Since 1857

Gresham House

Specialist asset management

Specialists in alternatives

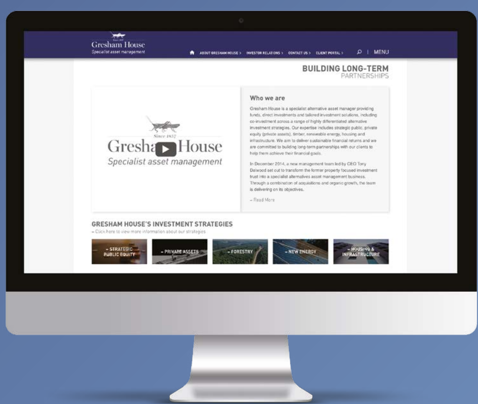
Gresham House plc
Annual Report and Accounts
as at 31 December 2018

The specialist alternative asset manager

Gresham House plc is a London Stock Exchange listed specialist alternative asset management group (GHE.LN) that provides funds, direct investments and tailored investment solutions including co-investment

The Group aims to generate superior returns across a range of alternative investment strategies over long-term investment horizons. The investment teams apply their expertise, knowledge and experience to create value for clients and shareholders primarily through strong investment performance alongside growth in assets under management, annual management fees, performance fees, carried interest, profit growth and returns on invested balance sheet capital.

Gresham House currently manages investments and co-investments through its FCA regulated investment management platform (Gresham House Asset Management) on behalf of institutions, family offices, charities and endowments and private individuals. Asset management is operated through two divisions, Strategic Equity and Real Assets.



For more information visit:
www.greshamhouse.com

STRATEGIC REPORT

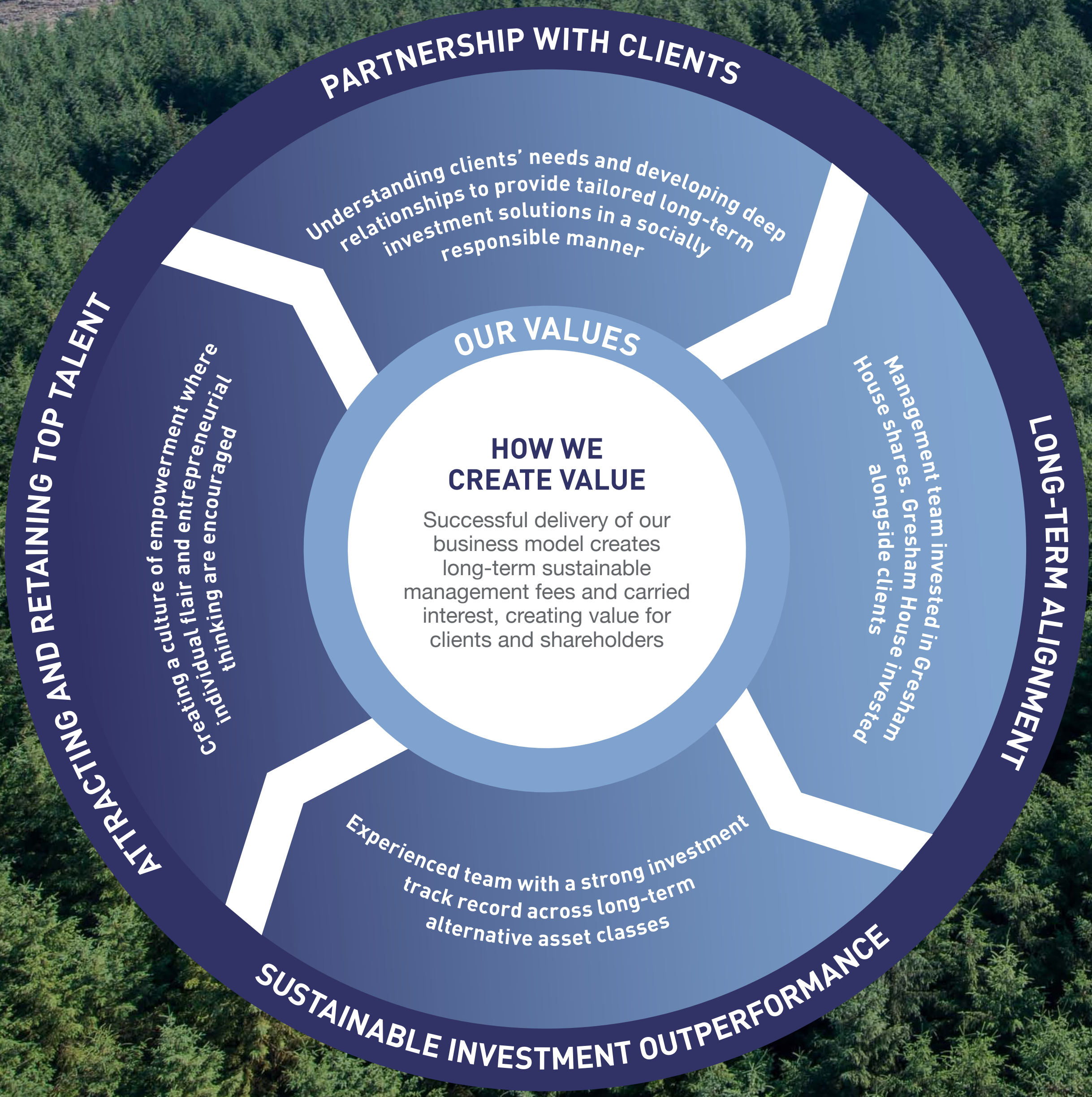
GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

BUSINESS MODEL

SUSTAINABLE ALTERNATIVE INVESTMENT OUTPERFORMANCE AND LONG-TERM ALIGNMENT WITH CLIENTS AND SHAREHOLDERS WILL DRIVE VALUE AND WILL RESULT IN THE GROUP BECOMING AN "ASSET TO COVET"



CREATING SHAREHOLDER VALUE

WE HAVE WORKED HARD TO DELIVER THE ALTERNATIVE ASSET MANAGEMENT BUSINESS TO DATE, AND THERE IS MORE TO COME

INCREMENTAL VALUE HAS BEEN DRIVEN BY

- New income from organic growth and product innovation
- Focus on operational margins
- All acquisitions to date have met the 15% medium-term return on capital hurdle
- Disciplined focus on growing the business in complementary alternative asset management markets

FUTURE VALUE DRIVEN BY

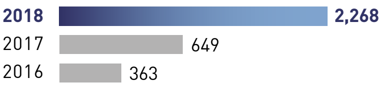
- Growth of AUM in scalable alternative asset management segments both organically and through acquisition
- Long-term income visibility in high margin products
- Delivering performance fees and carried interest
- Achieving operational synergies from acquisitions
- Target 40+ operating margins

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

ASSETS UNDER MANAGEMENT
(£M AS AT 31 DECEMBER)

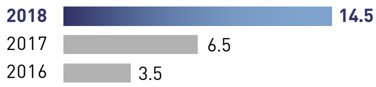
£2,268M



+250%

REVENUE
(£M FOR THE YEAR TO 31 DECEMBER)

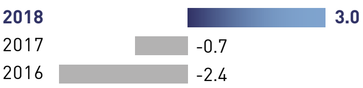
£14.5M



+125%

ADJUSTED OPERATING PROFIT/(LOSS)*
(£M FOR THE YEAR TO 31 DECEMBER)

£3.0M



TOTAL COMPREHENSIVE NET INCOME
(£M FOR THE YEAR TO 31 DECEMBER)

£(0.6)M

+82%
IMPROVEMENT

FINANCIAL HIGHLIGHTS

- Assets under management (AUM) increased 250% to £2,268 million (2017: £649 million)
- Revenue growth of 125% to £14.5 million (2017: £6.5 million)
- Adjusted operating profit* increased to £3.0 million (2017: £0.7 million loss)
- Total comprehensive net income improved to a loss of £0.6 million (2017: £3.5 million loss)
- Proposed maiden initial dividend of 3.0p with a policy to grow sustainably in the long term

For more information
See pages 20-25

OPERATIONAL HIGHLIGHTS

- Two material acquisitions of FIM (Forestry) and Livingbridge VC (Strategic Equity) in the year adding fee-enhancing AUM and resulting in the Group becoming the largest UK commercial forestry asset manager and manager of the two well-respected Baronsmead VCTs
- Organic growth in AUM of 30% (£193 million) including contributions from the IPO of Gresham House Energy Storage Fund plc (GRID) and growth in the existing Gresham House Forestry and Strategic Public Equity divisions
- Integration of FIM and Livingbridge VC largely completed with identified synergies captured
- Investment in the platform and people to support identified future growth including international organic opportunities

WE HAVE TRANSFORMED THE GROUP THROUGH ORGANIC GROWTH AND TARGETED ACQUISITIONS, EXPANDING THE BREADTH AND DEPTH OF OUR OFFERING WHILST ADDING HIGH-QUALITY INVESTMENT PROFESSIONALS TO OUR TEAM

TONY DALWOOD
CHIEF EXECUTIVE

* Adjusted operating profit is defined as net trading profit of the Group before deducting amortisation, depreciation and exceptional items relating to acquisition and restructuring costs and adding back dividend income received from associates.

COMPANY OVERVIEW

The Group aims to generate superior returns over long-term investment horizons, creating value for our shareholders and clients

GRESHAM HOUSE MANAGES AND ADVISES FUNDS, DIRECT INVESTMENTS AND TAILORED INVESTMENT SOLUTIONS, INCLUDING CO-INVESTMENT, ACROSS A RANGE OF ALTERNATIVE AND SUSTAINABLE INVESTMENT STRATEGIES

TOTAL ASSETS UNDER MANAGEMENT

£2,268M

DIVISIONS AND STRATEGIES

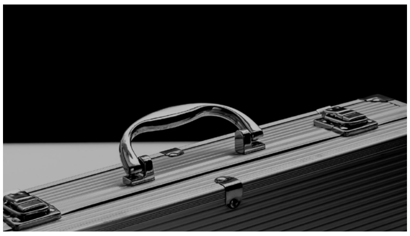
Gresham House manages £2.3 billion of third-party assets for a range of investors across alternative investment strategies, giving the business significant scale and a strong platform for further growth. The team has established two core divisions: Real Assets and Strategic Equity, under which we have five investment strategies.

STRATEGIC EQUITY

PUBLIC EQUITY

Invests in UK and European smaller public and private companies, to capitalise on inefficiencies and dislocations in pricing in the market which provide opportunities for superior long-term investment returns.

- Gresham House Strategic plc
- Strategic Public Equity LP
- LF Gresham House UK Micro Cap Fund
- LF Gresham House UK Multi Cap Income Fund



PRIVATE ASSETS

Invests in unquoted assets and companies and funds to achieve absolute returns, principally through capital gains supplemented with the generation of a longer-term income yield.

- Baronsmead VCT plc
- Baronsmead Second VCT plc
- LMS Capital plc

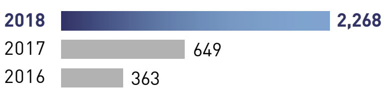
£588M AUM

£2.9M REVENUE

The specialist alternative asset management group

TOTAL ASSETS UNDER MANAGEMENT (AUM) (£M)

£2,268M



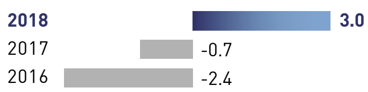
+250%

AUM has grown by c.250% over the year with a healthy pipeline for organic growth in 2019.

Read more about AUM in the Chief Executive's report
See pages 8-11

ADJUSTED OPERATING PROFITABILITY (£M)

£3.0M



Adjusted operating profits delivered in 2018 with transition from £0.7m adjusted operating loss in 2017 to a profit of £3.0m.

REAL ASSETS

FORESTRY

Provides diversification, alongside asset-backing and inflation linkage. A longer investment view is commensurate with this strategy, however the diverse portfolio of high-quality forests in the UK ensures a spread of ages of the trees which can provide a regular income yield in a tax efficient manner.

- FIM Sustainable Timber and Energy Fund LP
- FIM Forestry Fund I LP
- FIM Timberland LP
- The Forestry Partnership LLP
- Gresham House Forestry LP
- Managed accounts

HOUSING & INFRASTRUCTURE

Targets investing in the underlying 'real' assets of housing and infrastructure required to support UK economic growth and deliver long-term cash flow to investors, including those with Socially Responsible and Sustainable Investing objectives.

- British Strategic Investment Fund LP

NEW ENERGY

Generates sustainable financial returns while supporting the shift from finite resources to a clean energy world. Key focus on yield and capital preservation through the key leading transformative technologies – solar and wind power, electric transportation and energy storage.

- Gresham House Energy Storage Fund plc
- Hazel Capital Renewable Energy VCT 1
- Hazel Capital Renewable Energy VCT 2
- FIM Solar Distribution LLP
- FIM Windfarms 2 LP

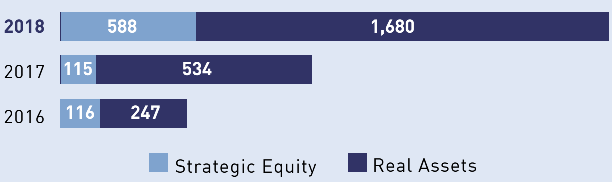
£1,680M AUM

£11.1M REVENUE

YEAR IN REVIEW

IN THE PAST YEAR WE HAVE CONTINUED TO GROW THE BUSINESS BOTH ORGANICALLY AND THROUGH ACQUISITION

GROUP AUM GROWTH
(£M)



> ORGANIC GROWTH AND TARGETED ACQUISITIONS HAVE SEEN AUM GROWTH OF 250% IN 2018
>
> **ANTHONY DALWOOD**
> CHIEF EXECUTIVE

ACQUISITIONS

MAY 2018

+£893M AUM

FORESTRY
ACQUISITION OF FIM

In May we completed the acquisition of FIM, the UK asset manager specialising in Forestry and Renewable Energy. The acquisition added approximately £893 million of AUM to the Real Assets division and broadens the Group's client base with complementary investors and opportunities for revenue synergies. Combined with our existing forestry business we have created the UK's leading forestry asset manager.

For more information
See pages 16-17

ORGANIC

NOVEMBER 2018

NEW ENERGY
LAUNCH OF ENERGY STORAGE FUND

In November we launched the Gresham House Energy Storage Fund plc (GRID) in a £100 million IPO on the London Stock Exchange Specialist Fund Segment. GRID aims to provide investors with an attractive and sustainable dividend by investing in a portfolio of utility-scale Energy Storage Systems (ESS) located in the UK, which use batteries and sometimes generators to import and export power, accessing multiple revenue sources within the power market. This is a scalable and exciting product with an exclusive pipeline of ESS projects to invest in.

+£100M
IPO

For more information
See pages 14-15

NOVEMBER 2018

STRATEGIC EQUITY
ACQUISITION OF LIVINGBRIDGE VC

In November we completed the acquisition of the fund and investment management business of Livingbridge VC LLP. The acquisition includes the management contracts of the highly respected Baronsmead VCTs and two open-ended funds, LF Livingbridge (now Gresham House) UK Micro Cap Fund and LF Livingbridge (now Gresham House) UK Multi Cap Income Fund with a total AUM of £476 million. The acquisition creates a platform for accelerated organic growth through product development and growth in the open-ended funds.

+£476M
AUM

For more information
See pages 18-19

CHAIRMAN'S STATEMENT

The management team continues to deliver growth and create shareholder value

2018 HAS BEEN AN EXCELLENT YEAR FOR SHAREHOLDER VALUE CREATION

ACQUISITIVE GROWTH IN AUM

£1,426M

+220%

ORGANIC GROWTH IN AUM

£193M

+30%

As we begin the fifth year of our plan to build a market leading specialist asset management business, I am delighted to report another strong year of organic and acquisitive growth. The Group has deepened its reach into its chosen asset classes, and simultaneously further increased its alternative asset management product platforms to create a high-quality alternative investment manager, which will continue to scale in terms of Assets Under Management (AUM).

ACTIVITY IN THE PERIOD

Alongside the completion of two significant transactions in 2018, the Group has continued to focus on prudent financial management and sustainable long-term growth, working to identify and develop new investment opportunities for clients. As a result, 2018 has been an excellent year for shareholder value creation whether measured by AUM, up 250% to £2.3 billion (2017: £649 million), or profitability, up to an adjusted operating profit of £3.0 million, (2017: £0.7 million loss), including organic growth of 30% in AUM. It was also pleasing to see the Company's market capitalisation surpass £100 million during the year, an important milestone as our offering gains increasing relevance to a wider range of investors.

In May we announced the transformative acquisition of FIM Services Limited, (FIM) making the Group the leading commercial forestry asset manager in the UK with almost £1.0 billion of Forestry AUM. The integration plan to combine the FIM and Gresham House Forestry teams has now been largely completed. Following this, in November we acquired the fund and investment management businesses of Livingbridge VC LLP (Livingbridge VC), increasing AUM by a further £0.5 billion and adding the two Baronsmead VCTs to our range along with two open-ended vehicles with strong track records. Both acquisitions met stringent financial criteria, introduced complementary new expertise to the business, expanded our client offering and broadened our shareholder base.

Before the end of the year, the Group successfully listed the UK's largest battery storage fund on the London Stock Exchange, called Gresham House Energy Storage Fund plc (GRID). The IPO raised £100 million, with £57.2 million immediately deployed in a seed portfolio managed by the Group's New Energy asset management division.

Beyond these exciting developments across the Group's investment strategies, it was also very pleasing to see top decile performance from the Strategic Public Equity team via Gresham House Strategic plc (GHS); and a substantial deployment of committed capital by the British Strategic Investment Fund (BSIF) in a variety of UK infrastructure and housing opportunities.

As part of our continued growth and development we realised the need to refine our Group broking and advisory relationships. Consequently, we were delighted to appoint Canaccord Genuity and Jefferies International after a thorough selection process.

Notwithstanding the significant developments during the year, it is important to recognise that our experienced and capable management team has ambitious plans for the business to continue building a sustainable 'asset to covet' – something that employees, shareholders and clients can be proud of.

RESULTS

The activity in the year and growth in AUM has driven income to increase by 125% to £14.5 million (2017: £6.5 million). The AUM growth has not purely been from acquisition, with the team also focusing on delivering organic growth of 30% in AUM including the successful IPO of GRID, additional fundraisings in forestry and renewables plus good investment performances across other vehicles managed by the Group.

Profitability has also benefited as a result of scale and growth, with an adjusted operating profit of £3.0 million being delivered in the year (2017: £0.7 million loss), along with adjusted diluted EPS of 14.7 pence (2017: (5.9) pence). Total comprehensive net income improved to a loss of £0.6 million (2017: £3.5 million loss). The management team continues to operate a cost-focused model, while recognising the need to invest in the critical areas of the business, such as distribution and a high-quality investment team.

For more information
See pages 20-25

DIVIDEND

I indicated in the 2018 interim results, that the Board has considered the Company's long-term dividend policy as an important part of the Company's development. We are therefore particularly delighted to announce the intention to pay a maiden dividend of 3.0 pence.

SHAREHOLDERS

The broadening of our shareholder base is further testament to the executive management team's strategy, vision, communication and execution to date. In addition to new institutional shareholders, we have welcomed other significant long-term shareholders, including FIM's Richard Crosbie Dawson and Colin Lees Millais and the Livingbridge partners who joined as part of the Livingbridge VC acquisition. I would also like to thank our existing shareholder base, who have loyally continued to support the growth of the Company in the year and have proved to be valuable long-term investors in the Company.

BOARD

As noted at the time of our interim results, growth companies must have access to the right expertise and experience at Board level in order to provide the necessary governance, capability and support to management teams. The addition of Rachel Beagles to the Board in March 2018 has, together with Simon Stilwell in December 2017, proved invaluable in this regard and they have become highly valued colleagues.

OUTLOOK

We have started 2019 positively with successful fundraising efforts for both the Baronsmead VCTs, which closed within two weeks raising £25 million of new capacity, alongside a number of other fundraising initiatives which have progressed in the early part of the year.

The macro environment's ten year 'bull' cycle is showing clear signs of slowing, with concerns around corporate margins and high valuations, as noted by our management team in recent years. The Group's balance sheet has been managed accordingly and we enter 2019 in a strong position with the support of a new banking relationship with Santander. The continued uncertainties around Brexit do little to help, but with a predominantly UK-faced business we remain cautiously optimistic.

The increasing allocation to alternatives by long-term investors bodes well for the future and it is important that such an investment approach looks through short-term issues. This executive management team has proven its ability to source and execute value enhancing acquisitions in areas of relevance to the Gresham House strategy within alternative asset management alongside organic growth. Additional shareholder value is then created through clear integration and growth plans. We continue to further develop an exciting pipeline of opportunities to grow organically and significantly scale the Group, which gives us real confidence in its long-term prospects and shareholder value creation potential.

ANTHONY TOWNSEND
CHAIRMAN
6 March 2019

FUTURE VALUE DRIVEN BY

- Growth of AUM in scalable alternative asset management segments both organically and through acquisition
- Long-term income visibility in high margin products
- Delivering performance fees and carried interest
- Achieving operational gains from acquisitions

CHIEF EXECUTIVE'S REPORT

Organic growth and targeted acquisitions have created an attractive alternative asset management group

2018 marked a transformational fourth year for the Group under this management team. Through organic growth and complementary acquisitions, Gresham House is a specialist alternative asset manager with breadth and depth, alongside high-quality investment professionals. This has resulted in a business across four office locations, 74 people, with £2.3 billion Assets Under Management (AUM), and with KPIs moving in an attractive direction. Commensurately, our sales and distribution capability has been enhanced to help us make the most of the opportunities before us. Underpinning all of this is a disciplined approach to return on capital employed, management and operations – bringing us closer to our profitability and operating margin targets, and hence our shareholder value creation objectives. This is now a scalable platform for long-term growth.

GROWING SHAREHOLDER VALUE

At the heart of our strategy for the Group is the creation of shareholder value with the aim of making Gresham House an 'asset to covet'. As the scale of the business has increased over the last year,

AT THE HEART OF OUR STRATEGY FOR THE GROUP IS THE CREATION OF SHAREHOLDER VALUE WITH THE AIM OF MAKING GRESHAM HOUSE AN 'ASSET TO COVET'

AUM have reached £2.3 billion. We have nonetheless maintained our focus on operational efficiency through integration, and optimising resources to serve the business we have whilst supporting the next stage of the Group's growth. It is therefore pleasing to have generated 30% organic growth in AUM in 2018, alongside the value from integrating the forestry and private equity acquisitions.

DISCIPLINED APPROACH

Our ability to achieve sustainable long-term growth focuses on a highly disciplined approach to managing risk and controls within the business. Gresham House's Investment Committee challenges capital allocation decisions for the Group's balance sheet for recommendation to the Board. With acquisitions, for example, we only deploy capital where there is a clear path to a 15% Return on Invested Capital (ROIC) over the medium term and hence we believe in placing a significant focus on valuation and due diligence when appraising an acquisition. To date, it is pleasing to report that historic organic and acquisition investments are meeting this target, supporting our objective of generating high-quality recurring income streams for the Group from a diversified range of alternative investments. The long-term nature of a substantial proportion of our management contracts is significant.

ORGANIC GROWTH

Providing excellent service, including investment performance and communication, is central to maintaining the engagement of our clients. Underpinning traditional channels of client communications, our upgraded online client portal completed its first full year of operation. Through this mechanism, clients are able to see the full range of new investment opportunities we offer. Taken together with our co-investment platform, our improved fundraising capabilities mean that we can move quickly to support a range of exciting opportunities that expand AUM across the Group's investment strategies, particularly in our top-performing Strategic Public Equity activities, notably Gresham House Strategic plc (GHS), and the LF Gresham House UK Micro Cap and LF Gresham House UK Multi Cap Income unit trust funds.

The Group's organic growth in 2018 was headlined by the New Energy team's listing and launch of the UK's largest battery storage investment fund, called Gresham House Energy Storage Fund, (GRID). It aims to provide investors with an attractive and sustainable dividend by investing in a portfolio of utility-scale Energy Storage Systems (ESS) located in Great Britain, which use battery technology to import and export power, accessing multiple revenue sources within the power market.

Across the Group's other investment strategies, we have a range of organic growth opportunities as new and existing investors from both public and private sectors look to deploy capital with us. The British Strategic Investment Fund, (BSIF), continues to attract interest as it deploys capital, including from public sector pension schemes seeking to invest in sub-£50 million UK housing and infrastructure opportunities, and is targeting a final close later in 2019.

The FIM Sustainable Timber and Energy LP had a further close at the end of January 2019 at £35 million having raised an additional £6 million post year-end, and we are also delighted that in the same month fundraising for the two Baronsmead VCTs, which came over as part of the Livingbridge VC acquisition, was fully subscribed within ten days of opening. Each of these serves to emphasise and evidence the Group's future organic growth potential.

ACQUISITION, INTEGRATION AND OPTIMISATION

During the year we completed two significant acquisitions, FIM Services Limited (FIM) and the fund and investment management business of Livingbridge VC LLP (Livingbridge VC).

FIM significantly developed the Group's AUM within the real assets sector, increasing it by circa £1.0 billion, expanding fee income, adding a strong team and bringing a complementary investor base into the Group and widening its distribution capabilities for new product launches. As a result of the transaction, the Group is now the market-leading forestry asset manager in the UK with enhanced expertise in renewables asset management.

Livingbridge VC added £0.5 billion to the Group's AUM, comprising quoted and unquoted equities via the two Baronsmead VCTs and two top-performing open-ended investment companies (OEICs), LF Livingbridge (now LF Gresham House) UK Micro Cap Fund and LF Livingbridge (now LF Gresham House) UK Multi Cap Income Fund.

In both cases these additions to the Group met our acquisition criteria on expected ROIC, scope for operational cost savings and business development. Additionally, both brought strong investment management teams that share Gresham House's ethos and culture, meaning that their integration into the Group has been swift and we have made excellent progress achieving identified earnings-enhancing synergies.

STRATEGIC EQUITY

Gresham House Strategic plc (GHS) celebrated its third anniversary under Gresham House management in the year. NAV per share growth from inception to 31 December 2018 was 24.5%, growing 11.2% ahead of its benchmark. GHS was also the top-performing fund in its segment, in the year. We continued to review opportunities to scale GHS and promote this top-performing fund on a larger platform.

Strategic Public Equity LP (SPE LP) performed strongly in the year and was significantly ahead of its target returns, returning cash to investors following the partial sale of IMI Mobile at an attractive price, which has accelerated the discussions for the next fund launch. With SPE LP reporting a money multiple of 1.4x to the end of 2018, Gresham House has continued to build on the team's successful 15-year track record. Planning for SPE Fund IV is now well developed in order to allow a scalable version of this differentiated quoted equity strategy.

The addition of the two OEICs and the two Baronsmead VCTs with the Livingbridge VC acquisition has enhanced the offering that Gresham House has in this specialist area of investment.

The Baronsmead VCTs offer a high-quality and successful investment track record to investors and will continue to be managed by the same team to maintain this important brand. We are very pleased to welcome the Baronsmead VCTs under Gresham House management and look forward to investing further in the team and its resources to benefit investors. The strength of the Baronsmead VCTs has already been demonstrated in January, with the top up fundraise of £25 million completing within ten days.

CHIEF EXECUTIVE'S REPORT (CONTINUED)

The LF Gresham House UK Micro Cap Fund is top-quartile performing under the leadership of Ken Wotton over one, three and five-year periods and alongside the LF Gresham House UK Multi Cap Income Fund brings new open-ended vehicle capacity into Gresham House. These vehicles have capacity to substantially scale on the back of strong investment performance. Importantly, the Micro Cap Fund has top decile performance over five years versus peers.

The private equity opportunity has significantly increased following the Livingbridge VC transaction. Gresham House has now added to its private equity capability with a strong team and track record. The opportunity for LMS Capital plc (LMS) to benefit from this strong private equity combined investment team is clear. Having positioned LMS successfully under Gresham House management, a number of opportunities for its future direction and scale are apparent.

REAL ASSETS

The forestry division has grown well in the year, with organic growth in AUM of circa £120 million in 2018. This is the result of the long-term sustainable growth in the value of the underlying forest portfolio, clear focus on the acquisition of forests for clients and targeted fundraising in our existing long-term LP structures.

The integration of the Gresham House Forestry and FIM operations has enabled us to combine two highly skilled teams for the benefit of clients and shareholders alike. The combined team continues to provide a high-quality service to existing clients and also has the ability to grow the forestry business in the UK as well as review international opportunities. I am very pleased that Olly Hughes has recently joined us as the Managing Director of Forestry from Oxford Capital after the period end. Under his stewardship of the division we are expecting to see this area of the business develop further.

The New Energy division remains an area of huge potential for Gresham House. Our existing product offering includes the Hazel Renewable Energy VCTs (to be renamed Gresham House Renewable Energy VCTs) and the newly launched Gresham House Energy Storage Fund plc (GRID). These are exciting and scalable products which emphasise the potential opportunity from operating in sustainable areas of the renewable energy market. We have also supported the development of battery storage projects that are part of the pipeline for GRID, which we expect to be operational in 2019 and will lead to GRID seeking to issue additional shares supported by demand for this income-yielding investment. The scale of the opportunity for utility-scale batteries in the UK is considerable and bodes well for increasing AUM in this sector.

Infrastructure and housing in the sub £50 million enterprise value space remains attractive and have the potential for considerable investment. BSIF has worked hard with its initial capital and was circa 50% invested at the end of 2018. The opportunities to form long-term partnerships through relationships with local government pension schemes (LGPS) are considerable and long-term growth is very positive. With Brexit impacting inward UK investment, the opportunity exists for LGPS to invest in assets and platforms of strategic interest locally, regionally and nationally, such as vertical farming and affordable housing. We are aiming to have a final close for BSIF in 2019 and based on the current rate of investment, we expect to be raising a new fund for this strategy within the next year.

TEAM

At the heart of our business is a talented, driven team of management and investment professionals who have established a strong culture of excellence. I was therefore delighted that we were named Best Alternative Investment Manager at the 2018 European Wealth Briefing Awards. Such external recognition demonstrated to everyone working in the business that we are building something special and that their efforts are being recognised in the wider market.

With our recent acquisitions, the Group's headcount has grown and we have used the momentum gained during the year to enhance our distribution and sales capabilities alongside revenue growth, in addition to building our investment teams to deploy capital for investors in an efficient and profitable manner.

As noted at the time of the interim results, Heather Fleming's arrival as Head of Institutional Business brings considerable experience and expertise to our fundraising strategy. Her growing team forms a critical element of our fundraising and distribution power as we focus on organically expanding the Group's investment product portfolio.

I am also delighted to welcome the Livingbridge VC team who joined Gresham House at the end of the year, including high-quality investment managers Ken Wotton, Steve Cordiner and Bevan Duncan. Like the FIM team, their integration into the business will help us to develop exciting new investment opportunities for current and new clients, as well as enhancing the Gresham House brand.

We could not implement our ambitious strategy for the Group without the dedication, energy and expertise of everyone working in the business. I and the rest of the management team thank everyone that is part of the Gresham House 'family' for their hard work as we continue to grow the business and achieve our shareholder value objectives.

OUTLOOK

The achievements of 2018 are substantial. Our disciplined approach to managing the business means that we benefit from synergy potential and are well-positioned to take advantage of the growing proportion of asset allocations to alternatives. The combination of sustainable fund management income and performance fees creates a solid foundation upon which to develop new opportunities and co-investments that will increase the Group's scale and its relevance to a wider constituency of investors based on top quality investment talent.

The management team are focused on key areas to generate further shareholder value including organic growth in areas of competitive advantage (like forestry and new energy) whilst generating attractive returns on balance sheet capital and targeting 40-plus margins as we scale AUM.

NOTWITHSTANDING THE ACHIEVEMENTS OF 2018, OUR DISCIPLINED APPROACH TO MANAGING THE BUSINESS MEANS THAT WE BENEFIT FROM SYNERGY POTENTIAL AND ARE WELL-POSITIONED TO TAKE ADVANTAGE OF THE GROWING PROPORTION OF ASSET ALLOCATIONS TO ALTERNATIVES

Setting aside our conviction in the assets where we deploy capital, we also stand to benefit from the increased focus investors place on environmental, social and governance (ESG) criteria as the Group offers investors superior performance within an ESG-compliant framework, alongside sustainable real asset sectors including forestry, renewables and critical UK strategic infrastructure.

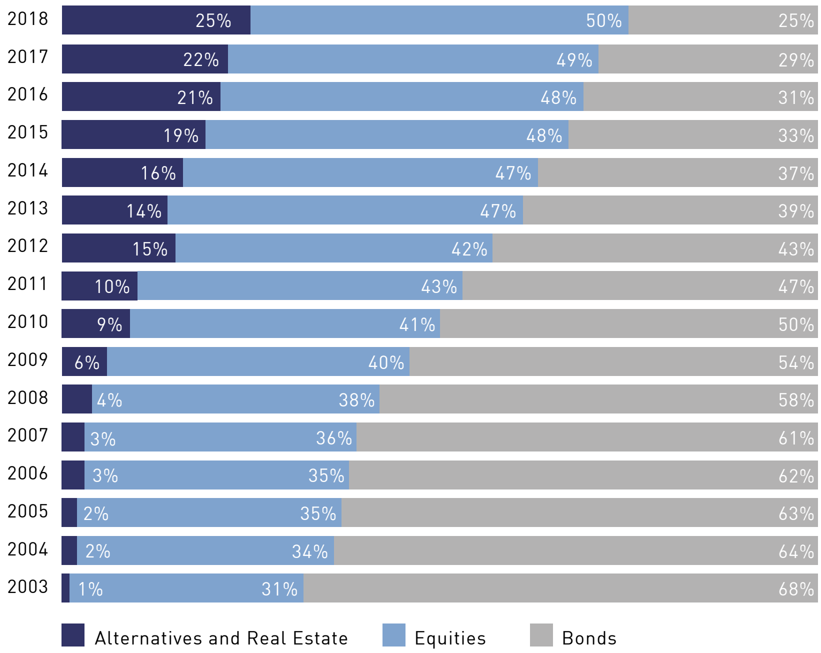
We will continue to be selective in our acquisition strategy, focusing on the most effective way to create value for shareholders, however the clear emphasis for 2019 is on organically increasing AUM. The opportunity to increase each of the five investment units to a multiple of their current size and the operational gearing upon the existing Gresham House platform should drive margins toward the 40% target, even before the benefits of performance fees.

The geopolitical outlook for the UK and Europe has remained challenging, creating uncertainty in markets and necessitating a pragmatic approach to risk and compliance management. Analysis of valuations and return on capital employed remain a concern. That said, the current macroeconomic environment also creates dislocations and opportunities for us as we seek to deliver the kind of high-quality, long-term sustainable income offered by alternative assets. The increasing focus on income yield, inflation linkage and sustainable asset investment should support long-term AUM growth and consequently Gresham House shareholder value despite market and valuation concerns.

Gresham House has repeatedly demonstrated that it offers innovative opportunities for public and private investor clients. Taken together with the added attractions of our partnership approach to investor relationships, the Gresham House platform and brand is growing. The value generated by a dynamic and capable team is now clearly showing through in shareholder value creation. We look to the future with confidence and optimism.

TONY DALWOOD
CHIEF EXECUTIVE
6 March 2019

INCREASING ALLOCATION TO ALTERNATIVE ASSET CLASSES
(%)



Changes in broad strategic asset allocation for UK Pension Plans 2003 - 2018
Source: Mercer's European Asset Allocation Survey 2018

THE GROWTH IN ALTERNATIVES AND PRIVATE MARKETS IS CONSIDERABLE, AND IT IS AN EXCITING TIME TO HAVE DEVELOPED A SCALABLE PLATFORM WITHIN GRESHAM HOUSE TO CAPTURE THAT OPPORTUNITY

STRATEGIC FRAMEWORK

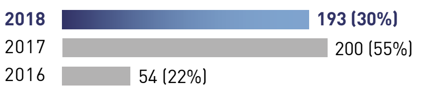
Building a leading specialist alternative asset management company

OBJECTIVES	2018 PROGRESS
1. Deliver organic growth in AUM For more information See pages 14-15	■ Successful £100 million IPO of Gresham House Energy Storage Fund (GRID) in November 2018 ■ Strong acquisition of forests for clients delivering additional AUM of £34 million ■ Fundraising for FIM Sustainable Timber and Energy Fund LP (STELP) of £29 million in 2018 ■ Hazel Renewable Energy VCTs top-ups totalling £7 million in 2018 ■ Continued fundraising for British Strategic Investment Fund (BSIF) in 2018, with local government pension schemes and other institutional investors in diligence for 2019 final close ■ Strong deployment for BSIF in sustainable infrastructure and housing investments ■ Top-performing Strategic Public Equity vehicle, Gresham House Strategic plc
2. Deliver acquisition growth in AUM For more information See pages 16-19	■ Successful acquisition of FIM in May 2018, creating the UK's largest forestry asset management business and adding £893 million AUM to the Group ■ Successful acquisition of Livingbridge's VC business in November 2018, adding the Baronsmead VCTs and two top quartile open ended funds (Micro Cap and Multi Cap Income Funds) totalling £476 million AUM ■ Historic acquisitions of Aitchesse, LMS Capital management contracts and Hazel Capital management contracts continue to deliver in line with target 15% returns – capturing synergies
3. Deliver operating profitability to shareholders	■ Delivered operating profit targets for 2018 ■ Delivered revenue growth through both organic and acquisition growth in AUM ■ Managing cost base and invested in team to support growth
4. Deliver operational efficiencies	■ Increased revenue per employee to £284k ■ Clear focus on synergies from acquisitions and integration plans ■ Benefits of operational leverage ■ Delivering AUM revenue growth by more than increases in cost base

STRATEGIC OBJECTIVE: TO DELIVER LONG-TERM VALUE TO SHAREHOLDERS AND CLIENTS WHEREBY GRESHAM HOUSE BECOMES AN "ASSET TO COVET"

KPIs

ORGANIC GROWTH IN TOTAL AUM (£M)



+30%

2019 PRIORITIES

- Issue further shares in GRID in 2019 to fund acquisition of existing pipeline of utility-scale battery storage vehicles
- Final close of BSIF by end of 2019
- Grow Forestry AUM through fundraising for existing LP funds and acquisition of UK and European forests on behalf of clients – target international expansion
- Deliver top-up fund raising for all VCT products managed by the Group
- Expand fundraising capability of Equity Funds team to drive growth in AUM of the open-ended funds (Micro Cap and Multi Cap Income Funds)
- Manage GHS plc and LMS plc effectively to increase NAV and target long-term scaling of vehicles
- Capitalise on client portal co-investment facility to provide additional AUM growth plus client service
- Execute existing work in progress

ACQUISITION GROWTH IN TOTAL AUM (£M)

+220%

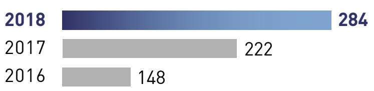
- Further integrate the FIM and Livingbridge businesses into the Group to drive additional operational and revenue synergies
- Identify and execute on acquisitions to complement the existing business and provide further scale
- Maintain disciplined capital allocation policy to generate 15% Return on Invested Capital (ROIC) hurdle in the medium to long term

ADJUSTED OPERATING PROFIT (£M)

£3.0M

- Deliver growing operating profitability in 2019 through revenue growth and management of cost base

REVENUE PER EMPLOYEE* (£'000)



£284K

** Average number of employees in the year*

- Focus on further integration of new acquisitions to deliver synergies
- Build AUM from existing cost base
- Invest in revenue generating team members

STRATEGY IN ACTION - GRESHAM HOUSE ENERGY STORAGE FUND

Providing investors with an attractive and sustainable dividend

DELIVER ORGANIC GROWTH IN AUM

OVERVIEW

Gresham House Energy Storage Fund plc (GRID or the Fund) seeks to capitalise on the growing intraday supply and demand imbalances caused by Great Britain's ever-increasing reliance on renewable energy. GRID aims to provide investors with an attractive and sustainable dividend by investing in a portfolio of utility-scale Energy Storage Systems (ESS) located in Great Britain, which use batteries and sometimes generators to import and export power, accessing multiple revenue sources within the power market.

The Fund is managed by the Gresham House New Energy team which has a proven track record in developing and operating energy storage and other renewable sector assets, having developed 70MW of Energy Storage Systems and approximately 290MW of predominantly ground-mounted solar projects.

FUND FEATURES

The Fund listed on the London Stock Exchange's Specialist Fund Segment on 13 November 2018 with £100 million of gross proceeds, before fees and expenses. At the time of writing, the Fund is currently c.60% invested in five seed ESS projects. Remaining proceeds from the IPO are expected to be fully committed in the first half of 2019.

Key Fund highlights include:

- Target NAV total return of 8.0% + p.a. once the Fund is fully invested before leverage, net of Fund expenses[1]
- Target dividend of 7.0p (4.5p in first year)[1]
- Target NAV levered total return of 15.0% per annum assuming 50% leverage combined with expected asset management and revenue improvements
- Each ESS project can generate multiple revenue streams
- Returns are not correlated to the absolute level of wholesale power prices and are not dependent on renewable subsidies
- Fund has an exclusive pipeline of 182MW, which indicates the potential to increase the size of the Fund with future fundraising

[1] This is a target, not a profit forecast. There can be no assurance that this target will be met or that the Fund will make any distributions at all. This target should not be taken as an indication of the Fund's expected or actual current or future results. Potential investors should decide for themselves whether or not the return is reasonable and achievable in deciding whether to invest in the Fund.

THE ROLE OF UTILITY-SCALE BATTERIES IS EVIDENT AND WILL CONTINUE TO GROW. WE VIEW THIS AS A KEY MARKET TO BE IN AND ARE PLEASED THE NEW ENERGY DIVISION CAN PLAY A PART IN THIS GROWTH

RUPERT ROBINSON,
MANAGING DIRECTOR,
GRESHAM HOUSE
ASSET MANAGEMENT

KEY FACTS

£100M
IPO

70MW
seed portfolio

182MW
exclusive pipeline

MARKET OPPORTUNITY

Energy generation in the UK is undergoing fundamental change as older coal-fired power stations are decommissioned and renewable energy increases its share of the energy mix. The intermittency of renewables puts pressure on the National Grid network to match supply and demand in real time; cost-effective battery-storage plants have emerged as a solution to address the challenge of this renewable intermittency.

The background to the opportunity is evident:

- Carbon reduction targets set in UK law combined with a stated objective to withdraw all coal-fired generation by 2025
- Renewables are increasingly dominant, with a declining need for subsidies – management of the National Grid increasingly requires ESS
- Rapid decarbonisation of the economy through electrification of transportation and water heating further drives the need for an extremely reliable electricity supply based on renewable energy
- The challenge of intermittency is best addressed through Energy Storage Systems and other flexibility solutions, as Energy Storage Systems can both absorb and release energy in near real time using reliable and cost-effective battery solutions

The role of utility-scale batteries is evident and will continue to grow. We view this as a key market to be in and are pleased the New Energy division can play a part in this growth.

STRATEGY IN ACTION - FIM ACQUISITION

Creating the leading forestry asset manager in the UK

DELIVER ACQUISITION GROWTH IN AUM

OVERVIEW

In May 2018, Gresham House acquired 100% of FIM Services Limited (FIM), the UK asset manager specialising in sustainable UK real asset investments. As at 31 December 2017, FIM had AUM of approximately £893 million, reflecting 83,000 hectares of forestry (£635 million AUM) and 127MW of renewable generating assets in onshore wind farms and ground mounted solar parks (£258 million AUM). FIM subsequently added a further 10MW in two ground mounted solar parks in January 2018.

FIM was founded in 1979 and at the time of acquisition had 25 employees primarily based near Oxford, accessing a wide range of investment opportunities for its clients, actively sourcing, structuring and executing transactions and providing a full asset management service. FIM's client base is complementary to that of Gresham House, including unlisted funds, institutions, family offices and high net worth individuals.

THE TRANSACTION

Gresham House paid £21.8 million, comprising £11.2 million in cash and £10.6 million in Gresham House plc shares, with deferred consideration of £4.0 million linked to performance. Gresham House also paid £5.7 million in cash, for cash and assets on the FIM balance sheet.

This equates to an historic acquisition multiple of 6.4x EBITDA, rising to a maximum 7.4x on full deferred consideration (subject to performance conditions).

COMBINED TEAM DEEPENS INDUSTRY EXPERTISE, CREATING NEW OPPORTUNITIES AND STRENGTHENING FUNDRAISING POTENTIAL

TRANSACTION RATIONALE

The acquisition of FIM provides a number of strategic and financial advantages to the combined business:

STRATEGIC RATIONALE

- Creates the UK's leading forestry asset manager, totalling a combined 100,000 hectares and AUM of over £900 million
- Enhances the New Energy division with over £250 million of wind and solar AUM
- Combined team deepens industry expertise, creating new opportunities and strengthening fundraising potential
- Increased scale provides a platform for international expansion
- Broadens the Group's client base with complementary investors and opportunities for revenue synergies
- Opportunity to add strategic shareholders to the Company register as part of the placement

FINANCIAL RATIONALE

- Increases shareholder value through target return on investment of 15% over the medium term
- Long-term management contracts of up to 25 years, providing stable and predictable revenue streams
- Immediately earnings enhancing in year one, pre-synergies
- Added £893 million of fee earning AUM to the Real Asset division, creating a significant division
- Improves operating margins for the Group as it targets 40% operating margins

VALUE CREATION OPPORTUNITIES

The successful integration of the FIM business with the existing Gresham House forestry and renewable energy businesses is the key to driving additional value from the acquisition. Operational integration has been completed and the combined team is working on leveraging its expertise across the forestry and renewable energy markets to create new opportunities for clients, as well as expanding into the international market, which is currently underway.

KEY FACTS

AUM at acquisition of

£893M*

Revenues of

£6.3M*

Profit before tax of

£3.3M*

Operating profit margin of

52%

*Figures per audited financial statements for the year ended 30 September 2017

STRATEGY IN ACTION - LIVINGBRIDGE VC ACQUISITION

Providing a platform for accelerated organic growth

DELIVER ACQUISITION GROWTH IN AUM

OVERVIEW

In November 2018, Gresham House acquired the fund and investment management business of Livingbridge VC LLP (Livingbridge VC), the venture capital division of Livingbridge LLP. The acquisition included the management contracts of the Baronsmead VCT products alongside two open-ended vehicles, LF Livingbridge (now Gresham House) UK Micro Cap Fund and LF Livingbridge (now Gresham House) UK Multi Cap Income Fund with a total AUM of £476 million. All 16 employees within Livingbridge VC transferred to Gresham House and joined the Strategic Equity strategy.

THE TRANSACTION

Gresham House paid £30.0 million, comprising £23.0 million in cash (£11.7 million via a vendor placing) and £7.0 million in Gresham House plc shares, with deferred consideration of up to £7.5 million linked to performance.

This equates to an historic acquisition multiple of 6.0x EBITDA, rising to 7.5x on payment of full deferred consideration (subject to performance conditions).

THE EXCELLENT TEAM WILL ADD TO OUR EXISTING HIGH-QUALITY INVESTMENT AND CLIENT PERSONNEL, ENABLING ADDITIONAL GROWTH OPPORTUNITIES FOR THE GROUP

TRANSACTION RATIONALE

The acquisition of Livingbridge VC provides a number of strategic and financial advantages to the combined business:

STRATEGIC RATIONALE

- Adds a UK equities asset manager with a strong brand and track record to the Gresham House stable
- Creates a platform for accelerated organic growth through product development and growth in the open-ended funds
- Significantly increases the investment capability in Strategic Equity with consistent investment philosophies (public and private equity combination)
- Diversifies and expands the client base including platforms and wealth manager distribution channels
- Additions to existing VCT products and Strategic Equity division
- Opportunity to add strategic shareholders to the Company register as part of the placement

FINANCIAL RATIONALE

- Materially earnings enhancing
- Acceleration towards the Groups' target operating margins of 40%+
- Adds significant scale to the Strategic Equity division by adding £0.5 billion of AUM and increasing Group AUM to over £2.1 billion at the time of acquisition
- Increases shareholder value through target return on investment of 15% over the medium term
- Identified and material cost synergies

VALUE CREATION OPPORTUNITIES

The acquisition combines two UK focused asset managers with aligned investment philosophies and enhances the investment expertise and depth in Gresham House's existing Strategic Equity team. The Baronsmead VCTs have a reputation for high performance and provide a great opportunity, so much so that the recent fundraising of £25 million across the two VCTs was completed within ten days. The open-ended funds provide an opportunity for real growth in AUM, with the team looking to scale these vehicles considerably in 2019.

KEY FACTS

AUM at acquisition of

£476M

Revenues of

£9.1M*

EBITDA of

£5.0M*

Operating profit margin of

55%

*Figures per unaudited financial statements for the year ended 31 December 2017 excluding performance fees.

FINANCIAL REVIEW

Building long-term sustainable revenues from alternative asset management

The Group has had another strong year of organic growth in addition to that achieved through acquisition, with AUM growing by 250% to £2.3 billion compared to £0.6 billion at the end of 2017 and revenues increasing by 125% to £14.5 million (2017: £6.5 million). The Group's size now gives it meaningful scale as a specialist asset manager, and this is starting to show with adjusted operating profit increasing from a loss of £0.7 million in 2017 to a profit of £3.0 million in 2018. Total comprehensive net income has also improved to a loss of £0.6 million (2017: £3.5 million loss). The Group has also announced its maiden dividend of 3.0 pence for the year ended 31 December 2018 (2017: nil).

A key driver of the Group's increased AUM and profitability has been the completion of the FIM and Livingbridge VC business transactions in the year. It should be highlighted that these results only include seven months of the FIM operating profits and one month of the Livingbridge VC operating profits, so while we see a strong improvement on the prior year, 2019 will be the first year with full revenues from these two acquisitions.

ADJUSTED OPERATING PROFIT

	2018 £'000	2017 £'000
Income	**14,498**	6,457
Administration overheads (excluding amortisation and depreciation and exceptional items)	**(11,705)**	(6,824)
Dividend income from associates	**211**	–
Finance costs	**(42)**	(344)
Adjusted operating profit/(loss)	**2,962**	(711)
Amortisation and depreciation	**(2,903)**	(1,197)
Exceptional items	**(2,001)**	(308)
Net trading loss	**(1,942)**	(2,216)
Gains/(losses) on investments*	**1,067**	(206)
Tax	**218**	–
Operating loss after tax	**(657)**	(2,422)
Profit/(loss) from discontinued operations	**11**	(1,104)
Total comprehensive net income	**(646)**	(3,526)

* Excluding dividend income from associates of £211,000.

One of the Group's key performance indicators is the non-GAAP adjusted operating profit metric, which has increased to £3.0 million (2017: £0.7 million loss) and the adjusted operating margin improving to 20% in the year (2017: -11%). We use the adjusted operating profit metric as an alternative asset manager to define the net trading profit of the Group before deducting amortisation of management contracts acquired, depreciation and exceptional items relating to acquisition and restructuring costs. We also add back the dividend income received in the year from investments in associates as part of our operating activity in line with other investments. The aim is to show the true performance of the asset management business through the management fee income and revenues earned, less the administrative overheads associated with delivering the asset management services. The table on page 20 provides a reconciliation of the adjusted operating profit to total comprehensive income.

INCOME

	2018 £'000	2017 £'000
Asset management income	**13,717**	5,805
Dividend and investment income	**47**	431
Other income	**734**	221
Total income	**14,498**	6,457

ASSET MANAGEMENT INCOME

Total asset management income has increased by 136% in the year to £13.7 million (2017: £5.8 million). The main factor has been the growth in AUM to £2.3 billion (2017: £0.6 billion). The key AUM growth factors were the acquisition of the FIM and the Livingbridge VC businesses, however it should also be noted that AUM grew organically by 30% through the launch of Gresham House Energy Storage Fund plc (GRID) and other activity in the existing business which materially contributed to the growth in revenues.

The Group benefits from a diverse range of long-term management contracts, which provide a stable view on future revenue streams. The general decline in markets during the last quarter of 2018 therefore did not have a material impact on the revenues of the Group for 2018. A good example of this dynamic is the weighted average life of management contracts accounting for £0.8 billion in AUM, which is 16 years in asset classes such as forestry, and is not directly linked to movements in equity or bond markets.

DIVIDEND, INTEREST AND OTHER INCOME

We use our balance sheet to invest alongside clients and develop or support products managed by the Group and dividends, interest and other income reflect this. Overall dividend and investment income were lower in 2018, due to 2017 benefitting from the working capital loan to Hazel Capital, while we completed the acquisition process.

Other income in 2018 includes directors' fees, where team members sit on the boards of portfolio companies, and a make whole fee of £620,000, payable by Hazel Capital to the Group as part of an arrangement whereby BSIF invested in ESS2 Holdco Limited (a battery storage project company), and which became payable when ESS2 Holdco Limited was sold to GRID as a seed asset.

ADMINISTRATIVE OVERHEADS

Administrative overheads, excluding amortisation, depreciation and exceptional items were £11.7 million (2017: £6.8 million). We are a people business and the increase in administrative overheads is predominantly driven by the rise in headcount as part of the acquisitions executed in the year. 2018 has seen the first full year with the Hazel Capital team (2017 only included two months as the team of ten transferred over on 1 November 2017) as well as the 25 strong team from FIM joining in May and the Livingbridge VC team of 16 joining in early December. When combined with new hires in key areas such as distribution and offset by acquisition synergies, the Group's headcount has increased from 34 at the end of 2017 to 74 at the end of 2018. People costs have consequently increased to £8.1 million from £4.6 million in the year.

Total office costs across the Group are £0.9 million (2017: £0.5 million) as we now operate with offices in London, Oxford, Dumfries and Perth. We have focused on rationalising this network following the acquisition of the FIM business, the benefit of which will come through in 2019. We have also continued to operate a flexible approach to the London office and were able to accommodate the Livingbridge VC team at Octagon Point, St Paul's, within two weeks of completing the transaction.

We continued to work hard at identifying further synergies in the year, as we integrated the FIM and Livingbridge VC businesses, with benefits noted across a number of areas, such as insurance, office and research. This is a key focus when we acquire businesses and Andy Hampshire, COO and CTO, has used his wealth of experience to drive these synergies within a short time frame of completing an acquisition.

FINANCE COSTS

As part of the Livingbridge VC acquisition, we took the opportunity to work with Banco Santander SA (Santander) to develop a strategic banking relationship. The Group borrowed £10.0 million to part fund the acquisition, through a £6.0 million three-year term loan and a £4.0 million three-year revolving credit facility, with interest of LIBOR plus a margin of 3.25%. This completed on 30 November 2018 and therefore £42,000 represents one month of financing cost in 2018. This was a good opportunity to demonstrate the Group's disciplined approach to financial management and secure borrowing, whilst developing the relationship with Santander. We maintain a cautious approach to leverage, and at the end of the year the Group operated a net cash position of £4.1 million (2017: £9.8 million with zero debt).

The prior year financing costs of £344,000 related to the Kleinwort Benson loan which was repaid in September 2017 as part of the sale of the Southern Gateway site in Speke, Liverpool.

FINANCIAL REVIEW (CONTINUED)

AMORTISATION AND DEPRECIATION

Amortisation of management contracts, client contacts, the website and client portal accounted for £2.8 million (2017: £1.1 million) as these intangible assets continue to be amortised over their useful lives. The acquisition of FIM and Livingbridge VC required the assessment of the fair value of the management contracts within these businesses, which are being amortised over their useful lives, ranging from one to 25 years in the case of some of the FIM management contracts.

Depreciation of £138,000 in the year (2017: £87,000) relates primarily to motor vehicles used by the forestry business and IT equipment.

EXCEPTIONAL ITEMS

In line with previous years we have classified exceptional items as those fees and costs which relate to acquisitions and restructuring of the business post acquisition. With two material transactions in 2018, this figure has increased to £2.0 million (2017: £308,000).

GAINS/(LOSSES) ON INVESTMENTS

	2018 £'000	2017 £'000
Share of associates' profits/(losses)	**1,718**	(68)
Gains/(losses) on investments held at fair value	**(271)**	(230)
Movement in fair value of contingent consideration	**(209)**	(56)
Movement in value of deferred receivable	**40**	148
Total gains/(losses) on investments	**1,278**	(206)

Overall the Group has made gains on its investments in funds that it manages and acquisition related contingent consideration of £1.3 million in 2018 (2017: £0.2 million loss).

The share of associate's profits relates to the 23% holding that the Group has in GHS and the Group's 28% holding in Noriker Power Limited (Noriker). The last results announcement from GHS was on 21 November 2018 for the six-month period to 30 September 2018. Under associate accounting, the Group has therefore recognised its share of the profit in the period of £1.7 million, which included dividends received in the year from GHS of £211,000.

On 4 June 2018, the Group also purchased a 28% holding in Noriker, the battery storage and renewable energy operating company which provides services to develop battery storage projects. This was acquired to align the Group with Noriker as it develops battery storage projects which are part of the pipeline of projects to be acquired by GRID when operational. The Group's share of profits since ownership was £75,000.

The loss of £271,000 on investments held at fair value in the year (2017: £230,000) includes realised and unrealised movements on the co-investment that has been made in the funds managed or advised by Gresham House. A notable gain in the year related to the sale of IMI Mobile, which was sold under the co-investment agreement with SPE LP crystallising a realised gain of £284,000. As part of the launch of GRID, the Group sold its 6.8% equity holding in the battery storage project ESS2 Holdco Limited. There was a realised loss on this sale of £685,000, however the Group also earned a make whole fee of £620,000 from Hazel Capital LLP on the sale of ESS2 Holdco Limited as agreed as part of an earlier financing arrangement. In the short term, the Group is marginally down on its initial investment, however ESS2 Holdco Limited has been used to help seed and launch GRID, the £100 million battery storage vehicle that the Group manages and strategically is considered an important transaction.

FAIR VALUE MOVEMENT IN CONTINGENT CONSIDERATION AND DEFERRED RECEIVABLE

During 2018, the contingent consideration payable to the sellers of Aitchesse Limited (now Gresham House Forestry Limited) business crystallised, with a negative impact on the income statement of £203,000. This was settled with £1.0 million cash and the issue of 504,095 ordinary shares with a value of £2.2 million. The final payment to LMS for the acquisition of the LMS management contract was not required to be made as the NAV of LMS was below the £67.5 million threshold on the second anniversary of taking on the management contract, releasing £251,000.

Both the FIM and Livingbridge VC acquisitions have a contingent payment element which is driven by revenue performance over two to three years. The contingent consideration payment has been fair valued at acquisition and at the end of 2018, with the movement in the fair value recognised in the income statement. In both cases there had been no changes to the assumptions between acquisition and the year-end and the movement reflects the unwind of the discount over the period.

The deferred receivable relates to future payments due from Persimmon from the sale of the original Newton-le-Willows site in September 2015. The fair value movement of £40,000 represents the total increase in fair value as the payments become due (2017: £148,000).

DISCONTINUED OPERATIONS

Discontinued operations related to the Group's legacy property portfolio, with the remaining sites at Southern Gateway and Newton-le-Willows being sold during 2017. The small profit of £11,000 in 2018 reflects updates as further details on the properties are concluded (2017: £1.1 million).

FINANCIAL POSITION

	2018 £'000	2017 £'000
Assets		
Investments*	**17,795**	8,974
Property	**–**	1,986
Deferred receivable – Persimmon	**1,033**	3,694
Cash	**13,958**	9,785
Tangible/realisable assets	**32,786**	24,439
Intangible assets	**65,911**	6,327
Other assets	**5,832**	3,070
Total assets	**104,529**	33,836
Liabilities		
Borrowing	**9,840**	–
Contingent consideration	**8,447**	3,301
Deferred taxation	**2,944**	–
Other creditors	**4,085**	2,165
Total Liabilities	**25,316**	5,466
Net assets	**79,213**	28,370

* IFRS requires the consolidation of Gresham House Forestry Friends and Family Fund LP. This has been adjusted here for the £527,000 non-controlling interest (2017: £477,000) to show the Group's position on an investment basis.

TANGIBLE/REALISABLE ASSETS

The above highlights the strong balance sheet position that the Group improved on as at the end of 2018. The tangible/realisable assets supporting this total £32.8 million (2017: £24.4 million), comprise investments, amounts receivable from Persimmon on the sale of a legacy property site in September 2015 and cash.

INVESTMENTS

The Group invests in or alongside the funds that it manages to align itself with clients. The table below provides a summary of the investment portfolio at the end of the year:

INVESTMENT PORTFOLIO

	2018 £'000	2017 £'000
Investment in associates		
Gresham House Strategic plc	**8,894**	6,462
Noriker Power Limited	**1,304**	–
	10,198	6,462
Investment in securities		
Gresham House Energy Storage Fund plc	**3,982**	–
Development Company Projects	**1,290**	–
Gresham House Forestry Fund LP	**1,337**	1,201
Gresham House Strategic Public Equity LP	**672**	991
LMS Capital plc	**291**	281
Other investments	**25**	39
	7,597	2,512
Total investments (excluding non-controlling interests)	**17,795**	8,974

The Group increased its holding in GHS plc in the year to 23% from 19% as a result of a placement from an existing shareholder at an attractive price. GHS has performed strongly in the year and based on its last publicly available results, this has led to an increase in the recognised value as an associate of £1.7 million (2017: £68,000 loss).

FINANCIAL REVIEW (CONTINUED)

INVESTMENT PORTFOLIO (CONTINUED)

Following the completion of the Hazel Capital transaction the Group owns a 28% equity stake in Noriker. The key investment in Noriker's balance sheet is its £4.3 million holding in GRID shares, with the Group therefore holding an indirect exposure of £1.2 million in GRID. Combined with the Group's direct investment in GRID of £4.0 million, the Group's total exposure to GRID is £5.2 million, which has maintained its value since IPO in November 2018.

The Group has been providing development capital though short-term loan receivables for a number of battery storage projects, which are in the exclusive pipeline for GRID to purchase when they are operational. GRID will go through a detailed independent valuation process when the projects are operational as part of the acquisition process. These projects currently remain on track to be operational in 2019 and the Group's investment in the development of these projects was £1.3 million.

Gresham House Forestry LP has performed well in the year, with increases in the value of the underlying forests driving an increase in the Group's investment to £1.3 million (2017: £1.2 million), excluding non-controlling interests.

Gresham House Strategic Public Equity LP continued to invest during 2018 and also sold a material part of its holding in IMI Mobile, which rebalanced the portfolio and also generated a realised profit of £284,000.

The other investments demonstrate the Group's ability to co-invest alongside the funds that it manages and provides alignment with clients.

PROPERTY AND DEFERRED RECEIVABLE

All properties were sold during 2017, with the completion on the sale of the Newton-le-Willows site in February 2018 delivering £2.0 million.

The final settlement by Persimmon of its remaining £1.0 million payment under the terms of the original sale agreement due on 22 March 2019 and was received in full on 26 February 2019.

INTANGIBLE ASSETS

Intangible assets have increased considerably from £6.3 million at the end of 2017 to £65.9 million at the end of the year following the acquisition of FIM and the Livingbridge VC businesses. The fair value of the management contracts for FIM at acquisition was £18.6 million and goodwill of £8.7 million and Livingbridge VC management contracts were fair valued at £22.9 million and goodwill was £12.1 million.

The fair value of the management contracts was determined with reference to the estimated revenues and costs to service the management contracts over their useful lives after applying an appropriate discount. This fair value will be amortised over the contracts' useful lives.

There is no indication that the goodwill from the Gresham House Forestry (formerly Aitchesse Limited) and Hazel Capital transactions should be impaired, so the goodwill remains at £2.9 million and £0.3 million respectively. Goodwill will be measured for impairment each reporting period and the value will be updated accordingly. Further details are included in the notes to the financial statements.

BORROWING

As highlighted earlier, the Group entered into a £10.0 million facility agreement with Santander as part of the Livingbridge VC acquisition. At the end of 2018, £9.8 million remained outstanding and the Group had a net cash position of £4.1 million (2017: £9.8 million net cash, zero debt).

CONTINGENT CONSIDERATION

During 2018 the contingent consideration payable to the sellers of Gresham House Forestry (formerly Aitchesse Limited) completed and £3.2 million was settled in cash and shares. The contingent consideration payable to LMS expired in August 2018, with no payment due as a result of the NAV of LMS being lower than the £67.5 million threshold, releasing £251,000 in the year.

The two main additions to contingent consideration in the year relate to the FIM and Livingbridge VC acquisitions.

The FIM acquisition concluded that £4.0 million would be paid to the sellers, should combined revenues of the Gresham House Forestry and FIM business exceed £14.0 million in the first two years following the acquisition. The current estimate is that this will be achieved in full and therefore the fair value of the contingent consideration of £3.2 million reflects this after a discount for the time value of money.

The Livingbridge VC acquisition has a similar contingent consideration element, based on the Baronsmead VCTs not giving the Group notice on the management contracts and total revenues from Livingbridge VC delivering over £37.2 million revenues in the three years to 31 December 2021. This has also been fair valued with reference to expected revenues from the management contracts and the likelihood being served notice on the Baronsmead VCT contracts. The fair value of the contingent consideration at the end of 2018 was £5.0 million.

GOING CONCERN

The Financial Reporting Council has determined that all companies should carry out a rigorous assessment of all the factors affecting the business in deciding to adopt a going concern basis for the preparation of the accounts. The directors have reviewed and examined the financial and other processes embedded in the business, in particular the annual budget process. On the basis of such review and the significant liquid assets underpinning the balance sheet relative to the Group's predictable operating cost profile, the directors consider that the adoption of a going concern basis, covering a period of at least 12 months from the date of this report, is appropriate.

KEVIN ACTON
FINANCE DIRECTOR
6 March 2019

DIVISIONAL REVIEW – STRATEGIC EQUITY

Strategic Equity – specialist equity investing

THE STRATEGIC EQUITY DIVISION FOCUSES ON PROVIDING ACCESS TO A RANGE OF SPECIALIST EQUITY INVESTMENT OPPORTUNITIES IN PUBLIC AND PRIVATE EQUITY MARKETS

STRATEGIC EQUITY

AUM

AS AT 31 DECEMBER 2018

£588M

+414%

REVENUE

FOR THE YEAR TO 31 DECEMBER 2018

£2.9M

+37%

STRATEGY

The Strategic Equity division focuses on providing access to a range of specialist equity investment opportunities in public and private equity markets. This includes:

- **Public Equity:**
  - Strategic Public Equity
  - UK Micro Cap and UK Multi Cap Income
- **Private Assets:**
  - Venture Capital
  - Private Equity

The Strategic Equity division has grown in the year following the acquisition of the Livingbridge VC business, which has added the Baronsmead VCTs and two open-ended equity funds to the division.

STRATEGIC PUBLIC EQUITY

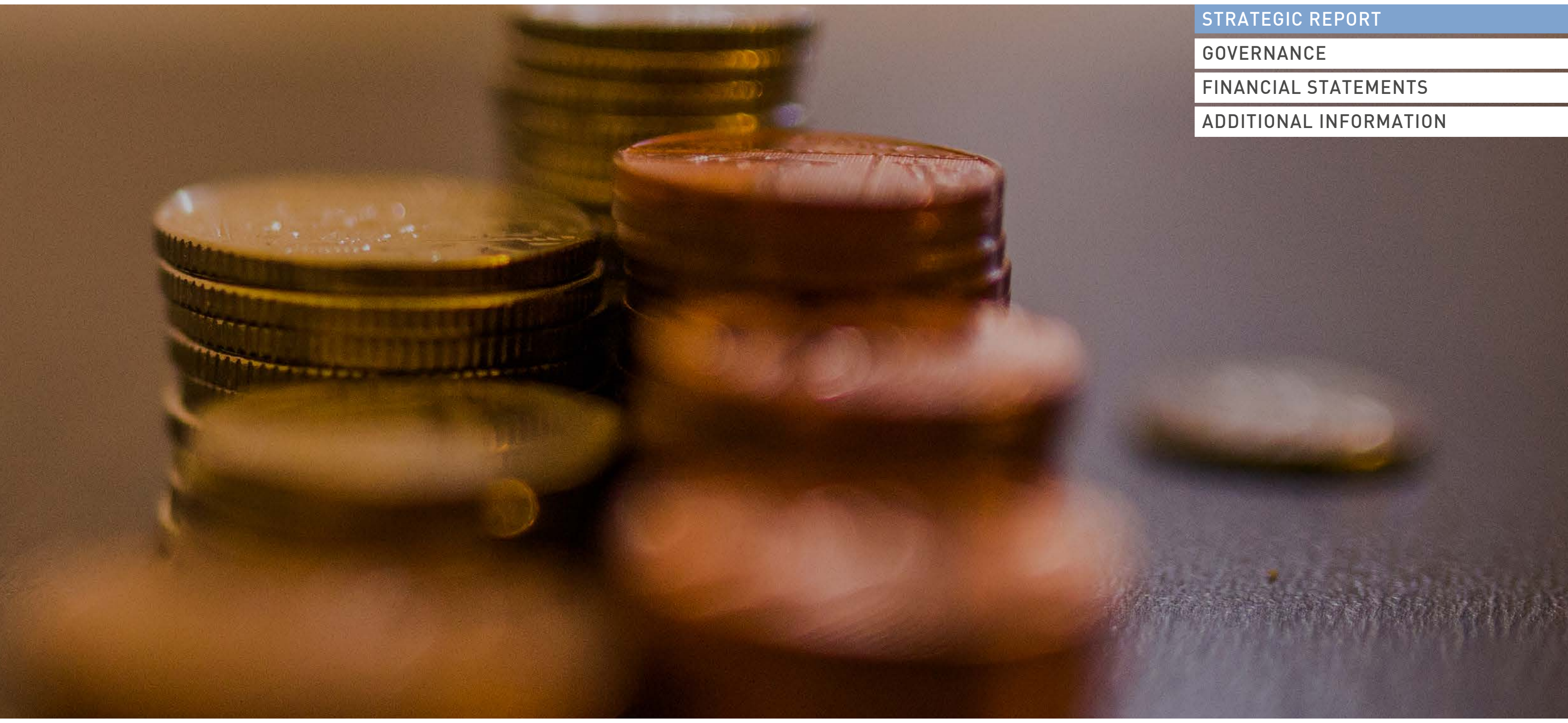
Gresham House Strategic Public Equity is an alternative investment strategy which targets superior returns through investment into UK and European smaller public and private companies, typically below £150 million in size, by applying private equity techniques and thorough due diligence alongside a long-term investment philosophy. The strategy has a value philosophy and focuses on investing in profitable, cash generative companies that the investment team believe are undervalued.

We take a hands-on approach to engaging with investee company stakeholders, including management, shareholders, customers and suppliers to exploit market inefficiencies and support a clear equity value creation plan, targeting above market returns over the long term. The experienced, multi-disciplined Gresham House investment team has a successful track record of public equity investing and seeks to add value through constructive engagement.

THE OPPORTUNITY

We believe that the approach will deliver superior investment returns over the long term and that there is an attractive opportunity to implement the investment strategy in the current market environment. This belief is underpinned by several strong themes:

- Applying a private equity approach to public company investments has distinct characteristics including a focus on smaller companies.
- The smaller companies' market is increasingly inefficient through a lack of liquidity, broker research, access to capital, and corporate advice. This provides pricing dislocations and opportunities to make supernormal returns. Smaller companies are attractively priced. The valuation differential between companies above £250 million market cap and smaller, less liquid stocks is significant, providing a meaningful opportunity to generate superior long-term returns by investing in good quality, intrinsically undervalued smaller companies.
- The Strategic Public Equity approach can support corporate growth and hence equity value creation through



provision of development or growth capital, investor relations support, a corporate advisory role or facilitation of corporate activity such as public to private or trade consolidation.

- A combination of factors supports the view that medium-term returns from here for equity markets will be relatively low compared to history. The Strategic Public Equity approach is an alpha driven strategy, which targets significantly undervalued companies and is uncorrelated to a market index. It is implemented through a concentrated portfolio based on substantial research and a variety of private equity and industrialist inputs.
- There are fewer investors competing in this space. Private equity investment funds typically have limited access to public companies due to constraints and a lack of understanding of public markets whilst many public market institutions are constrained by lack of trading liquidity in smaller companies.

In terms of investment style, there have been interesting changes in direction throughout 2018. 'Growth' has been the real casualty of the Q4 2018 market sell-off versus its performance at the start of the year (and for most of the past decade) and has been closely followed by 'Momentum'. The best relative performer by some distance has been 'Value', having previously been the laggard. This is encouraging for investors in our Strategic Public Equity Funds as we have a more 'value oriented' portfolio of investments which is core to our Strategic Public Equity approach. We would argue that some of the stronger performance this year can be attributed to this emerging change in backdrop and we anticipate this trend extending into next year as a decade-long dominance of growth and momentum investing comes to an end.

STRATEGIC PUBLIC EQUITY – GHS AND SPE LP

GHS was the best performing UK Small Cap Investment Trust for the year, with a performance which would have placed it as the best performer amongst all 49[1] open-ended funds in the IA UK Smaller Companies sector, outperforming the peer group average by 24.8%. WIn the calendar year to 31 December 2018, the total return NAV per share is up 8.9%, the FTSE All Share and FTSE Small Cap (excluding Investment Trusts) declined -9.5% and -13.8% respectively on a total return basis in the same period.

SPE LP follows a very similar investment policy to GHS and is the third SPE LP managed by the team of Tony Dalwood and Graham Bird, following the successful funds at SVG which also included the highly successful Investment Trust, Strategic Equity Capital, where strong long-term performance continued from the investments after their SVG departure. A number of new investments were made for SPE LP and committed co-investors, which to date have performed well. As at 31 December 2018 the portfolio valuation indicated a 1.4x money multiple on cost with the fund being 74% drawn. The final close was held on 15 February 2018, bringing the total commitments (excluding co-investment) to £10m.

VALUE VERSUS GROWTH

Source: finnCap research as at 19 December 2018

[1] FT Adviser, as at 23 November 2018

DIVISIONAL REVIEW – STRATEGIC EQUITY (CONTINUED)

Strategic Equity – specialist equity investing

UK MICRO CAP AND MULTI CAP INCOME – LF GRESHAM HOUSE UK MICRO CAP FUND AND LF GRESHAM HOUSE UK MULTI CAP INCOME FUND

The management contracts of both of these funds were acquired as part of the Livingbridge VC acquisition.

The Micro Cap Fund's strategy is a high-conviction, concentrated fund, seeking to deliver risk-adjusted returns with low correlation to its peer group via a dedicated focus on micro-cap companies and fundamentals-based stock picking. Using a similar philosophy as the Strategic Public Equity team, the fund takes advantage of inefficient markets, with micro-cap companies remaining under researched. The investment pool is also large with a dynamic entrepreneurial environment providing constant renewal of the opportunities available. The team have driven the fund since its inception in 2009 as a top quartile IA UK smaller-companies fund over the past five years, targeting a total return of double digit annual total returns over the market cycle.

The Multi Cap Income Fund's strategy seeks risk-adjusted returns and a low correlation to its peers through a focus on smaller companies and fundamentals-based stock picking. As a multi-cap fund, it has a large diverse investment universe and operated with a bias towards small and mid-cap companies, which provides it with a low correlation to most income funds. The focus is on profitable, cash generative growth businesses with attractive dividends. The fund was launched in 2017 and targets an annual 4% yield as part of a high single digit total return.

PRIVATE ASSETS

The Private Assets strategy focuses on unquoted equity investments in a range of sectors and stages of the funding cycle, with the VCTs typically investing in emerging stakes and early stage investment and LMS holding investment in private equity directly and fund positions.

VENTURE CAPITAL – BARONSMEAD VCTS

The Baronsmead VCTs (VCTs) became part of the Gresham House Strategic Equity Division as part of the Livingbridge VC acquisition. The first Baronsmead VCT was established in November 1995 and was one of the first VCTs to be launched. There are currently two Baronsmead VCTs which each have similar investment objectives.

The VCTs are 'generalist' VCTs aiming to invest primarily in unquoted and AIM-traded and other listed companies. Fundraising for the VCTs has been successful since Gresham House took on the management with £25 million being raised by the end of January 2019. The team are working hard on an exciting pipeline to invest the new funds and maximise the potential returns for clients.

PRIVATE EQUITY – LMS

GHAM was appointed as the investment manager of LMS in August 2016. LMS is listed on the main market of the London Stock Exchange. It has a private equity portfolio that includes small to medium sized private and public companies in the consumer, energy and business services sectors, with investments held both directly and indirectly through third party investment funds.

Successful realisations plus a reduction in costs is testament to successful implementation of the shareholder value plan agreed in 2016 when GHAM took on the management contract following a group restructuring of LMS. LMS has continued to realise its legacy portfolio and now has cash on the balance sheet of circa £18 million, positioning it well to invest in new opportunities. The NAV has reduced to circa £60 million at the end of 2018, although this covers both positive and negative performances from the portfolio.

Focus is shifting to the evaluation of strategic options for the company which will enable greater scale, alongside alongside attractive private equity investment opportunities.

DIVISIONAL REVIEW – REAL ASSETS

Real Assets – a sustainable investment solutions platform

THE REAL ASSETS DIVISION COMPRISES OUR FORESTRY, NEW ENERGY AND HOUSING & INFRASTRUCTURE DIVISIONS, EACH PROVIDING INVESTMENT SOLUTIONS BACKED BY REAL UNDERLYING ASSETS IN ALTERNATIVE INVESTMENTS

REAL ASSETS

AUM

AS AT 31 DECEMBER 2018

£1,680M

+214%

REVENUE

FOR THE YEAR TO 31 DECEMBER 2018

£11.1M

+191%

REAL ASSETS – FORESTRY

STRATEGY

UK commercial forestry is a tax efficient sustainable real asset that diversifies an investment portfolio and provides exposure to timber prices, which Gresham House forecast to continue to rise in the medium and long term. Forestry investment offers attractive long-term returns underpinned by the biological growth of the crop.

Commercial timber is a tangible, physical asset. Grown and managed well, commercial forestry generates income, provides inflation protection and, for those exposed to UK taxation, is Income Tax and partially Capital Gains Tax free and Inheritance Tax exempt after a two-year qualifying period. With these attributes, the Gresham House Forestry division is a good fit in the Real Assets strategy and provides a valuable entry to real asset investing, uncorrelated to traditional debt and equity classes and backed by a specialist alternative asset manager.

Following the acquisition of FIM, Gresham House currently manages over £1.0 billion of forestry on behalf of institutions, endowments, family offices and private investors. We are the UK's largest commercial forestry investment manager and harvest circa 10% of the UK's total softwood annually which means we have deep knowledge of the UK timber processing industry enabling us to maximise the price at which we sell our clients' timber.

THE OPPORTUNITY

The main driver for the consumption of sawn softwood is the construction sector, in particular house building and renovation, which creates demand for a wide range of timber products, from high value sawlogs, engineered wood products, furniture and decking. We expect demand for timber will be driven higher by:

- Increasing demand for housing in the developed world
- Rising consumption per capita in the developing world
- Increasing use of wood in construction
- Development of new markets for wood use such as the replacement of plastic in packaging

We expect an increase in consumption of timber globally at a time when even greater constraints are placed on traditional sources of supply, driving timber prices higher, resulting in both greater revenue from timber harvesting and also higher land values as the land becomes more financially productive.

In 2017 the UK imported over 80% of its total timber requirements. As a result, global markets will continue to be highly relevant to UK forest owners. The key driver of timber demand, and therefore price, in the UK is the construction of new houses. All major political parties agree that more houses need to be built (the consensus is that 300,000 per annum are required, which is more than 50% above current levels).

DIVISIONAL REVIEW – REAL ASSETS (CONTINUED)

FORESTRY – LIMITED PARTNERSHIPS AND NON-DISCRETIONARY ACCOUNTS

The Forestry business manages both Limited Partnerships and non-discretionary accounts for institutions and individuals. These assets are long term in nature, reflecting the long-term capital growth of forests and address clients' needs for income from timber harvesting. This also ensures the Group can earn management fees over a long period, providing sustainable revenues.

Fees are earned from both managing the forests as well as transaction fees earned from assessment and valuation, recommending appropriate acquisition prices and providing due diligence in the acquisition process on behalf of clients.

GROWTH IN 2019

We continue to see a very positive trend in this asset class and aim to grow the forestry business through fund raising for existing funds (FIM Sustainable Timber & Energy LP held a fund-raise which closed at £35 million in January 2019), acquiring forests on behalf of clients and carefully targeting international expansion.

REAL ASSETS – NEW ENERGY STRATEGY

The New Energy strategy aims to generate sustainable financial returns for our investors while supporting the transition from finite resources to a clean energy world. The investment team includes responsive, analysis-driven investment managers who understand the potential of clean energy and have an impressive track record. Our target clients are yield-focused investors seeking capital preservation.

The team creates attractive investment offerings which are focused on the four transformative technologies – solar power, electric transportation, onshore wind and energy storage. Attractive means strong asset backing that supports a sustainable yield and a potential for capital growth over the medium to long term. Where a tax-efficient structure is available, the team will seek to maximise the opportunity.

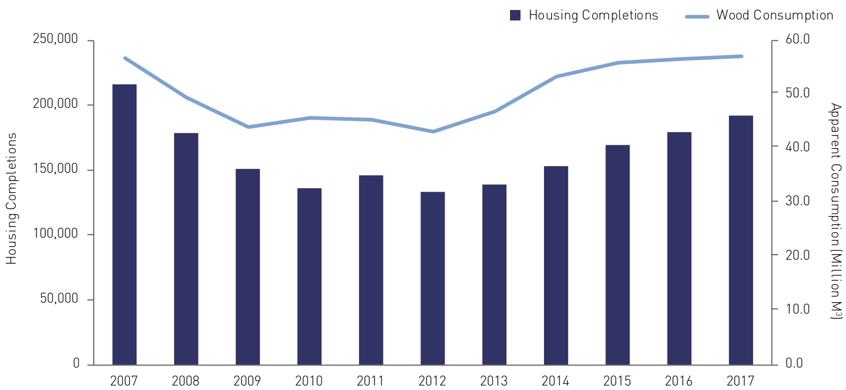
THE OPPORTUNITY

Over the last decade, the Gresham House New Energy team has successfully invested in the rapidly changing energy landscape, tackling regulatory uncertainty and other complexities along the way. They have harnessed their technical and investment expertise to produce a strong track record while delivering sustainable, attractive yields for its investors and preserving capital. Gresham House New Energy has invested across the clean energy spectrum in wind, rooftop and ground-mounted solar, energy and battery storage. By having good capital-backing, best-practice management processes and an IT infrastructure which minimises costs and the potential for inefficiencies, the team has been free to apply its core competences. This, combined with a resilient determination to learn, has allowed Gresham House New Energy to maintain its edge over the competition and the result is one of giving our investors a feeling of pride that comes from successfully investing in new and critical areas of the new energy industry.

GRESHAM HOUSE ENERGY STORAGE FUND PLC (GRID)

GRID was launched in November 2018, after successfully completing a £100 million IPO. GRID invests in a portfolio of utility-scale operational Energy Storage Systems (known as ESS) located in Great Britain and is targeting a NAV total return of 8.0% per annum (net of all fund expenses and before leverage) with a minimum target dividend payment of 7.0p[1] (4.5p in its first financial year). The New Energy team has a proven track record in developing and operating

UK HOUSING COMPLETIONS AND APPARENT CONSUMPTION OF WOOD



Source: UK Government Statistics, FAO of the United Nations, Savills Research

[1] This is a target, not a profit forecast. There can be no assurance that this target will be met or that the Fund will make any distributions at all. This target should not be taken as an indication of the Fund's expected or actual current or future results. Potential investors should decide for themselves whether or not the return is reasonable and achievable in deciding whether to invest in the Fund.

energy storage and other renewable assets having developed 70MW of ESS and approximately 290MW of predominantly ground-mounted solar projects.

NEW ENERGY – HAZEL RENEWABLE ENERGY VCT1 AND VCT2

The New Energy team are the managers of the Hazel Renewable Energy VCT1 and VCT2 (VCTs). The VCTs were launched in 2010 to capitalise on the opportunity created by the granting of UK government incentives in the form of inflation-linked Feed-in-Tariffs (subsequently replaced by Renewable Obligation Certificates for larger installations) to support the deployment of renewable generation. The combination of the fixed tariffs with little exposure to wholesale market power prices and the contracted nature of the cost base ensures that these assets generate stable and predictable cash flows which in turn enables and supports a robust dividend stream of a similar profile. The dividend stream is further enhanced by virtue of being free of income tax for individuals. The VCTs are currently fully invested and own a portfolio of 16 renewable generation assets, with an emphasis on ground mounted solar, together with an investment in electric vehicle charging infrastructure. The VCTs completed top up subscriptions in 2018, adding £7.4 million to the Net Assets of the VCTs.

GROWTH IN 2019

GRID is targeting to invest in its pipeline of new ESS projects in 2019, which is likely to require a further fund-raise in 2019 and the VCTs will continue to invest and could target further top up fundraising in 2019.

REAL ASSETS – HOUSING & INFRASTRUCTURE

STRATEGY

Gresham House believes that there is an opportunity to capture superior risk-adjusted returns in the housing and infrastructure sectors. The sectors are viewed as strategically important for the national, regional and local economies in the UK and generally benefit from substantial asset-backing and long-term revenue visibility. We are focused on the less competitive mid-market to maximise this opportunity. The initial focus of the Gresham House team is sourcing opportunities in the regional UK housing and infrastructure markets. We believe that these assets can provide an attractive long-term cash flow that benefits from:

- Defensible returns of underlying sectors
- Downside protection from underlying asset cover
- An attractive (often inflation-linked) income stream

The key focus is on the two important sectors in the UK of infrastructure and housing and providing an opportunity for local government pension schemes and institutional investors to invest in the local infrastructure in the UK, whilst supporting socially responsible investment.

The aim is also to have a positive social impact, by creating jobs, improving health and social care and delivering the benefit of investment activities such as affordable housing. Our investments deliver an environmental and positive social impact by focusing on those areas offering the greatest potential, including waste recycling, agricultural infrastructure, new energy generation and related infrastructure and healthcare.

THE OPPORTUNITY

We believe that there is an attractive opportunity to invest in the UK's housing and infrastructure sectors, particularly when focused on the comparatively under-served mid-market space. These capital-intensive opportunities typically require a long-term investment horizon and a significant up-front investment of time to realise best value in the long run. We believe we are well placed to capture these opportunities by working with our extensive network of contacts and advisers. These investment opportunities provide a way to harness ongoing secular trends as the UK faces changing demographics and requirements.

BRITISH STRATEGIC INVESTMENT FUND LP (BSIF)

BSIF is a 12 year limited partnership with committed capital of £165 million as at 31 December 2018. The fund is open to new investors until 31 December 2019 and the team continue to see good interest in this strategy. BSIF invests in UK housing and infrastructure, targeting hard-to-access sub £50 million investments, whilst offering a low-cost fee approach. Partnership, through co-investment with our investors, is very important and, through the LP investment advisory committee, investors have a forum to actively engage with the investment team. Management fees are earned over the twelve-year period and have the potential for carried interest subject to achieving the preferred return hurdle for investors.

GROWTH IN 2019

We continue to see good interest in BSIF and will be aiming for a final close in 2019, whilst also pursuing co-investment opportunities in the housing and infrastructure space that we are currently seeing in our pipeline.

CORPORATE SOCIAL RESPONSIBILITY

Committed to best practice

GRESHAM HOUSE STRIVES TO ACHIEVE THE HIGHEST STANDARDS ACROSS ALL ITS OPERATIONS AND IS COMMITTED TO INTEGRATING RESPONSIBLE BUSINESS PRACTICES THROUGHOUT ITS PROCESSES. WE ARE MINDFUL OF OUR RESPONSIBILITIES NOT ONLY TO OUR CLIENTS AND SHAREHOLDERS BUT ALSO TO OUR EMPLOYEES, COUNTERPARTIES AND THE ENVIRONMENT

The six principles of Gresham House's Environmental Social and Governance (ESG) policy:

1. Encourage a work environment which values and respects all employees	4. Ensure Group-wide awareness of ESG issues and compliance with the Group ESG policy
2. Adopt a responsible and ethical approach to governance	5. Promote awareness and adoption of ESG considerations
3. Incorporate ESG considerations into all investment analysis and decision-making processes where relevant	6. Inform our investors of this ESG policy and provide them with information on our approach to ESG issues

Gresham House is committed to ensuring best practice in terms of governance, HR and communications Group wide as we grow. We recognise the importance of creating a workplace environment that supports our employees, promoting work satisfaction and offering opportunities for personal development within a culture of respect and empowerment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Gresham House aims to deliver sustainable financial returns in the longer term, driving value through strong corporate engagement, governance and social responsibility. To achieve this, it is Gresham House's policy to give appropriate consideration to Environmental, Social and Governance (ESG) factors.

The ability to mitigate ESG risks and to capture investment opportunities arising from these considerations is essential to achieving consistent investment out-performance and delivering for our clients in each of the areas in which we invest.

STRATEGIC EQUITY

Within the Strategic Equity division, our investment teams judge sound corporate governance to be a significant factor in a company's ability to create and sustain long-term shareholder value. ESG considerations are integrated into investment processes. The investment teams engage with the companies they invest in where appropriate and may undertake longer term interaction with management to improve practices and disclosure across their governance and sustainability activities. Gresham House supports the UK Stewardship Code and complies with its guidelines regarding proxy voting and engagement.

REAL ASSETS

The Gresham House Real Assets division offers dedicated sustainable investment solutions. Our clients can align their capital with the UN Sustainable Development Goals through the investment themes which are at the heart of the strategies Gresham House offers; carbon capture and sequestration through sustainable forestry; the positive social impact thesis of the housing and infrastructure strategy; and supporting the transition to renewables via our renewable and new energy asset base.

FORESTRY

Trees absorb and lock-in CO_2 from the atmosphere. Through reduced deforestation, active forest management and more afforestation, global forestry could help to significantly reduce the impact of global emissions. Once harvested the carbon sequestered by the trees is stored in the resulting wood products for the duration of their life.

Investing in forestry through Gresham House ensures access to a sustainable and socially responsible asset-backed investment that is certified by the Forest Stewardship Council. Investments are managed by qualified and experienced forestry managers who are independently certified to Forest Stewardship Council's (FSC) approved standards under the UK Woodland Assurance Standard (UKWAS).

Gresham House Forestry was responsible for the planting of an estimated 6.9 million trees in 2018 and c.6.8m trees per year have been planted on average over the last five years. The team manages c.122,000 hectares of forest and estimate that each hectare of productive forest delivers a carbon benefit of 7.3 tonnes of CO_2 per year, which is equivalent to about the same, on average, as one person is responsible for emitting – so one hectare of forest 'compensates' for one person.

Additional environmental benefits also include supporting biodiversity, as forests provide sheltered habitats for wildlife, often supporting endangered species, such as the Scottish Wildcat.

HOUSING AND INFRASTRUCTURE

The British Strategic Investment Fund (BSIF) invests with a 12-year time horizon into the important sectors of housing and infrastructure in the UK, both identified by the Government as structurally important areas requiring local investment. BSIF made five investments during 2018, each of which aims to contribute positively to society and to the environment.

The fund has £165 million of commitments from institutional investors including Local Government Pension Schemes and is able to offer investors the opportunity for co-investment in their own communities and further afield. Over 45% of committed capital has been deployed to date, in deals which reflect BSIF's stated objective to identify sustainable investment opportunities alongside attractive investment characteristics, such as Private Rented Sector (PRS) new-build value-for-money rental accommodation and Vertical Farming, which rivals traditional farming in terms of efficiency and cost.

RENEWABLES AND NEW ENERGY

Gresham House continues to identify strong growth opportunities in renewables and new energy infrastructure which, along with robust returns to clients, offer the potential for additional ESG benefits through supporting the continued decarbonisation of the UK's power generation mix.

The renewable team's portfolio of onshore wind and ground-mounted solar assets have a combined capacity of 191MW. Generation calculations estimate the turbines are responsible for providing equivalent power to c.107,000 homes, with c.116,000 tonnes of CO_2 emissions saved. Energy generated from solar and wind further offsets the need to generate electricity from coal and gas.

Underlining our strategic focus on alternative investments which support the shift from finite resources to a clean energy world, Gresham House Energy Storage Fund plc (GRID) was listed on the specialist fund segment of the London Stock Exchange in November 2018.

The utility-scale Energy Storage Systems (ESS) that this fund invests in store energy at times of oversupply and release it back to the grid when there is increased demand. For our investors, as well as seeking to provide an attractive and sustainable return over the long term, and one that is uncorrelated to the absolute level of wholesale power prices and not dependent on renewable subsidies, this fund is impactful from an ESG standpoint.

The ultra-responsive battery technology provides crucial enabling infrastructure that will allow us to meet the carbon reduction targets set in UK law in conjunction with the stated objective to withdraw all coal-fired generation by 2025. These systems are moreover a cost-effective means of balancing fluctuations between electricity supply and demand on the grid network, providing system stability in the face of renewables intermittency and reducing the cost of power outages. In the longer term the savings anticipated for the UK electricity systems overall should be passed onto domestic customers reducing the average electricity bill per household.

Through adherence to the stipulations of our ESG policy, the provision of quality service and ongoing delivery of investment outperformance, we expect to continue to generate real value for our employees, our clients and our shareholders.

Gresham House is currently a signatory to or member of:

UK SUSTAINABLE INVESTMENT AND FINANCE ASSOCIATION (UKSIF)

UK STEWARDSHIP CODE

FORESTRY STEWARDSHIP COUNCIL
(Gresham House Forestry division)

UNPRI
(United Nations Principles for Responsible Investment)

PRINCIPAL RISKS AND UNCERTAINTIES

A culture of risk management

EFFECTIVE RISK MANAGEMENT IS CENTRAL TO THE ACHIEVEMENT OF THE GROUP'S LONG-TERM OBJECTIVES AND BUSINESS STRATEGY

In the fast-paced environment in which Gresham House operates, the effective management of key risks is central to the Group's long-term success. Gresham House follows a structured approach to the management of risks across the Group. We do this using a documented risk management framework. Underpinning the framework are the following five principles:

1 'RISKS ARE OWNED': GOVERNANCE AND CULTURE

GOVERNANCE

The Board of Directors is responsible for the overall management of risk within the Group. This includes the identification, measurement, control and monitoring of relevant risks across the Group. The Audit Committee considers Group-wide risks on a regular basis and makes recommendations to the Board. The Board also allocates responsibilities for the management of identified risks. A strong risk culture is promoted throughout the Group with employees encouraged to take responsibility for reporting identified risks to senior management.

The Risk Management Framework of Gresham House is designed to ensure the prompt and accurate identification and management of risks. In the first line, risk management is embedded into the activities of each business area and assigned to individual risk owners who ensure that the risks as assigned to them are effectively supervised and managed. In the second line, the independent compliance function carries out monitoring of the effectiveness of controls in the first line and reports to the Board. It also supports the first line in ensuring that the risks encountered are effectively managed.

RISK CULTURE

The Board recognises that a risk management framework is of little value unless it is embraced and used by the people in the organisation. Through the behaviours and attitudes of its staff, Gresham House can ensure that it creates, over time, a risk-aware culture, where risk-based decisions are made deliberately and there is a desire to learn from mistakes and drive continuous improvement in processes and systems.

The Board recognises that a proper risk culture is dependent on having the right tone at the top, putting in place a structured approach to decision-making and investing in its people.

2 RISKS ARE MADE VISIBLE: RISK IDENTIFICATION AND PRIORITISATION

Risk identification is a two-step process involving:

- Identification of the strategic objectives of the Group as a whole and supporting business processes; and
- Identification of the risk events that might impede the achievement of objectives or delivery of business processes.

Once risks have been identified, they are captured and quantified as part of the risk assessment process. Some risks are inherent to Gresham House as a result of the business that it undertakes – for example, market, liquidity, operational and strategic risks. However, the risk horizon is never static and new risks do arise from either internal or external factors. These risks are identified and captured as emerging risks.

Given the number of risks that are relevant to Gresham House, it is vital that we are able to prioritise the risks we face. Risk prioritisation reflects an understanding of risk exposures relative to each other and the efficient application of resources within the Group. The risk assessment process delivers a defined methodology in order to establish the impact and likelihood of a risk to Gresham House.

3 RISKS ARE DISCUSSED AND UNDERSTOOD: RISK APPETITE, TOLERANCE AND LIMITS

Gresham House accepts that risk is inherent in its business activities and seeks to maintain a risk profile that delivers the best potential growth within an acceptable risk level. The purpose of a risk management framework is to support the creation of a risk aware culture by ensuring that business decisions are made on an informed basis to reflect agreed business strategy and risk tolerance.

Risk tolerance represents the level of risk that the Board considers acceptable to expose the organisation to in order to achieve its strategic objectives. As such, it defines the Group's willingness to accept risk and the boundaries for risk taking. The tolerance is quantified and performance against those limits is tracked and controlled to ensure the business operates within the agreed parameters. A comprehensive set of risk limits underlie the risk tolerances – for example, investment allocation limits, concentration limits, payment authorities, etc.

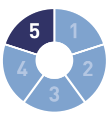
4 APPROPRIATE ACTION IS TAKEN: RISK MANAGEMENT AND CONTROLS

Once risks have been identified and their exposure assessed, consideration is given to the controls and other mitigation strategies that can be applied to manage the risks appropriately and within the agreed risk tolerance. Approaches taken to manage those risks may include:

- Taking steps to reduce the likelihood or impact of the risk through the use of effective controls;
- Avoiding the risk altogether;

- Substituting the risk with a less risky alternative such as through the use of outsourced service providers;
- Transferring the risk by making someone else accountable for its management through contracts or financial measures such as hedging or (re)insurance; and
- Accepting the risk as being either an opportunity worth pursuing or a threat with an acceptable impact and/or likelihood such that no further action is needed or possible.

As part of the risk assessment process, controls and mitigation strategies are documented for each material risk with risk owners taking ownership of the maintenance and operation of designed mitigation controls.



THE GROUP LEARNS FROM ITS RISK TAKING: RISK REPORTING AND COMMUNICATION

Risk reporting is integral to the Group's risk management framework and takes place at a number of different levels throughout the business. It provides senior management, the Board and relevant external parties with sufficient information to enable them to assess:

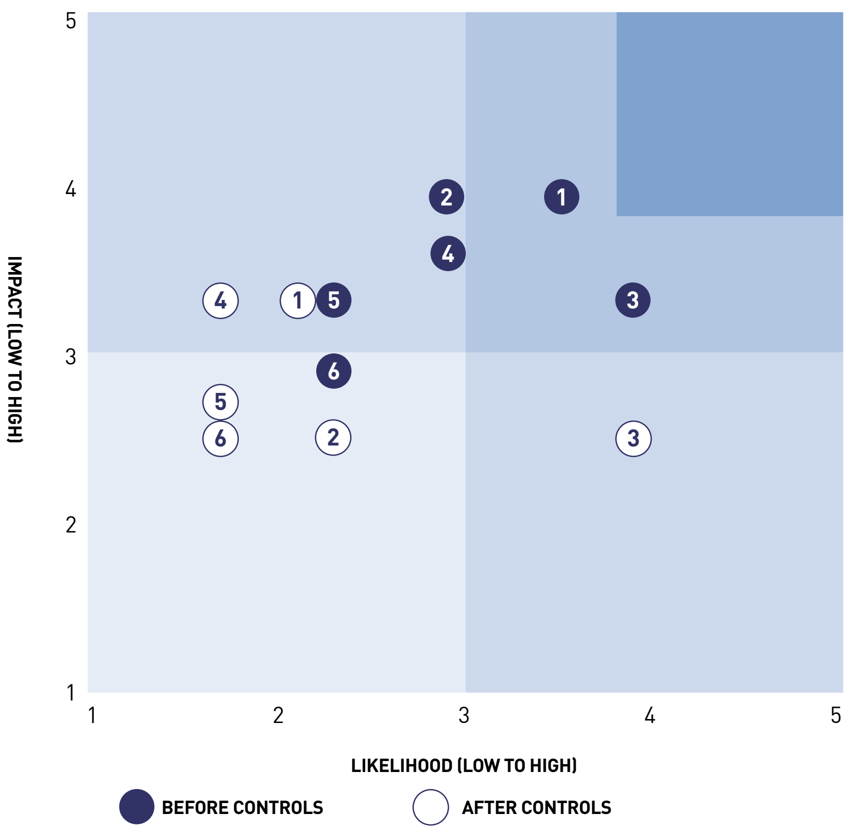
- Management of risks in line with strategic objectives and agreed risk tolerances; and
- The effectiveness of the control environment.

The Board/Audit Committee meets quarterly to review and, where required, challenge the Group's management of risks and any significant changes to the profile of risks including actions being taken to mitigate or control key risk exposures. Risks are thus regularly tracked to ensure consistency with expectations.

PRINCIPAL RISKS

The Group maintains a risk register which records all the key risks which are relevant to the Group. Identified risks are assigned to risk owners who ensure that the mitigation controls remain effective. The principal risks to which the Group is exposed and the current Board assessment of each risk is set out in the chart below.

GROUP RISK MAP



	Key
Strategic and Business Risks	1
Regulatory and Governance Risks	2
Macroeconomic Risk	3
Investment Risk	4
Operational Risk	5
Financial Risk	6

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

1. STRATEGIC AND BUSINESS RISKS

RISK DESCRIPTION	MITIGATION CONTROLS	TREND	STRATEGIC FRAMEWORK LINK
STRATEGY DESIGN RISK THE RISK THAT THE BOARD MAY SET A STRATEGY THAT DOES NOT ALIGN WITH SHAREHOLDERS' EXPECTATIONS. POTENTIAL IMPACT THIS COULD LEAD TO INCREASED DIFFICULTIES WITH ATTRACTING NEW AND EXISTING INVESTOR CAPITAL AND LOSS OF MARKET CONFIDENCE.	Open communications between the management of the Group and shareholders. Clear and regular correspondence with existing and potential investors for all Group products. Issuance of clear product documentation to support decision-making by investors. An annual business plan is defined at the start of the new financial year which includes financial forecasts. These forecasts are reviewed and approved by the Board.	–	1 2 3 4
LOSS OF KEY PERSONNEL RISK THE COMPANY'S DEVELOPMENT AND PROSPECTS ARE DEPENDENT UPON THE SERVICE AND PERFORMANCE OF THE DIRECTORS AND SENIOR MANAGEMENT. THE LOSS OF THE SERVICES OF ANY OF THE DIRECTORS OR SENIOR MANAGEMENT COULD CAUSE DISRUPTION TO THE STRATEGIC OBJECTIVES AND DAY-TO-DAY OPERATIONS OF THE GROUP. POTENTIAL IMPACT THIS COULD LEAD TO REPUTATIONAL DAMAGE, LOSS OF KEY INVESTORS AND REDUCED REVENUES.	The Board has constituted a Remuneration Committee which regularly reviews remuneration levels to ensure they remain competitive and align management with the long-term success of the Company through deferred awards. Minimum notice periods are included in key persons' contracts of employment to ensure any departures are efficiently managed to minimise disruption. Succession planning is in place to ensure there is cover for key roles in the event of loss of services of any of the directors or senior management.	–	1 2 3 4
ACQUISITION RISK FOLLOWING A NUMBER OF KEY ACQUISITIONS IN 2018, THERE IS THE RISK THAT THE SYNERGIES AND OTHER BENEFITS ENVISAGED PRIOR TO THE ACQUISITION DO NOT MATERIALISE. POTENTIAL IMPACT LOSS OF INVESTOR CONFIDENCE, MATERIAL WRITE DOWNS OF GROUP ASSETS.	Acquisitions follow a structured process involving senior management and consultations with significant external stakeholders. Dedicated resources assigned to design and implement integration plans for the acquired entities' people and systems. All acquisitions involve a thorough due diligence exercise involving professional advisers as necessary to ensure minimal levels of uncertainty, concluding in an approval requirement from the Gresham House Investment Committee and the Board.	↑	2 3 4

2. REGULATORY AND GOVERNANCE RISKS

RISK DESCRIPTION	MITIGATION CONTROLS	TREND	STRATEGIC FRAMEWORK LINK
CONDUCT RISK AS THE GROUP EXPANDS TO INCLUDE MORE COMPANIES AND EMPLOYEES, THERE IS THE RISK THAT THESE NEW PERSONS ARE NOT PROPERLY INTEGRATED INTO THE CULTURE AND OPERATIONS OF THE GROUP LEADING TO AN INCREASED RISK OF POOR CONDUCT. POTENTIAL IMPACT REGULATORY CENSURE, FINES, AND REPUTATIONAL DAMAGE.	Training is provided to all employees on the key compliance obligations of the Group and its people. Ongoing compliance monitoring takes place to detect any breaches that have occurred of the Group's policies. A remuneration policy is in place that incorporates the remuneration principles, discourages excessive risk taking and strikes an appropriate balance between fixed and variable pay. Whistleblowing arrangements are in place and have been communicated to staff.	↑	1 3 4
BREACHES RISK THE GROUP IS SUBJECT TO A SIGNIFICANT AND CONTINUOUSLY UPDATED LIST OF REGULATORY REQUIREMENTS. THERE IS THE RISK THAT THE GROUP BREACHES ITS OBLIGATIONS UNDER THE VARIOUS REGULATIONS. POTENTIAL IMPACT REGULATORY CENSURE, FINES, AND REPUTATIONAL DAMAGE.	A comprehensive set of compliance policies and procedures have been approved and issued to staff to guide their various activities. Dedicated resources in Legal and Compliance to ensure effective oversight. Periodic training to staff is in place to ensure all staff are aware of the requirements and their obligations in meeting those requirements. Participation in various industry and trade associations to keep abreast of regulatory changes and influence legislation. Professional advisers have been engaged to provide advice to the executive team on varying regulatory subjects.	↑	1 3 4

3. MACROECONOMIC RISK

RISK DESCRIPTION	MITIGATION CONTROLS	TREND	STRATEGIC FRAMEWORK LINK
MACROECONOMIC RISK THIS IS THE RISK OF AN ADVERSE IMPACT ON OUR REVENUE AND PROFITABILITY FROM AN ECONOMIC DOWNTURN. THE GROUP HAS SIGNIFICANT EXPOSURE TO THE UK ECONOMY. BREXIT AND ANY ADVERSE CONSEQUENCES OF A NO-DEAL OUTCOME COULD NEGATIVELY IMPACT INVESTOR APPETITE AND CAPACITY FOR COMMITTING NEW CAPITAL. POTENTIAL IMPACT SLOWDOWN IN THE GROWTH OF AUM LEADING TO REDUCED REVENUE AND PROFITABILITY.	The Group manages investments in uncorrelated asset classes such as Forestry which we expect to still be attractive to investors in the event of an economic downturn. The Group has limited exposure to Europe as assets are held mostly in the UK. Marketing notifications will be used where possible in applicable European jurisdictions The Investment Committee Terms of Reference also includes thresholds for concentration risk. Adherence to these thresholds are monitored by the LPs of managed funds and/or the Board within the terms of the mandate.	↑	1 3 4

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

4. INVESTMENT RISK

RISK DESCRIPTION	MITIGATION CONTROLS	TREND	STRATEGIC FRAMEWORK LINK
INVESTMENT RISK THE RISK THAT ACTUAL PERFORMANCE BY FUNDS OF THE GROUP DEVIATE FROM EXPECTED PERFORMANCE DUE TO SYSTEMATIC AND/OR UNSYSTEMATIC FACTORS. POTENTIAL IMPACT LOSS OF INVESTOR CONFIDENCE, REDUCED AUM AND PROFITABILITY.	Dedicated fund and investment managers for each of the Group's products and third-party mandates to ensure performance is closely monitored and action can be proactively taken if necessary. Investment Committees made up of leading independent industry experts who provide robust review and challenge for proposed new investments by the funds. Regular internal and external reporting to ensure any adverse trends in performance are promptly identified and managed. Appointment of internal persons to board seats in private investee companies which will ensure the Group has up to date and appropriate information on the performance of those entities.	–	1 3 4

5. OPERATIONAL RISK

RISK DESCRIPTION	MITIGATION CONTROLS	TREND	STRATEGIC FRAMEWORK LINK
PEOPLE RISK THE RISK OF OPERATIONAL OR OTHER BREACHES ARISING FROM INADEQUATE OR FAILED HUMAN RESOURCES. POTENTIAL IMPACT REGULATORY CENSURE, FINES, REPUTATIONAL DAMAGE.	Recruitment of additional experienced resources at all levels of the organisation. Training to all staff on key operational processes and systems. Periodic performance evaluation of all staff members.	↑	1 3 4
FAILURE OF PROCESSES AND SYSTEMS THE RISK OF SIGNIFICANT FAILURES TO INTERNAL PROCESSES AND SYSTEMS. POTENTIAL IMPACT THIS COULD LEAD TO OPERATIONAL LOSSES, DISSATISFIED CLIENTS OR SUPPLIERS, AND REPUTATIONAL DAMAGE.	Dedicated forum – the Operations Committee – for addressing operational matters with regular reporting to the Board. New recruits are provided with training on the Group's key internal processes as applies to them. The Group engages suitably qualified third parties in all outsourcing arrangements and carries out regular due diligence on these third parties.	–	1 3 4

5. OPERATIONAL RISK (CONTINUED)

RISK DESCRIPTION	MITIGATION CONTROLS	TREND	STRATEGIC FRAMEWORK LINK
CYBER RISK THE RISK THAT THE GROUP'S SYSTEMS ARE ACCESSED BY UNAUTHORISED PERSONS AND CLIENT DATA IS BREACHED. THERE IS NO CHANGE TO THE LIKELIHOOD OF THIS RISK BUT THE IMPACT HAS INCREASED OWING TO NEW DATA PROTECTION LEGISLATION TAKING EFFECT IN 2018 (GDPR). **POTENTIAL IMPACT** REPUTATIONAL DAMAGE, FINES FROM THE REGULATOR, LOSS OF INVESTOR CONFIDENCE.	The Group has upgraded its cyber-defence systems and continues to monitor those systems for any breaches. Dedicated resource in the Chief Technology Officer with oversight and responsibility for the Group's IT security systems. Awareness campaigns have been run with members of staff to inform about cyber security risks and their responsibilities for ensuring security of Group data. The Group has agreements with reputable third parties who support the Group's processes for ensuring the security of the Group's systems.	↑	1 3 4

6. FINANCIAL RISKS

RISK DESCRIPTION	MITIGATION CONTROLS	TREND	STRATEGIC FRAMEWORK LINK
LIQUIDITY RISK THE RISK OF INSUFFICIENT LIQUIDITY WITHIN THE GROUP TO MEET ITS FINANCIAL OBLIGATIONS AS THEY FALL DUE. **POTENTIAL IMPACT** REPUTATIONAL DAMAGE, LOSS OF INVESTOR CONFIDENCE.	The Group ensures it exceeds minimum levels of liquidity at all times to support working capital requirements. Liquidity forecasts are prepared across the Group with adequate measures put in place to ensure future cash flows are appropriately provided for. See the Finance Director's report for additional commentary on the management of the Group's cash management and borrowing levels.	–	1 3 4

BOARD OF DIRECTORS

ANTHONY TOWNSEND
NON-EXECUTIVE CHAIRMAN
(AGE 71)

ANTHONY DALWOOD
CHIEF EXECUTIVE
(AGE 48)

KEVIN ACTON
FINANCE DIRECTOR
(AGE 41)

EXPERIENCE AND SKILLS

Anthony Townsend

Anthony was appointed as a Director in December 2014 and is a member of the Company's Remuneration Committee and Audit Committee. He has spent over 40 years working in the City of London and was Chairman of the Association of Investment Companies from 2001 to 2003. Currently, he is Chairman of BMO Global Smaller Companies plc and Finsbury Growth & Income Trust plc and a director of Baronsmead Second Venture Trust plc and Hansa Capital Partners LLP.

Anthony was a Director of Brit Insurance Holdings plc from 1999 to 2008 and represented the company on the Council of Lloyd's of London from 2006 to 2008. Prior to this, he was Managing Director of Finsbury Asset Management Limited from 1988 to 1998 and a Non-executive Director of Worldwide Healthcare Trust plc from 1995-2013. Anthony was also Chairman of British & American Investment Trust plc until December 2017 and Chairman of Miton Global Opportunities plc until October 2018.

Anthony Dalwood

Tony was appointed as Chief Executive in December 2014 and is an experienced investor and adviser to public and private equity businesses. Tony established SVG Investment Managers (a subsidiary of SVG Capital plc), previously acting as CEO and Chairman, and launched Strategic Equity Capital plc. His previous appointments include CEO of SVG Advisers (formerly Schroders Ventures (London) Limited), a member of the UK Investment Committee of UBS Phillips & Drew Fund Management (PDFM) and a director of Schroders Private Equity Funds and Chairman of the Investment Panel and board member of the London Pension Fund Authority.

He is also a Director of JPEL plc and Branton Capital, a member of the CFA (UK) and an adviser to St. Edmunds College, Cambridge Endowment Fund.

Kevin Acton

Kevin was appointed as the Company's Finance Director in June 2016 and has over 17 years of finance and operational experience in private equity and asset management. Kevin joined the Company from Oaktree Capital Management where he was a Senior Vice President responsible for finance and operations in the European principal team, covering private equity and debt opportunity funds. Prior to joining Oaktree, Kevin was Director, Group Reporting and Valuations for 3i Group plc. Kevin qualified as a Chartered Accountant with Deloitte and is a fellow of the Institute of Chartered Accountants of England and Wales.

Anthony Townsend: R A

A AUDIT
R REMUNERATION
CHAIR OF COMMITTEE

RICHARD CHADWICK
NON-EXECUTIVE DIRECTOR
(AGE 67)

Richard is a chartered accountant who was appointed as a Non-Executive Director of the Company in June 2008. He serves as the Company's Senior Independent Director and is also Chairman of the Audit Committee and a member of the Remuneration Committee.

Richard spent 27 years within the J Sainsbury plc group of companies where he gained considerable experience of property development and financing, having been Director of Corporate Finance and of Business Development, and a Non-Executive Director of the group's property development company.

R A

SIMON STILWELL
NON-EXECUTIVE DIRECTOR
(AGE 50)

Simon joined the Company as a Non-Executive Director in December 2017 and was appointed Chairman of the Remuneration Committee in October 2018. He is also a member of the Audit Committee.

Simon has over 20 years' experience in the City and was, until 2015, Chief Executive of Liberum, the investment bank that he co-founded in 2007. Prior to Liberum, Simon was head of sales for small companies at Collins Stewart plc and was also a director at Beeson Gregory Limited. Simon is currently CEO of Bonhill Group plc, an AIM listed digital media and events business.

R A

RACHEL BEAGLES
NON-EXECUTIVE DIRECTOR
(AGE 51)

Rachel joined the Company as a Non-Executive Director in March 2018 and is a member of the Audit and Remuneration Committees. Rachel is currently Chair of the Association of Investment Companies, Securities Trust of Scotland plc and NewlonBuild Limited, the private sale development subsidiary of Newlon Housing Trust. She is also Senior Independent Director of the Aberdeen New India Investment Trust plc. Previously, Rachel was Vice-Chair of Newlon Housing Trust and Non-Executive Director and Audit Committee Chair of Crown Place VCT plc and Schroder UK Mid Cap Fund plc. Prior to this, Rachel was Managing Director and Co-Head of the pan-European banks equity research and sales team at Deutsche Bank's corporate and investment banking division, following a period as a Director of Bankers Trust International.

R A

Details of Directors' emoluments together with the Directors' interests in shares are provided in the Remuneration Report. There were no contracts of significance in which the Directors had a material interest.

CORPORATE GOVERNANCE – OVERVIEW

CORPORATE GOVERNANCE IS AT THE HEART OF THIS ORGANISATION TO MAINTAIN INTEGRITY AND DELIVER VALUE FOR SHAREHOLDERS AND CLIENTS

The Board recognises the importance of sound corporate governance and complies with the Corporate Governance Code for Small and Mid-Size Quoted Companies (QCA Corporate Governance Code), as published by the Quoted Companies Alliance (QCA). The QCA Code was devised by the QCA in consultation with a number of significant institutional small company investors as an alternative corporate governance code to the UK Corporate Governance Code, applicable to, and more suitable for, many AIM companies.

The Board believes that the QCA Code provides the Company with a practical and rigorous corporate governance framework to support the business. Details of how Gresham House has applied the QCA Code are set out in this report and on our website at http://greshamhouse.com/investor-relations.

THE BOARD

The Board currently comprises two Executive and four Non-Executive Directors as described on page 43.

The Board is responsible for the overall strategy and management of the Group. There is a formal schedule of matters specifically reserved for Board decisions, including investment and performance objectives and policies, financial reporting and control, the approval of borrowings by the Group, any investments or disposals over certain thresholds and shareholder communications. The Board operates as a collective decision-making forum. In the event that one or more Directors cannot support a consensus decision, a vote would be taken, and the views of the dissenting Director recorded in the minutes. There were no such dissentions during 2018. Procedures are in place to enable individual Directors to seek independent advice at the expense of the Company and appropriate cover is in place, which insures Directors against certain liabilities that they may incur in carrying out their duties on behalf of the Company.

All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board governance procedures are followed. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole. Richard Chadwick is the Senior Independent Director, who is available to the other Non-Executive Directors and shareholders, should they wish to discuss matters in an alternative forum.

INDEPENDENCE OF THE DIRECTORS

The QCA Code requires the Company to have at least two independent Non-Executive Directors. In judging independence, the Board takes into account whether or not a Director is independent of management and any business or other relationship that could affect or interfere with the exercise of objective judgement by that Director, or his/her ability to act in the best interests of the Company and its subsidiaries. Using these criteria, the Board considers Anthony Townsend, Simon Stilwell, Richard Chadwick and Rachel Beagles to be independent.

TENURE

All Directors are subject to re-election by shareholders at the first AGM following their appointment and, thereafter, are subject to retirement by rotation and re-election by shareholders in accordance with the Company's Articles of Association, whereby one third of the Directors retire every year, or where their number is not a multiple of three, then the number constituting at least one third retire from office. Notwithstanding the foregoing, every Director shall retire who was not appointed at either of the two previous Annual General Meetings and who has served for more than two years since his/her appointment or last reappointment. Directors are not appointed for specified terms nor have any automatic right of reappointment.

The Directors retiring at the 2019 AGM in accordance with the Company's Articles of Association are Richard Chadwick and Tony Dalwood. The Board has carefully considered the position of each of the Directors and considers their contribution to be significant and effective; accordingly, the Board recommends their re-election.

OUR CORPORATE GOVERNANCE FRAMEWORK

THE BOARD

THE BOARD HAS ESTABLISHED TWO COMMITTEES TO DEAL WITH SPECIFIC ASPECTS OF THE GROUP'S AFFAIRS: THE AUDIT COMMITTEE AND THE REMUNERATION COMMITTEE.

THE COMPANY HAS ALSO ESTABLISHED AN INVESTMENT COMMITTEE, ATTENDED BY MANAGEMENT AND EXTERNAL ADVISERS.

AUDIT COMMITTEE	REMUNERATION COMMITTEE	INVESTMENT COMMITTEE
RICHARD CHADWICK (Chairman)	SIMON STILWELL (Chairman)	ANTHONY DALWOOD (Chairman)
ANTHONY TOWNSEND	ANTHONY TOWNSEND	BRUCE CARNEGIE BROWN
SIMON STILWELL	RICHARD CHADWICK	RUPERT ROBINSON
RACHEL BEAGLES	RACHEL BEAGLES	

For more information See pages 45-46

For more information See pages 47-50

For more information See page 44

AUDIT COMMITTEE

The Audit Committee is chaired by Richard Chadwick and operates within defined terms of reference. The committee comprises the four Non-Executive Directors of the Company who each have relevant experience to carry out their roles. The CEO and Finance Director are also invited to attend the meetings. The responsibilities of the Audit Committee include reviewing the integrity of the Group's annual and half yearly results, reviewing the internal and financial controls applicable to the Group, approving the terms of appointment of the auditor together with the auditor's remuneration, and ensuring that auditor objectivity and independence is safeguarded in the provision of non-audit services by the auditor. It also provides a forum through which the auditor may report to the Board and is scheduled to meet normally at least three times a year.

Further information can be found in the Audit Committee Report on page 45 to 46.

BOARD EVALUATION

The Chairman has introduced a formal Board evaluation process and is satisfied that each Director continues to contribute effectively to their role.

The Board evaluation process consists of two stages. In the first stage, a template is distributed to each Director including questions relating to the Board's performance and efficiency. In the second stage, the Chairman discusses with each Director their views about Board performance. The findings of the evaluation process are then recorded in a report transmitted to the Board for consideration and discussion. The Board evaluation process is carried out on a regular basis.

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The Board meets regularly throughout the year and receives accurate, timely and clear information in a form and of a quality appropriate to enable it to discharge its duties effectively. There were nine Board meetings, four meetings of the Audit Committee and five meetings of the Remuneration Committee held during the year and the attendance of the Directors is set out in the table opposite.

Where a Director is unable to attend a particular meeting, the materials for the meeting are provided to them, their views are sought in advance and subsequent briefings are provided as appropriate.

BOARD OVERVIEW

	BOARD	REMUNERATION COMMITTEE	AUDIT COMMITTEE
ANTHONY TOWNSEND	8/9*	5/5***	3/4
ANTHONY DALWOOD	9/9	–	–
KEVIN ACTON	9/9	–	–
RICHARD CHADWICK	9/9	4/5	4/4*
RACHEL BEAGLES**	8/8	4/4	4/4
SIMON STILWELL	9/9	5/5*	3/4

* Denotes Chair
** Rachel Beagles was appointed to the Board on 1 March 2018 and has attended all meetings since her appointment.
*** Anthony Townsend stood down as Remuneration Committee Chair and was replaced by Simon Stillwell with effect from 10 October 2018.

CORPORATE GOVERNANCE – OVERVIEW (CONTINUED)

REMUNERATION COMMITTEE

The Remuneration Committee is also a formally constituted Committee of the Board with defined terms of reference. It consists of the four Non-Executive Directors under the chairmanship of Simon Stillwell. The other members of the committee are Anthony Townsend, Rachel Beagles and Richard Chadwick. The CEO and Finance Director are also invited to attend the meetings. The Committee meets at least annually and is responsible for reviewing the performance of the Executive Directors and setting the scale and structure of their remuneration and the basis of their service agreements. The Committee is also responsible for recommending the allocation of long-term incentive arrangements to employees. Responsibility for setting the remuneration of senior staff sits with the Executive Directors, being mindful of the policies being set by the Remuneration Committee.

Further information can be found in the Remuneration Report on page 47 to 50.

INVESTMENT COMMITTEE

The Investment Committee is chaired by Tony Dalwood, and the other members are two experienced investment management professionals. The purpose of the Investment Committee is to promote and maintain a prudent and effective allocation of capital across the Company's balance sheet capital. The committee meets on a regular basis as and when required. All investment decisions require the following approvals:

- Investments below 2% of NAV require the approval of an Executive Director
- Investments between 2% and 5% of NAV require a majority approval of the Investment Committee
- Investments above 5% of NAV require unanimous approval of the Investment Committee

The minutes from the Investment Committee are distributed to the Board.

ADVISORY GROUP

The Company has developed an Advisory Group of experienced business professionals to act as advisers, deal introducers and business counsellors. They are available to provide industry insights for our investment appraisals and support for investee companies working alongside the Investment Committee.

NOMINATION COMMITTEE

The Company has not established a Nomination Committee. Given its small size, the Board as a whole fulfils the function of the Nomination Committee. Any Board member can propose new Directors for appointment, who will then be considered by the Board as a whole based on merit and objective criteria, having regard to the composition and structure of the board and the balance of skills and experience of the Directors. No new Non-Executive Director can be appointed without first being interviewed by each existing Non-Executive Director.

INTERNAL CONTROLS

The Board is responsible for the Group's system of internal control, including financial, operational and compliance controls and risk management, and for reviewing its effectiveness. The Board has introduced procedures designed to meet the particular needs of the Group in managing the risks to which it is exposed. These procedures include an annual review of the significant risks faced by the Group and an assessment of their potential impact and likelihood of occurrence. The Board takes advice from external advisers where considered necessary including where any significant transaction is being considered. The Board is satisfied with the effectiveness of internal controls but, by their very nature, these procedures can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed the need for an internal audit function and has concluded that, given the nature of the Group's business and assets and the overall size of the Group, the systems and procedures currently employed by the Group provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Group's assets, is in place. An internal audit function is therefore considered unnecessary.

CORPORATE GOVERNANCE – AUDIT COMMITTEE REPORT

This Audit Committee report describes the key role that the Audit Committee has played in the year, outlining key areas of judgement and considerations taken throughout the year.

The Audit Committee is responsible for considering and reporting any significant issues that arise in relation to the audit of the financial statements. The Audit Committee confirms that there were no significant issues to report to shareholders in respect of the audit of the financial statements for the year ended 31 December 2018.

The key areas of risk that have been identified and considered by the Audit Committee in relation to the business activities and financial statements of the Company are as follows:

- Accounting for acquisition of FIM Services Limited (FIM)
- Accounting for acquisition of the asset and fund management business of Livingbridge VC LLP (Livingbridge VC)
- Accounting for IPO and investment by the Group in Gresham House Energy Storage Fund plc (GRID)
- Accounting for investment in associates – Gresham House Strategic plc (GHS) and Noriker Power Limited (Noriker)
- Consolidation assessment of funds managed and controlled by the Group
- British Strategic Investment Fund distributor fees
- Revenue recognition, performance and management fees
- Valuation of unlisted securities
- Valuation of contingent consideration

ACCOUNTING FOR THE ACQUISITION OF FIM SERVICES LIMITED (FIM)

On 21 May 2018, the Group acquired 100% of FIM, the UK forestry and renewable energy asset manager. This has been combined with the Group's existing Forestry and New Energy strategies within the Real Assets division. This acquisition has been assessed under IFRS 3: Business Combinations as a business combination.

The Group paid £21.8 million initial consideration with £11.2 million in cash and issued £10.6 million in ordinary shares of the Company to the sellers with the potential for a further £4.0 million contingent consideration payable on the achievement of combined revenue hurdles. The Group also paid £5.7 million in cash, for cash and assets on the FIM balance sheet.

The asset management contracts acquired in the transaction have been fair valued at acquisition with reference to the cash revenues from each contract, less the costs associated with servicing the contracts and discounted at the rate of 11%. The discount applied reflects the risk profile of the contracts acquired. Other items on the balance sheet have also been fair valued to determine the fair value of assets acquired and liabilities assumed at acquisition.

Goodwill has been recognised as the balance between the fair value of consideration paid and the fair value of assets and liabilities assumed. Further details are included in note 5 to the financial statements.

ACCOUNTING FOR ACQUISITION OF THE FUND AND INVESTMENT MANAGEMENT BUSINESS OF LIVINGBRIDGE VC LLP (LIVINGBRIDGE VC)

On 30 November 2018 the Group acquired the fund and investment management business of Livingbridge VC, which comprised the acquisition of four management contracts (VCT and open-ended equity fund contracts) and the hiring of the Livingbridge VC team.

The Group paid £30.0 million initial consideration, with £23.0 million in cash and issued £7.0 million in ordinary shares of the Company to the sellers, and the potential for a further £7.5 million contingent consideration payable on the achievement of revenue hurdles and not being served notice on the VCT contracts.

The asset management contracts acquired in the transaction have been fair valued at acquisition with reference to the cash revenues from each contract, less the costs associated with servicing the contracts and discounted at the rate of 15%. The discount applied reflects the risk profile of the contracts acquired.

Goodwill has been recognised as the balance between the fair value of consideration paid and the fair value of management contracts acquired. Further details are included in note 5 to the financial statements.

The Livingbridge VC team has also been incentivised with a long-term incentive plan, linked to delivery of revenue targets over three years and not being served notice on the VCT contracts. This is an equity-settled share-based payment under IFRS2 and has therefore been fair valued at award based on a weighted probability of outcomes, which will be spread over the three-year vesting period.

ACCOUNTING FOR IPO AND INVESTMENT BY THE GROUP IN GRESHAM HOUSE ENERGY STORAGE FUND PLC (GRID)

On 9 November 2018 the Group participated in the £100 million IPO of GRID, the utility-scale energy storage system (battery) fund. The Group was appointed as manager of the fund and also sold its existing investment in ESS2 Holdco Limited (a battery storage project) to GRID. The Group holds a direct and indirect (via its holding in Noriker Power Limited) investment totalling 5% in GRID.

The assessment of whether the Group is acting as agent or principal and should consolidate GRID has been performed factoring in the other vehicles that are connected to the Group that are also invested in GRID, namely BSIF and employees of the Group. The Group is not in a controlling position of BSIF nor the employees, using the framework set out in IFRS 10: Consolidated Financial Statements. As a 5% investor in GRID and acting as manager with market comparable remuneration and removal rights, it was concluded that the Group is acting as an agent and should not consolidate GRID.

ACCOUNTING FOR INVESTMENT IN ASSOCIATES – GRESHAM HOUSE STRATEGIC PLC (GHS) AND NORIKER POWER LIMITED (NORIKER)

GRESHAM HOUSE STRATEGIC PLC

The Board remains satisfied that the Group did not exercise control over GHS (which has an independent board with no company board representations and our stake and investment management agreement does not give rise to control).

Nonetheless, because of the close relationship between GHAM and GHS, the Board has concluded that the Group does exercise significant influence over GHS. As a result of this, it remains appropriate to account for the Group's stake in GHS as an associate of the Group. The stake in GHS was acquired in August 2015, however, the requirement to account for GHS as an associate arose with effect from 23 November 2015, the date the Company ceased being an investing company and became an operating company which resulted in a reassessment of the accounting for all such equity investments. The Board concluded that the Company continues to have significant influence over GHS.

NORIKER POWER LIMITED

On 8 June 2018, the Group acquired a 28% investment in Noriker Power Limited, the battery storage developer. The Group does not provide management services to Noriker, however with a 28% holding the Board has concluded that it is able to exercise significant influence over Noriker and as such should be treated as an associate of the Group.

CORPORATE GOVERNANCE – AUDIT COMMITTEE REPORT (CONTINUED)

CONSOLIDATION ASSESSMENT OF FUNDS MANAGED AND CONTROLLED BY THE GROUP

The Group acts as investment manager and adviser to a number of alternative investment funds and is also an investor in a number of these vehicles. Under IFRS 10: Consolidated Financial Statements, the Board is required to assess whether the Group is acting as an agent, should not consolidate a fund, or as principal, should consolidate a fund. The guidance refers to the following key parameters for consideration:

(a) The scope of its decision-making authority over the investee (paragraphs B62 and B63) – autonomy of the manager to make decisions.

(b) The rights held by other parties (paragraphs B64–B67) – ability of fund investors to remove the Group as the manager or adviser.

(c) The remuneration to which it is entitled in accordance with the remuneration agreement(s) (paragraphs B68–B70) – are the management fees in line with market practice.

(d) The decision-maker's exposure to variability of returns from other interests that it holds in the investee (paragraphs B71 and B72) – does the manager hold a direct investment in the fund, from which it will therefore receive a material exposure to the variable returns of the fund, on top of the management fee that it earns.

An assessment of each fund has been performed and concluded that Gresham House Forestry Friends and Family Fund LP should be consolidated (in line with the prior year), reflecting the Group's 71% investment in the fund and the limited removal rights of the other investors. All other funds assessed have concluded that the Group is acting as an agent and therefore the Group should not consolidate the funds. GHS and Noriker have been assessed and the Group is considered in a position of significant control and these funds have been treated as associates as highlighted above. More details on the assessment can be found in the accounting policy section of the financial statements.

BRITISH STRATEGIC INVESTMENT FUND (BSIF) DISTRIBUTOR FEES

The British Strategic Investment Fund, a Limited Partnership, had its first successful close on 16 June 2017 and finished the year with £165 million of committed capital. The Group used a distribution agent to commit the Royal County of Berkshire Pension Fund to BSIF, which has a distribution fee for introducing an investor to the fund.

The distributor is required to provide a service from the date the investor commits to the fund, up until the final capital drawdown during the investment period. As such, the distributor fee has been amortised over the service period. The service period has been assessed with reference to the expected size of the fund at final close on 31 December 2018 and the pipeline of investments expected to be executed over the three-year investment period of the fund from final close. As at 31 December 2018, it was estimated that the fund would be fully invested within two years from 31 December 2018 and as such with the investor committing to the fund on 16 June 2017, the service period has been estimated at three and a half years and the distributor fee recognised on a straight-line basis over the service period. The service period will be monitored as the fund has its final close. There was no change in the estimated service period from the prior year following this assessment.

REVENUE RECOGNITION, PERFORMANCE AND MANAGEMENT FEES

The revenue recognition of the Group is driven by asset management fees, which are recognised in line with the investment management or advisory agreements in place with the appropriate funds. These are typically based on the committed capital of Limited Partnership funds, or Net Asset Values (NAV) for listed vehicles managed or advised by the Group. The NAV is typically the last audited or publicly available NAV announced by the Board of these companies and is therefore independently approved. Limited partnerships and other fund management fees are typically based on committed capital, or an independent valuation where appropriate. Performance fees are recognised only when the Group is entitled to receive the performance fee per the management contract, no performance fees have been recognised in the year.

VALUATION OF UNLISTED SECURITIES

Investment valuations have been performed consistently with prior periods and in accordance with industry guidelines as detailed in the Principal Accounting Policy (j) (ii).

VALUATION OF CONTINGENT CONSIDERATION

The fair value of contingent consideration payable to the sellers of the FIM and the Livingbridge VC businesses has been estimated with reference to the contractual requirements.

In the case of FIM, an estimate of whether the combined two-year revenue target of £14.0 million has been made and discounted back from the payment date to the reporting date.

The Livingbridge VC contingent consideration is in two parts. The first being that the VCT boards do not give notice within two years of the acquisition. There are no indications to date that notice will be given, so this has been assumed to be true and the value payable discounted back to 31 December 2018.

The second part being the hurdle to deliver revenues from Livingbridge VC of between £30.9 million and £37.2 million in the three years to 31 December 2021. The fair value has been based on a weighted probability of outcomes over the three-year period and discounted by 15%.

Having challenged management on the assumptions used, the Audit Committee confirm that they are not aware of any material misstatements, satisfied that the key areas of risk and judgement have been addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust. Judgements, in line with these discussed above, are included in more detail in the notes to the financial statements.

NON-AUDIT SERVICES

Non-audit services provided by the external auditor are reviewed by the Audit Committee to ensure that the independence and objectivity of the external auditor is monitored by way of assessment and consideration of any potential threats to auditor independence. Details of the fees paid to the auditor for audit services, audit related services and other non-audit services are shown in note 3 of these financial statements.

Having regard to all the relevant factors, the Audit Committee has recommended to the Board that in the normal course of events and subject to shareholder approval at the 2019 AGM, BDO LLP, having indicated their willingness to act, be reappointed as external auditor of the Company and Group for the forthcoming year.

On behalf of the Board,

RICHARD CHADWICK
CHAIRMAN, AUDIT COMMITTEE
6 March 2019

CORPORATE GOVERNANCE – REMUNERATION REPORT

REMUNERATION COMMITTEE

On behalf of the Board, I am pleased to present the 2018 Directors' Remuneration Report, which sets out the remuneration policy and remuneration paid to the directors for the year.

Gresham House had a transformational year and grew AUM by 250% and its market cap by 118%. It is vital to the long-term success of the business that we align our remuneration policy to reflect not only the wider AIM market but also the wider fund management industry where we compete for talent. The increased pay awards in 2018 reflect the significant developments made by the business in the period.

The Remuneration Committee consists of the four Non-Executive Directors of the Company under the chairmanship of Simon Stilwell. The Committee meets at least bi-annually and is responsible for determining the terms of service and remuneration of the Executive Directors. The CEO and Finance Director are invited to attend the meetings.

The Committee's main roles and responsibilities are to review the performance of the Executive Directors and set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders and recognising the recent developments in corporate governance and best practice in executive remuneration.

In determining the remuneration of Executive Directors, the Committee will seek to enable the Company to attract and retain executives of the highest calibre. The Committee will also make recommendations to the full Board concerning the incentivisation of employees through long-term equity incentive schemes.

No Director is permitted to participate in discussions or decisions concerning their own remuneration.

The full Board of Directors are responsible for determining the level of fees paid to the Non-Executive Directors. Non-Executive Directors are not eligible for long-term incentive schemes.

DIRECTORS' SHARE INTERESTS

The beneficial interests of the Directors who served during the year and their connected persons in the ordinary share capital of the Company as at 31 December 2018 are set out below:

	2018 Number of shares	2017 Number of shares
Anthony Townsend	**34,855**	34,855
Tony Dalwood	**295,336**	241,784
Kevin Acton	**19,975**	13,237
Simon Stilwell	**25,000**	–
Rachel Beagles	**10,976**	–

In addition, the following Directors who served during the year held supporter warrants. Each supporter warrant entitles the holder to subscribe for one ordinary share at an exercise price of 323.27 pence, exercisable at any time between 1 December 2015 and 31 December 2019.

	2018 Number of supporter warrants	2017 Number of supporter warrants
Anthony Townsend	**34,000**	34,000
Tony Dalwood	**212,500**	212,500

Further details of the supporter warrants can be found in note 26 to these financial statements.

Directors' service contracts are governed by the following policies:

(a) The notice period required by either the Company or the Director to terminate the contract is 12 months for Tony Dalwood, six months for Kevin Acton and three months for Anthony Townsend, Simon Stilwell, Rachel Beagles and Richard Chadwick;

(b) In the event that a Non-Executive Director is not re-elected by shareholders in accordance with the Articles of Association his/her appointment shall terminate with immediate effect and the individual is entitled to payment in lieu of notice being the maximum notice period in his/her contract;

(c) In the event of termination for events as specified in the contract, including negligence and incompetence in the performance of his/her duties, misconduct and serious breaches of the rules of the FCA, the Company may terminate employment summarily without any payment in lieu of notice; and

(d) A discretionary bonus scheme was introduced by the Company in 2015 and all Executive Directors are eligible to participate in the scheme.

REMUNERATION POLICY

The Remuneration Committee reviews the Company's remuneration philosophy and structure to ensure that the remuneration framework remains effective in supporting the Company's business objectives, in line with best practice, and fairly rewards individuals for the contribution that they make to the business, having regard to the size and complexity of the Group's operations and the need to retain, motivate and attract employees of the highest calibre.

The Remuneration Committee intends that base salary and total remuneration of Executive Directors should be in line with the wider asset management industry. Remuneration is benchmarked against rewards available for equivalent roles in a suitable comparator group with the aim of paying neither significantly above nor below the median for each element of remuneration. The Committee also considers general pay and employment conditions of all employees within the Group and is sensitive to those, to prevailing market conditions, and to governance trends when assessing the level of salaries and remuneration packages of Executive Directors.

The Committee engaged PwC to perform a benchmarking survey for the senior management team, including the Executive Directors across the components of the remuneration packages. When measured against similar roles in AIM market companies and comparable asset managers, the senior management team are fairly remunerated considering the growth in business and the dramatic growth achieved in the year and since the new team was appointed in 2014. In 2018 a new LTIP was introduced to broaden the number of employees participating in the incentive scheme and to accommodate senior people who joined the business by way of acquisition.

CORPORATE GOVERNANCE – REMUNERATION REPORT (CONTINUED)

REMUNERATION POLICY (CONTINUED)

The total remuneration package links corporate and individual performance with an appropriate balance between short- and long-term elements, and fixed and variable components. The policy is designed to incentivise executives to meet the Company's strategic objectives, such that a significant portion of total remuneration is performance related. The current remuneration of Executive Directors comprises the following five components:

- Basic salary
- Pension arrangements (only basic salary is pensionable)
- Annual bonus
- Bonus share matching plan
- Long-term incentive plans

BASIC SALARY

Basic salary represents a value which reflects the Remuneration Committee's assessment of the market rate for relevant positions and the individual Director's experience and value to the business.

PENSIONS

The Company provides for the auto-enrolment into a pension scheme for the benefit of Directors or employees. A contribution to pension or equivalent schemes remains an entitlement of all employees. In the instance an employee 'opts out' of the scheme, arrangements are in place to ensure the Company makes appropriate contributions.

ANNUAL BONUS

The Company operates a discretionary bonus scheme which provides for a performance-related bonus based on the Group's results and, in certain cases, the result of the relevant businesses for which they may be responsible. The individual targets for the Executive Directors are established by the Remuneration Committee with a view to maximising shareholder value and meeting other Group objectives.

The Chairman and the Non-Executive Directors are not eligible to participate in this bonus scheme.

BONUS SHARE MATCHING PLAN

The Company introduced in 2016 a share matching plan linked to the discretionary annual bonus scheme to encourage management to invest in the long-term growth of the Company.

Subject to Remuneration Committee approval, management and employees entitled to a bonus may be permitted (but not required) to defer and reinvest up to 100% of their annual bonus into ordinary shares in the Company which will be released to them after three years, together with any additional matching shares, subject to the performance criteria set out below. In 2018, the Remuneration Committee approved the reinvestment of up to 100% of annual bonuses into ordinary shares by management and employees (2017: 50%).

In the event that the Company achieves a mid-market closing price equal to 7% per annum compound growth from the date of deferral, the participants will receive 50% of the matching shares benefit. In the event that the Company's share price outperforms the FTSE All Share Index from the date of deferral, the participant will receive 50% of the matching shares.

Shares will be awarded in the ratio of one share for each share invested. In the event that this performance condition is not met, the participants will receive only the ordinary shares acquired with the deferred bonus.

In total, the Company proposes that the total ordinary shares issued and issuable in satisfaction of the above incentive arrangements and pursuant to the exercise of supporter warrants will not exceed 20% of the Company's total issued share capital as outlined in the admission document dated 4 November 2015.

LONG-TERM INCENTIVE PLAN

2016 LTIP

On 28 July 2016, the Company implemented the 2016 long-term incentive plan (2016 LTIP) to align management with the interests of shareholders. These arrangements only reward the participants if shareholder value is created.

For the purposes of the plan, 'shareholder value' broadly means the difference between the market capitalisation of the Company at the point in time that any assessment is made and the sum of:

(i) the market capitalisation of the Company a) at 1 December 2014 for first awards made to management who joined the Company before 30 September 2015; and b) at the date of award in all other cases; and

(ii) the aggregate value (at the subscription price) of all ordinary shares issued thereafter and up to the point in time that any assessment is made, in each case adjusted for dividends and capital returns to shareholders and/or issue of new shares.

The beneficiaries of the plan will in aggregate be entitled to an amount of up to 20% of shareholder value (as defined above) created, subject to the performance criteria set out below. Individual participation in the shareholder value created is determined by the Remuneration Committee in respect of the Executive Directors.

There are certain hurdles the Company's share price has to achieve before an award vests.

In the event that the Company achieves an average mid-market closing price equal to compound growth at 7% per annum for a period of 10 consecutive dealing days after 1 December 2016 for first awards to management who joined the Company before 30 September 2015 and from the second anniversary of the date of award in all other cases, 50% of the award will vest.

In the event that the share price of the Company outperforms the FTSE All Share Index in the 10 dealing day period after 1 December 2016, and from the second anniversary of the date of the award in all other cases, 50% of the award will vest.

Each award requires a minimum term of employment of three years and awards are made to current management and new joiners at the Company's discretion and is settled in equity of the Company.

As at 31 December 2018, under the rules of the 2016 LTIP, the value created by the management team since 1 December 2014 was £25.6 million, based on a closing market value of the Company of £111.9 million (share price of £4.50). The 2016 LTIP share of this is estimated at £4.1 million, which will be settled in equity when exercised by the management team. Approximately 78% of this award is available to exercise by the management team, with the remaining 22% exercisable in the next 12 months. The end date to exercise the 2016 LTIP is 31 December 2022.

2018 LTIP

In recognition of the 2016 LTIP becoming exercisable during 2018, the Remuneration Committee considered and implemented a new long-term incentive arrangement, the 2018 LTIP. This has been introduced to align the management team and wider members of the business for the next three years with shareholders. The quantum of the award was considered and agreed by the Remuneration Committee.

The 2018 LTIP is a deferred share award, which vests in three years' time from award subject to management remaining employed by the Company at this date. There is no staggered vesting period, vesting is at the end date in three years' time.

During the year 447,496 deferred shares were awarded under the 2018 LTIP to the management team and employees, with a fair value at award of £2.1 million.

DIRECTORS' EMOLUMENTS

The directors who served in the year received the following emoluments:

Year ended 31 December 2018	Basic salary £'000	Benefits £'000	Cash Bonuses £'000	Deferred bonuses[iii] £'000	Pensions £'000	Share based payments[iv] £'000	2018 £'000
Executive:							
Tony Dalwood[i]	**250**	**3**	**101**	**101**	**25**	**–**	**480**
Kevin Acton	**200**	**2**	**80**	**30**	**20**	**–**	**332**
Non-Executive:							
Anthony Townsend	**50**	**–**	**–**	**–**	**–**	**–**	**50**
Richard Chadwick	**30**	**–**	**–**	**–**	**–**	**–**	**30**
Simon Stilwell	**30**	**–**	**–**	**–**	**–**	**–**	**30**
Rachel Beagles[ii]	**25**	**–**	**–**	**–**	**–**	**–**	**25**
Total	**585**	**5**	**181**	**131**	**45**	**–**	**947**

(i) Payments have been made in lieu of contribution towards pension scheme.

(ii) Rachel Beagles joined the Board on 1 March 2018.

(iii) Deferred bonuses are the amounts of cash bonus awarded, which the Directors have elected to reinvest in the Company's ordinary shares through the Bonus Share Matching plan. This will be awarded shortly after 7 March 2018 when these results have been announced and the Company is no longer in possession of inside information.

(iv) Share-based payments reflect share awards that have been exercised in the year. No share awards were exercised in the year.

Year ended 31 December 2017	Basic salary £'000	Fees £'000	Benefits £'000	Cash Bonuses £'000	Deferred bonuses[v] £'000	Pensions £'000	Share-based payments[vi] £'000	2017 £'000
Executive:								
Tony Dalwood[i]	185	–	2	110	110	19	–	426
Kevin Acton	160	–	2	75	20	16	–	273
Non-Executive:								
Anthony Townsend	50	–	–	–	–	–	–	50
Peter Moon[ii]	25	–	–	–	–	–	–	25
Richard Chadwick[iii]	5	15	–	–	–	–	–	20
Simon Stilwell[iv]	1	–	–	–	–	–	–	1
Total	426	15	4	185	130	35	–	795

(i) Payments have been made in lieu of contribution towards pension scheme.

(ii) Resigned 31 December 2017.

(iii) Fees paid to Richard Chadwick have been paid to a business in which he has a material interest.

(iv) Appointed 18 December 2017.

(v) Deferred bonuses are the amounts of cash bonus awarded, which the Directors have elected to reinvest in the Company's ordinary shares through the Bonus Share Matching plan. This will be awarded shortly after 7 March 2018 when these results have been announced and the Company is no longer in possession of inside information.

(vi) Share-based payments reflect share awards that have been exercised in the year. No share awards were exercised in the year.

CORPORATE GOVERNANCE – REMUNERATION REPORT (CONTINUED)

The Executive Directors held the following ordinary shares in the Company and have the following equity awards outstanding as at 31 December 2018 (number of ordinary shares):

Number of ordinary shares[v]	Ordinary shares held	Supporter warrants	2016 LTIP[ii]	Bonus Share Matching[iii] 2016	Bonus Share Matching[iii] 2017	2018 LTIP[iv]	Total
Awarded		2015	2016	2017	2018	2018	
Vesting date		Exercisable 2019	Exercisable[i]	2020	2021	2021	
Tony Dalwood	295,336	212,500	251,544	32,651	–	108,434	900,465
Kevin Acton	19,975	-	102,739	13,237	4,869	67,470	208,290

(i) 2016 LTIP for Kevin Acton not exercisable until 6 June 2019 and Tony Dalwood's are exercisable.

(ii) 2016 LTIP represents the number of shares receivable as a result of the value created for shareholders over the period of the 2016 LTIP, based on the share price as at 31 December 2018 of £4.50.

(iii) Bonus Share Matching 2016 and 2017 are the result of the Executives electing to reinvest their cash bonus into Gresham House plc shares, which subject to achieving hurdles could result in the number of shares above being awarded on the vesting date. The 2017 Bonus Share Matching award of 26,777 ordinary shares for Tony Dalwood has been issued and is subject to claw back, should the return hurdles not be met. The Bonus Share Matching 2018 award will be awarded shortly after 7 March 2019 when these results have been announced and the Company is no longer in possession of inside information.

(iv) 2018 LTIP was awarded on 2 May 2018.

(v) These share awards are before tax.

On behalf of the Board,

SIMON STILWELL
CHAIRMAN, REMUNERATION COMMITTEE
6 March 2019

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

The Group Statement of Comprehensive Income is set out on page 57 and shows the results for the year ended 31 December 2018.

The Directors recommend that the Company pay a final dividend for the year ended 31 December 2018 of 3.0 pence per share to be paid on 24 May 2019 (2017: nil).

PRINCIPAL ACTIVITIES, REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The review of the business and a summary of future developments are included in the Chairman's statement on pages 6 to 7and the Chief Executive's report on pages 8 to 11.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the Group are explained in the Principal Risks and Uncertainties section on pages 34 to 39.

DIRECTORS

The present Directors are listed on page 40 together with brief biographical details. The Directors who served during the period under review were: -

Anthony Townsend	*Non–Executive Chairman*
Tony Dalwood	*Chief Executive*
Kevin Acton	*Finance Director*
Rachel Beagles	*Non-Executive*
Richard Chadwick	*Non-Executive*
Simon Stilwell	*Non-Executive*

In accordance with the Company's Articles of Association, Richard Chadwick and Tony Dalwood will stand for re-election at the forthcoming Annual General Meeting of the Company.

The Board confirms that the performance of each of the Directors seeking re-election or election continues to be effective and demonstrates commitment to the role, and the Board believes that it is therefore in the best interests of shareholders that the Directors be re-elected.

DIRECTORS' INDEMNITY

The Company has, as permitted by the Companies Act 2006 and the Company's Articles of Association, maintained a directors' and officers' liability insurance policy on behalf of the Directors, indemnifying them in respect of certain liabilities which may be incurred by them in connection with the activities of the Company. This policy does not provide cover for fraudulent or dishonest actions by the Directors.

SHARE CAPITAL AND VOTING RIGHTS

As at 1 January 2018 and 31 December 2018 there were 12,536,957 and 24,872,613 ordinary shares in issue respectively with a nominal value of 25p each. The ordinary shares are quoted on the Alternative Investment Market of the London Stock Exchange.

Details of substantial shareholdings and control can be found in the Directors' Report on pages 51 to 52. The voting rights of shareholders are as follows:

Each shareholder has the right to:

- Participate in distributions of profits in proportion to the nominal capital paid up on the shares held;
- One vote on a show of hands, and on a poll one vote per share held, at a General Meeting of the Company. A member entitled to more than one vote need not cast all votes the same way;
- A dividend, subject to the discretion of the Directors of the Company, apportioned and paid proportionately to the amounts paid up on the shares; and
- In the event of a winding up of the Company the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company.

RELATIONS WITH SHAREHOLDERS

The Board recognises the importance of regular and effective communication with shareholders. Management has regular dialogue with the Company's major shareholders and ensures that their views are communicated fully to the Board.

Other forms of communication include the annual and interim financial statements, announcements released to the London Stock Exchange, the Annual General Meeting and regular face to face meetings with major shareholders and management.

As soon as practicable following the conclusion of any general meeting, the results of the meeting are released through a regulatory news service and a copy of the announcements placed on the Investor Relations section of the Company's website. In the event that a significant proportion of votes was cast against any resolution at a General Meeting, an explanation of the actions proposed to be taken in response would be outlined.

The Investor Relations section of the Company's website includes historic Annual Reports (together with notices of meetings) and other governance related material, such as investor presentations and marketing materials.

SUBSTANTIAL INTERESTS

As at 31 December 2018 the following substantial interests representing 3% or more of the total voting rights of the Company have been notified to the Company:

Beneficial shareholder	Number of shares	% of issued share capital
The Royal County of Berkshire Pension Fund	4,427,544	17.8
Majedie Asset Management Limited	2,117,067	8.5
Livingbridge VC LLP	1,562,500	6.3
Richard Crosbie Dawson	1,469,837	5.9
Revcap Advisors	1,170,452	4.7
Schroder Investment Management	1,022,366	4.1
LMS Capital plc	984,329	4.0
River & Mercantile Asset Management LLP	856,531	3.4
Stirling Family	799,641	3.2
Charles Stanley	795,476	3.2

DIRECTORS' REPORT (CONTINUED)

COMPANIES ACT 2006 DISCLOSURES

Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 require Directors to disclose the following information: The Company is not required to, but chooses to disclose the following for good practice:

- The structure of the Company's capital is summarised in notes 25 and 26. The holders of ordinary shares are entitled to receive the Company's reports and accounts, to attend and speak at General Meetings of the Company, to appoint proxies and exercise voting rights. There are no restrictions on voting rights that the Company is aware of, nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- There exist no securities carrying special rights with regard to the control of the Company;
- The provisions concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and the Companies Act 2006;
- No agreements exist to which the Company is a party that may affect its control following a takeover bid; and
- There are no agreements in place between the Company and its Directors providing for compensation for loss of office in the event of the Company being taken over.

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's financial risk management objectives can be found in note 31 of the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and have elected to prepare the Parent Company financial statements in accordance with those standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

WEBSITE PUBLICATION

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on the Company's website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

AUDITOR'S RIGHT TO INFORMATION

So far as each of the Directors is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

POST BALANCE SHEET EVENTS

Details of events that have taken place after the period end can be found in note 35.

GOING CONCERN

After making enquiries, the Directors have formed a judgement that at the time of approving the financial statements, there is a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason, the Directors continue to adopt a going concern basis in preparing the financial statements.

SHARE QUOTE

The Group's ordinary shares and shareholder warrants are quoted on the Alternative Investment Market of the London Stock Exchange.

SHARE CAPITAL

Changes to share capital during the period are shown in note 25 to the financial statements.

By Order of the Board,

JOHN-PAUL PRESTON
COMPANY SECRETARY
6 March 2019

5 New Street Square
London EC4A 3TW

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRESHAM HOUSE PLC

OPINION

We have audited the financial statements of Gresham House plc (the Parent Company) and its subsidiaries (the Group) for the year ended 31 December 2018 which comprise the Group statement of comprehensive income, the Group and Company statements of changes in equity, the Group and Company statement of financial position, the Group and Company statements of cash flows and notes to the financial statements, including a summary of principal accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTER	HOW IT WAS ADDRESSED
ACCOUNTING FOR FIM ACQUISITION In May 2018 the Group announced the acquisition of FIM Services Limited. The total consideration for the acquisition of £27.5 million was funded through a combination of existing cash resources and newly issues shares. This initially included £16.9 million in cash and £10.6 million in ordinary shares. Further contingent consideration of up to £4.0 million may be payable by the Company, subject to the satisfaction of certain performance targets being met over a two-year period post completion. There is a risk that the transaction's initial recognition and contingent consideration has not been accounted for in accordance with IFRS and therefore may result in a material misstatement within the financial statements. The identifiable assets are to be recognised at fair value, including intangible assets and the consideration paid is also initially to be recognised at fair value. The contingent consideration is also dependent on forecasts to determine whether the required benchmarks will be met for the payment of contingent consideration.	We reviewed the share purchase agreements to confirm the specific details of the total consideration and develop our own view of the appropriate accounting treatment. We reviewed, recalculated and challenged the inputs, through agreement to underlying records, of management's assessment of the fair value of the consideration. We challenged the appropriateness of the inputs and assumptions made to calculate the fair value of the intangibles acquired, through agreement to underlying records such as valuation reports, external pricing forecasts and signed management agreements and performed sensitivity analysis, as well as the assessment of their useful economic life. We also consulted with internal valuation experts to verify that the inputs into the WACC calculation were appropriate. We challenged the appropriateness of the fair value adjustments and management assumptions applied to ensure that the calculation and valuation is accounted for correctly, in line with IFRS and Group accounting policies, and to ensure that appropriate amounts are included in the consolidated financial statements. We challenged management's assessment that the contingent consideration is part of the consideration for the business combination under IFRS 3 rather than for ongoing service through a review of the terms of the share purchase agreement and whether the accounting and disclosure is appropriate. We re-calculated the fair value of the contingent consideration at the acquisition date at the year-end and obtained and assessed the forecasts to determine if the required benchmarks have been met for the payment of contingent consideration.
ACCOUNTING FOR LIVINGBRIDGE ACQUISITION In November 2018 the Group announced the acquisition of the fund and investment management business of Livingbridge VC LLP. The total initial consideration for the acquisition and investment was £30 million. The Acquisition was funded through the allotment of 1,562,000 ordinary shares of £0.25 each in the Company (the Consideration Shares), to Livingbridge VC, a new credit facility, a vendor placing of 2,617,628 ordinary shares of £0.25 each (Placing Shares) (the Placing) and existing cash resources of the Company. Further deferred consideration of up to £7.5 million will be payable by the Company, subject to the satisfaction of certain performance targets being met over a three-year period post completion. There is a risk that the transaction's initial recognition and contingent consideration has not been accounted for in accordance with IFRS and therefore may result in a material misstatement within the financial statements. The identifiable assets are to be recognised at fair value, including intangible assets and the consideration paid is also initially to be recognised at fair value. The contingent consideration is also dependant on forecasts to determine whether the required benchmarks will be met for the payment of contingent consideration.	We reviewed the share purchase agreements to confirm the specific details of the total consideration and develop our own view of the appropriate accounting treatment. We reviewed, recalculated and challenged the inputs, through agreement to underlying records, of management's assessment of the fair value of the consideration. We challenged the appropriateness of the inputs and assumptions made to calculate the fair value of the intangibles acquired, through agreement to underlying records such as valuation reports and signed management agreements and performed sensitivity analysis, as well as the assessment of their useful economic life. We also consulted with internal valuation experts to verify that the inputs into the WACC calculation were appropriate. We challenged the appropriateness of the fair value adjustments and management assumptions applied to ensure that the calculation and valuation is accounted for correctly, in line with IFRS and Group accounting policies, and to ensure that appropriate amounts are included in the consolidated financial statements. We challenged management's assessment that the contingent consideration is part of the consideration for the business combination under IFRS 3 rather than for ongoing service through a review of the terms of the share purchase agreement and whether the accounting and disclosure is appropriate. We re-calculated the fair value of the contingent consideration at the acquisition date at the year-end and obtained and assessed the forecasts to determine if the required benchmarks have been met for the payment of contingent consideration.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, in evaluating the effect of misstatements on the audit and in forming our opinion. Materiality is assessed on both quantitative and qualitative grounds.

Materiality	£250,000
Reporting threshold	£5,000

MATERIALITY

We consider materiality to be the magnitude by which misstatements, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements.

We determined the materiality for the Group financial statements as a whole to be £250,000 (2017: £500,000), which was set at 1.8% of total revenue (2017: 1.5% of total assets). This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.

We determined that total revenue would be the most appropriate basis for determining overall materiality as in the current year the Group and Parent Company has now ceased all investment property activities while developing its asset management business. Therefore, as an asset management business the key driver of the business is profitability and generating returns for shareholders, however as the Group is currently not profit-making a revenue basis has instead been taken. Therefore, in the current year we have no longer utilised a specific materiality for the Group's trading results testing, with all balances now being tested under a single materiality threshold that reflects the transition to a specialist asset manager, including the divestment from its legacy operations.

PERFORMANCE AND COMPONENT MATERIALITY

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Performance materiality has been set at £187,500 (2017: £375,000), being 75% (2017:75%) of the above materiality levels, based on our risk assessment together with our assessment of the Group's overall control environment and history of misstatements.

Materiality in respect of the audit of the Parent Company has been set at £237,500 (2017: £500,000) using 95% of Group materiality as the level chosen. We consider this to the most appropriate as the Parent Company is a holding company with no separate trade and calculating a specific materiality level for this would result in a threshold in excess of Group materiality. Therefore, this has been reduced to 95% of the Group materiality threshold.

REPORTING THRESHOLD

An amount below which identified misstatements are considered as being clearly trivial. We agreed with the Audit Committee that we would report all individual audit differences in excess of £5,000 (2017: £10,000) to the Audit Committee and any other differences that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates. We considered that the Group had two significant components, the Parent Company and the rest of the Group. The two components were subject to full scope audits. All work was undertaken by the Group audit team.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

CHARLES ELLIS
(SENIOR STATUTORY AUDITOR)
For and on behalf of BDO LLP,
Statutory Auditor

55 Baker Street, London, UK
6 March 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	Notes	2018 £'000	2017 £'000
Income	1		
Asset management income		**13,717**	5,805
Dividend and interest income		**47**	431
Other operating income		**734**	221
Total income		**14,498**	6,457
Operating costs			
Administrative overheads	3	**(14,608)**	(8,021)
Net operating loss before exceptional items		**(110)**	(1,564)
Finance costs	6	**(42)**	(344)
Exceptional items	5	**(2,001)**	(308)
Net operating loss after exceptional items		**(2,153)**	(2,216)
Gains and losses on investments			
Share of associates' profits/(losses)	17	**1,718**	(68)
Losses on investments held at fair value	11	**(271)**	(230)
Movement in fair value of contingent consideration		**(209)**	(56)
Movement in value of deferred receivable		**40**	148
Operating loss before taxation		**(875)**	(2,422)
Taxation	8	**218**	—
Operating loss from continuing operations		**(657)**	(2,422)
Profit/(loss) from discontinued operations	7	**11**	(1,104)
Loss and total comprehensive income		**(646)**	(3,526)
Attributable to:			
Equity holders of the parent		**(699)**	(3,124)
Non-controlling interest		**53**	(402)
		(646)	(3,526)
Basic and diluted loss per ordinary share (pence)	9	**(3.9)**	(25.9)
Basic adjusted profit/(loss) per ordinary share (pence)	9	**16.7**	(5.9)
Diluted adjusted profit/(loss) per ordinary share (pence)	9	**14.7**	(5.9)

GROUP STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER

GROUP
2018

	Notes	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	**Equity attributable to equity share-holders £'000**	Non-controlling interest £'000	**Total equity £'000**
Balance at 31 December 2017		3,134	9,649	319	15,268	**28,370**	477	**28,847**
Comprehensive income for the year								
Loss for the year		–	–	–	(699)	**(699)**	53	**(646)**
Total comprehensive income for the year		–	–	–	(699)	**(699)**	53	**(646)**
Contributions by and distributions to owners								
Transfer of non-controlling interest deficit		–	–	–	3	**3**	(3)	**–**
Share based payments	27	–	–	–	464	**464**	–	**464**
Issue of shares	25	3,084	48,252	(261)	–	**51,075**	–	**51,075**
Total contributions by and distributions to owners		3,084	48,252	(261)	467	**51,542**	(3)	**51,539**
Balance at 31 December 2018		6,218	57,901	58	15,036	**79,213**	527	**79,740**

GROUP
2017

	Notes	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	**Equity attributable to equity share-holders £'000**	Non-controlling interest £'000	**Total equity £'000**
Balance at 31 December 2016		2,546	2,611	319	18,657	**24,133**	491	**24,624**
Comprehensive income for the year								
Loss for the year		–	–	–	(3,124)	**(3,124)**	(402)	**(3,526)**
Total comprehensive income for the year		–	–	–	(3,124)	**(3,124)**	(402)	**(3,526)**
Contributions by and distributions to owners								
Transfer of non-controlling interest deficit		–	–		(388)	**(388)**	388	**–**
Share based payments	27	–	–	–	123	**123**	–	**123**
Issue of shares	25	588	7,038	–	–	**7,626**	–	**7,626**
Total contributions by and distributions to owners		588	7,038	–	(265)	**7,361**	388	**7,749**
Balance at 31 December 2017		3,134	9,649	319	15,268	**28,370**	477	**28,847**

GROUP STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER

COMPANY
2018

	Notes	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	**Total equity £'000**
Balance at 31 December 2017		3,134	9,649	319	15,469	**28,571**
Comprehensive income for the year						
Loss for the year		–	–	–	(2,075)	**(2,075)**
Total comprehensive income for the year		–	–	–	(2,075)	**(2,075)**
Contributions by and distributions to owners						
Issue of shares	25	3,084	48,252	(261)	–	**51,075**
Total contributions by and distributions to owners		3,084	48,252	(261)	–	**51,075**
Balance at 31 December 2018		6,218	57,901	58	13,394	**77,571**

COMPANY
2017

	Notes	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	**Total equity £'000**
Balance at 31 December 2016		2,546	2,611	319	16,153	**21,629**
Comprehensive income for the year						
Loss for the year		–	–	–	(684)	**(684)**
Total comprehensive income for the year		–	–	–	(684)	**(684)**
Contributions by and distributions to owners						
Issue of shares	25	588	7,038	–	–	**7,626**
Total contributions by and distributions to owners		588	7,038	–	–	**7,626**
Balance at 31 December 2017		3,134	9,649	319	15,469	**28,571**

GROUP STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER

		Group		Company	
	Notes	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Assets					
Non-current assets					
Investments – securities	11	**6,834**	2,989	**4,970**	1,310
Tangible fixed assets	13	**332**	196	**126**	51
Investment in subsidiaries	16	**–**	–	**79,872**	18,265
Investment in associates	17	**10,198**	6,462	**–**	–
Intangible assets	14	**65,911**	6,327	**197**	198
Long-term receivables	15	**78**	1,618	**78**	–
		83,353	17,592	**85,243**	19,824
Current assets					
Trade receivables	18	**2,628**	2,089	**–**	–
Accrued income and prepaid expenses		**2,613**	785	**26**	219
Deferred receivable	15	**1,033**	2,075	**–**	–
Other current assets	19	**1,471**	–	**1,511**	7,878
Cash and cash equivalents		**13,958**	9,785	**6,148**	6,484
Non-current assets held for sale					
Property investments	12	**–**	1,986	**–**	–
Total current assets and non-current assets held for sale		**21,703**	16,720	**7,685**	14,581
Total assets		**105,056**	34,312	**92,928**	34,405
Current liabilities					
Trade and other payables	20	**4,085**	5,463	**152**	282
Short-term borrowings	21	**2,000**	–	**7,365**	5,552
		6,085	5,463	**7,517**	5,834
Total assets less current liabilities		**98,971**	28,849	**85,411**	28,571
Non-current liabilities					
Deferred taxation	22	**2,944**	–	**–**	–
Long-term borrowings	23	**7,840**	–	**7,840**	–
Other creditors	24	**8,447**	2	**–**	–
		19,231	2	**–**	–
Net assets		**79,740**	28,847	**77,571**	28,571
Capital and reserves					
Ordinary share capital	25	**6,218**	3,134	**6,218**	3,134
Share premium	28	**57,901**	9,649	**57,901**	9,649
Share warrant reserve	28	**58**	319	**58**	319
Retained reserves	28	**15,036**	15,268	**13,394**	15,469
Equity attributable to equity shareholders		**79,213**	28,370	**77,571**	28,571
Non-controlling interest	28	**527**	477	**–**	–
Total equity		**79,740**	28,847	**77,571**	28,571
Basic net asset value per ordinary share (pence)	29	**318.5**	226.3	**311.9**	227.9
Diluted net asset value per ordinary share (pence)	29	**290.1**	211.2	**284.1**	224.4

The loss after tax for the Company for the year ended 31 December 2018 was £2,075,000. The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 6 March 2019.

KEVIN ACTON
FINANCE DIRECTOR

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Cash flow from operating activities					
Net cash generated/(utilised) in operations	30		**1,462**		(1,615)
Corporation tax (paid)/received		**(346)**		33	
Interest paid on loans		**–**		(236)	
			(346)		(203)
Net cash flow from operating activities			**1,116**		(1,818)
Cash flow from investing activities					
Acquisition of FIM Services Limited		**(10,828)**		–	
Deferred consideration paid		**(1,027)**		–	
Investment in associates		**(1,979)**		–	
Purchase of management contracts – Livingbridge VC		**(23,000)**		–	
Purchase of investments		**(5,166)**		(5,177)	
Sale of investments		**1,260**		4,946	
Sale of investment properties		**1,985**		6,680	
Deferred proceeds received on sale of investment properties		**2,700**		1,635	
Expenditure on investment properties		**–**		(137)	
Purchase of fixed assets		**(165)**		(137)	
Sale of fixed assets		**46**		23	
Purchase of intangible assets		**(123)**		(762)	
			(36,297)		7,071
Cash flow from financing activities					
Repayment of loans		**–**		(5,896)	
Receipt of loans (net of fees paid)		**9,834**		–	
Share issue proceeds		**26,727**		7,626	
Share issue costs		**(1,048)**		–	
Share warrants exercised		**3,841**		–	
			39,354		1,730
Increase in cash and cash equivalents			**4,173**		6,983
Cash and cash equivalents at start of year			**9,785**		2,802
Cash and cash equivalents at end of year			**13,958**		9,785

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Cash flow from operating activities					
Net cash utilised in operations	30		**(1,449)**		(443)
Interest paid on loans			**–**		(236)
Net cash flow from operating activities			**(1,449)**		(679)
Cash flow from investing activities					
Purchase of investments		**(5,166)**		(5,177)	
Sale of investments		**681**		4,946	
Investment in subsidiary		**(35,807)**		(1,973)	
Purchase of fixed assets		**(53)**		(48)	
Purchase of intangible assets		**(67)**		(219)	
			(40,412)		(2,471)
Cash flow from financing activities					
Repayment of loans		**–**		(5,896)	
Receipt of loans (net of fees paid)		**9,834**		–	
Advanced to Group undertakings		**(2,531)**		(6,462)	
Receipts from Group undertakings		**4,702**		13,508	
Share issue proceeds		**26,727**		7,626	
Share issue costs		**(1,048)**		–	
Share warrants exercised		**3,841**		–	
			41,525		8,776
Increase in cash and cash equivalents			**(336)**		5,626
Cash and cash equivalents at start of year			**6,484**		858
Cash and cash equivalents at end of year			**6,148**		6,484

PRINCIPAL ACCOUNTING POLICIES

The Group's principal accounting policies are as follows:

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Group has considerable financial resources and ongoing investment management contracts. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The following standard and interpretation which has not been applied in these financial statements was in issue but not yet effective at year-end. The Directors do not intend to early adopt these standards. After initial review, the Directors estimate that the adoption of this standard and interpretation will not have a material impact on the Group's financial statements in the period of initial application, other than presentation or disclosure, and a full assessment will be conducted subsequent to the year-end:

IFRS 16 Leases (effective 1 January 2019)

The Group has entered into operating leases for its offices, which range from 18 months to five years. The impact of adopting IFRS 16 Leases would be to recognise the right-of-use asset and the lease liability on the balance sheet. Given the length of the London office lease being 18 months and the cost of the other offices in Perth, Oxford and Dumfries being immaterial, it is not considered that the impact of IFRS 16 will be material and is not proposed to be early adopted.

The following new accounting standards, which were effective for periods beginning 1 January 2018 were adopted during the year:

IFRS 9 Financial Instruments

IFRS 9 replaced the classification and measurement models for financial instruments in IAS 39 Financial Instruments: Recognition, with three classification categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The Group recognises all equity investments within the scope of IFRS 9 as measured at fair value through profit or loss. There has been no change to the classification or measurement of the financial assets or liabilities as a result of the adoption of IFRS 9.

IFRS 9 also introduced an expected credit loss impairment model, which is applied to all financial assets, except for financial assets classified as designated as at fair value through profit or loss. The assessment of impairment losses introduces the concept of an expectation of credit losses, even in the absence of a default event. Under IFRS 9, credit loss allowances will be measured on each reporting date according to a three-stage expected credit loss impairment model:

- Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months.

- Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognised equal to the credit losses expected over the remaining lifetime of the asset.

- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses will be recognised. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

Stage 1 and Stage 2 credit loss allowances effectively replace the collectively-assessed allowance for loans not yet identified as impaired recorded under IAS 39, while Stage 3 credit loss allowances effectively replace the individually and collectively assessed allowances for impaired loans. The measurement of expected credit losses is based on the impairment reviews, which reflect the underlying performance of the financial asset, expected cash flows and changes in expected performance. The Group has considered whether there was any change in the losses recognised as a result of adopting the expected credit loss model. As a result of the high credit quality of the Group's financial assets and their short-term nature there was no impact on adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five-step model that applies to revenue arising from contracts with customers and provides a more structured approach to measuring and recognising revenue. The Group has two principal revenue streams in the form of management fees and performance fees. As part of the assessment process, the five-step model has been applied to each material revenue stream. It is considered that the application of the five-step model to material revenue streams does not result in any change to either the timing of when revenue is recognised or to the value of the amounts recognised in the financial statements when compared to the way in which revenue was previously recognised under IAS 18 Revenue. The Group has not recognised any performance or carried interest fees in these results but will do so when they meet the criteria outlined in IFRS 15. There has been no material impact as a result of the adoption of IFRS 15.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

Subsidiaries

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee; exposure to variable returns from the investee; and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings made up to the year-end as if they formed a single entity. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Refer to note q) v) for further details on whether the Group controls funds that it also manages.

Associates

Where the Group has significant influence, it has the power over (but not control of) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the Group Statement of Financial Position at cost. Subsequently, associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the Group Statement of Comprehensive Income.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Where there is an indication of impairment that the investment in an associate has been impaired, the carrying amount of the investment will be tested for impairment in the same way as other non-financial assets.

(c) Presentation of Statement of Comprehensive Income

As permitted by section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. Details of the Company's results for the year are set out in note 28, the loss for the year being £2,075,000 (2017: £684,000).

(d) Segment reporting

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board in order to allocate resources to the segments and to assess their performance.

The Group's reportable segments, which are those reported to the Board are Real Assets, Strategic Equity and Central.

(e) Revenue recognition

The fixed consideration element of asset management contracts is measured at the fair value of the consideration received or receivable, is stated net of value added tax and is earned within the United Kingdom. The fixed consideration element of asset management contracts is recognised evenly over the contracted period, as the contracts require the group to perform an indeterminate number of individual asset management services over the duration of the contract. Performance fees are included in the transaction price and recognised as revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The potential volatility of performance fee revenue means that it is generally only recognised when the measures on which it is based have finally been determined. Cash payments in relation to fixed and variable revenues earned are generally received shortly after the relevant quarter end.

Other revenue recognition

(i) Dividend and interest income

Income from listed securities is recognised when the right to receive the dividend has been established. Interest receivable is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis by reference to the principal outstanding.

(ii) Rental income

Rental income comprises property rental income receivable net of VAT, recognised on a straight-line basis over the lease term and excludes service charges recoverable from the tenant.

(iii) Other income

Other income earned by the group is recognised to the extent that it is probable that the economic benefits will flow to the Group and that revenue can be reliably measured in line with any contractual arrangements in place.

(f) Expenses

All expenses and interest payable are accounted for on an accruals basis.

(g) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal.

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their estimated useful lives to the Group commencing from the time the asset is held ready for use, and are depreciated at the following rates:

Office equipment	25%
Motor vehicles	25%
Leasehold property	10%

(h) Taxation

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

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

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

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

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

(i) Operating leases and hire purchase contracts

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

(j) Investments

In line with IFRS 9: Financial Instruments, financial assets designated as at fair value through profit and loss (FVTPL) at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Group's key management. The equity investments which do not meet the definitions of an associate or subsidiary remain held at fair value through profit and loss.

(i) Assets held for sale

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell (except where the exemptions of paragraph 5 of IFRS 5 apply) and are classified as such if their carrying amount will be recovered through a sale transaction rather than through continuing use. Investment property that is held for sale is measured at fair value in accordance with paragraph 5 of IFRS 5.

This is the case when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the sale is considered to be highly probable. A sale is considered to be highly probable if the appropriate level of management is committed to a plan to sell the asset and a further active programme to locate a buyer and complete the plan has been initiated. Further, the asset has to be marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale is expected to qualify for recognition as a completed sale within one year from the date that it is classified as held for sale.

(ii) Securities

Purchases and sales of listed investments are recognised on the trade date, the date on which the Group commit to purchase or sell the investment. All investments are designated upon initial recognition as held at fair value and are measured at subsequent reporting dates at fair value, which is either the market bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Fair values for unquoted investments, or for investments for which there is only an inactive market, are established by taking into account the International Private Equity and Venture Capital Valuation Guidelines.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(iii) **Loans and receivables**

Unquoted loan stock, loan receivables in development projects and the deferred receivable are all classified at amortised cost under IFRS 9 reflecting their held to collect business model. Unquoted loan stock is classified as loans and receivables in accordance with IFRS 9 if it meets the business model and cash characteristics tests. The business model and cash characteristics tests require the objective of owning the financial asset to collect the contractual cash flows of interest and principal over the life of the asset, rather than selling prior to contractual maturity. The financial assets are held at amortised cost, less any loss allowance, which is measured using the expected credit loss impairment model (see accounting policy (a) for further details). This assesses the movements in both the amortised cost relating to the interest income and in respect of loss allowances and these are reflected in the Statement of Comprehensive Income.

(k) Properties

Property investments are included in the Statement of Financial Position at fair value and are not depreciated.

Sale and purchase of property assets is generally recognised on unconditional exchange except where completion is expected to occur significantly after exchange. For conditional exchanges, sales are recognised when the conditions have been satisfied. Profits and losses are calculated by reference to the carrying value at the end of the previous financial year, adjusted for subsequent capital expenditure and less directly related costs of sale.

(l) Exceptional items

The Group presents as exceptional items on the face of the Consolidated Statement of Comprehensive Income those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year so as to facilitate comparison with prior years and to assess better trends in financial performance.

(m) Intangible assets

(i) **Goodwill**

Goodwill, representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets and liabilities acquired, is capitalised in the Statement of Financial Position. Following initial recognition, goodwill is stated at cost less any accumulated impairment losses.

Goodwill will be reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(ii) **Management contracts and client relationships**

Intangible assets, such as management contracts and client relationships acquired as part of a business combination or separately, are capitalised where it is probable that future economic benefits attributable to the assets will flow to the Group and the fair value of the assets can be measured reliably.

They are recorded initially at fair value and then amortised, if appropriate, over their useful lives. The fair value at the date of acquisition is calculated using discounted cash flow methodology and represents the valuation of the net residual income stream arising from the management contracts or distribution agreements in place at the date of acquisition. The management contracts and client relationships are included in the Statement of Financial Position as intangible assets. Intangible assets with a finite life have no residual value and are amortised on a straight-line basis over their expected useful lives as follows:

- Client relationships arising on acquisition – five years
- Management contracts arising on acquisition – one to 25 years depending on the specific management contract details

(iii) **Website and client portal**

Costs associated with the development of the Group's website and client portal are capitalised in the Statement of Financial Position and are amortised over the estimated useful life of four years.

Amortisation methods, useful lives and residual values will be reviewed at each reporting date and adjusted if appropriate.

At each period end date, reviews are carried out of the carrying amounts of intangible assets to determine whether there is any indication that the assets have suffered an impairment loss. If any such indication exists, the recoverable amount, which is the higher of value in use and fair value less costs to sell, of the asset is estimated in order to determine the extent, if any, of the impairment loss.

If the recoverable amount of an asset or cash-generating unit (CGU) is estimated to be less than its net carrying amount, the net carrying amount of the asset or CGU is reduced to its recoverable amount. Impairment losses are recognised immediately in the Statement of Comprehensive Income. The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of that asset. In assessing whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased, the Group considers, as a minimum, the following indications:

(a) Whether the asset's market value has increased significantly during the period;

(b) Whether any significant changes with a favourable effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated; and

(c) Whether market interest rates or other market rates of return on investments have decreased during the period, and those decreases are likely to affect the discount rate used in calculating the asset's value in use and increase the asset's recoverable amount materially.

(n) Financial instruments

Financial assets and financial liabilities are recognised on the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, and the net amount reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to settle on a net basis or realise the asset and liability simultaneously and where the Group intends to net settle.

(i) Trade and other receivables

Receivables are short-term in nature. Trade and other receivables are recognised and carried at the lower of their invoiced value and recoverable amount. Expected credit losses are recognised in respect of each trade receivable and remeasured at each report date based on the expected credit losses at that time.

(ii) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(iii) Non-current receivables

Deferred receivables are recognised at the discounted value of those receipts.

(iv) Dividends payable

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

(v) Bank borrowings

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

(vi) Trade and other payables

Trade payables are not interest-bearing and are stated at their nominal value. Other payables are not interest-bearing and are stated at their nominal value as any discounting of expected cash flows is considered to be immaterial.

(vii) Borrowing costs

Unless capitalised under IAS 23, Borrowing Costs, all borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the period in which they are incurred. Finance charges, including premiums paid on settlement or redemption and direct issue costs and discounts related to borrowings, are accounted for on an accruals basis and charged to the Consolidated Statement of Comprehensive Income using the effective interest method.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(viii) **Contingent consideration**

Contingent consideration arises when settlement of all or any part of the cost of a business combination or other acquisition, for example management contract, is deferred. It is stated at fair value at the date of acquisition, which is determined by discounting the amount due to present value at that date.

Estimates are required in respect of the amount of contingent consideration payable on acquisitions, which is determined according to formulae agreed at the time of the business combination, and normally related to the future earnings of the acquired business. The Directors review the amount of contingent consideration likely to become payable at each period end date, the major assumption being the level of future profits of the acquired business. Contingent consideration payable is discounted to its fair value in accordance with applicable International Financial Reporting Standards.

(o) Pensions

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

(p) Share-based payments

The Group issued equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured using a Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each period end date for cash-settled share-based payments.

(q) Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and for acquisitions post 3 October 2010 following adoption of IAS 27, Consolidated and Separate Financial Statements (Revised 2008), the non-controlling interests' share of changes in equity since the date of the combination.

Prior to the adoption of IAS 27 (Revised 2008) losses attributable to non-controlling interests in excess of the non-controlling interests' share in equity were allocated against the interests of the Group except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover such losses. When the subsidiary subsequently reports profits, the non-controlling interests do not participate until the Group has recovered all of the losses of the non-controlling interests it previously reported.

(r) Business combinations

The Group recognises business combinations when it considers that it has obtained control over a business, which could be an entity or separate business within an entity (for example acquiring management contracts and hiring the team to service those contracts). The fair value of the assets acquired, and the liabilities assumed from the business combination are assessed at acquisition. The fair value of the consideration paid to the sellers of the business is assessed, with particular reference to the classification of payments to employees that could be considered remuneration rather than consideration for a business.

(s) Critical accounting estimates and judgements

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 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 management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those used to determine:

(i) Accounting for the acquisition of FIM Services Limited (FIM)

(ii) Accounting for acquisition of the fund and investment management business of Livingbridge VC LLP (Livingbridge VC)

(iii) Accounting for IPO and investment by the Group in Gresham House Energy Storage Fund plc (GRID)

(iv) Accounting for investment in associates – Gresham House Strategic plc (GHS) and Noriker Power Limited (Noriker)

(v) Consolidation assessment of funds managed and controlled by the Group

(vi) British Strategic Investment Fund distributor fees

(vii) Revenue recognition, performance and management fees

(viii) Valuation of contingent consideration

(i) Accounting for the acquisition of FIM Services Limited (FIM)

On 21 May 2018, the Group acquired 100% of FIM, the UK forestry and renewable energy asset manager. Further details are included in note 5 to the financial statements.

The asset management contracts acquired in the transaction have been fair valued at acquisition with reference to the cash revenues from each contract, less the costs associated with servicing the contracts and discounted at the rate of 11%. The contract lengths vary from three to 25 years. The discount applied is reflecting of the risk profile of the contracts acquired and is considered a significant assumption. Should the discount rate be increased by 2% the value of the management contracts would reduce by £1.2 million, with goodwill and the deferred tax liability increasing by a corresponding amount. Should the growth rates of the assets under management increase from 3% by a further 2% the impact on the value of the management contracts would also be £1.2 million, with goodwill and the deferred tax liability increasing by a corresponding amount.

(ii) Accounting for acquisition of the fund and investment management business of Livingbridge VC LLP (Livingbridge VC)

On 30 November 2018 the Group acquired the fund and investment management business of Livingbridge VC, which comprised the acquisition of four management contracts (VCT and open-ended equity fund contracts) and the hiring of the Livingbridge VC team. Further details are included in note 5 to the financial statements.

The asset management contracts acquired in the transaction have been fair valued at acquisition with reference to the cash revenues from each contract, less the costs associated with servicing the contracts and discounted at the rate of 15%. The discount applied is reflecting of the risk profile of the contracts acquired and is considered a significant assumption. Should the discount rate be increased by 2% the value of the management contracts would reduce by £0.9million, with goodwill increasing by a corresponding amount. Should the growth rates of the assets under management increase by 2% the impact would be an increase in the value of the management contracts of £0.9 and a corresponding decrease in goodwill.

Goodwill has been recognised as the balance between the fair value of consideration paid and the fair value of management contracts acquired. Further details are included in note 5 to the financial statements.

The Livingbridge VC team have also been incentivised with a long-term incentive plan, linked to delivery of revenue targets over three years and not being served notice on the VCT contracts. This is an equity-settled share-based payment under IFRS2 and has therefore been fair valued at award based on a weighted probability of outcomes, which will be spread over the three-year vesting period.

(iii) Accounting for IPO and investment by the Group in Gresham House Energy Storage Fund plc (GRID)

On 9 November 2018 the Group participated in the £100 million IPO of GRID, the utility-scale energy storage system (battery) fund. The Group was appointed as manager of the fund and also sold its existing investment in ESS2 Holdco Limited (battery storage project) to GRID. The Group holds a direct and indirect (via its holding in Noriker Power Limited) investment totalling 5% in GRID.

The assessment of whether the Group is acting as agent or principal and should consolidate GRID has been performed factoring in the other vehicles that are connected to the Group that are also invested in GRID, namely BSIF and employees of the Group. The Group is not in a controlling position of BSIF or the employees, using the framework set out in IFRS 10: Consolidated Financial Statements. As a 5% investor in GRID and acting as manager with market comparable remuneration and removal rights, it was concluded that the Group are acting as an agent and should not consolidate GRID.

(iv) Accounting for investment in associates – Gresham House Strategic plc (GHS) and Noriker Power Limited (Noriker)

Gresham House Strategic plc (GHS) is managed by GHAM and the Company also holds 23% of the ordinary share capital as at 31 December 2018. The Directors consider that the Company exercises significant influence over GHS, but not control, through its holding and the investment management agreement in place with GHAM. GHS therefore continues to be classified as an associate.

Noriker is 28% owned by the Group and is not an entity managed by GHAM. There are no specific additional rights that the Group have as investors in Noriker, however with a 28% holding, the Board considers this a position of significant influence and has concluded that Noriker should be treated as an associate.

These are included in the table in the consolidation assessment below for completeness.

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(v) **Consolidation assessment of funds managed and controlled by the Group**

When assessing whether the Group controls funds that are managed on behalf of third parties, the Group is required to assess whether it has power over these funds; exposure, or rights, to variable returns from its involvement with the fund; and has the ability to use its power over the funds to affect the amount of the Group's returns. This can also be considered when the Group is acting in its capacity as agent or principal. An agent is acting on behalf of third-party investors, whereas a principal is acting for its own benefit.

IFRS 10 provides guidance for considering the assessment of whether fund managers are acting as agent or principal, and therefore whether the Group should consolidate the funds that it manages or not. The key considerations when assessing this are decision making authority of the fund manager, rights held by third parties, remuneration and exposure to returns. The following provides further detail on the Directors' assessment of control over the funds that are managed by Gresham House Asset Management Limited (GHAM), the FCA regulated entity within the Group.

The following table summarises the assessment of whether the Company or its subsidiaries are acting as agent or principal:

Fund	Manager/ Adviser	Removal rights of investors	Remuneration basis	Gresham House holding	Agent/ Principal	Accounting treatment
SPE LP	Yes	Substantive	Market norm	0%	Agent	No consolidation
GHF LP	Yes	Substantive	Market norm	0%	Agent	No consolidation
GHF FF LP	Yes	No	Market norm	71%	Principal	Consolidate
GHS	Yes	Substantive	Market norm	23%*	Agent	Associate
Noriker	No	n/a	n/a	28%	Agent	Associate
GRID	Yes	Substantive	Market norm	5%**	Agent	Investment
BSIF	Yes	Substantive	Market norm	0%	Agent	No consolidation
Baronsmead VCTs	Yes	Substantive	Market norm	0%	Agent	No consolidation
Hazel Renewable Energy VCTs	Yes	Substantive	Market norm	0%	Agent	No consolidation
Micro Cap Fund	Yes	Substantive	Market norm	0%	Agent	No consolidation
Multi Cap Income Fund	Yes	Substantive	Market norm	0%	Agent	No consolidation

* The Group's investment in GHS in the year increased from 19% to 23%.

** The Group holds direct and indirect, via Noriker stake a total of 5% in GRID.

Gresham House Strategic Public Equity LP (SPE LP) is managed by GHAM, a subsidiary of Gresham House plc. GHAM in its role as investment adviser is exposed to variable returns through its management fee, however the Company is not directly invested in SPE LP. The limited partners of SPE LP have the ability to remove the manager without cause, one year after the final close of SPE LP on obtaining limited partner special consent. The Directors' assessment indicates that GHAM is acting as agent for SPE LP and therefore should not consolidate SPE LP.

Gresham House Forestry Fund LP (GHF LP) is managed by GHAM. GHAM is exposed to variable returns through its management fee and acquisition fees, as well as the Company's limited partnership interest in Gresham House Forestry Friends and Family LP (GHF FF LP), a vehicle which in turn is a limited partner in GHF LP.

The limited partners of GHF LP have the ability to remove the manager without cause, one year after the final close of GHF LP on obtaining limited partner special consent. There are a number of limited partners that would be required to co-ordinate to remove the manager. The Directors' assessment of this right indicates that the manager is acting as agent for GHF LP and therefore should not consolidate GHF LP.

The Directors' assessment of GHF FF, however, indicates that it is in a controlling position with a 71% holding and therefore should consolidate this in the Group financial statements.

Gresham House British Strategic Investment Fund LP (BSIF) is managed by GHAM. The manager is exposed to variable returns through its management fee. Neither the Company, nor any of its subsidiaries are directly invested in BSIF and therefore are not exposed to the variable returns as an investor in the fund. The limited partners of BSIF also have the ability to remove the manager without cause, one year after the final close of BSIF. The Directors' assessment of this right and the fact that the Company is not invested in BSIF indicates that the manager is acting as agent for BSIF and therefore should not consolidate BSIF.

Gresham House Energy Storage Fund plc (GRID) is managed by GHAM and the Company has a direct and indirect investment in GRID totalling 5%. The assessment of whether GHAM is acting as agent or principal requires assessing the other entities and individuals that are connected to Gresham House and their investment in GRID. BSIF has a c.17% investment in GRID, however the assessment of whether BSIF is controlled by GHAM concluded that GHAM does not control BSIF and therefore should not be included in the proportion of GRID that is under the control of GHAM.

The remaining funds of the Baronsmead VCTs, Hazel Renewable Energy VCTs, the LF Gresham House UK Microcap Fund (Micro Cap Fund) and the LF Gresham House UK Multi Cap Income Fund (Multi Cap Income Fund) are managed by GHAM, however are not invested in by the Group. The Directors have therefore concluded that the Group is acting as agent and therefore should not consolidate these funds.

(vi) British Strategic Investment Fund (BSIF) distributor fee

A distribution agent was used to commit an investor to BSIF. The distributor is required to provide a service from the date the investor commits to the fund, up until the final capital drawdown during the investment period. As such, the distribution fee has been amortised over the service period. The service period has been assessed with reference to the expected size of the fund at final close on 31 December 2019 and the pipeline of investments expected to be executed over the three-year investment period of the fund from final close. As at 31 December 2018, it was estimated that the fund would be fully invested within two years from 31 December 2018 and as such with the investor committing to the fund on 16 June 2017, the service period has been estimated at three and a half years and the distributor fee spread on a straight-line basis over the service period. It is still the assumption that this service period is appropriate and the service period will be monitored as the fund has its final close.

(vii) Revenue recognition, performance and management fees

The revenue recognition of the Group is driven by asset management fees, which are recognised in line with the investment management or advisory agreements in place with the appropriate funds. These are typically based on the committed capital of Limited Partnership funds, or Net Asset Values (NAV) for listed vehicles managed or advised by the Group. The NAV is typically the last audited or publicly available NAV announced by the Board of these companies and is therefore independently approved. Limited partnerships and other fund management fees are typically based on committed capital, or an independent valuation where appropriate. Performance fees are deemed variable consideration. Such fees are recognised only when the Group is entitled to receive the performance fee per the management contract and when it is highly probable that a significant reversal of the amount of cumulative revenue recognised will not occur. No performance fees have been recognised in the year.

(viii) Valuation of contingent consideration

The fair value of contingent consideration payable to the sellers of the FIM and the Livingbridge VC businesses has been estimated with reference to the contractual requirements. The maximum amount payable under the agreements total £4.0 million and £7.5 million respectively, totalling £11.5 million with £8.3 million recognised as at 31 December 2018 representing the fair value estimate.

In the case of FIM, an estimate of whether the combined two-year revenue target of £14.0 million has been made and discounted back from payment date to the reporting date.

The Livingbridge VC contingent consideration is in two parts. The first being that the VCT boards do not give notice within two years of the acquisition. There are no indications to date that notice will be given, so this has been assumed to be true and the value payable discounted back to 31 December 2018.

The second part being the hurdle to deliver revenues from Livingbridge VC of between £30.9 million and £37.2 million in the three years to 31 December 2021. The fair value has been based on a weighted probability of outcomes over the three-year period and discounted by 15%.

NOTES TO THE ACCOUNTS

1 INCOME

	2018 £'000	2017 £'000
Asset management income		
Asset management income	**13,717**	5,805
	13,717	5,805
Dividend and interest income		
Dividend income – Listed UK	**9**	106
Interest receivable: Banks	**16**	2
Other	**22**	323
	47	431
Other operating income		
Arrangement fees	**–**	135
Reversal of provision against loans	**–**	9
Consultancy fees receivable	**12**	14
Other income	**722**	63
	734	221
Total income	**14,498**	6,457
Total income comprises		
Asset management income	**13,717**	5,805
Dividends	**9**	106
Interest	**38**	325
Other operating income	**734**	221
	14,498	6,457

Other income includes a make whole fee received in the year of £620,000, which relates to the sale of the battery storage project ESS2 Holdco Limited to GRID. This transaction was completed in the year and the full contingent fee recognised at that date.

2 SEGMENTAL REPORTING

The Board and management team of the Company have organised and reported the performance of the business by Real Assets, Strategic Equity and Central segments. These have evolved as the business has grown to become the specialist asset manager that it is today.

Real Assets includes the Forestry, New Energy and Housing & Infrastructure divisions.

Strategic Equity includes the Quoted and Unquoted Equity divisions.

Central includes the general income created and costs incurred by the central functions of the business that are not directly linked to Real Assets or Strategic Equity.

All activity and revenue is derived from operations within the United Kingdom.

2 SEGMENTAL REPORTING (CONTINUED)

For the year ended 31 December 2018

	Real Assets £'000	Strategic Equity £'000	Central £'000	Consolidated £'000
Revenue				
Asset management income	11,102	2,615	–	13,717
Interest income	6	22	10	38
Dividend income	9	–	–	9
Other operating income	–	100	634	734
Total revenue	11,117	2,737	644	14,498
Dividend income from associates*	–	211	–	211
Segment expenses	(3,504)	(2,587)	(5,614)	(11,705)
Finance costs	–	–	(42)	(42)
Adjusted operating profit/(loss)	7,613	361	(5,012)	2,962
Exceptional items				(2,001)
Depreciation and amortisation				(2,926)
Profit on disposal of tangible fixed assets				23
Share of associates' profit*				1,507
Losses on investments at fair value				(271)
Movement in fair value of contingent consideration				(209)
Movement in fair value of deferred receivable				40
Loss before taxation from continuing operations				(875)

*Share of associates' profit of £1,507,000 excludes dividend income received in the year of £211,000.

For the year ended 31 December 2017

	Real Assets £'000	Strategic Equity £'000	Central £'000	Consolidated £'000
Revenue				
Asset management income	3,820	1,915	–	5,735
Interest income	1	2	322	325
Dividend income	–	106	–	106
Other operating income	–	133	158	291
Total revenue	3,821	2,156	480	6,457
Segment expenses	(1,920)	(2,447)	(2,457)	(6,824)
Finance costs	–	–	(344)	(344)
Adjusted operating profit/(loss)	1,901	(291)	(2,321)	(711)
Exceptional items				(308)
Depreciation and amortisation				(1,209)
Profit on disposal of tangible fixed assets				12
Share of associate's loss				(68)
Losses on investments at fair value				(230)
Movement in fair value of contingent consideration				(56)
Movement in fair value of deferred receivable				148
Loss before taxation from continuing operations				(2,422)

During the year the Group had one customer accounting for more than 10% of the Group's revenue, totalling £1,575,000 (2017: four customers, totalling £3,876,000).

NOTES TO THE ACCOUNTS (CONTINUED)

2 SEGMENTAL REPORTING (CONTINUED)

Other information

For the year ended 31 December 2018

	Real Assets £'000	Strategic Equity £'000	Legacy Property £'000	Central £'000	Consolidated £'000
Segment assets	40,223	49,796	2,174	12,863	105,056
Segment liabilities	(6,908)	(5,313)	(43)	(13,052)	(25,316)
	33,315	44,483	2,131	(189)	79,740
Capital expenditure	78	–	–	54	132
Depreciation and amortisation	1,845	958	–	100	2,903
Non-cash expenses other than depreciation	218	–	–	494	712
Goodwill included within segment assets	11,896	12,167	–	–	24,063

For the year ended 31 December 2017

	Real Assets £'000	Strategic Equity £'000	Legacy Property £'000	Central £'000	Consolidated £'000
Segment assets	4,120	11,760	5,759	12,673	34,312
Segment liabilities	(350)	(336)	(90)	(4,689)	(5,465)
	3,770	11,424	5,669	7,984	28,847
Capital expenditure	667	542	137	5,056	6,402
Depreciation and amortisation	674	487	5	31	1,197
Non-cash expenses other than depreciation	–	–	–	123	123
Goodwill included within segment assets	3,218	–	–	–	3,218

3 OPERATING COSTS

Administrative overheads comprise the following:

	2018 £'000	2017 £'000
Directors' emoluments (excluding benefits in kind and share-based payments)	942	791
Auditor's remuneration*	140	127
Amortisation	2,788	1,122
Depreciation	138	87
Profit on disposal of assets	(23)	(12)
Wages and salaries	5,610	3,185
Social security costs	844	531
Share-based payments	464	123
Other operating costs	3,705	2,067
	14,608	8,021
Staff costs (including Directors' emoluments) were:		
Wages, salaries and fees	6,532	3,852
Social security costs	844	537
Pension costs	297	214
	7,673	4,603

* A more detailed analysis of auditor's remuneration is as follows:

	2018 £'000	2017 £'000
Audit fees	140	127
Auditor's other fees – relating to acquisitions and included in exceptional items	25	–
	165	127

3 OPERATING COSTS (CONTINUED)

The Directors consider the auditor was best placed to provide these other services. The Audit Committee reviews the nature and extent of non-audit services to ensure that independence is maintained.

The average number of persons employed by the Group, including the Executive Directors, was 55 (2017: 32). The Company has no employees.

4 DIRECTORS' EMOLUMENTS

The emoluments of the Directors are disclosed in the Remuneration Report on pages 47 to 50.

The Directors are considered to be the Group's only key management personnel. Employers' National Insurance Contributions in respect of the Directors for the year were £132,000 (2017: £102,000).

5 BUSINESS COMBINATIONS

A) FIM SERVICES LIMITED

On 21 May 2018, shareholders approved the acquisition of FIM Services Limited (FIM) at a general meeting. The Group acquired 100% of the issued share capital of FIM, a company registered in England whose principal activity is the management of forestry and other renewable energy assets.

At 31 December 2017, FIM managed 83,000 hectares of forestry and 127MW of renewable energy generating assets in onshore windfarms and ground-mounted solar parks for clients through long-term limited partnerships, LLP structures and managed accounts for high net worth individuals.

The fair value of the identifiable net assets acquired, and the consideration paid under IFRS 3 are as follows:

	Net book value £'000	Adjustments £'000	Fair value £'000
Tangible fixed assets	165	–	165
Investments	818	(318)	500
Cash	6,024	–	6,024
Trade and other receivables	921	–	921
Trade and other payables	(1,074)	–	(1,074)
Fund and client management contracts	–	18,600	18,600
Deferred tax liability	–	(3,162)	(3,162)
Goodwill	–	8,678	8,678
Total identifiable net assets	6,853	23,798	30,652

Under the terms of the acquisition agreement, the fair value of the consideration paid to the vendors of FIM was:

	£'000
Cash	16,852
Shares – 2,390,244 shares in Gresham House plc valued at 445.0p per share on 21 May 2018	10,637
Total initial consideration	27,489
Contingent consideration	3,163
Total consideration	30,652

The consideration shares were admitted to trading on AIM on 22 May 2018.

Contingent consideration

Contingent consideration totalling £4 million will be payable in cash when the revenues from the combined forestry businesses (FIM and existing Gresham House Forestry) over two years from acquisition are greater than £14 million. For amounts less than this there is a sliding scale which reduces to nil deferred consideration where the combined revenues are less than £13 million.

Current forecasts are that the £14 million hurdle will be achieved and that the additional consideration will be paid in full.

NOTES TO THE ACCOUNTS (CONTINUED)

5 BUSINESS COMBINATIONS (CONTINUED)

The fair value of the contingent consideration has been estimated at the date of acquisition using forecast details for the combined business and discounting this at 11%. This is cash settled and will therefore be recognised as a liability on the balance sheet and the fair value assessed each reporting period. The fair value at the time of acquisition was calculated as £3,163,000.

Revenue and profits of FIM

FIM was acquired on 21 May 2018. The Group has recognised the following amounts in respect of FIM for the 32-week period ended 31 December 2018:

	£'000
Revenue	5,284
Profit before tax	3,197

Prior to acquisition by the Group, FIM had a 30 September year-end. The results for the most recent audited reporting period prior to acquisition were to 30 September 2017. Had FIM been part of the Group for the entire reporting period the following sums would have been consolidated:

	£'000
Revenue	6,275
Profit before tax	3,295

Goodwill

Goodwill arises due to the excess of the fair value of the consideration payable over the fair value of the net assets acquired. It is mainly attributable to the skills of the team acquired, the synergies expected to be achieved from the acquisition and the business development potential. Goodwill arising on the FIM acquisition is not deductible for tax purposes.

Fair value

The fair value of the management contracts has been estimated using a discounted cash flow model. The estimated cash flows have been valued at a discount of 11%. This resulted in fair value of management contracts being recognised totalling £18,600,000.

B) LIVINGBRIDGE VC LLP

The Company acquired the fund and investment management business of Livingbridge VC LLP (Livingbridge VC), a leading UK manager of VCT funds and open-ended investment funds, on 30 November 2018. Livingbridge VC was part of the larger Livingbridge LLP private equity asset management business. The acquisition of Livingbridge VC included the novation and acquisition of investment advisory contracts for Baronsmead VCT plc, Baronsmead Second VCT plc, Livingbridge (now LF Gresham House) UK Micro Cap Fund and Livingbridge (now LF Gresham House) UK Multi Cap Fund and the hiring of the Livingbridge VC team.

The fair value of the identifiable net assets acquired, and the consideration paid under IFRS 3 are as follows:

	Fair value £'000
Management contracts	22,860
Goodwill	12,167
Total identifiable net assets	35,027

Under the terms of the acquisition agreement, the fair value of the consideration paid to the vendors of Livingbridge VC was:

	£'000
Cash	23,000
Shares – 1,562,500 shares in Gresham House plc valued at 448.0p per share on 30 November 2018	7,000
Total initial consideration	30,000
Contingent consideration	5,027
Total consideration	35,027

The consideration shares were admitted to trading on AIM on 30 November 2018.

Goodwill

Goodwill arises due to the excess of the fair value of the consideration payable over the fair value of the net assets acquired. It is mainly attributable to the skills of the team acquired, the synergies expected to be achieved from the acquisition and the business development potential.

5 BUSINESS COMBINATIONS (CONTINUED)

Actual revenue and profits of Livingbridge VC

The actual revenues and profits that have been generated since the acquisition of Livingbridge VC on 30 November 2018 to 31 December 2018 are:

	£'000
Revenues	712
Profit before tax	495

The disclosure of hypothetical revenues and profits of Livingbridge VC for the year ended 31 December 2018 is not considered relevant due to the nature of the transaction. The entire Livingbridge LLP business was not acquired and there will be revenues and expenses not relevant to the business acquired.

Fair value

The fair value of the management contracts has been estimated using a discounted cash flow model. The estimated cash flows have been valued at a discount of 15%. This resulted in fair value of management contracts being recognised totalling £22,860,000.

C) HAZEL CAPITAL LLP

The Company acquired the asset management business of Hazel Capital LLP (Hazel Capital), a leading UK manager of new energy infrastructure, on 31 October 2017. This included the novation and acquisition of investment advisory contracts for Hazel Renewable Energy VCT1 plc and Hazel Renewable Energy VCT2 plc and other master service agreements. The Hazel Capital team were also employed by Gresham House Holdings Limited.

The team has been hired to run the Gresham House New Energy division, adding a further complementary alternative asset management division to the Group and growing assets under management.

The fair value of the assets acquired and the consideration paid under IFRS 3 are as follows:

	£'000
Identifiable assets acquired	
Fair value of management contracts	324
Goodwill	276
	600
Consideration	
Cash	600

Goodwill

Goodwill arises due to the excess of the fair value of the consideration payable over the fair value of the net assets acquired. It is mainly attributable to the skills of the team acquired, the synergies expected to be achieved from the acquisition and the business development potential.

Actual revenue and profits of Hazel Capital

The actual revenues and profits that have been generated by the Gresham House New Energy division, since the acquisition of the Hazel Capital asset management business on 31 October 2017 to 31 December 2017 are:

	£'000
Revenues	259
Profit before tax	28

The disclosure of hypothetical revenues and profits of Hazel Capital for the year ended 31 December 2017 is not considered relevant due to the nature of the transaction. The entire Hazel Capital LLP business was not acquired and there will be revenues and expenses not relevant to the business acquired.

Fair value

The fair value of the management contracts has been estimated using a discounted cash flow model. The estimated cash flows have been valued at a discount of 15%. This resulted in fair value of £324,000.

NOTES TO THE ACCOUNTS (CONTINUED)

5 BUSINESS COMBINATIONS (CONTINUED)

Exceptional items

	2018 £'000	2017 £'000
Acquisition costs		
FIM Services Limited	**770**	–
Livingbridge VC	**866**	–
Hazel Capital LLP	**61**	308
	1,697	308
Restructuring costs	**304**	–
	2,001	308

Exceptional items relate to professional fees and restructuring costs incurred in respect of the acquisition of FIM Services Limited, the Hazel Capital LLP transaction and the acquisition of the fund and investment management business of Livingbridge VC LLP. The exceptional items in the prior year relate to professional fees incurred in respect of the acquisition of the Hazel Capital LLP business.

6 FINANCE COSTS

	2018 £'000	2017 £'000
Interest payable on loans	**35**	170
Finance fees	**7**	174
	42	344

See note 23 for details of borrowings

7 DISCONTINUED OPERATIONS

Discontinued operations represent the legacy property portfolio of the Group, with the sale of remaining land at Newton-le-Willows completing during the year, and the sale of the Southern Gateway site completing during the previous year.

The disposal group fulfilled the requirements of IFRS 5 to be classified as 'discontinued operations' in the Group Statement of Comprehensive Income, the results of which are set out below:

	2018 £'000	2017 £'000
Rental Income	**–**	531
Other operating income	**–**	22
Property outgoings	**12**	(191)
Loss on disposal of investment properties	**(1)**	(1,135)
Movement in fair value of investment property	**–**	(331)
Net profit/(loss) from discontinued operations	**11**	(1,104)
Attributable to:		
Equity holders of the parent	**8**	(716)
Non-controlling interest	**3**	(388)
	11	(1,104)

Property outgoings comprise the following:

	2018 £'000	2017 £'000
Wages and salaries	**–**	49
Redundancy costs	**–**	41
Social security costs	**–**	6
Other operating costs (net of service charges recoverable from tenants of £nil (2017: £584,000))	**(12)**	95
	(12)	191

7 DISCONTINUED OPERATIONS (CONTINUED)

Cash flows from discontinued operations were:

	2018 £'000	2017 £'000
Cash flow from operating activities	**12**	670
Cash flow from investing activities	**4,685**	8,178
Cash flow from financing activities	**–**	–

8 TAXATION

	2018 £'000	2017 £'000
(a) Analysis of credit in period:		
UK Corporation tax at 19% (2017: 19.25%)	**–**	–
Deferred tax	**(218)**	–
Total tax credit	**(218)**	–
(b) Factors affecting tax credit for period:		
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	**(166)**	(679)
Tax effect of:		
Investment losses not taxable	**–**	46
Dividend income not taxable	**(42)**	(20)
Amortisation not taxable	**335**	212
Expenses disallowed	**388**	86
Other gains and losses not taxable	**(249)**	(5)
Deferred tax not recognised	**(484)**	360
Actual tax credit	**(218)**	–

The Group has unutilised tax losses of approximately £11.6 million (2017: £12.5 million) available against future corporation tax liabilities. The potential deferred taxation asset of £2.0 million (2017: £2.1 million) in respect of these losses has not been recognised in these financial statements as it is not considered sufficiently probable that the Group will generate sufficient taxable profits from the same trade to recover these amounts in full.

9 EARNINGS PER SHARE

(a) Basic and diluted loss per share

	2018	2017
Total net loss attributable to equity holders of the parent (£'000)	**(699)**	(3,124)
Weighted average number of ordinary shares in issue during the period	**17,742,370**	12,073,106
Basic and diluted loss per share attributable to equity holders of the parent (pence)	**(3.9)**	(25.9)

2,434,245 (2017: 898,747) shares were deemed to have been issued at nil consideration as a result of the shareholder and supporter warrants granted and shares which could be issued under the bonus share matching plan and long-term incentive plans which, as required under IAS 33, Earnings per Share, have not been recognised as they would reduce the loss per share (see note 26).

NOTES TO THE ACCOUNTS (CONTINUED)

9 EARNINGS PER SHARE (CONTINUED)

(b) Adjusted earnings per share

Adjusted earnings per share is based on adjusted operating profit, which is stated after charging interest but before depreciation, amortisation, profit on disposal of tangible fixed assets and exceptional items, to provide the non-GAAP measure of the performance as an asset manager. This includes dividend and income received from investments in associates.

Adjusted profit/(loss) for calculating adjusted earnings per share:

	2018 £'000	2017 £'000
Operating loss before taxation for the year	**(2,153)**	(2,216)
Add back:		
Exceptional operating expenses	**2,001**	308
Depreciation and amortisation	**2,926**	1,209
Profit on disposal of tangible fixed assets	**(23)**	(12)
Dividend income received from associates	**211**	–
Adjusted loss attributable to equity holders of the parent	**2,962**	(711)
Adjusted profit/(loss) per share (pence) – basic	**16.7**	(5.9)
Adjusted profit/(loss) per share (pence) – diluted	**14.7**	(5.9)

10 DIVIDENDS

No dividends have been paid in the year (2017: nil).

Set out below is the total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 1158 Corporation Tax Act 2010 are considered.

	2018 £'000	2017 £'000
Proposed final dividend for the year ended 31 December 2018 of 3p (2017: nil) per share	**746**	–

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

11 INVESTMENTS – SECURITIES

Investments have been classified as follows:

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Non-current assets	**6,834**	2,989	**4,970**	1,310
Other debtors due within one year	**1,290**	–	**1,290**	–
	8,124	2,989	**6,260**	1,310

A further analysis of total investments is as follows:

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Listed securities – on the London Stock Exchange	**4,273**	281	**4,273**	281
Securities dealt in under AIM	**288**	787	**288**	787
Securities dealt in under NEX Exchange	**26**	38	**26**	38
Unlisted securities	**3,537**	1,883	**1,673**	204
Closing value at 31 December	**8,124**	2,989	**6,260**	1,310
Investments valued at fair value through profit and loss	**6,511**	2,830	**4,647**	1,151
Loans and receivables carried at amortised cost	**1,613**	159	**1,613**	159
	8,124	2,989	**6,260**	1,310

11 INVESTMENTS – SECURITIES (CONTINUED)

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Opening cost	**4,869**	4,565	**3,119**	2,815
Opening net unrealised losses	**(1,880)**	(1,731)	**(1,809)**	(1,699)
Opening value	**2,989**	2,834	**1,310**	1,116
Movements in the year:				
Purchases at cost	**6,981**	5,331	**6,482**	5,331
Sales – proceeds	**(1,575)**	(4,946)	**(997)**	(4,946)
Sales – realised gains and (losses) on sales	**(506)**	(81)	**(584)**	(81)
Net unrealised gains and (losses)	**235**	(149)	**49**	(110)
Closing value	**8,124**	2,989	**6,260**	1,310
Closing cost	**9,769**	4,869	**8,020**	3,119
Closing net unrealised losses	**(1,645)**	(1,880)	**(1,760)**	(1,809)
Closing value	**8,124**	2,989	**6,260**	1,310

Gains and losses on investments held at fair value:

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Net realised gains and (losses) on disposal	**(506)**	(81)	**(584)**	(81)
Net unrealised gains and (losses)	**235**	(149)	**49**	(110)
Net losses on investments	**(271)**	(230)	**(535)**	(191)

An analysis of investments is as follows:

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Equity investments	**6,511**	2,830	**4,647**	1,151
Unquoted loan stock	**1,613**	159	**1,613**	159
	8,124	2,989	**6,260**	1,310

Further information on the measurement of fair value can be found in note 32.

12 NON-CURRENT ASSETS HELD FOR SALE – PROPERTY INVESTMENTS

The orderly disposal of the legacy investment property portfolio was completed in the year to 31 December 2018, with the sale of remaining land at Newton-le-Willows completing during the year, and the sale of the Southern Gateway site completing during the previous year. As such, property investments remain classified as non-current assets held for sale.

A further analysis of total investment properties is as follows:

	Group	
	2018 £'000	2017 £'000
Net book value and valuation		
At 1 January	**1,986**	9,628
Additions during the year – expenditure on existing properties	**–**	137
Disposals during the year – gross proceeds	**(2,083)**	(7,250)
Disposal costs	**98**	570
Movement in rent free receivable	**–**	367
Loss on disposal of investment properties	**(1)**	(1,135)
Movement in fair value during the year	**–**	(331)
At 31 December	**–**	1,986

NOTES TO THE ACCOUNTS (CONTINUED)

12 NON-CURRENT ASSETS HELD FOR SALE – PROPERTY INVESTMENTS (CONTINUED)

Investment properties are shown at fair value based on current use and any surplus or deficit arising on valuation of property is reflected in the Statement of Comprehensive Income.

The Group completed the sale of the remaining property investment in February 2018 and the valuation as at 31 December 2017 was based on the net sales proceeds received.

Rental income recognised in the Statement of Comprehensive Income amounted to £nil (2017: £531,000).

The cost of the above properties as at 31 December 2018 is as follows:

	Group £'000
Brought forward	1,737
Additions during the year	–
Disposals during the year	(1,737)
	–

Capital commitments

Capital expenditure contracted for but not provided for in the financial statements for the Group was £nil (2017: £nil) and for the Company was £nil (2017: £nil).

Movement in fair value of investment properties

	Group	
	2018 £'000	2017 £'000
Realised losses on disposal of investment property	**(1)**	(1,135)
Decrease in fair value	**–**	(331)
Movement in fair value of investment property	**(1)**	(1,466)

Further information on the measurement of fair value can be found in note 32.

13 TANGIBLE FIXED ASSETS

Group

	2018				2017			
	Office equipment £'000	**Motor vehicles £'000**	**Leasehold property £'000**	**Total £'000**	Office equipment £'000	Motor vehicles £'000	Leasehold property £'000	Total £'000
Cost								
As at 1 January	**72**	**221**	**10**	**303**	16	237	10	263
Additions	**59**	**73**	**–**	**132**	56	59	–	115
Additions through business combinations	**60**	**105**	**–**	**165**	–	–	–	–
Disposals during the year	**–**	**(102)**	**(6)**	**(108)**	–	(75)	–	(75)
As at 31 December	**191**	**297**	**4**	**492**	72	221	10	303
Depreciation								
As at 1 January	**14**	**91**	**2**	**107**	3	80	1	84
Charge for the year	**42**	**95**	**1**	**138**	11	75	1	87
Disposals during the year	**–**	**(85)**	**–**	**(85)**	–	(64)	–	(64)
As at 31 December	**56**	**101**	**3**	**160**	14	91	2	107
Net book value as at 31 December	**135**	**196**	**1**	**332**	58	130	8	196

13 TANGIBLE FIXED ASSETS (CONTINUED)

Company

	2018 Office equipment £'000	2017 Office equipment £'000
Cost		
As at 1 January	**64**	16
Additions	**114**	48
As at 31 December	**178**	64
Depreciation		
As at 1 January	**13**	3
Charge for the year	**39**	10
As at 31 December	**52**	13
Net book value as at 31 December	**126**	51

14 INTANGIBLE ASSETS

Group

	2018					2017				
	Goodwill £'000	Customer relation-ships £'000	Contracts £'000	Website & client portal £'000	Total £'000	Goodwill £'000	Customer relation-ships £'000	Contracts £'000	Website & client portal £'000	Total £'000
Cost										
As at 1 January	**3,218**	**3,072**	**2,304**	**219**	**8,813**	2,942	3,072	1,980	–	7,994
Additions through business combinations	**20,845**	**–**	**41,460**	**–**	**62,305**	276	–	324	–	600
Other additions	**–**	**–**	**–**	**67**	**67**	–	–	–	219	219
As at 31 December	**24,063**	**3,072**	**43,764**	**286**	**71,185**	3,218	3,072	2,304	219	8,813
Amortisation										
As at 1 January	**–**	**1,229**	**1,236**	**21**	**2,486**	–	615	749	–	1,364
Charge for the year	**–**	**614**	**2,106**	**68**	**2,788**	–	614	487	21	1,122
As at 31 December	**–**	**1,843**	**3,342**	**89**	**5,274**	–	1,229	1,236	21	2,486
Net book value as at 31 December	**24,063**	**1,229**	**40,422**	**197**	**65,911**	3,218	1,843	1,068	198	6,327
Remaining amortisation period	**n/a**	**2 years**	**0.5 – 25 years**	**4 years**		n/a	3 years	1.5 – 3 years	4 years	

The website and client portal expenditure were undertaken by the Company.

The assumptions used to fair value the contracts, including discount rates, growth rates and cash flow models are described in more detail in the critical accounting estimates and judgements section of the accounting policies.

Goodwill has been assessed for each business acquired for impairment as at 31 December 2018. This assessment includes an analysis of the expected cash flows from the specific businesses based on expected fundraising and other growth factors as well as the associated cost of delivering the planned revenues. A discount has been applied to the cash flows to determine an estimate of the fair value of the business, which is used to assess whether goodwill should be impaired.

No reasonably possible change in any of the variables used in the goodwill impairment tests would give rise to an impairment.

NOTES TO THE ACCOUNTS (CONTINUED)

15 NON-CURRENT ASSETS – LONG-TERM RECEIVABLES

On 22 September 2015, the sale of 25.8 acres of the site at Newton-le-Willows to Persimmon Homes Limited (Persimmon) was completed. An initial payment of £944,610 was received with further payments of £937,252 received in 2016, £1,634,083 in 2017 and £2,700,730 during the year. The balance of the consideration, at fair value, will be receivable in one tranche as follows:

	£'000
On 22 March 2019	1,033
	1,033

This amount was received in full on 27 February 2019.

The deferred receivable has not been discounted in 2018 due to the imminent receipt. The discount rate applied in 2017 was 1.61% being the average rate of borrowing on Persimmon's debt facilities.

The Persimmon loan receivable was previously classified at fair value through profit or loss under IAS 39, however under IFRS 9 this should be measured at amortised cost. There was no material difference between amortised cost and fair value. The amount recorded in the current year in respect of the movement in value of the loan receivable relates to interest income gained during the year.

Long-term receivables consist of the following:

	Group	
	2018 £'000	2017 £'000
Deferred receivables	**–**	1,618
Other debtors	**78**	–
	78	1,618

16 INVESTMENT IN SUBSIDIARIES

	Company	
	2018 £'000	2017 £'000
Subsidiary undertakings		
At 1 January	**18,265**	16,292
Additions	**61,607**	1,973
At 31 December	**79,872**	18,265

The subsidiary undertakings of Gresham House plc are as follows:

	Held by Company %	Held by other Group companies %	Country of incorporation and registered office
Acqco Store Limited	–	100	5 New Street Square, London EC4A 3TW, England
Aitchesse Limited	–	100	5 New Street Square, London EC4A 3TW, England
Chartermet Limited	–	75	5 New Street Square, London EC4A 3TW, England
Deacon Commercial Development and Finance Limited	–	100	5 New Street Square, London EC4A 3TW, England
Deacon Knowsley Limited	–	75	5 New Street Square, London EC4A 3TW, England
FIM Energy Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Forest Funds General Partner Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Initial Partner Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Solar Distribution Designated Member 1 Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Solar Distribution Designated Member 2 Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Services Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Timberland General Partner Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Windfarms General Partner 2 Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Windfarms General Partner 3 Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Windfarms (SC) General Partner Limited	–	100	15 Atholl Crescent, Edinburgh, EH3 8HA, Scotland
Gresham House Asset Management Limited	–	100	5 New Street Square, London EC4A 3TW, England

16 INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Held by Company %	Held by other Group companies %	Country of incorporation and registered office
Gresham House Capital Partners Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Devco Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House EIS Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Energy Storage Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Finance Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Forestry Limited	–	100	Riverview House, Friarton Road, Perth, PH2 8DF, Scotland
Gresham House Forestry Friends and Family LP	71.4	–	Riverview House, Friarton Road, Perth, PH2 8DF, Scotland
Gresham House (General Partner) Limited	–	100	Riverview House, Friarton Road, Perth, PH2 8DF, Scotland
Gresham House GP LLP	–	100	Riverview House, Friarton Road, Perth, PH2 8DF, Scotland
Gresham House Holdings Limited	100	–	5 New Street Square, London EC4A 3TW, England
Gresham House Housing Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Infrastructure Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Investment Management Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Investment Management (Guernsey) Limited	–	100	Dorey Court, Admiral Park, St Peter Port, GY1 2HT, Guernsey
Gresham House Investors Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House New Energy Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House (Nominees) Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Private Capital Solutions Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Private Equity Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Private Wealth Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Real Assets Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Renewable Infrastructure Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Renewable Energy VCT1 Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Renewable Energy VCT2 Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Services Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Smaller Companies Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House SPE Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Special Situations Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Value Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House VCT Limited	–	100	5 New Street Square, London EC4A 3TW, England
Knowsley Industrial Property Limited	–	100	5 New Street Square, London EC4A 3TW, England
New Capital Developments Limited	–	75	5 New Street Square, London EC4A 3TW, England
New Capital Holdings Limited	–	75	5 New Street Square, London EC4A 3TW, England
Newton Estate Limited	–	100	5 New Street Square, London EC4A 3TW, England
Security Change Limited	–	100	5 New Street Square, London EC4A 3TW, England
Wolden Estates Limited	–	100	5 New Street Square, London EC4A 3TW, England

NOTES TO THE ACCOUNTS (CONTINUED)

17 INVESTMENT IN ASSOCIATES

	Group	
	2018 £'000	2017 £'000
Opening investment in associate	6,462	6,530
Additions	2,229	–
Share of associate's profit	1,718	68
Dividends received from associates	(211)	–
Closing investment in associate	10,198	6,462

The above balance consists of the Group's holdings in Gresham House Strategic plc and Noriker Power Limited.

The Board believe that Gresham House plc exercises significant influence over Gresham House Strategic plc (GHS), but not control, through its 22.9% equity investment as well as the investment management agreement between GHAM and GHS.

The latest published financial information of GHS was the unaudited interim results for the six months to 30 September 2018. The assets and liabilities at that date are shown below:

	2018 £'000	2017 £'000
Non-current assets	32,938	33,570
Current assets	14,034	6,728
Current liabilities	(2,080)	(1,039)
Net assets	44,892	39,259

The GHS Group unaudited statement of comprehensive income noted realised and unrealised gains from continuing operations on investments at fair value through profit and loss of £4,945,000 and revenues of £521,000 for the six months ended 30 September 2018.

The registered office of GHS is 77 Kingsway, London, WC2B 5SR.

The Board believe that Gresham House plc exercises significant influence over Noriker Power Limited (Noriker), but not control, through its 28% equity investment.

The registered office of Noriker is Unit 5b Thorn Business Park, Rotherwas, Hereford, HR2 6JT.

18 TRADE RECEIVABLES

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Amounts receivable within one year:				
Trade receivables	2,628	2,089	–	–
Less allowance for credit losses	–	–	–	–
	2,628	2,089	–	–

As at 31 December 2018, trade receivables of £61,000 (2017: £286,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
1-3 months	26	254	–	–
3-6 months	6	5	–	–
More than 6 months	29	27	–	–
	61	286	–	–

As at 31 December 2018 there were no provisions against trade receivables (2017: £nil).

19 OTHER CURRENT ASSETS

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Amounts owed by Group undertakings	**–**	–	**221**	7,878
Loan receivables – Investment in development projects (see note 11)	**1,290**	–	**1,290**	–
Corporation tax recoverable	**181**	–	**–**	–
	1,471	–	**1,511**	7,878

20 TRADE AND OTHER PAYABLES

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Trade creditors	**1,212**	274	**–**	–
Other creditors	**560**	380	**14**	14
Accruals	**2,313**	1,516	**138**	17
Contingent consideration (note 24)	**–**	3,293	**–**	251
	4,085	5,463	**152**	282

21 SHORT-TERM BORROWINGS

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Bank loans – within current liabilities (note 23)	**2,000**	–	**2,000**	–
Amounts owed to Group undertakings	**–**	–	**5,365**	5,552
	2,000	–	**7,365**	5,552

22 DEFERRED TAXATION

Under International Accounting Standards (IAS) 12 (Income Taxes) provision is made for the deferred tax liability associated with the recognition of the management contracts recognised as part of the 100% acquisition of FIM. This has been recognised at 17% of the fair value of the management contracts at acquisition and reassessed each year-end, with the movement being recognised in the income statement. As at 31 December 2018 the deferred tax liability was £2,944,000 (2017: £nil).

23 LONG-TERM BORROWINGS

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Bank loans	**7,840**	–	**7,840**	–
	7,840	–	**7,840**	–

On 8 November 2018, the Company signed a £10.0 million banking facilities agreement with Banco Santander SA (the facilities). The facilities are secured with fixed and floating charges over the Company's assets, with cross guarantees provided by Gresham House Asset Management Limited, Gresham House Holdings Limited, Gresham House Forestry Limited and FIM Services Limited.

The facilities consist of a £6.0 million three-year term loan along with a £4.0 million three-year revolving credit facility. The term loan is repayable by 12 quarterly instalments of £500,000 commencing 28 February 2019, and the revolving credit facility is repayable in full by 30 November 2021. Both facilities were fully drawn on 30 November 2018 to part fund the acquisition of the fund and investment management businesses of Livingbridge VC LLP.

The interest payable on the facilities is LIBOR plus 3.25%.

NOTES TO THE ACCOUNTS (CONTINUED)

24 NON-CURRENT LIABILITIES – OTHER CREDITORS

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Contingent consideration	**8,447**	–	**–**	–
Other creditors	**–**	2	**–**	–
	8,447	2	**–**	–

CONTINGENT CONSIDERATION

Gresham House Forestry Limited
Contingent consideration payable to the sellers of Aitchesse Limited (Gresham House Forestry Limited) was settled in the year for a total of £3,245,000, resulting in a loss of £203,000 recognised in the year on settlement.

LMS Capital plc
The contingent consideration payable to LMS Capital plc became payable based on the NAV of the fund on the second anniversary of the management contract on 16 August 2018. The NAV was below the £67.5 million threshold and therefore no contingent consideration was payable. This resulted in the release of the £251,000 contingent consideration that was held as a payable as at 31 December 2017.

FIM
The contingent consideration payable to the sellers of FIM is based on the combined forestry division generating revenue of between £13.0 million and £14.0 million over the two years from acquisition on 22 May 2018. No contingent consideration will be payable below £13.0 million, a sliding scale from £13.0 million to £14.0 million to receive from zero to £4.0 million and no further amounts payable for revenues greater than £14.0 million.

As at 31 December 2018 it was estimated that the fair value of the contingent consideration will be £3.2 million after applying a discount of 11% for the time value of money and the inherent risk associated with the forestry management contracts.

Livingbridge VC
The Livingbridge VC contingent consideration has been determined in two parts.

The first being that the VCT Boards do not give notice to GHAM within two years of the acquisition. Should this be the case, then a payment of £5.0 million will be made to the sellers of Livingbridge VC. There are no indications to date that notice will be given, so this has been assumed to be true and the fair value payable discounted back to 31 December 2018 at a rate of 15%. The 15% rate reflects the weighted average cost of capital for the Group, with a risk premium added to reflect the nature of the underlying equity-based management contracts of the Livingbridge VC business.

The second part of the contingent consideration being the hurdle to deliver revenues from the Livingbridge VC business of between £30.9 million and £37.2 million in the three years to 31 December 2021. The maximum amount payable on achieving the £37.2 million hurdle is £2.5 million and the minimum payable is zero if the £30.9 million hurdle is not achieved. The fair value has been based on a weighted probability of outcomes over the three-year period and discounted by 15% as per above.

The fair value of the contingent consideration payable to the Livingbridge VC sellers as at 31 December 2018 was £5.1 million.

25 SHARE CAPITAL

	2018 £'000	2017 £'000
Share Capital		
Allotted: Ordinary – 24,872,613 (2017: 12,536,957) fully paid shares of 25p each	**6,218**	3,134

During the year the Company issued the following new ordinary shares:

- 2,390,244 shares on 22 May 2018 at a price of 410p per share to the vendors of FIM Services Limited;
- 3,658,537 shares on 22 May 2018 at a price of 410p per share as part of the acquisition of FIM Services Limited;
- A further 109,540 new ordinary shares were issued on 15 May 2018 at a price of 410.8p to management and employees under the Company's bonus share matching plan;
- 304,877 shares on 7 June 2018 at a price of 410p per share as part of the acquisition of the Hazel Capital LLP business;
- 504,095 shares on 29 June 2018 at a price of 440p per share to satisfy the contingent consideration payable of the acquisition of Aitchesse Limited;

25 SHARE CAPITAL (CONTINUED)

- 2,617,628 shares on 30 November 2018 at a price of 448p per share as part of the acquisition of the fund and investment management businesses of Livingbridge VC LLP;
- 1,562,500 shares on 30 November 2018 at a price of 448p per share to the vendors of the fund and investment management businesses of Livingbridge VC LLP; and
- Additionally, 1,188,235 shareholder, supporter and LMS warrants were exercised during the year at a price of 323.27p.

26 SHARE WARRANTS

	2018				2017			
	Shareholder warrants	**Supporter warrants**	**LMS warrants**	**Total warrants**	Shareholder warrants	Supporter warrants	LMS warrants	Total warrants
Group								
Balance as at 1 January	**1,071,812**	**850,000**	**909,908**	**2,831,720**	1,071,813	850,000	909,908	2,831,721
Warrants exercised during the year	**(197,327)**	**(81,000)**	**(909,908)**	**(1,188,235)**	(1)	–	–	(1)
As at 31 December	**874,485**	**769,000**	**–**	**1,643,485**	1,071,812	850,000	909,908	2,831,720

Shareholder warrants

On 1 December 2014, the Company issued 1,073,904 shareholder warrants to existing shareholders as at the close of business on 28 November 2014 on a 1:5 basis, such warrants having been admitted to trading on AIM. Shareholder warrants are freely transferable, are exercisable at any time between 1 January 2015 and 31 December 2019 at an exercise price of 323.27p per ordinary share and are subject to the terms of the shareholder warrant instrument dated 7 October 2014.

Supporter warrants

On 1 December 2014, the Company issued 850,000 supporter warrants to the new Directors and certain members of the Investment Committee and Advisory Group at a price of 7.5p per warrant. Supporter warrants have the same entitlements as the shareholder warrants save that (i) they are not freely transferable (such supporter warrants only being transferable to certain family members, trusts or companies connected with the relevant warrant holder) and accordingly not quoted on AIM; (ii) are not exercisable until 1 December 2015; and (iii) are subject to the terms of the supporter warrant instrument dated 7 October 2014.

LMS warrants

On 14 October 2016, the Company issued 909,908 LMS warrants to LMS Capital plc (LMS). The LMS warrants entitle LMS to exercise one LMS warrant for one ordinary share in the Company from 14 October 2016 to 30 June 2018 at an exercise price of 323.27 pence per ordinary share. LMS paid a warrant purchase price of 28 pence per LMS warrant, totalling £255,000. The LMS warrants are not transferrable, unless consent of the Board of the Company has been provided and were issued in accordance with the LMS Warrant Instrument dated 14 October 2016.

During the year, 197,327 shareholder warrants, 81,000 supporter warrants and 909,908 LMS warrants were converted into ordinary shares resulting in the issue of 1,188,235 new ordinary shares (2017: 1 shareholder warrant). Since the year-end a further 8,820 shareholder warrants have been exercised.

27 SHARE-BASED PAYMENTS

2016 Long-term incentive plan

Following approval from shareholders at the General Meeting of the Company on 20 November 2015, the Directors implemented a long-term incentive plan (2016 LTIP) to incentivise the management team as well as align their interests with those of shareholders on 28 July 2016 through enhancing shareholder value.

For the purposes of the 2016 LTIP, 'shareholder value' is the difference between the market capitalisation of the Company at the point in time that any assessment is made and the sum of:

(i) The market capitalisation of the Company a) at 1 December 2014 for first awards made to management who joined the Company before 30 September 2015 (old joiners) and b) at the date of award in all other cases (new joiners); and

(ii) The aggregate value (at the subscription price) of all ordinary shares issued thereafter and up to the point in time that any assessment is made, in each case adjusted for dividends and capital returns to shareholders and/or issue of new shares.

The beneficiaries of the 2016 LTIP, will in aggregate be entitled to an amount of up to 13.8% of shareholder value created, subject to performance criteria set out below. Individual participation in the shareholder value created will be determined by the Remuneration Committee.

There will be certain hurdles the Company's share price has to achieve before an award vests.

NOTES TO THE ACCOUNTS (CONTINUED)

27 SHARE-BASED PAYMENTS (CONTINUED)

In the event that the Company achieves an average mid-market closing price equal to compound growth at 7% per annum for a period of 10 consecutive dealing days in the period after 1 December 2016 for first awards to management who joined the Company before 30 September 2015 and from the second anniversary of the date of award in all other cases, 50% of the award will vest.

In the event that the share price of the Company outperforms the FTSE All Share Index in the period after 1 December 2016, and from the second anniversary of the date of the award in all other cases, 50% of the award shall vest.

Each award will require a minimum term of employment of three years and awards will be made to current management and new joiners at the Company's discretion.

IFRS 2: Share-Based Payments sets out the criteria for an equity settled share-based payment, which has market performance conditions. The 2016 LTIP meets these criteria and should therefore be recognised at award as fair value and amortised over the vesting period of two years. There is no amount payable by the beneficiaries on exercise. The table below details the number of shares issued in the year:

	2018					2017			
	A Shares old joiners	**A Shares new joiners**	**B Shares**	**C Shares**	**Total LTIP**	A Shares old joiners	A Shares new joiners	B Shares	Total LTIP
Balance at 1 January	**908**	**92**	**208**	**–**	**1,208**	908	92	-	1,000
Issued in the year	**–**	**–**	**–**	**104**	**104**	–	–	208	208
As at 31 December	**908**	**92**	**208**	**104**	**1,312**	908	92	208	1,208
Exercisable at year-end	**908**	**92**	**-**	**-**	**1,000**	908	–	-	908
Months to vesting	**–**	**–**	**8**	**12**		–	7	20	

The weighted average time to vesting is nine months.

Fair value

The fair value of the award has been determined using an expected returns model, which is based on a number of scenarios and probabilities of the Company's performance for the period when the awards may be exercised. The assumptions in the model have estimated the shareholder value created and applied discounts for liquidity and likelihood of exercise by participants. The weighted average valuation of the Company has been used to calculate the expected shareholder value created and consequently the value of the plan. For the C shares issued during the year the fair value of the plan at award was £20,000 (£192.31 per share), which will be amortised over the two-year vesting period.

2018 Long-term incentive plan

The Remuneration Committee considered and implemented a new long-term incentive arrangement in 2018 (2018 LTIP). The 2016 LTIP became exercisable during 2018 and as such the Remuneration Committee introduced the 2018 LTIP to align the management team and wider members of the business for the next three years with shareholders.

The 2018 LTIP is a deferred share award, which vests in three years from the date of award subject to management remaining employed by the Company as at the vesting date. There is no staggered vesting period, vesting is at the end date in three years' time.

During the year 488,174 deferred shares were awarded under the 2018 LTIP to the management team and employees, with a fair value at award of £2.1 million.

Renewable Energy team long-term incentive plan

The Renewable Energy management team has a long-term incentive plan in place, which granted the team a total of 1,000 A Shares in Gresham House New Energy Limited on 31 October 2017. The vesting date of the A Shares is 31 December 2020, at which point the holders are entitled to receive either Gresham House plc shares, or cash at the Company's discretion in exchange for their A Shares. Under the guidance in IFRS 2:41, it has been considered that the A Share settlement should be treated as an equity-settled instrument.

The value of the A Shares at vesting is based on a calculation, which is based on the average profits generated by the New Energy division between 31 October 2017 and 31 December 2020.

The fair value of the award has been determined using an expected returns model, which is based on a number of scenarios and probabilities of the New Energy division's performance for the period from 31 October 2017 to 31 December 2020. The assumptions in the model have estimated the average profits over the period and applied discounts for liquidity and control and consequently the value of the A Shares. The fair value of the A Shares at award was £276,000 (£276 per share), which will be amortised over the three-year and two-month vesting period.

27 SHARE-BASED PAYMENTS (CONTINUED)

Bonus share matching plan

The Company introduced in 2016 a share matching plan linked to the discretionary annual bonus scheme to encourage management and employees to invest in the long-term growth of the Company.

Subject to Remuneration Committee approval, management and employees entitled to a bonus may be permitted (but not required) to defer and reinvest up to 100% of their annual bonus into ordinary shares which will be released to them after three years together with any additional matching shares subject to performance criteria set out below. In 2018 the Remuneration Committee approved the reinvestment of up to 50% of annual bonuses into ordinary shares by management and employees (2017: 50%).

In the event that the Company achieves a mid-market closing price equal to 7% per annum compound growth from the date of deferral, the participants will receive 50% of the matching shares benefit. In the event that the Company's share price outperforms the FTSE All Share Index from the date of deferral, the participants will receive 50% of the matching shares.

Shares will be awarded in the ratio one share for each share invested. In the event that this performance condition is not met, the participants will receive only the ordinary shares acquired with the deferred bonus.

The bonus shares to be awarded after the three-year period and subject to performance conditions have been fair valued using a Monte Carlo simulation. The key variables include the risk-free rate of 0.32% and volatility of the Company share price of 16%. The fair value of the matching shares relating to the 2017 bonuses is £80,123 (£1.18 per share) and will be amortised over the three-year vesting period.

28 RESERVES

	2018			2017		
	Share premium account £'000	**Share warrant reserve £'000**	**Retained reserves £'000**	Share premium account £'000	Share warrant reserve £'000	Retained reserves £'000
Group						
Balance as at 1 January	**9,649**	**319**	**15,268**	2,611	319	18,657
Loss and total comprehensive income	**–**	**–**	**(699)**	–	–	(3,124)
Transfer of non-controlling interest deficit	**–**	**–**	**3**	–	–	(388)
Issue of shares	**48,252**	**(261)**	**–**	7,038	–	–
Share-based payments	**–**	**–**	**464**	–	–	123
As at 31 December	**57,901**	**58**	**15,036**	9,649	319	15,268

	2018			2017		
	Share premium account £'000	**Share warrant reserve £'000**	**Retained reserves £'000**	Share premium account £'000	Share warrant reserve £'000	Retained reserves £'000
Company						
Balance as at 1 January	**9,649**	**319**	**15,469**	2,611	319	16,153
Loss and total comprehensive income	**–**	**–**	**(2,075)**	–	–	(684)
Issue of shares	**48,252**	**(261)**	**–**	7,038	–	–
As at 31 December	**57,901**	**58**	**13,394**	9,649	319	15,469

	2018 £'000	2017 £'000
Non-controlling interest:		
Balance as at 1 January	**477**	491
Interest in trading result for the year	**–**	(106)
Interest in investments- securities	**53**	(12)
Interest in movement in investment property for the year	**–**	(284)
Transfer deficit balance	**(3)**	388
	527	477

NOTES TO THE ACCOUNTS (CONTINUED)

28 RESERVES (CONTINUED)

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium account	Amount subscribed for share capital in excess of nominal value.
Share warrant reserve	Share warrants for which consideration has been received but which are not exercised yet.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

29 NET ASSET VALUE PER SHARE

	2018	2017
Basic		
Equity attributable to holders of the parent (£'000)	**79,213**	28,370
Number of ordinary shares in issue at the end of the period	**24,872,613**	12,536,957
Basic net asset value per share (pence)	**318.5**	226.3

	2018	2017
Diluted		
Equity attributable to holders of the parent (£'000)	**79,213**	28,370
Adjusted number of ordinary shares in issue at the end of the period	**27,384,003**	13,435,704
Diluted net asset value per share (pence)	**290.1**	211.2

Diluted net asset value per share is based on the number of shares in issue at the year-end together with 2,434,245 shares deemed to have been issued at nil consideration as a result of shareholder and supporter warrants and shares which could be issued under the bonus share matching plan and long-term incentive plans.

	£'000
The movement during the year of the assets attributable to ordinary shares were as follows:	
Total net assets attributable as at 1 January 2018	28,370
Total recognised losses for the year	(696)
Share-based payments	464
Issue of shares	51,075
Total net assets attributable at 31 December 2018	79,213

30 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Net operating loss after exceptional items	**(2,153)**	(2,216)	**(1,791)**	(500)
Profit/(loss) from discontinued operations	**11**	(1,104)	**–**	–
Dividends received from associates	**211**	–	**–**	–
Movement in fair value of investment property	**1**	1,466	**–**	–
Interest payable	**35**	170	**35**	170
Depreciation	**138**	87	**32**	10
Profit on disposal of tangible fixed assets	**(23)**	(12)	**–**	–
Amortisation	**2,788**	1,122	**68**	21
Share-based payments	**464**	123	**–**	–
	1,472	(364)	**(1,656)**	(299)
(Increase)/decrease in long-term receivables	**(78)**	54	**(78)**	54
(Increase)/decrease in current assets	**(1,227)**	(1,219)	**193**	(208)
Increase/(decrease) in current liabilities	**1,295**	(86)	**92**	10
	1,462	(1,615)	**(1,449)**	(443)

31 FINANCIAL INSTRUMENTS

The Group consists of the Company and subsidiary undertakings whose principal activities are asset management and forestry management.

The Group's financial instruments, which are held in accordance with the Group's objectives and policies, comprise:

(i) securities consisting of listed and unlisted equity shares

(ii) a secondary portfolio of listed and unlisted fixed income securities

(iii) cash, liquid resources and short-term debtors and creditors that arise directly from its operational activities

(iv) short-term and long-term borrowings

As at 31 December 2018 the following categories of financial instruments were held by:

Group

	2018		2017	
	Amortised cost £'000	**Assets at fair value through profit or loss £'000**	Loans and receivables £'000	Assets at fair value through profit or loss £'000
Financial assets per Statement of Financial Position				
Investments – securities	**1,613**	**6,511**	159	2,830
Trade and other receivables – current and non-current	**2,628**	**1,033**	2,089	3,693
Accrued income	**2,206**	**–**	563	–
Cash and cash equivalents	**13,958**	**–**	9,785	–
	20,405	**7,544**	12,596	6,523

	2018		2017	
	Other financial liabilities £'000	**Liabilities at fair value through profit or loss £'000**	Other financial liabilities £'000	Liabilities at fair value through profit or loss £'000
Financial liabilities per Statement of Financial Position				
Trade and other payables – short-term *	**4,085**	**–**	2,170	3,293
Bank loans – short and long-term	**9,840**	**–**	–	–
Other creditors – long-term	**–**	**8,447**	2	–
	13,925	**8,447**	2,172	3,293

* £389,000 (2017: £284,000) of PAYE and VAT payable is included within trade and other payables.

Company

	2018		2017	
	Amortised cost £'000	**Assets at fair value through profit or loss £'000**	Loans and receivables £'000	Assets at fair value through profit or loss £'000
Financial assets per Statement of Financial Position				
Investments – securities	**1,613**	**4,647**	159	1,151
Accrued income	**104**	**–**	219	–
Amounts owed by Group undertakings	**221**	**–**	7,878	–
Cash and cash equivalents	**6,148**	**–**	6,484	–
	8,086	**4,647**	14,740	1,151

NOTES TO THE ACCOUNTS (CONTINUED)

31 FINANCIAL INSTRUMENTS (CONTINUED)

	2018		2017	
	Other financial liabilities £'000	**Liabilities at fair value through profit or loss £'000**	Other financial liabilities £'000	Liabilities at fair value through profit or loss £'000
Financial liabilities per Statement of Financial Position				
Trade and other payables – short-term	**152**	**–**	31	251
Other loans – short and long-term	**5,365**	**–**	5,552	–
Bank loans – short and long-term	**9,840**	**–**	–	–
	15,357	**–**	5,583	251

The carrying value of loans and receivables and other financial liabilities are not materially different to their fair values. The Group's activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The main risks to which the Group is exposed are market price risk, credit risk, interest rate risk and liquidity risk. The nature and extent of the financial instruments outstanding at the Statement of Financial Position date and the risk management policies employed by the Group are summarised below.

Market price risk

Market price risk is the risk that changes in market prices will adversely affect the Group's income due to a decline in the underlying value of assets under management, resulting in lower fees.

The objective of market price risk management is to manage and control market price exposure, while optimising the return on risk. The Group manages strategic equity funds. Forestry asset management fees are not linked directly to market prices.

Market price risk arises from uncertainty about the future prices of financial instruments held within the Group's portfolio. It represents the potential loss that the Group might suffer through holding market positions in the face of market movements. The investments in equity and fixed interest stocks of unquoted companies are not traded and as such the prices are more uncertain than those of more widely traded securities.

Unquoted investments are valued as per accounting policy (j) in these financial statements. Regular reviews of the financial results, combined with close contact with the management of these investments, provides sufficient information to support these valuations.

Credit risk

Credit risk is the risk that the counterparty will fail to discharge an obligation or commitment that it has entered into with the Group.

The Group's maximum exposure to credit risk is:

	2018 £'000	2017 £'000
Loan stock investments	**1,613**	159
Deferred receivable – short and long-term	**1,033**	3,693
Trade and other receivables – short-term	**2,628**	2,089
Accrued income	**2,206**	563
Cash and cash equivalents	**13,958**	9,785
	21,438	16,289

The Group has an exposure to credit risk in respect of both loan stock investments and other loans, most of which have no security attached to them, or where they do, such security will rank after any bank debt. The Company's exposure to credit risk is restricted to investments, cash and cash equivalents, other loans, amounts owed by Group undertakings and accrued income totalling £8,086,000 (2017: £14,740,000).

Cash and cash equivalents consist of cash in hand and balances with banks. To reduce the risk of counterparty default the Group deposits its surplus funds in approved high-quality banks.

31 FINANCIAL INSTRUMENTS (CONTINUED)

The following table shows the maturity of the loan stock investments and other loans referred to above:

	2018 £'000	2017 £'000
Loan stock investments		
Repayable within: – 1 year	**1,290**	–
1-2 years	**–**	–
2-3 years	**267**	–
3-4 years	**56**	103
4-5 years	**–**	56
	1,613	159

As at 31 December 2018 loan stock investments totalling £810,000 (2017: £718,000) were impaired and provided for.

As at 31 December 2018 other loans totalling £54,000 (2017: £54,000) were impaired and provided for.

There is potentially a risk whereby a counterparty fails to deliver securities which the Company has paid for or pay for securities which the Company has delivered. This risk is considered to be small as where the transaction is in respect of quoted investments the Company uses brokers with a high credit quality and where the transaction is in respect of unquoted investments, these are conducted through solicitors to ensure that payment matches delivery.

Interest rate risk

The Group's fixed and floating interest rate securities, its equity, preference equity investments and loans and net revenue may be affected by interest rate movements. Investments in small businesses are relatively high-risk investments which are sensitive to interest rate fluctuations.

The Group's assets include fixed and floating rate interest instruments as detailed below. The Group is exposed to interest rate movements on its floating rate liabilities.

The interest rate exposure profile of the Group's financial assets and liabilities as at 31 December 2018 and 2017 were:

	Non-interest bearing assets/ liabilities £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liabilities £'000	Floating rate liabilities £'000	Net total £'000
Group						
As at 31 December 2018						
Investments – securities	**6,511**	**1,613**	**–**	**–**	**–**	**8,124**
Cash	**–**	**–**	**13,958**	**–**	**–**	**13,958**
Trade and other receivables	**2,628**	**–**	**–**	**–**	**–**	**2,628**
Accrued income	**2,206**	**–**	**–**	**–**	**–**	**2,206**
Creditors						
– falling due within 1 year	**(4,083)**	**–**	**–**	**(2)**	**(2,000)**	**(6,085)**
– falling due after 1 year	**–**	**–**	**–**	**–**	**(7,840)**	**(7,840)**
	7,262	**1,613**	**13,958**	**(2)**	**(9,840)**	**12,991**

NOTES TO THE ACCOUNTS (CONTINUED)

31 FINANCIAL INSTRUMENTS (CONTINUED)

	Non-interest bearing assets/ liabilities £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liabilities £'000	Floating rate liabilities £'000	Net total £'000
As at 31 December 2017						
Investments – securities	2,830	159	–	–	–	2,989
Cash	–	–	9,785	–	–	9,785
Trade and other receivables	2,089	–	–	–	–	2,089
Accrued income	563	–	–	–	–	563
Creditors						
– falling due within 1 year	(5,463)	–	–	–	–	(5,463)
– falling due after 1 year	–	–	–	(2)	–	(2)
	19	159	9,785	(2)	–	9,961

Non-interest bearing assets comprise the portfolio of ordinary shares, dealing securities and non-interest bearing loans.

Fixed rate assets comprise fixed rate loans, unsecured loans and loans repayable on demand, with a weighted average interest rate of 13.6% (2017: 7.6%).

Floating rate assets and floating rate liability loans are subject to interest rates which are based on LIBOR and bank base rates.

Fixed rate liabilities include hire purchase contracts and short-term loan notes.

The Group is not materially exposed to currency risk as its assets and liabilities are substantially denominated in sterling.

The interest rate exposure profile of the Company's financial assets and liabilities as at 31 December 2018 and 2017 were:

	Non-interest bearing assets/ liabilities £'000	**Fixed rate assets £'000**	**Floating rate assets £'000**	**Fixed rate liabilities £'000**	**Floating rate liabilities £'000**	**Net total £'000**
Company						
As at 31 December 2018						
Investments – securities	**4,647**	**1,613**	**–**	**–**	**–**	**6,260**
Cash	**–**	**–**	**6,148**	**–**	**–**	**6,148**
Accrued income	**104**	**–**	**–**	**–**	**–**	**104**
Owed by Group undertakings	**221**	**–**	**–**	**–**	**–**	**221**
Creditors						
– falling due within 1 year	**(152)**	**–**	**–**	**–**	**(2,000)**	**(2,152)**
– falling due after 1 year	**–**	**–**	**–**	**–**	**(7,840)**	**(7,840)**
	4,820	**1,613**	**6,148**	**–**	**(9,840)**	**2,741**

	Non-interest bearing assets/ liabilities £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liabilities £'000	Floating rate liabilities £'000	Net total £'000
As at 31 December 2017						
Investments – securities	1,151	159	–	–	–	1,310
Cash	–	–	6,484	–	–	6,484
Accrued income	219	–	–	–	–	219
Owed by Group undertakings	7,878	–	–	–	–	7,878
Creditors						
– falling due within 1 year	(282)	–	–	–	–	(282)
	8,966	159	6,484	–	–	15,609

31 FINANCIAL INSTRUMENTS (CONTINUED)

Although the Company holds investments that pay interest, the Board does not consider it appropriate to assess the impact of interest rate changes upon the value of the investment portfolio as interest rate changes are only one factor affecting market price and the impact is likely to be immaterial. However, as the Group has bank borrowings, the section below shows the sensitivity of interest payable to changes in interest rates:

	2018 Profit and net assets	2017 Profit and net assets
If interest rates were 0.5% lower with all other variables constant – increase (£'000)	**50**	–
Increase in earnings and net asset value per ordinary share (pence)	**0.20**	–
If interest rates were 0.5% higher with all other variables constant – decrease (£'000)	**(50)**	–
Decrease in earnings and net asset value per ordinary share (pence)	**(0.20)**	–

Liquidity risk

The investments in equity investments in NEX Exchange traded companies may be difficult to realise at their carrying value, particularly if the investment represents a significant holding in the investee company. Similarly, investments in equity and fixed interest stocks of unquoted companies that the Company holds are only traded infrequently. They are not readily realisable and may not be realised at their carrying value where there are no willing purchasers.

The Group aims to hold sufficient cash to fulfil its requirements with respect to regulatory capital. During the year the Group and its subsidiary entities complied with all regulatory capital requirements. The Group aims to hold sufficient cash to be able to provide loan interest and quarterly capital repayment cover of at least six months.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year £'000	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**
As at 31 December 2018			
Bank borrowings	**2,421**	**2,301**	**6,202**
Trade payables	**1,212**	**–**	**–**
Accruals	**2,313**	**–**	**–**
Contingent consideration	**–**	**–**	**11,032**
Other creditors	**560**	**–**	**–**
	6,506	**2,301**	**17,234**

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
As at 31 December 2017			
Trade payables	274	–	–
Accruals	1,516	–	–
Contingent consideration	1,500	–	–
Other creditors	379	–	–
	3,669	–	–

NOTES TO THE ACCOUNTS (CONTINUED)

32 FAIR VALUE MEASUREMENTS

Capital risk management

The Group manages its capital to ensure that entities within the Group and the Company will be able to continue to trade in an orderly fashion whilst maintaining sustainable returns to shareholders.

The capital structure of the Group and Company consist of short and long-term borrowings as disclosed in notes 21 and 23, cash and cash equivalents and equity attributable to equity shareholders of the Company comprising issued share capital, share premium, share warrant reserve and retained reserves as disclosed in notes 24 to 27. The Board reviews the capital structure of the Group and the Company on a regular basis to ensure it complies with all regulatory capital requirements. The financial measures that are subject to review include cash flow projections and the ability to meet capital expenditure and other contracted commitments, projected gearing levels and interest covenants, although no absolute targets are set for these.

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Debt	**(9,840)**	–	**(9,840)**	–
Cash and cash equivalents	**13,958**	9,785	**6,148**	6,484
Net assets	**79,740**	28,847	**77,571**	28,571
Net cash/(debt)	**4,118**	9,785	**(3,692)**	6,484
Net cash/(debt) as a % of net assets	**5.2%**	33.9%	**(4.8%)**	22.7%

VALUATION INPUTS

IFRS 13 – Fair Value Measurement – requires an entity to classify its financial assets and liabilities held at fair value according to a hierarchy that reflects the significance of observable market inputs. The classification of these assets and liabilities is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined below.

Quoted market prices – Level 1

Financial instruments, the valuation of which are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs – Level 2

Financial instruments that have been valued using inputs other than quoted prices as described for level 1 but which are observable for the asset or liability, either directly or indirectly.

Valuation technique using significant unobservable inputs – Level 3

Financial instruments, the valuation of which incorporate significant inputs for the asset or liability that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or analytical techniques.

For investments in securities, which includes early-stage private equity investments, the significant unobservable inputs used include cash flow forecasts and discount rates. An increase in the discount rate applied will decrease the fair value of the investment whereas a decrease in the rate will increase the fair value. No reasonable foreseeable changes to significant unobservable inputs will result in a material impact to profit and loss or equity.

The valuation techniques used by the Company for level 3 financial assets can be found in accounting policy (j) (iii) and (iv).

Investment in the unlisted security relates to a single investment in the equity of an unlisted fund. That unlisted fund invests in a large number of forestry assets. The forestry assets are held at fair value in the underlying fund. An independent valuation of the forests within the underlying fund is performed annually by forestry valuation experts by reference to comparable market transactions for each underlying forestry asset that considers factors including location, maturity of the forest and size. There is no reasonable change in the inputs in each of the underlying assets would give rise to a material adjustment to the fair value of the investment.

Further details of the securities portfolio can be found in note 11 and of the property portfolio in note 12 of these financial statements.

32 FAIR VALUE MEASUREMENTS (CONTINUED)

An analysis of the Group's and Company's assets measured at fair value by hierarchy is set out below.

	31 December 2018 £'000	Level 1 £'000	Level 3 £'000
Group			
Financial assets at fair value through profit and loss:			
Investments – securities			
– Equities	**6,511**	**4,587**	**1,924**
Measured at amortised cost	**1,033**	**–**	**1,033**
	7,544	**4,587**	**2,957**

	31 December 2017 £'000	Level 1 £'000	Level 3 £'000
Financial assets at fair value through profit and loss:			
Property investments	1,986	–	1,986
Investments – securities			
– Equities	2,830	1,106	1,724
Trade and other receivables – long-term	3,693	–	3,693
	8,509	1,106	7,403

	31 December 2018 £'000	Level 1 £'000	Level 3 £'000
Company			
Financial assets at fair value through profit and loss:			
Investments – securities			
– Equities	**4,647**	**4,587**	**60**
	4,647	**4,587**	**60**

	31 December 2017 £'000	Level 1 £'000	Level 3 £'000
Financial assets at fair value through profit and loss:			
Investments – securities			
– Equities	1,151	1,106	45
	1,151	1,106	45

Set out below is a reconciliation of financial assets measured at fair value based on level 3.

	Property investments £'000	Investments – securities £'000	Trade and other receivables £'000	Total £'000
Group				
31 December 2018				
Opening balance	**1,986**	**1,724**	**3,693**	**7,403**
Total gains and (losses):				
In Statement of Comprehensive Income	**(1)**	**(390)**	**40**	**(351)**
Additions	**–**	**1,500**	**–**	**1,500**
Disposals	**(1,985)**	**(910)**	**(2,700)**	**(5,595)**
Closing balance	**–**	**1,924**	**1,033**	**2,957**
Total gains and (losses) for the year included in comprehensive income for assets held at the end of the reporting period	**–**	**202**	**40**	**242**

NOTES TO THE ACCOUNTS (CONTINUED)

32 FAIR VALUE MEASUREMENTS (CONTINUED)

	Property investments £'000	Investments – securities £'000	Trade and other receivables £'000	Total £'000
31 December 2017				
Opening balance	9,628	1,718	5,180	16,526
Total gains and (losses):				
In Statement of Comprehensive Income	(1,466)	(41)	148	(1,359)
Additions	137	47	–	184
Disposals	(6,313)	–	(1,635)	(7,948)
Closing balance	1,986	1,724	3,693	7,403
Total gains and (losses) for the year included in comprehensive income for assets held at the end of the reporting period	(331)	(41)	148	(224)

	Investments – securities £'000	**Total £'000**
Company:		
31 December 2018		
Opening balance	**45**	**45**
Total gains and (losses):		
In Statement of Comprehensive Income	**(653)**	**(653)**
Addition	**1,000**	**1,000**
Disposals	**(332)**	**(332)**
Closing balance	**60**	**60**
Total gains or losses for the year included in comprehensive income for assets held at the end of the reporting period	**16**	**16**

	Investments – securities £'000	Total £'000
31 December 2017		
Opening balance	–	–
Total gains and (losses):		
In Statement of Comprehensive Income	(2)	(2)
Additions	47	47
Closing balance	45	45
Total gains or losses for the year included in comprehensive income for assets held at the end of the reporting period	(2)	(2)

The only financial liabilities held at fair value relates to the deferred consideration on the acquisition of FIM Services Limited and the acquisition of the fund and investment management businesses of Livingbridge VC LLP amounting to £8,676,000. This is measured using level 3 valuation techniques. There were no such financial liabilities held at fair value within the Company.

Price risk sensitivity

Based on values as at 31 December 2018 a 10% movement in the fair values of 100% of the Group's equity investments would be equivalent to a movement of £651,000 in both profit and net assets.

33 RELATED PARTY TRANSACTIONS

Group

During the year management fees totalling £655,982 (2017: £611,610) were invoiced to Gresham House Strategic plc (GHS), a company in which the Group has a 22.9% interest. At the year-end £64,990 (2017: £62,063) was due from GHS.

During the year management fees totalling £967,358 (2017: £1,143,334) were invoiced to LMS Capital plc (LMS), a company with a significant shareholding in the Company as disclosed in the Directors' Report. At the year-end £nil (2017: £104,870) was due from LMS.

During the year amounts totalling £51,297 (2017: £223,335) were invoiced to Corylus Capital LLP (Corylus), an entity in which Ben Guest, head of the New Energy strategy, has a material interest. Conversely, the Group was invoiced £287,623 (2017: £58,848) by Corylus for office and other costs. At the year-end £nil (2017: £164,487) was due from Corylus.

Company

During the year the Company repaid loans totalling £2,925,780 (2017: received £8,560,271 from) to Security Change Limited. At the year-end £2,562,578 (2017: £5,488,358) was due to Security Change Limited. No interest was charged during the year (2017: £nil).

During the year the Company received £nil (2017: £nil) from Gresham House Finance Limited. At the year-end £221,400 (2017: £221,400) was owed by Gresham House Finance Limited. No interest was charged during the year (2017: £nil).

During the year the Company repaid £63,984 (2017: received £297,476 from) to Gresham House Forestry Limited. At the year-end £nil (2017: £63,984) was owed to Gresham House Forestry Limited. No interest was charged during the year (2017: £nil).

During the year the Company received loans totalling £10,458,814 (2017: advanced £1,329,661 to) from Gresham House Holdings Limited. At the year-end £2,802,090 (2017: £7,656,723 was owed by) was due to Gresham House Holdings Limited. No interest was charged during the year (2017: £nil).

34 OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2018 £'000	2017 £'000
Less than one year	**610**	189
Between one and five years	**305**	–
	915	189

The Company has no operating lease commitments.

35 POST BALANCE SHEET EVENTS

On 26 February 2019, Persimmon settled the final £1,033,000 amount payable for the purchase of the Newton-le-Willows site.

CORPORATE INFORMATION

COMPANY NUMBER	871 incorporated in England	
DIRECTORS	Anthony Townsend	Non-Executive Chairman
	Anthony Dalwood	Chief Executive
	Kevin Acton	Finance Director
	Richard Chadwick	Non-Executive
	Simon Stilwell	Non-Executive
	Rachel Beagles	Non-Executive
SECRETARY	John-Paul Preston	
REGISTERED OFFICE	5 New Street Square London EC4A 3TW	
AUDITOR	BDO LLP 55 Baker Street London W1U 7EU	
NOMINATED ADVISER AND JOINT BROKER	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR	
FINANCIAL ADVISER AND JOINT BROKER	Jefferies International Limited 66 Upper Thames Street London EC4V 3BJ	
REGISTRARS	Neville Registrars Limited Neville House Steelpark Road Halesowen West Midlands B62 8HD	
SOLICITORS	Eversheds Sutherland (International) LLP One Wood Street London EC2V 7WS	

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the Meeting) of Gresham House plc (the Company) will be held at Octagon Point, 5 Cheapside, London, EC2V 6AA on 16 May 2019 at 12.30 pm for the purpose of considering and (if thought fit) passing the Resolutions set out below, of which Resolutions 1 to 8 (inclusive) will be proposed as ordinary resolutions and Resolutions 9 to 11 (inclusive) will be proposed as special resolutions.

ORDINARY RESOLUTIONS

1. To receive and adopt the Annual Report and Accounts for the year ended 31 December 2018 together with the Directors' Report and the Report of the Independent Auditor.

2. To declare a final dividend of 3.0p per ordinary share for the year to 31 December 2018, payable to shareholders whose names appear on the Register of Members at close of business on 10 May 2019.

3. To re-elect as a director Richard Chadwick, who retires in accordance with the Company's articles of association and offers himself for re-election.

4. To re-elect as a director Anthony Dalwood who retires in accordance with the Company's articles of association and offers himself for re-election.

5. To reappoint BDO LLP as the Company's auditor in accordance with Section 489 of the Companies Act 2006 (the Act), to hold office from the conclusion of the Meeting until the conclusion of the next Annual General Meeting.

6. To authorise the Directors to fix the remuneration of the auditor.

7. That, in substitution for any existing authorities to allot shares or to grant rights to subscribe for or to convert any security into shares in the Company (but without prejudice to the validity of any allotment or any agreement to allot shares entered into pursuant to such previous authorities), the directors of the Company be and are generally and unconditionally authorised in accordance with section 551 of the Act to exercise all powers of the Company to allot 1,309,598 ordinary shares of £0.25 each in the Company ("Ordinary Shares") at a subscription price of £4.96 per Ordinary Share up to a maximum nominal amount of £327,399.50 ("Subscription") in connection with the proposed subscription for Ordinary Shares by Standard Life Aberdeen plc ("SLA"), or such other subsidiary of SLA as may be agreed between the Company and SLA, such authority to expire on the earlier of the conclusion of the Company's next Annual General Meeting or the date falling 15 months after the date of passing of this Resolution, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of ordinary shares in pursuance of such an offer or agreement as if such authority had not expired.

8. That, in substitution for any existing authorities to allot shares or to grant rights to subscribe for or to convert any security into shares in the Company (other than that set out in Resolution 7 above and without prejudice to the validity of any allotment or any agreement to allot shares entered into pursuant to such previous authorities), the Directors of the Company be and are generally and unconditionally authorised in accordance with section 551 of the Act to exercise all powers of the Company to:

   a. Allot shares or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £2,091,939; and

   b. Allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £4,183,878 (such amount to be reduced by the nominal amount of any shares allotted or rights granted under paragraph (a) of this Resolution 8) in connection with an offer by way of a rights issue or other pre-emptive offering to:

      (i) The holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and

      (ii) Holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors of the Company otherwise consider necessary,

   and so that, in each case, the Directors of the Company may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any of the requirements of any regulatory body or stock exchange or any other matter, and this authority shall take effect on the date of passing of this Resolution and shall (unless previously revoked, renewed or varied) expire on the earlier of the conclusion of the Company's next Annual General Meeting or the date falling 15 months after the date of passing of this Resolution, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of ordinary shares in pursuance of such an offer or agreement as if such authority had not expired.

SPECIAL RESOLUTIONS

9. That, subject to the passing of Resolution 7 above and in substitution for any existing authorities to disapply pre-emption rights in connection with any allotment of shares or grant of rights to subscribe for or convert any security into shares in the Company for cash, the directors of the Company be and are empowered in accordance with section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred on them in Resolution 7 above as if section 561(1) of the Act did not apply to such allotment, provided that this authority shall be limited to allotments of Ordinary Shares up to a maximum nominal amount of £327,399.50 in connection with the Subscription, such authority to expire on the earlier of the end of the Company's next Annual General Meeting or the date falling 15 months after the date of passing of this Resolution, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of ordinary shares in pursuance of such an offer or agreement as if such authority had not expired.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

10. That, subject to the passing of Resolution 8 above and in substitution for any existing authorities to disapply pre-emption rights in connection with any allotment of shares or grant of rights to subscribe for or convert any security into shares in the Company for cash (other than that set out in Resolution 9 above), the Directors of the Company be and are empowered in accordance with section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred on them in Resolution 8 above as if section 561(1) of the Act did not apply to such allotment, provided that this authority shall be limited to allotments of equity securities:

    a. In connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings, subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory;

    b. Otherwise than pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £627,581,

    and this authority shall take effect on the date of passing of this Resolution and shall (unless previously revoked, renewed or varied) expire on the earlier of the end of the Company's next Annual General Meeting or the date falling 15 months after the date of passing of this Resolution, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of ordinary shares in pursuance of such an offer or agreement as if such authority had not expired;

11. That, in substitution for any existing authorities to make market purchases of ordinary shares in the capital of the Company (but without prejudice to the validity of any purchase or any agreement to purchase entered into pursuant to such previous authorities), the Company be and is generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (as defined in section 693(4) of the Act) of ordinary shares in such manner and on such terms as the Directors of the Company may from time to time determine, and where such shares are held as treasury shares, the Company may use them for the purposes set out in sections 727 or 729 of the Act, including for the purpose of its employee share schemes, provided that:

    a. The maximum number of ordinary shares which may be purchased is 2,510,327;

    b. The minimum purchase price which may be paid for any ordinary share is 25 pence (exclusive of expenses); and

    c. The maximum purchase price which may be paid for any ordinary share in the capital of the Company shall not be more than the higher of (in each case exclusive of expenses):

        (i) Five per cent. above the average middle market quotations for an ordinary share as derived from the AIM Appendix to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made; or

        (ii) An amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share, as derived from the trading venue where the purchase is carried out,

    and this authority shall take effect on the date of passing of this Resolution and shall (unless previously revoked, renewed or varied) expire on the earlier of the conclusion of the Company's next Annual General Meeting or the date falling 15 months after the date of passing of this Resolution, save in relation to purchases of ordinary shares, the contract(s) for which were concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry.

By Order of the Board,

JOHN-PAUL PRESTON
COMPANY SECRETARY

Registered Office:
5 New Street Square
London EC4A 3TW

5 April 2019

EXPLANATORY NOTES
The following notes give an explanation of the proposed resolutions.

Resolutions 1 to 8 (inclusive) are proposed as Ordinary Resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 9 to 11 (inclusive) are proposed as Special Resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

The directors consider the passing of all of the Resolutions to be in the best interests of the Company and its shareholders and accordingly recommend that you vote in favour of these Resolutions as they intend to do so in respect of their own shareholdings.

Resolution 1 – Receive and adopt the Annual Report and Accounts
The Directors of the Company are required to lay the Annual Report and Accounts before the shareholders each year. Resolution 1 is an ordinary resolution to receive and adopt the Company's annual accounts, together with the Directors' Report and Auditor's Report on the accounts, for the financial year ended 31 December 2018.

Resolution 2 – Declaration of dividend
The Directors recommend that shareholders approve a final dividend for the year to 31 December 2018 of 3.0p per share. The dividend cannot exceed the amount recommended by the Directors. If approved, it will be paid on 24 May 2019 to shareholders on the Register of Members at close of business on 10 May 2019.

Resolutions 3 and 4 – Re-election of Directors
The articles of association of the Company require certain of the Directors to retire by rotation at each Annual General Meeting. At the Meeting, Richard Chadwick and Anthony Dalwood will retire. Richard and Anthony are each offering themselves for re-election and Resolutions 3 and 4 propose their re-election as Directors.

Biographical details of the Directors are set out on pages 40-41 of the Annual Report and Accounts.

Resolution 5 – Reappointment of auditor
This resolution concerns the reappointment of BDO LLP as the Company's auditor until the conclusion of the Company's next Annual General Meeting.

Resolution 6 – Auditor's remuneration
This resolution authorises the Directors to fix the auditor's remuneration.

Resolution 7 – Authority to allot shares to Standard Life Aberdeen plc ("SLA")
As announced on 21 March 2019, the Company entered into an agreement with SLA to form a Strategic Public Equity Joint Venture. As part of this agreement, SLA agreed to subscribe for 1,309,598 ordinary shares of £0.25 each at a subscription price of £4.96 per share ("Subscription"). A specific shareholder authority is proposed in connection with the Subscription. The share issue to SLA is viewed by the Board as in the long-term interests of shareholders and consistent with the shareholder value plan as set out by the management team. The proposed joint venture transaction is expected to create value for the Strategic Equity division and Gresham House shareholders.

Resolution 8 – General authority to allot shares or grant subscription or conversion rights
This resolution asks shareholders to grant the Directors authority under section 551 of the Act to allot shares or grant such subscription or conversion rights as are contemplated by sections 551(1)(a) and (b) respectively of the Act up to a maximum aggregate nominal value of £4,183,878, being approximately two thirds of the nominal value of the issued ordinary share capital of the Company as at 5 April 2019 (being the latest practicable date prior to the publication of this notice). As at 5 April 2019, the Company held no treasury shares.

In accordance with the latest guidelines issued by The Investment Association, up to an aggregate nominal value of £2,091,939 of this authority is reserved for a rights issue or other pre-emptive offer to ordinary shareholders, representing approximately one third (33.33%) of the Company's issued share capital as at 5 April 2019.

This authority will expire at the conclusion of the next Annual General Meeting or the date falling 15 months from the passing of this resolution, whichever is earlier. The Directors consider it important to have the maximum ability and flexibility to raise finance to enable the Company to respond to market development and conditions. Any allotment or any agreement to allot shares entered into pursuant to previous authorities remains valid. The resolution replaces a similar resolution passed at the last Annual General Meeting of the Company held on 17 May 2018.

Resolution 9 – Disapplication of pre-emption rights in connection with the Subscription
Please see explanatory text in relation to Resolution 7 above. Resolution 9 would disapply statutory pre-emption rights in relation to the allotment of new shares to SLA pursuant to the Subscription.

Resolution 10 – General disapplication of pre-emption rights
If the Directors wish to allot new shares or other equity securities for cash, the Act requires that such shares or other equity securities are offered first to existing shareholders in proportion to their existing holding. The allotment of equity securities as referred to in this resolution includes the sale of any shares which the Company holds in treasury following a purchase of its own shares.

Resolution 10 asks shareholders to grant the Directors (i) a general authority to allot equity securities for cash up to an aggregate nominal value of £627,581 (being 10% of the Company's issued ordinary share capital as at 5 April 2019) without first offering the securities to existing shareholders.

The resolution also disapplies the statutory pre-emption provisions in connection with a rights issue only in relation to the amount permitted under Resolution 8 above allowing the Directors to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems which might arise.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

The authority will expire at the Company's next Annual General Meeting or the date falling 15 months from the passing of the resolution, whichever is earlier. The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 17 May 2018.

Resolution 11 – Purchases of own shares by the Company
Resolution 11 seeks authority from shareholders for the Company to make market purchases of its own ordinary shares, such authority being limited to the purchase of 10% of the ordinary shares in issue as at 5 April 2019. The maximum and minimum prices payable are also stated in the resolution. The authority will only be exercised if the Directors consider that there is likely to be a beneficial impact on earnings per ordinary share and that it is in the best interests of the Company at the time. This resolution replaces a similar resolution passed at Annual General Meeting of the Company held on 17 May 2018. The Company will be able to hold the ordinary shares which have been repurchased as treasury shares, in accordance with the Act, and resell them for cash, cancel them or use them for the purposes of its employee share schemes.

NOTES

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company specifies that only those members registered on the Company's register of members at:

   - 6.00 pm on 14 May 2019; or
   - If this Meeting is adjourned, at 6.00 pm on the day two working days prior to the adjourned Meeting,

   shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at such time.

2. Any member or his or her proxy attending the Meeting has the right to ask any question at the Meeting relating to the business of the Meeting.

Appointment of proxies

3. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. A member may appoint more than one proxy to attend the Meeting, provided each proxy is appointed to exercise the rights attached to a different share or shares held by that member (the number of shares in respect of which each proxy is appointed must be specified). The right to appoint a proxy does not apply to any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the Act) to enjoy information rights (a Nominated Person).

4. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.

5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:

   - Completed and signed;
   - Sent or delivered to Neville Registrars, Neville House, Steelpark Road, Halesowen, B62 8HD; and
   - Received by Neville Registrars no later than 12.30 pm on 14 May 2019.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by a director or by any duly authorised officer or attorney.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxies through CREST

7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent Neville Registrars (ID 7RA11) by 12.30 pm on 14 May 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

Changing proxy instructions

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD. Telephone 0121 585 1131 (lines are open Mon-Fri 9.00 am – 5.00 pm) or from overseas +44 121 585 1131.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

9. In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, B62 8HD. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by a director or duly authorised officer or attorney. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

   The revocation notice must be received by Neville Registrars no later than 12.30 pm on 14 May 2019.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

   Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Joint holders of shares

10. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

Availability of documents

11. Copies of the terms and conditions of appointment of the Non-Executive Directors are available for inspection at the registered offices of the Company, 5 New Street Square London EC4A 3TW, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this notice until the conclusion of the Meeting and will be available for inspection at the place of the Meeting for at least 15 minutes prior to and during the Meeting.

Issued shares and total voting rights

12. As at 5 April 2019, being the latest practicable date prior to the publication of this notice, the Company's issued share capital comprised 25,103,270 ordinary shares of 25 pence, carrying one vote each. Therefore, the Company's total voting rights as at 5 April 2019 are 25,103,270.

Communication

13. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):

    - Calling our shareholder helpline on 0121 585 1131, (lines are open Mon-Fri 9.00 am – 5.00 pm) or from overseas +44 121 585 1131.

    You may not use any electronic address provided either:

    - In this Notice of Meeting; or
    - In any related documents (including the Chairman's letter and proxy form),

    to communicate with the Company for any purposes other than those expressly stated in this Notice of Meeting.

Information to be published

14. The information required to be published by section 311(A) of the Act (information about the contents of this notice and numbers of shares in the Company and voting rights exercisable at the Meeting and details of any members' statements, members' resolutions and members' items of business received after the date of this notice) may be found at www.greshamhouse.com.

15. Members representing 5% or more of the total voting rights of all the members or at least 100 persons (being either members who have a right to vote at the Meeting and hold shares on which there has been paid up an average sum, per member, of £100 or persons satisfying the requirements set out in section 153(2) of the Act) may require the Company, under section 527 of the Act, to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous Meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The business which may be dealt with at the Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

Nominated Person

16. A Nominated Person may, under an agreement between him/her and the member who nominated him/her, have a right to be appointed (or to have someone else appointed) as a proxy entitled to attend and speak and vote at the Meeting. Nominated Persons are advised to contact the member who nominated them for further information on this and the procedure for appointing any such proxy.

17. If a Nominated Person does not have a right to be appointed, or to have someone else appointed as a proxy for the Meeting or does not wish to exercise such a right, he/she may still have the right under an agreement between himself/herself and the member who nominated him/her to give instructions to the member as to the exercise of voting rights at the Meeting. Such Nominated Persons are advised to contact the members who nominated them for further information on this.