loss per share in both years.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

4 Dividends paid and proposed

No dividends were declared or paid during the year and no dividends are proposed for approval at the AGM (2005: None).

5 Reconciliation of movements in equity

	Share capital	Share premium	Other reserves	Currency translation reserves	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2005	2,479	9,713	1,039	(29)	(4,914)	8,288
Exchange differences on translation of foreign operations	0	0	0	0	0	0
Share based payment expense	0	0	0	0	42	42
Issue of shares	34	306	0	0	0	340
Share issue costs	0	(10)	0	0	0	(10)
Attributable loss for the period	0	0	0	0	(1,101)	(1,101)
At 31 December 2005	2,513	10,009	1,039	(29)	(5,973)	7,559
Exchange differences on translation of foreign operations	0	0	0	(103)	0	(103)
Share based payment income	0	0	0	0	(36)	(36)
Issue of shares	5	28	0	0	0	33
Share issue costs	0	0	0	0	0	0
Attributable loss for the period	0	0	0	0	(374)	(374)
At 31 December 2006	2,518	10,037	1,039	(132)	(6,383)	7,079

6 Change of arrangement with Cable & Wireless

As a result of the new arrangement agreed with Cable & Wireless in April 2006, a one off payment of cash was made to Gresham by Cable & Wireless in the year. In addition, from April 2006 additional fixed quarterly payments are being made to Gresham by Cable & Wireless. The initial one off payment is being deferred in the balance sheet and released on a straight line basis to revenue over a period of 3 years from May 2006 to match the cost of the additional obligations taken on by Gresham under this new agreement. The further fixed quarterly payments, which are paid in advance, are also being deferred in the balance sheet and released on a straight line basis to revenue over the quarters to which they relate.

During the period, the revenue recognised in the income statement in respect of this arrangement totalled £916,000, with no impact on the comparative figures.

The payments noted above led to an operating cash receipt during the period of £2.9m.