

Gresham House plc
Trading at a 56% Discount to NAV

345p

22 September 2008

Share Price: 345p



Source: Fidessa

12m High: 925p

12m Low: 335p

Market Cap: £16.9m

Shares in Issue: 4.9m

NAV/Share: 781.3p (H1 2008 actual)

Gearing: 42%

Interest Cover: negative

EPIC Code: GHE.L

Sector: Equity Investment Instruments

Market: London FULL

Broker: Keith Bayley Rogers & Co

PR: GTH Communications

Website: www.greshamhouse.com

Description: Gresham House is an Investment Trust targeting the UK capital growth sector.

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Established in 1857, Gresham House is the UK's oldest Investment Trust. Its objective is to provide shareholders with long term UK capital growth through investment in a diversified portfolio of assets consisting of listed securities and high risk early stage unquoted investments balanced by a dominant commercial property portfolio.

Gresham House has a good historical track record returning an impressive 232% over the past five years (1 Jan 2003 - 31 Dec 2007). Basic NAV per share has increased from 488p to 837.9p over the same time period, equivalent to growth of 71.6%. However, the Trust reported a 7% decline in NAV per share in FY07 and in light of the bearish outlook for the UK economy NAV per share is likely to decline again in FY08.

It is clear that Gresham House has a difficult relationship with two of its major shareholders – Parkwood Property Investments LLP (29.9%) and the Trustees of the Rowe Trust (13.2%). The tension culminated this month when a third set of resolutions proposing the removal of Gresham House's Directors was put forward with the support of both parties. An EGM on the proposal has been scheduled for 9 October 2008.

Having decided to dissolve the Trust in June 2008, Gresham House is currently pursuing a strategy of realising its investments over a five year time period.

Our sum-of-parts NAV valuation for Gresham House yields a fair value price of 626p per share representing a 20% discount to the Trust's last reported NAV of 781.3p per share (as at 30 June 2008) reflecting more challenging trading conditions in both the equity and commercial property markets. At the current share price of 345p, Gresham House is trading at a 56% discount to NAV, a substantially wider discount to NAV than the UK Investment Trust sector average.

Looking beyond 2008, we note successful planning permission applications at two of the six sites in the property portfolio (one for residential, one for mixed retail) and the possibility of three of the Trust's unquoted investments floating on AIM or PLUS markets could result in substantial gains on the disposal of these assets over the Board's stipulated five year time frame.

This period has been set with regard to the current economic climate but the Board is seeking "earlier realisations if this proves possible without significant sacrifice in values".

Y/E	Income	Declared Profit, IFRS	Adjusted Profit	Declared EPS, IFRS	NAV/share	Div	Yield
Dec	£m	£m	£m	p.	P	p.	%
2006A	3.29	7.21	0.43	131.7	902.4	6	1.7
2007A	2.80	(4.01)	(1.01)	(58.9)	837.9	5	1.4
2008E	No	Forecasts					
2009E	No	Forecasts					

Company Background

Gresham House is an Authorised Investment Trust. The objective of the Trust is to provide investors with long term capital growth through investments in listed securities (primarily UK), unquoted early stage securities and property. Longer term the stability of the Trust's property portfolio is expected to off-set the higher risk of its early stage investments.

Gresham House's investment portfolio is currently split close to 30% in equity investments (88% listed, 12% unquoted) and 70% in property investments. The Trust's ten largest investments account for circa 79% of its equity portfolio.

Historical performance as measured by increase in NAV and Capital Return to 31 December 2007 is set out below.

“Longer term the stability of the Trust's property portfolio is expected to off-set the higher risk of its early stage investments”

Historical Fund Performance	Percent
NAV and Capital Return as at 31 December	Return
Five year performance	
NAV	+72
Capital return	+217
FTSE All Share index	+74
Three year performance	
NAV	+34
Capital return	+106
FTSE All Share index	+36
Two year performance	
NAV	+8
Capital return	+134
FTSE All Share index	+15
One year performance	
NAV	-7
Capital return	+12
FTSE All Share index	+2

Of late the Directors of Gresham House have been embroiled in a battle with Parkwood Property Investments LLP, a 29.9% shareholder in Gresham House, which led to Parkwood calling for the resignation of Gresham House's Directors in December 2007. Parkwood acquired its holding from the Rowe Trust in November 2006 and the dispute between Parkwood and Gresham House arose over Parkwood's desire to acquire Gresham House's property portfolio at a price which was unacceptable to Gresham House's Directors. This led to Parkwood subsequently claiming that Gresham House's Directors have insufficient experience in the property sector and that they are not making the best use of their sizeable property portfolio.

A resolution for the removal of four of Gresham House's Directors, including Gresham House's Chairman and Managing Director, Mr A P Stirling, was defeated in January 2008. Parkwood pursued the matter again in June 2008 sending a letter to Gresham House advising them that Parkwood would be voting against resolutions to re-elect four of Gresham House's Directors at the company's AGM to be held later that month and that Parkwood would be seeking the appointment as Directors of four nominees. The resolutions to re-elect existing Directors were subsequently passed despite Parkwood's opposition.

This month a third set of resolutions has been put forward proposing the removal of five Gresham House Directors, again including Mr Stirling. This proposal, which is to be heard at an EGM to be held on 9 October, has been put forward by the Rowe Trust, a 13.2% shareholder in Gresham House. Importantly the proposal put forward by the Rowe Trust calls for the appointment as Directors of three nominees, one from the Rowe Trust and two from Parkwood. The Rowe Trust and Parkwood therefore appear to be acting in concert to remove Gresham House's existing Directors. Combined the two parties hold a 43.2%

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shareholding in Gresham House. Interestingly, the proposal by the Rowe Trust calls for the removal of Mr N Rowe and Mr T Rowe, beneficiaries of the Rowe Trust. It is worth pointing out that one of the Trustees of the Rowe Trust is an ex-Director of some Gresham property subsidiaries and is currently being sued by Gresham and others for acting in breach of his duties to those companies.

The trustees of the Rowe Trust and subsequently Parkwood have also resisted Gresham House's intention to demerge the Trust's interests into a REIT and the Directors of Gresham House have now taken the decision to dissolve the Trust. At the Trust's AGM held in June of this year shareholders approved the Board's strategy of realising its investments over a period of five years. Both Parkwood and the Rowe Trust argue that five years is too long a period for the disposal of the Trust's assets.

Key Management

A P Stirling, FCA : Chairman, Managing Director and Investment Manager

Mr Stirling has been involved with Gresham House since 1969. He has an extensive background in working with smaller companies and has been involved in bringing several such companies to a stock exchange listing. In addition to his role at Gresham House Mr Stirling is also Chairman and Investment Manager of Welsh Industrial Investment Trust plc, Investment Manager for Beira Investment Trust plc and a Non-executive Director of SpaceandPeople plc and Mount Burgess Mining NL.

B J Hallett, FCA : Finance Director and Company Secretary

Mr Hallett holds the role of Finance Director and was appointed to the Board of Gresham House in 1996. As with Mr Stirling he has considerable experience in working with smaller companies and in bringing them to market.

Non-Executive Directors

Non-executive Directors are Mr Tony Ebel, Mr Nicholas Rowe, Mr Thomas Rowe, Mr Richard Lane and Mr Richard Chadwick.

Mr Ebel, a lawyer and chartered accountant, has been involved with Gresham House since 1976. He is involved in the evaluation of potential investment opportunities and has a particular interest in the technology and renewable energy sectors. He is Chairman of one of Gresham House's investee companies, Hallin Marine Subsea International plc.

Mr N Rowe has been involved in the financial insurance industry since 1973 and with Gresham House since 1992. He is a Director of the FirstCity Employee Trust Ltd and Chairman of Tenant Deposit Ltd.

Mr T Rowe is a Director of the roll-on/roll-off high speed ferry department of Howe Robinson and Company Ltd, one of the largest shipbrokers in London. He has also been involved with Gresham House since 1992.

Mr Lane was previously a senior partner at the Bromley office of chartered accountants BDO Stoy Hayward. He has extensive experience in an advisory capacity.

Mr Chadwick, who was appointed to Gresham House's Board in 2008, was previously a Director of Corporate Finance and Business Development for J Sainsbury plc and also held the position of Non Executive Director at Sainsbury's Property Development company. Mr Chadwick's appointment to the Board has taken place post Gresham House's dispute with Parkwood.

Gresham House: Investment Strategy & Process

Listed company investments on London's Full List, AIM and PLUS markets are made across a diverse range of sectors, from engineering (currently 40% of net assets) to oil and gas (7%). In terms of unquoted investments, Gresham House looks to acquire equity stakes in start-up companies with strong management teams and patented technologies that intend to float on AIM or PLUS markets. In support of their development and as part of the Trust's overall investment Gresham House often provides funding and consultancy services but

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unusually the Directors rarely take a seat on the Board. Capital growth is typically achieved through a trade sale or on listing as a result of the higher rating attributed to quoted companies.

The commercial property portfolio balances the inherent risk of the securities portfolio. Under HM Revenue & Custom regulations, a single investment is capped to a maximum of 15% of the value of the Investment Trust's portfolio. Gresham House's investment in commercial properties is therefore transacted through subsidiary undertakings funded by short and long-term bank debt. Interest and capital repayments related to these loans are recovered by rental income streams.

Decisions on initial investments are made by Gresham House's Managing Director, A P Stirling, typically up to a value of £250k. Additional investment above £250k is subject to the final approval of the Board. The same approach is adopted for divestments. Gresham House does not track any benchmark index or follow a set policy with regards to sector weightings, rather the policy is to acquire and hold equity stakes with a view to generating long term capital growth.

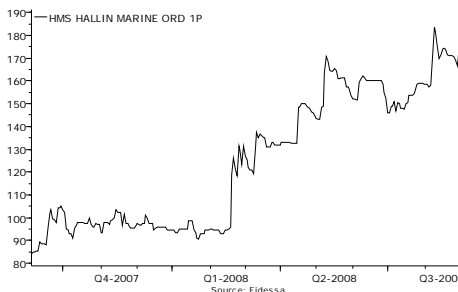
The Security Portfolio

To date Gresham House has invested £6.8m in a total of 55 listed and unquoted securities. Despite turbulent stock market conditions, the value of the Trust's security portfolio increased by 2.7% to £14.4m between 31 December 2007 and 30 June 2008, faring better than the FTSE All Share index which declined by 13.1% over the same period. As at 30 June 2008 securities accounted for 24% of the Investment Trust's total assets of £59.1m.

Currently, the ten largest security investments represent over three quarters (79%) of the total securities portfolio. A commentary on each company in the top ten is provided below. Unless otherwise stipulated all estimates are house broker estimates sourced from Fidessa.

Hallin Marine Subsea International AIM Listed, 45.3% of portfolio

Gresham House invested £37k plus loan notes (which have subsequently been repaid) in Hallin Marine Subsea in October 2003. Since then the value of its investment in the company has grown 169-fold making it one of the Trust's best ever performers and the single largest investment in the securities portfolio by some margin.



“The value of Gresham House's investment in Hallin Marine has grown 169-fold making it one of the Trust's best ever performers and the single largest investment in the securities portfolio by some margin”

Based in Singapore, Hallin provides marine and underwater services to the offshore oil & gas industry, an industry that has defied the global economic slowdown as a result of robust prices for both oil and natural gas. Hallin's niche is the subsea market where it is involved in the installation, construction, maintenance, and survey of equipment on the seabed using support vessels, saturation diving systems, and remote operating vehicles (ROVs). According to management, expenditure on subsea equipment is expected to rise 66% over the next five years to US\$105bn and presently supply is struggling to keep pace with demand.

The company has three divisions – Western, Eastern and Engineering Services. Operated from Aberdeen, the Western division manages the group's fleet of ROVs and is in strong expansion mode with the size of the fleet expected to more than double to circa 20 vehicles by the end of calendar 2008. The Engineering Services division builds Saturation Diving and ROVs for both third-party customers and to meet Hallin group internal requirements. It has secured several new contract wins recently. The Eastern Division operates a mixture of assets including long-term charter and spot charter vessels, mainly in the Far East and achieved asset utilisation rates of over 80% in FY07.

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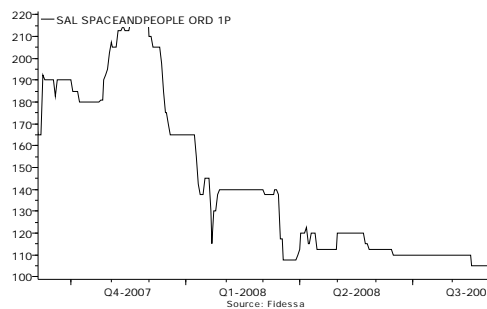
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Hallin's shares have more than doubled over the past year to stand at 173.5p currently. Interim results for the six months to 30 June 2008 showed turnover up 115% on H107 and pre-tax profit up a massive 247%. Future visibility is excellent with the forward order book currently standing at \$84m.

Y/E	Adjusted	Adjusted	p/e	Div	Yield
December	Profit £m	Eps p.	ratio	p.	%
2007A	5.60	11.87	15	1.00	0.6
2008E	13.80	27.60	28	1.00	0.6
2009E	14.90	29.60	30	1.50	0.9

SpaceandPeople
AIM Listed, 10.6% of portfolio

SpaceandPeople sells promotional space on behalf of shopping centres, theme parks, airports and other high footfall areas to global brands such as Chevrolet, Nokia and Nintendo. Events held in these spaces include car shows and fashion displays. As at 30 April 2008 the company represented 218 UK and 55 German venues with a combined footfall of 41m people per week.



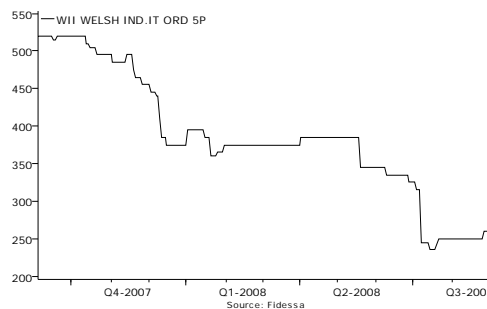
Increasing sales will be more challenging if, as widely predicted, the UK slips into recession this year. However SpaceandPeople is evolving into an international business following licence agreements in Hong Kong and Macau, with plans to expand into growing economies in Asia and Eastern Europe. Moreover the business is profitable, the order book is described as 'healthy' and management are 'confident' in future prospects.

SpaceandPeople's share price has fallen from 160p to 95p over the past year mirroring falls across the wider media sector.

Y/E	Adjusted	Adjusted	p/e	Div	Yield
31 October	Profit £m	Basic eps p.	ratio	p.	%
2007A	0.56	3.59	26	1.85	2.0
2008E	0.80	5.70	17	2.15	2.3
2009E	1.00	6.30	15	2.30	2.4

Welsh Industrial Investment Trust
Full List, 6.7% of portfolio

Welsh Industrial Investment Trust is an Authorised Investment Trust focused on delivering long term income and capital growth through investment in UK securities. It is managed by Gresham House Chairman and Investment Manager, A P Stirling, and like Gresham House, the company's portfolio consists of listed and unlisted securities across a diverse range of sectors. In contrast to Gresham House, Welsh Industrial's investment portfolio does not invest in property and is managed on a low-to-medium risk basis avoiding equity stakes in start-up companies.



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Two of the Trust's largest quoted company investments – SpaceandPeople and Avesco - also feature in the Gresham House top ten largest investment holdings list. Other notable securities in the Welsh Industrial Trust portfolio include traditionally defensive tobacco and utility stocks (British American Tobacco, National Grid Plc, United Utilities), natural resources royalties company Anglo Pacific (APF) and UK focused property investment and development company London and Associated Properties (LAS).

“Welsh Industrial pays out in excess of Gresham’s initial investment in the company in dividend payments alone”

Welsh Industrial's NAV per share declined by 5.2% to 461.8p in the three months to 5 July 2008 and the Trust is presently trading at a 44% discount to NAV. Gresham House purchased its 26% stake in Welsh Industrial Investment Trust for a nominal £17,500 in July 1986. In FY08, we note Welsh Industrial paid out in excess of this amount to Gresham House in dividend payments having declared a final dividend of 8.75p per share.

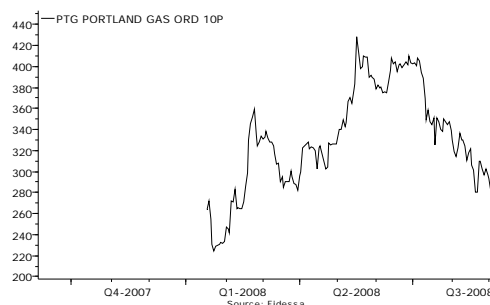
No consensus forecasts are available for Welsh Industrial Investment Trust. The table below, however, indicates the Trust has outperformed the FTSE AllShare index by a wide margin over the past five years.

Performance	5 April	5 April	%
Indicator	2003	2008	Change
WII Share Price	195p	385p	97.44%
Basic net asset value	336.7p	461.8p	37.16%
WII Total Return	100.00	218.60	118.6%
FTSE All Share Index	1824	3040	66.60%

Source: Company Accounts

**Portland Gas plc
AIM Listed, 5.9% of portfolio**

Gas storage development company Portland Gas was spun out of Egdon Resources in January 2007. It currently has two projects in development. The first is an onshore gas storage facility off the Dorset Coast scheduled to come into operation in 2011. It will be the second largest facility in the UK providing up to 5% of the UK's demand for gas on winter days once full storage volumes are available in 2015. The second project is an onshore gas storage facility in Northern Ireland for which planning permission is expected to be submitted in 2009, with operations commencing in 2014.



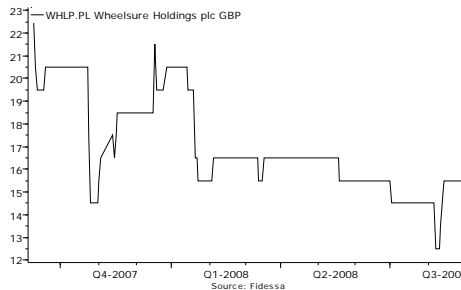
The UK is a significant net gas importer buying in circa 40% of its total gas requirement at present. Storage facilities are in short supply and consequently the UK is heavily exposed to short-term disruptions in supply. The recent closure of a key Norwegian gas pipeline until next Spring is a case in point with gas supply to the UK from Norway expected to tumble 18% to 40m cubic metres a day.

Portland Gas placed 2.5m new shares with new and existing institutions at 355p in July raising £9m before expenses. The shares are currently trading at 303.5p.

Y/E	Adjusted	Adjusted	p/e	Div	Yield
31 July	Profit £m	Basic eps p.	ratio	p.	%
2007A	Not	available	-	-	-
2008E	-1.80	-2.60	-	0.00	-
2009E	-2.50	-3.60	-	0.00	-

**Wheelsure Holdings Plc
PLUS Listed, 2.2% of portfolio**

Wheelsure has developed and patented a unique method of locking wheel nuts on commercial vehicles. Wheel loss costs lives so the product, which proved successful in vibration tests undertaken by the Fraunhofer Institute, has the potential to offer significant safety benefits to both operators and the public. Test trials are currently underway with several end users and OEMs in the commercial vehicle and bus and coach sectors, including an unnamed 'large provider of city public transport'.



“Gresham House invested in Wheelsure Holdings as a start-up venture at 9p per share. The shares are currently trading at 15.5p”

As yet no material orders have been placed. However, the conclusions of a government-sponsored trial considering the mandatory fitting of wheel nut locking devices amongst other wheel safety issues is due imminently and could be very significant for the company.

Elsewhere, Wheelsure’s Tracksure nut locking device targeting the rail industry was awarded the Rail Tech Innovation Award for 2007 and has signed up its first distributor for the Benelux region for an initial period of one year. Heads of Terms have also been agreed with potential distributors in Italy and the US.

Gresham House invested in Wheelsure Holdings as a start-up venture at 9p per share. The shares are currently trading at 15.5p.

No consensus forecasts are currently available on the company.

**Plus Markets Group
AIM Listed, 2.1% of portfolio**

PLUS Markets is a small and mid-cap stock exchange operating both the primary (listing/quotation) and secondary (trading) markets. The company’s trading platform, PLUS Traded, offers trading services in 7,500 UK and European Equity securities and the company claims over 600 quoted companies now see half or more of their daily trading volume transacted on PLUS, over two-thirds of which are listed on other exchanges.



PLUS Traded handled £8.8bn share trades in the first three months of the current financial year, a significant rise on the £7.5bn handled for the whole of 2007. The next move for the company will be to secure the rights to trade all AIM companies by the beginning of 2009. At the moment it is restricted from doing so as, unlike fully listed companies, AIM companies must give their consent to having their shares traded on PLUS. A non-binding agreement with the Munich Stock Exchange to create PLUS Europe has the potential to deliver this at one fell swoop. Given AIM has 1,700 companies this could deliver huge benefits both in terms of market share and cash flow.

The company’s PLUS quoted market, previously known as OFEX, continues to make good progress and is a direct rival to AIM. Over 200 companies with a combined market cap in excess of £2bn are now PLUS quoted and in Q108 fundraising levels were 38% ahead of the same period last year.

Having gained coveted Recognised Investment Exchange status, a new PLUS Listed market was launched earlier this year.

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PLUS Markets successfully raised £25m at 14p per share in January 2007. The shares are currently trading at 10p.

Y/E	Adjusted	Adjusted	p/e	Div	Yield
December	Profit £m	eps p.	ratio	p.	%
2007A	-2.98	-0.96	-	0	-
2008E	-5.20	-1.70	-	0	-
2009E	-0.50	-0.20	-	0	-

Gizmo Packaging Ltd
Unlisted, 1.8% of portfolio

Gizmo is a patented product incorporated into containers that enables instant mixing of two ingredients immediately before use. This is achieved by way of a miniaturised pressure chamber designed to hold a precise volume of active ingredient – be it vitamins, minerals or flavourings – which are instantly released into the base liquid when the container is opened. The product has potential applications across a wide range of global industries including the beverages industry (enabling manufacturers to extend the short shelf life of fruit juices without the need for additives), the pharmaceuticals industry (for mixing and dispensing medicines) and the cosmetics industry (for cleansers and wellness products).

Gresham House has a holding of 1m shares in Gizmo Packaging at a cost of £250k.

British American Tobacco
London Full Listed, 1.6% of portfolio

British American Tobacco is the world's second-largest tobacco group by volume. The company has over 300 brands in its portfolio including Dunhill, Lucky Strike and Kent cigarettes and generates half its profits from emerging markets.



Underlining its defensive qualities, the company reported pre-tax profits of £1.8bn in the six months to end June 2008, 16% ahead of the previous year. Sales of £5.5bn were also up in double-figures (15%) on the back of favourable currency movements and better pricing across a large number of its markets. The interim dividend was raised by 19% reflecting management's confidence in future prospects.

Consensus estimates suggest the company is well-positioned to weather the global downturn in consumer spending.

Y/E	Adjusted	Adjusted	p/e	Div	Yield
December	Profit £m	eps p.	ratio	p.	%
2007A	2,905	108.53	17	66.20	3.6
2008E	3,653	124.60	15	81.00	4.4
2009E	4,065	139.50	13	90.70	4.9

Audiogravity Holdings Ltd
Unlisted, 1.6% of portfolio

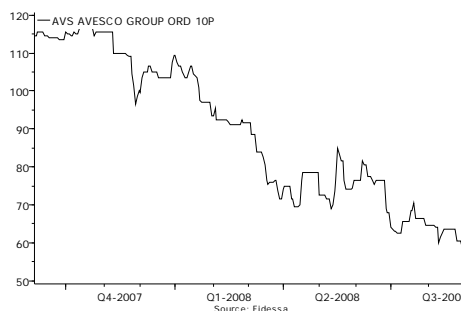
Audiogravity Holdings has developed a patented technology aimed at cancelling out the disturbance caused by wind noise. Aimed specifically at the outdoor audio devices marketplace, its technology can be applied to a number of gadgets such as mobile phones, hands-free devices and video cameras.

Audiogravity has not taken the obvious route to market and licensed its technology to one of the global mobile phone/electronics manufacturers. However its technology can be integrated into existing or new product designs without adding significant cost or power.

Gresham has a holding of 9,116 shares in Audiogravity Holdings at a cost of £227,900.

Avesco Group
AIM Listed, 1.6% of Portfolio

Avesco Group Plc is an international media company specialising in services to the corporate presentation, entertainment and broadcast markets. The company's largest division, Creative Technologies (H1 2008: 60% of revenues) supplies audio visual equipment such as indoor and outdoor LCD, Plasma and LED displays and digital camera systems to the live events and entertainment industries. It is a global business with offices in the UK, North America, Germany, Dubai and most recently China and has a diverse high profile client base which includes pop group Led Zeppelin and Ford Motor Co.



The group's Full Service Business is a 'one-stop shop' for the corporate events marketplace providing everything from sound, vision and lighting equipment hire for international events to desktop projectors for board room meetings. Following the earning-accretive acquisition of the Charter Broadcast Group in April, the group's third division consists of Presteigne Charter (equipment hire and support for studios, outside broadcast and production applications) and Fountain Studios, a fully equipped dedicated television studio which is home to popular reality TV shows such as The X Factor and Britain's Got Talent.

Gresham House invested in Avesco Group as a start-up venture prior to its float on the Amsterdam Stock Exchange in December 1984. The company's shares have performed badly over the past year, falling from 115p to a year low of 41.5p, following a recent profit warning. While Avesco is not advertising-dependent in the traditional sense it is suffering as a result of a slowdown in global demand and its exposure to corporate discretionary spending.

Y/E	Adjusted	Adjusted	p/e	Div	Yield
5 April	Profit £m	eps p.	Ratio	p.	%
2007A*	0.14	-2.5p		6.00	
2008E	Under	Review			
2009E	Under	Review			

2007A* based on the contribution from continuing operations

Gresham House Property Portfolio

As at 30 June 2008 the value of Gresham House's property investment portfolio stood at £35.7m, representing 60% of the Investment Trust's total £59.1m of assets. The last independent property valuation carried out on Gresham House's property portfolio by Dixon Webb LLP and Hurst Warne Limited, Chartered Surveyors took place in January/February 2008 and valued the portfolio at £38.8m. A provision of £3.1m (8.0%) was taken to allow for further declines in property values in the current bearish property market.

A full list of properties held was made available at the time of Gresham House's full year results in December 2007. Properties held as at 31 December were:

Property Description	Valuation Date	Value £m
4 property units at Newton-le-Willows, Merseyside	1 Feb 2008	12.1
12 property units at Newton-le-Willows, Merseyside	1 Feb 2008	4.5
1 property unit at Knowsley, Liverpool	1 Feb 2008	2.4
1 property unit at Knowsley, Liverpool	1 Feb 2008	8.0
Various units at Speke, Liverpool ¹	1 Feb 2008	8.5
34 property units at Dorking, Surrey ²	22 Jan 2008	3.3

The investment properties are a mix of warehouse, industrial, retail and office space of varying size. The total area of the properties can be sub-divided into:

Space Description	No of Square Feet
Warehouse and associated office space	533,128
Industrial and associated office space	262,440
Retail, office and other	2,300
Total available area	797,868

An additional 205,429 square feet of vacant mixed business space and 143,000 square feet of warehouse space are held at Speke and Knowsley, Liverpool respectively.

The various properties are let at an annual rental of £2.4m.

Speke – Liverpool¹

Parkwood has claimed that Gresham House misled its shareholders over the valuation of the property, a claim strongly rejected by Gresham House's Board since the property is carried on its books at £8.5m. The claim arose following an announcement by Gresham House that it had entered into a non binding heads of agreement to sell the Speke property for £61m conditional on the property being granted A1 retail planning consent.

In December 2007 Gresham House announced that as there had been no further contact with the potential purchaser of the Speke property that the purchaser was assumed to have withdrawn from the transaction. Mixed retail planning consent for the property is now a more realistic likelihood and this, in combination with a falling property market, leads us to believe that the site is likely to be worth significantly less than £61m. Having said this, it is likely, given the planning permission potential, that the Speke property is worth more than the book value of £8.5m.

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Dorking, Surrey²

Linden Limited has submitted a planning application in respect of Gresham House's site at Dorking. While consent has not been received to date the Dorking site has been identified for residential use in the local Council's draft development framework. Subject to planning consent being granted Linden has agreed to pay consideration of £8.2m for the site (carried on Gresham House's books at £3.3m).

Property Market Outlook

The ongoing fall-out from the "credit crunch" is continuing unabated and property stocks are being downgraded across the board. Deutsche Bank recently stated that the "correction in the property market is likely to be longer and deeper than previously expected" while JP Morgan has stated that "the fall in property values is not over yet, and there is another 6 months to go". The investment bank sees "valuations at levels 14% lower from now, by June 2009". Property advisor, DTZ Holdings, expect that the "economic consequences of the credit crunch and rising inflation will be felt until 2010 at least". The recent collapse of Lehman Brothers and the takeover of Merrill Lynch by Bank of America have only compounded the difficulties already faced with brokers and analysts fearing "new misery in the banking sector could extend the commercial property correction by several months, and possibly even longer." Events of the last week or so have all but annihilated any hopes of a near term property market correction.

"Events of the last week or so have all but annihilated any hopes of a near term property market correction"

The Liverpool Property Market Specifically

While manufacturing has declined in the North West of the UK – decreasing at an average rate of 2.6% per annum over the past 22 years – an increase in output from the finance and business (15% of total output in 1985 – 31% in 2007) and public services sectors has more than compensated. Public funding through European Union Objective One and European Regional Development funding has provided a further boost (GVA Grimley, Spring 2008 "Liverpool City Centre – Office Market Commentary").

According to IPD figures All Property capital values in the UK increased by 10.6% per annum over the period 2003 to 2006. All Property capital values in Liverpool increased by 15.3% per annum over the same period. In 2007, however, capital growth in the Liverpool market fell to -9.4%. Over the past year the number of investment deals being undertaken has fallen dramatically – 18 deals to the value of £336m were undertaken over 2006 to 2007 – as at the end of March 2008 only two deals had taken place – these were to the value of £5.3m.

"A recent joint study by the Liverpool Vision and Merseyside Property Forum has shown that there has been a particularly high take-up of commercial property in out-of-town areas including Knowsley, where Gresham House owns property"

A recent joint study by the Liverpool Vision and Merseyside Property Forum has shown that there has been a particularly high take-up of commercial property in out-of-town areas including Knowsley, where Gresham House owns property. This might be related to Liverpool's 2008 Capital of Culture status and regeneration efforts which should help to boost interest in the area.

Gresham House Property Strategy

Given the near term outlook for the property market and in line with realising the Trust's investment value over a five year period Gresham House's strategy has been one of focusing on increasing the rental streams of its properties as opposed to direct sales. Increasing evidence of interest by prospective tenants indicates that these efforts are showing returns.

Movement in Property Investment Company NAV December 2007 to June 2008

A review of the performance of several property companies listed on the LSE as at 30 June 2008 supports Gresham House's view that a decline in the value of its property portfolio and hence NAV of circa 8.0% is realistic.

Of the companies that we have examined all but one have evidenced a decline in NAV over the period December 2007 to June 2008 with declines ranging between 8.0% and 13.5%. The average decline has itself been 8.0% - if Primary Health Properties which showed a 1.1% increase in NAV and might be considered an outlier is removed from the list - the average decline is 10.2%.

Property Fund	Reported NAV	Reported NAV	Movement in
	Dec 2007	June 2008	NAV
ISIS	149	137	-8.1%
ISIS Property Fund 2	133	121	-9.0%
Mapeley	1862	1670	-10.3%
Primary Health Properties	369	373	+1.1%
British Land	1401	1212	-13.5%
Great Portland Estates	-	538	-

Valuation

Given the diverse nature of Gresham House's investments – listed securities, unquoted securities and property – we have taken a sum-of-parts approach to valuation.

Investment Trust Companies: Trading Discounts to NAV

Investment trust shares typically trade at a discount to NAV and this is particularly true in more challenging economic times. The question is how wide a discount? Our analysis of potentially comparable investment trusts indicates shares in the sector are trading at an average discount of 19% to 2008 NAV.

“Our analysis of potentially comparable investment trusts indicates shares in the sector are trading at an average discount of 19% to 2008 NAV”

Investment Trust	Reported NAV	Shares as at
	2008	8 Sept 2008
Aberforth Smaller Companies Trust	640 (30 June)	547
Elderstreet Venture Capital Trust	88.5 (30 June)	79
Close Brothers Protected VCT	92.6 (31 March)	79.5
Small Companies Dividend Trust	149.3 (30 April)	106
Spark VCT 2	44.3 (30 June)	32

Investment Securities Portfolio Valuation

Since the 2008 half year end and 8 September 2008, the combined market value of the Gresham House securities portfolio has increased by a marginal 0.7% suggesting a current market NAV of £14.5m, or 294p per share. A summary of this performance is provided in the table below.

Security Type	Market Value (m)	Market value (m)	Increase/Decrease
	at 30 June 2008	at 8 Sept 2008	%
Listed securities – LSE	1.589	1.575	-6.2
Listed securities – Overseas	0.126	0.081	-35.7
Listed securities – AIM	10.371	10.525	1.5
Listed securities – PLUS	0.307	0.332	8.1
Unlisted Securities*	1.657	1.657	0
IG Markets Account	0.296	0.296	0
Total securities portfolio	14.346	14.446	0.70

*In establishing fair values for the unlisted securities portfolio, Gresham House follows the International Private Equity and Venture Capital Valuation Guidelines. Under these guidelines, both early stage investments and investments made in the last 12 months are valued at cost, unless otherwise indicated. More established investments are valued either on a PER or NAV basis. Alternatively, where a value is indicated by an arm's length transaction by a third party in the shares, that value is used.

For the purposes of our valuation we have assumed the value of the Trust's unlisted securities has held constant, a realistic assumption given the illiquid market for these stocks.

Applying a 19% discount to our NAV of £14.5m would imply a NAV of £11.70m for the Gresham House securities investment portfolio, the equivalent of **239p** per share.

Gresham House

22 September 2008

Property Investment Company Trading Discount to NAV

Property investment companies are traditionally measured on the basis of their net asset value (NAV). With the outlook for the market remaining poor almost all listed property companies are trading at considerable discounts to their estimated NAV. Of the companies that we have examined the discount to reported June 2008 NAV range is between 20% and 38%. The average discount to NAV is 31%. Removing Primary Health Properties, the average discount to NAV is closer to 34%.

Property Fund	Reported NAV	Shares as at	Trading
	June 2008	8 Sept 2008	Discount
ISIS	137	91	34%
ISIS Property Fund 2	121	82	32%
Mapeley	1670	1170	30%
Primary Health Properties	373	302	20%
British Land	1212	749	38%
Great Portland Estates	538	359	34%

Property Portfolio Valuation

Gresham House's NAV as at 30 June 2008 was 781.3p per share. For the purposes of our analysis we have assumed that the liabilities listed on Gresham House's balance sheet as at 30 June (£19.9m) relate primarily to Gresham House's property portfolio which is financed by a mixture of a short term and long term borrowings. With an asset base of £35.7m our estimated NAV for the property portfolio is £15.8m. Applying a 34% discount to this estimated NAV yields a NAV of £10.4m for Gresham House's property portfolio or **214p** per share.

Fair value of 626p

Including the property assets at **214p** per share, the securities portfolio at **239p** a share and other current assets (amounting to £8.5m) at **173p** a share, our sum-of-parts NAV valuation yields a fair value price for Gresham House of **626p**. This represents a 20% discount to the Trust's last reported NAV of 781.3p at 30 June 2008.

Our fair value estimate compares favourably to the current share price of 345p which places the shares at a substantial 56% discount to NAV. We believe this discount to NAV is significantly wider than the UK Investment Trust sector average.

Looking beyond 2008, we note successful planning permission applications on two of the six sites in the property portfolio – in Dorking, Surrey for residential planning permission and in Speke, Liverpool for mixed retail planning permission – and the possibility of three of the Trust's unquoted investments floating on AIM or PLUS markets could result in substantial gains on the disposal of these assets over the Board's stipulated five year time frame.

Management	Major Shareholders						
<p>Chairman, Managing Director & Investment Manager: A P Stirling</p> <p>Finance Director & Company Secretary: Brian Hallett</p> <p>Non-executive Directors:</p> <ul style="list-style-type: none"> - Tony Ebel - Nicholas Rowe - Thomas Rowe - Richard Lane - Richard Chadwick 	<table border="0"> <tr> <td>Parkwood Property Investments LLP</td> <td style="text-align: right;">29.9%</td> </tr> <tr> <td>Trustees of the Rowe Trust</td> <td style="text-align: right;">13.2%</td> </tr> <tr> <td>A P Stirling</td> <td style="text-align: right;">8.6%</td> </tr> </table>	Parkwood Property Investments LLP	29.9%	Trustees of the Rowe Trust	13.2%	A P Stirling	8.6%
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Trustees of the Rowe Trust	13.2%						
A P Stirling	8.6%						
Key Dates	Key Milestones						
<p>EGM: 9 October 2008</p> <p>Next Full Year Results: 29 April 2009</p> <p>AGM: 17 June 2009</p> <p>Next Interim Results: 29 August 2009</p>	<p>1857: Gresham House plc incorporated</p> <p>1950: Listed on London Full market</p> <p>1956: Handed back £6/share to shareholders reducing gross assets to circa £1.0m</p> <p>1969: Managing Director & Investment Manager, A P Stirling, joins the Trust</p> <p>1970s: First foray made into property market with £2,000 Investment</p>						

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