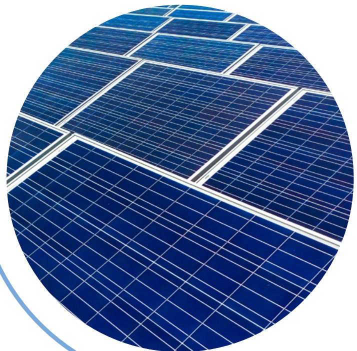
Since 1857
Gresham House
*Specialist asset management*

# Specialists in sustainable alternatives

**Gresham House plc**
Interim Report & Accounts
as at 30 June 2020



Our purpose

# At the forefront of sustainable investing

Gresham House is a specialist alternative asset management group, dedicated to sustainable investment across a range of strategies, with expertise in forestry, housing, infrastructure, renewable energy and battery storage, public and private equity.



Whilst our origins stretch back to 1857, our focus is on the future and the long term. Quoted on the London Stock Exchange *(GHE:LN)* we actively manage c.£3.3 billion of assets on behalf of institutions, family offices, charities and endowments, private individuals and their advisers. We act responsibly within a culture of empowerment that encourages individual flair and entrepreneurial thinking.

As a signatory to the UN-supported Principles for Responsible Investment (PRI), our vision is to always make a positive social or environmental impact, while delivering on our commitments to shareholders, employees and investors.

Gresham House manages investments and co-investments through its FCA-regulated investment management platforms (Gresham House Asset Management Limited and Residential Capital Management Limited).

For more information visit
**www.greshamhouse.com**

Signatory of:

## Highlights

£m

**Assets Under Management (AUM)**
(as at 30 June 2020)

£3,264m
+16.7%


**Cash and liquid assets[1]**
(as at 30 June 2020)

£45.1m
+9.0%


**Total core income**
(for the six months to 30 June 2020)

£17.8m
+33.3%


**Adjusted operating profit[2]**
(for the six months to 30 June 2020)

£5.2m
+15.5%


**Total comprehensive net loss**
(for the six months to 30 June 2020)

-£2.2m
+239.6%


## Financial highlights

- AUM up 17% in H1 to £3.3 billion: +10% organic growth
- Core income up 33% to £17.8 million (H1 19: £13.4 million)
- Adjusted operating profit up 15% to £5.2 million (H1 19: £4.5 million)
- Strong balance sheet with cash and liquid assets at £45.1 million and zero debt

## Strategic highlights

- COVID-19 pandemic resilience, with no team members furloughed or use of the Coronavirus Business Interruption Loan Scheme
- Acquired TradeRisks, the fund management business and debt advisory services group, enhancing strength and depth of Housing team and increasing AUM by £184 million
- Final Close of the British Strategic Investment Fund at £300 million plus related regional co-investment vehicles

## Sustainable Investment highlights

- Achieved Principles for Responsible Investment scores of A+ for Strategy and Governance, A+ for Infrastructure and A for Public and Private Equity divisions
- Awarded Green Economy Mark by the London Stock Exchange, emphasising our dedication to building a greener economy and a more sustainable future

1 Cash and liquid assets includes cash and investments in tangible and realisable assets

2 Adjusted operating profit is defined as the net trading profit of the Group after charging interest but before depreciation, amortisation, share-based payments relating to acquisitions, profits and losses on disposal of tangible fixed assets, net performance fees, net development gains and exceptional items

3 As at 31 December

**Strong AUM growth underpinned by sustainable investment expertise and a solid balance sheet**

# Resilient growth and dedication to building a greener economy and a more sustainable future

**Anthony Townsend**
**Chairman**

I am delighted to record the continued growth and momentum at Gresham House with the tenth consecutive half-year increase in AUM, under exceptionally challenging market conditions. This growth in AUM to £3.3 billion is testament to the strength and scalability of our platform and our ability to attract a diverse and growing pool of clients.

We are a long-term business with a long-term plan based on long-term investment horizons. We entered the pandemic in a favourable position due to the resilient nature of many of our assets, which are naturally less correlated, and less sensitive, to stock market movements, particularly in our Real Assets division. However, our continued investment performance has been a direct reflection of the expertise of our investment teams.

Our teams have delivered growth and performed well consistently whilst working remotely, ensuring smooth business continuity. With our successful track record of investing in public and private small businesses through our open-ended and closed-ended vehicles, we remain well positioned to support businesses crucial to the recovery of the UK economy post COVID-19.

We were very proud to receive our first PRI (Principles for Responsible Investment) scores, and to be awarded the highest rating possible, A+, for Strategy and Governance, a reflection of the robust and transparent approach that we have taken. Our investment strategies were awarded A+ in Infrastructure and A in Public Equity and Private Equity. Placing sustainability at the core of all our investment strategies has meant that we scored well above the investment industry median.

**Activity in the period**
The resilience and appeal of our assets for clients, underpinned by the growing interest in specialist and sustainable investments, has enabled us to deliver 17% growth in AUM in the first half of 2020, despite the difficult environment, of which organic growth contributed 10%. The integration of TradeRisks, the fund management business and debt advisory services group acquired in March, into the housing division is progressing well and we remain on track to deliver identified synergies.

**Our AUM rose to £3.3 billion, an increase of 17% in this period, led by our focus on sustainable investment. This growth is testament to the strength and scale of our platform and our ability to attract a diverse and growing pool of clients.**

In Real Assets, there was notable success across a growing client base. Our Strategic Equity division maintained net positive inflows into our open-ended equity funds over the period and we were pleased to win the c.£150 million investment management contract for Strategic Equity Capital plc, based on our successful Strategic Public Equity track record and resources. We are excited about the fundraising pipeline of activity that we have already established, especially in Housing, Sustainable Infrastructure, Forestry and Private Equity.

**Results**

It has been pleasing to see the growth against the strategic and financial objectives we laid out in March this year through our five-year plan 'GH25'. Our core income is up 33% to £17.8 million from £13.4 million in the same period last year. Adjusted operating profit grew 15% to £5.2 million from £4.5 million in the first half of 2019. This performance is particularly noteworthy given the significant level of ongoing investment in the key areas of growth in the business – our people and our ESG offering – particularly in Housing, New Energy, Sustainable Infrastructure and Forestry. The net comprehensive loss for the period was £2.2 million (H1 2019: £0.7 million), which reflected the deduction of exceptional costs relating to acquisitions, the fair value movements of balance sheet investments and contingent consideration and tax.

**Shareholders**

Our successful £8.0 million equity fundraising in March demonstrated the commitment and support from our existing and new institutional shareholders, enabling us to enhance our balance sheet and proceed with identified strategic growth opportunities as we entered into the COVID-19 enforced lockdown. There is a focus on generating attractive returns from our own equity within the Group and this scrutiny will continue to be applied when looking at accelerating growth within existing product areas and potential acquisitions.

**Outlook**

Gresham House has developed substantially under our management team and it has created significant shareholder value. The ambitions are long-term and we remain well positioned to grow sustainably in all areas of the business in the second half of the year, as we target the delivery of our objectives within 'GH25' and focus on generating shareholder value over the next five years.

Although there is continued market uncertainty, the quality of the individuals and the dynamic culture that exists within the business are evident. The nature of our product areas and the increasing demand for alternative assets with sustainability characteristics give us confidence in the opportunities to fundraise across the business. Whilst we may be at an inflection point in the market cycle catalysed by COVID-19, we believe that we will be able to continue to deliver superior performance for our clients.

**Anthony Townsend**
**Chairman**
17 September 2020

## 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

## GHE plc

- Awarded London Stock Exchange Green Economy Mark
- Achieved top scores (A+ and A) in PRI assessment
- Published our first Diversity & Inclusion policy
- Committed to the #100blackinterns initiative

Signatory of: PRI Principles for Responsible Investment

#100BLACK INTERNS

## Forestry

- Planted 8.4 million trees in 2020, equivalent to an area covering over 4,600 football pitches*
- Our existing forestry captured the equivalent $CO_2$ generated by 270,000 people in the UK (roughly the population of Newcastle) annually**
- All timber harvested from our UK managed forests in the previous six months was Forest Stewardship Council (FSC) certified

** Based on 1,100 trees per hectare for broadleaves, 2,700 per hectare for conifer*

*** Existing forestry is captured in the UK national account, so no direct offsetting claims can be made*

## New Energy & Sustainable Infrastructure

- Largest battery storage fund / operator in the UK
- An acre of land at our first vertical farm investment will produce the same yield as 250 acres of field-grown crops
- Invested in WasteKnot Energy, which diverts waste from landfill and produces pellets that can replace coal
- Solar and wind projects generated enough energy to power over 117,000 homes in the last year

## Housing

- Delivered 166 new shared ownership homes this year, with a total shared ownership portfolio of 205 homes
- Our housing fund provides 2,224 retirement homes and 289 homes to local authorities, housing people who are otherwise homeless

## Strategic Equity

- In 2019, we voted 94% for management recommendations, 6% against, and had 0% abstentions
- Developed a formal engagement and voting policy which will be published on our website

## Key milestones

**Sustainable Investing Committee established**
In the past year, we codified our approach with the establishment of a Sustainable Investing Committee, which comprises senior representatives from across the company and ensures delivery against the Sustainable Investing Policies that are embedded for each investment strategy and across each stage of the investment lifecycle.

**Director, Sustainable Investment appointed**
We announced the appointment of Rebecca Craddock-Taylor as Director of Sustainable Investment. Rebecca will lead the further development and integration of our existing sustainable investment policies across both the Real Assets and Strategic Equity divisions, alongside data capture to quantify the environmental and social benefits of our investment approach.

**Green Economy Mark awarded**
We are pleased that our commitment to embedding ESG and sustainable investing across the Group has been recognised by the London Stock Exchange, which awarded us the coveted Green Economy Mark in July. The Green Economy Mark is only awarded to listed companies that derive more than 50% of their annual revenues from products and services that help towards building a green economy and a more sustainable future.

**Top PRI scores received**
We were very proud to receive our first PRI (Principles for Responsible Investment) scores, and to be awarded the highest rating possible, A+ for Strategy and Governance, a reflection of the robust and transparent approach that we have taken to sustainable investment. Our investment strategies were awarded A+ in Infrastructure and A in Public Equity and Private Equity (our Housing and Forestry strategies were not assessed this year).

Placing sustainability at the core of all our investment strategies ensured that we scored well above the investment industry median.

Chief Executive's Report

# Driving shareholder value through sustainable investment

**Tony Dalwood**
**Chief Executive**

The first half of 2020 will be remembered for the unprecedented challenges we have all faced, catalysed by global lockdowns on economies and the resulting changes in working practices and lifestyles. Strong actions by governments have softened some of the macroeconomic impacts, however, the microeconomic issues will increasingly become apparent over the next couple of years. It is therefore important to recognise the capabilities of all the Gresham House employees who have adapted so well to the challenging environment in order to continue to focus on the shareholder goals which are firmly embedded in our team's DNA.

Technology has allowed the Group to continue functioning and communicating to a high level, although it has been necessary to alter regular routines. Importantly, we encouraged people to "over-communicate" with their colleagues and clients to make sure nothing was taken for granted. We introduced a daily management committee briefing each morning, and a new Heads of Departments weekly forum, as well as a weekly Group video call to remind everyone that whilst working from home, that they are part of a larger family, with clear goals both short and long term. I am immensely proud of everyone within Gresham House for adapting so well to keep the business moving forward.

Over the past six months, we have continued to build on our platform with both organic and acquisition-based growth; embedding sustainability, investing in talented people, broadening our client base and thereby continuing to generate long-term shareholder value. We have achieved all this despite the exceptionally difficult market conditions caused by the COVID-19 pandemic. It is particularly pleasing to report overall AUM growth of 17% in this period, demonstrating the strength of our investment strategies, with strong fundraising success and good relative performance across both our Real Assets and Strategic Equity divisions. As a result, we have made a strong start against the strategic priorities of our growth plan 'GH25' outlined in March this year, where we aim to create substantial shareholder value over the next five years through a combination of strategic and financial goals.

**COVID-19**

For our staff, protecting their safety and wellbeing has been our priority during this period and their commitment has ensured that we were able to maintain business as usual whilst seamlessly transitioning to working from home. The investments made in the prior year in our people, systems, business continuity planning and infrastructure have ensured that we have stayed agile and nimble for our clients and I'm delighted that we have been in a position to continue to recruit new talent to support our growth ambitions.

In keeping with our culture and values and our desire to support communities in need, I am pleased that the Company, Management Committee and Directors donated £100,000 in aggregate to the Trussell Trust and NHS Charities Together. In addition, we set up a Give As You Earn Scheme for all employees and the Company will match the donations made.

**We have continued to build on our platform with both organic and acquisition-based growth; embedding sustainability, investing in talented people, broadening our client base and thereby continuing to generate long-term shareholder value**

**AUM**
(as at 30 June 2020)

£3.3bn
+17%

**Core Revenue**
(for the six months to 30 June 2020)

£17.8m
+33%

**Adjusted operating profit**
(for the six months to 30 June 2020)

£5.2m
+15%

We entered this unprecedented period from a position of strength, and cognisant of the challenges presented by market volatility and restrictions in many areas that we operate in. We were able to establish and position a number of identified growth areas across the platforms for further scale, supported by the resilience of the asset classes themselves, the majority of which are less correlated to general market movements. Prudent cash management has also helped us maintain a strong balance sheet position with cash of £22 million and no debt, which positions us well to deliver future growth.

Our performance in the first half of the year has been testament to the resilience and quality of the team working in challenging conditions and we look forward to building on this in the second half of 2020 and beyond.

**Sustainability**
Our asset management platforms, such as forestry and renewables, naturally lend themselves to the increasing focus among governments and investors on sustainability goals. We have placed sustainability at the core of all our investment strategies and our commitment to Environmental, Social and Governance (ESG) principles is central to growing the business. In the past year, we codified our approach with the establishment of a Sustainable Investing Committee, which comprises senior representatives from across the company and ensures delivery against the Sustainable Investing Policies that are embedded for each investment strategy and across each stage of the investment lifecycle.

We have continued to make further progress over the past six months by hosting our first webinar on our approach to sustainable investing, providing examples of the application to real assets including forestry, housing, new energy and sustainable infrastructure. We also announced the appointment of Rebecca Craddock-Taylor as Director of Sustainable Investment, who will lead the further development and integration of our existing sustainable investment policies across both the Real Assets and Strategic Equity divisions, alongside data capture to quantify the social benefits from our investment approach.

Our sustainable investment credentials have been recognised with a top score rating under the PRI (Principles for Responsible Investing) assessment report for 2020, the Company's first assessment since becoming a PRI signatory in 2018. We achieved the highest rating possible, A+ for our Strategy and Governance and, for the investment strategies covered by the scheme, an A+ for Infrastructure and As in both Public and Private Equity. This underlines the focus that we place on Environmental, Social and Governance (ESG) criteria across the whole business and reflects the robust and transparent approach that we have adopted.

We were also pleased that our commitment to embedding ESG and sustainable investing across the Group has been recognised by the London Stock Exchange, which awarded us the coveted Green Economy Mark in July. The Green Economy Mark is only awarded to listed companies that derive more than 50% of their annual revenues from products and services that help towards building a green economy and a more sustainable future.

**Progress on 2020 priorities**
We have made good progress against our 2020 priorities in the first half of this year, despite the exceptionally difficult market conditions. We have delivered AUM growth of 17%, with core income rising 33% and adjusted operating profit up by 15%.

Organic growth has been driven by strong fundraising success with a growing client base across Institutional, Wholesale and Family Office investors, demonstrating the attractive nature of our market-leading growth opportunities, and the continued increase in asset allocation to alternative investments.

In our Real Assets division, we raised £31 million of equity for Gresham House Energy Storage Fund plc (GRID) in March 2020. We continue to develop battery storage projects to scale GRID and are in advanced stages with two projects expected to be operational in the coming months. We achieved the successful final close in our Housing and Infrastructure Strategy, the British Strategic Investment Fund strategy (BSIF), hitting the target of £300 million, with £100 million raised in the period from three new Local Government Pension Scheme (LGPS) clients. We continue to invest these funds in sustainable housing and infrastructure projects and look forward to launching BSIF 2 in 2021. We were pleased that Peter Bachmann joined as a senior fund manager in our sustainable infrastructure unit, as we continue to add capability and resources to this growing area.

As a result of the TradeRisks acquisition, we announced the launch of a new Limited Partnership, Gresham House Residential Secure Income LP, targeting the shared ownership housing market and aiming to unlock a new supply of more affordable homes across the UK and to encourage first time buyers onto the housing ladder. Meanwhile in Forestry, we commenced fundraising for the Gresham House Forest Fund I LP, which is targeting a close in the second half of the year with a strong pipeline of assets ready to acquire. We have continued to acquire forests for existing and new clients, and the pricing remains robust as the asset class becomes increasingly of interest to institutional investors. As previously indicated, and following our initial move into Irish Forestry, we are increasing resources with the appointment of David Gardner, to build our international presence, including related asset classes in carbon credits in jurisdictions such as New Zealand.

Despite market volatility, the Strategic Equity division has seen positive net inflows, including into our open-ended funds, the LF Gresham House UK Micro Cap and LF Gresham House UK Multi Cap Income funds, alongside winning the Strategic Public Equity mandate for Strategic Equity Capital plc (SEC). The Strategic Public Equity approach of using private equity techniques to invest in public companies is a growing area of the smaller company market, and Gresham House has a successful 20-year track record alongside significant resources to continue expanding the opportunity for more investors to benefit from the long-term superior performance record of this strategy. The LF Gresham House UK Multi Cap Income Fund marked its three-year anniversary on 30 June 2020. It is the best performing fund in the IA UK Equity Income sector since launch. In Private Equity, the Baronsmead VCTs raised a further £22 million in the first half of 2020 and we are planning to commence further fundraising in the second half of the year. The original intention shared by us and Aberdeen Standard Investments (ASI), as announced in March 2019, for the formation of a joint venture relationship is no longer viewed as practicable based on a current regulatory/financial cost benefit analysis. GHAM will now enter into a distribution and marketing agreement with ASI, pursuant to which ASI will, amongst other things, provide certain marketing services for SEC plc, a fund managed by GHAM.

Having focused on organic growth and integration synergies in 2019, we resumed our acquisition-based growth, with the purchase in March 2020 of TradeRisks Limited, a housing fund management business and specialist provider of debt advisory services to the housing and social infrastructure sectors. Residential Capital Management Limited, a subsidiary of TradeRisks Limited, is the manager of Residential Secure Income plc (ReSI), a listed Investment Trust seeking to deliver secure income returns to its shareholders by investing in portfolios of shared ownership, retirement and Local Authority housing which as at 31 December 2019 had gross AUM of £321 million (including committed acquisitions). I am delighted to welcome Alex Pilato, Ben Fry and Antoine Pesenti to the Gresham House family, who together considerably enhance our ability to scale our Housing strategy and we look forward to benefitting from the expertise of their highly experienced team. We remain on track with the integration process and delivering on the targeted synergies.

**Delivering value to shareholders**
In March, we outlined our 'GH25' strategy that aims to achieve both strategic and financial goals in order to double shareholder value over the next five years. With sustainability and governance at the heart of our goal to generate long-term shareholder value, we aim to:

- grow AUM to over £6 billion;
- increase operating margins to greater than 40%; and
- maintain target Returns on Invested Capital of 15% or above.

Our broader strategic goals include becoming a recognised leader in sustainable investing, ensuring that our funds maintain superior returns compared to the market, building market share in niche investment product areas, developing the business internationally and generating further goodwill for the Gresham House brand. Our goals are well aligned with those of our shareholders, with senior management owning 8% of shares in the Company.

The continued positive momentum in AUM growth in the first half of the year has ensured that we have made good progress against our targets, maintaining our positive growth trajectory. Our robust balance sheet and the strong cash and net liquid asset positions have also provided us with the strength and flexibility to pursue our growth ambitions. The strong fundraising success across multiple areas in both our Real Assets and Strategic Equity divisions, has enabled us to achieve scale and to establish significant market share in critical areas of sustainable investment opportunities such as housing, infrastructure, renewable energy and forestry, which are all important building blocks of a green economy.

**People**
Our greatest asset has always been our people and I am very proud of the quality of our team, who have continued to work diligently and to deliver on our objectives for the year, ensuring that we have remained fully operational during these times. We have continued to build our talented team with a number of strategic hires, who will help us to expand in their relevant areas. In addition to the appointment of Rebecca Craddock-Taylor (Sustainable Investment Director), the senior appointments to the Forestry, Housing and New Energy and Sustainable Infrastructure teams of David Gardner (Investment Director of Forestry) focusing on international expansion, Peter Bachmann (Senior Infrastructure Investor) in sustainable infrastructure and Andrew Stirling (Head of Treasury Solutions), have maintained our commitment to investing in our people.

We are also aware of our responsibilities around diversity and inclusion and amongst various initiatives we are proud to have signed up to the #100blackinterns initiative and look forward to welcoming our first intern through this scheme next summer. More detail can be found in our diversity and inclusion policy, available on our website: greshamhouse.com/diversity-and-inclusion.

**Outlook**
Despite clear macro and socio-economic challenges, the opportunities for growth from alternative asset allocation, underpinned by significant demand for sustainable investments, place Gresham House in a position of strength.

We have achieved a strong first half performance despite exceptionally challenging external conditions, and this has provided us with a solid foundation from which to deliver on our objectives in the second half of the year and beyond. The talent and strength of our team have underpinned outperformance in a number of our funds including the LF Gresham House UK Micro Cap, LF Gresham House UK Multi Cap Income and Gresham House Strategic plc (GHS) funds.

During the second half of the year we will continue, and anticipate commencing new fundraisings, in a number of areas including Forestry, Housing, New Energy and Sustainable Infrastructure and focusing on a number of distribution channels for our Public Equity funds.

The speed and strength of the UK economy's recovery remains contingent upon various factors, including the extent of any second wave of the COVID-19 pandemic, levels of unemployment, Brexit trade negotiations and the scale of the recession. We expect challenging times in the real economy but the long term and resilient nature of our asset classes lead us to remain cautiously optimistic that our growing client base will continue to view our investment solutions favourably throughout these turbulent times and beyond.

**Tony Dalwood**
**Chief Executive**
17 September 2020

**The long term and resilient nature of our asset classes lead us to remain cautiously optimistic that our growing client base will continue to view our investment solutions favourably throughout these turbulent times and beyond**

# Building on a strong balance sheet

**Kevin Acton**
**Chief Financial Officer**

In the first half of 2020 we witnessed the unprecedented impact of the COVID-19 pandemic across the world. This has provided one of the most challenging environments for businesses to operate in and Gresham House approached this period from a position of balance sheet strength and stability. We were able to continue to execute our strategy with the acquisition of TradeRisks alongside further organic growth in AUM in the first half of 2020.

Gresham House has seen core income grow in the period by 33% to £17.8 million compared to £13.4 million in the first half of 2019. This has driven the adjusted operating profits of the Group up by 15% to £5.2 million (H1 2019: £4.5 million). After the deduction of the amortisation and depreciation, exceptional items, acquisition related share-based payment charges, net losses on investments and other fair value movements and tax, the total comprehensive net loss was £2.2 million for the period (H1 2019: £0.8 million).

**COVID-19**

We entered the COVID-19 pandemic with a strong balance sheet and as at 30 June 2020 had cash of £21.9 million. The pressure placed on many businesses forced a focus on cash and receivables. The nature of our asset management business and the quality of our clients remained strong, with core income continuing to grow in the period.

A clear focus on discretionary spend, alongside maintaining investment in the critical growth areas of the business, has meant that we have remained focussed on executing our growth strategy during the period. We have therefore not utilised the government's COVID-19 support initiatives of the furlough scheme or the Coronavirus Business Interruption Loan Scheme.

**Assets Under Management**

AUM grew by 17% in the first six months of the year to £3.3 billion (2019: £2.8 billion), despite the COVID-19 pandemic. In line with our strategy this was achieved through both organic growth (10%) and acquisition growth (7%).

| £ millions | AUM December 2019 | Net Fund Flows[1] | Performance | Funds Acquired/ Won[2] | AUM June 2020 | Total Growth % |
|---|---|---|---|---|---|---|
| **Strategic Equity** | | | | | | |
| Public Equity | 283.7 | 59.0 | (26.3) | 147.6 | 464.0 | 63.6% |
| Private Equity | 424.5 | 20.6 | (38.0) | (55.2) | 351.9 | (17.1)% |
| **Subtotal** | **708.2** | **79.6** | **(64.3)** | **92.4** | **815.9** | **15.2%** |
| **Real Assets** | | | | | | |
| Forestry | 1,333.3 | (8.5) | 72.1 | – | 1,396.9 | 4.8% |
| New Energy and Sustainable Infrastructure | 672.8 | 97.2 | (17.9) | – | 752.1 | 11.8% |
| Housing | 82.5 | 34.0 | (1.2) | 184.0 | 299.3 | 262.8% |
| **Subtotal** | **2,088.6** | **122.7** | **53.0** | **184.0** | **2,448.3** | **17.2%** |
| **Total AUM** | **2,796.8** | **202.3** | **(11.3)** | **276.4** | **3,264.2** | **16.7%** |

1. Including funds raised, redemptions and distributions.
2. The LMS Capital plc contract was terminated in January 2020 with a NAV of £55.2 million and is included in Funds Acquired/Won.

The Real Assets division grew by £359 million with a successful £100 million fundraising for the British Strategic Investment Fund (£34 million Housing and £66 million Infrastructure) and £31 million for Gresham House Energy Storage plc (GRID), as well as the acquisition of the Residential Secured Income Fund plc management contract of £184 million as part of the TradeRisks transaction. Following the acquisition of TradeRisks we now separately report the Housing division from the New Energy and Sustainable Infrastructure division. We also saw strong performance in the Forestry division with £72 million of growth in the period.

The Strategic Equity division was more impacted by the COVID-19 pandemic. However, it achieved continued growth in AUM of £108 million in the period. Net fund inflows of £80 million and the winning of the £148 million Strategic Equity Capital mandate more than offset the market-driven performance reductions.

**Adjusted Operating Profit**

The adjusted operating profit for the Group grew in the first half of 2020 by 15% to £5.2 million (H1 2019: £4.5 million). We use the non-GAAP measure of adjusted operating profit as a key performance indicator for Gresham House as an alternative asset manager and have separated out net performance fees and net gains on investments. As set out in the 2019 Annual Report, the adjusted operating profit is defined as the net trading profit of the Group before deducting amortisation, depreciation and exceptional items relating to acquisition and restructuring costs and share-based payments relating to acquisitions.

| | **Six months to 30 June 2020 £'000** | Six months to 30 June 2019 £'000 |
|---|---|---|
| Total core income | **17,803** | 13,358 |
| Administration overheads (excluding amortisation, depreciation, exceptional items and acquisition related share-based payments) | **(12,561)** | (8,518) |
| Finance costs | **(5)** | (305) |
| **Adjusted operating profit** | **5,237** | 4,535 |
| **Adjusted operating margin** | **29.4%** | 33.9% |
| Performance fees (gross) | **–** | 1,944 |
| Variable compensation attributable to performance fees | **–** | (1,744) |
| Performance fees net of costs | **–** | 200 |
| **Adjusted operating profit including performance fees** | **5,237** | 4,735 |
| Amortisation and depreciation | **(4,482)** | (4,350) |
| Acquisition related share-based payments charges | **(296)** | (296) |
| Exceptional items | **(1,170)** | (757) |
| Net losses on investments and other fair value movements | **(898)** | (133) |
| Tax | **(623)** | 144 |
| Operating loss after tax | **(2,232)** | (657) |
| Loss from discontinued operations | **(6)** | (2) |
| **Total comprehensive net income** | **(2,238)** | (659) |

**Income**

Core income in the period increased by 33% to £17.8 million (H1 2019: £13.4 million). This increase reflects the organic growth in AUM across the business alongside four months of revenues from the TradeRisks business since acquisition and the winning of the SEC management contract in May 2020. The Strategic Equity division was impacted by the volatility in the equity markets since March 2020, however this was offset by net fund inflows and new mandates won in the period. Markets have improved since the end of the period and we continue to see net inflows into our Strategic Equity Funds, however, volatility remains.

The long-term nature of the Group's Real Asset management contracts highlight the stable revenue streams for the business with over £1.0 billion of AUM in Limited Partnership management contracts with a weighted average contract length of 15 years. The underlying assets within these funds are forests, infrastructure and renewable energy, which have been relatively less impacted by recent market volatility. This asset base continues to provide a stable platform to grow the business from.

**Administration Expenses**

Administration expenses, (excluding amortisation, depreciation, share-based payments relating to acquisitions and exceptional items) have increased to £12.6 million (H1 2019: £8.5 million) in the period. We continue to manage costs diligently while ensuring that we invest in critical areas of the business. This includes a focused investment in our distribution and investment teams as a key driver of growth, as well as in critical support functions such as compliance and legal.

The small increase in depreciation and amortisation to £4.5 million (H1 2019: £4.4 million) is primarily driven by the amortisation of the management contract acquired as part of the TradeRisks acquisition.

Exceptional items in the first half of the year of £1.2 million (2019: £0.8 million) represent the acquisition costs and restructuring costs of combining the TradeRisks business. These are considered one-off costs and have therefore been classified as exceptional in the period.

**Gains and Losses on Investments**

Gains and losses on investments in the period of £0.9 million reflect the recognition of the Group's investments in associates as well as the fair value movements of contingent consideration relating to previous acquisitions. The treatment of GHS as an associate requires the Group to recognise its share of profits or losses in the period last reported by GHS. GHS announced its annual results for the period to 31 March 2020. However, given the impact of COVID-19 in the intervening period, the Board has reviewed this accounting treatment and have adjusted for GHS's Net Asset Value as at 30 June 2020 which shows the Group's share of losses over the period was £127,000 (H1 2019: £37,000 profit).

Contingent consideration payable to the sellers of acquired businesses is fair valued each period end, with the movement reflecting assessments of the expected final payment as well as the discount over time. The fair value movement in the period of £0.7 million was primarily driven by the unwind of the discount (H1 2019: £0.5 million). I am pleased to announce that the investment in FIM Services Limited reached the end of its earnout period and exceeded the original acquisition targeted income.

**Financial Position**

The balance sheet remains strong with cash at the end of the period at £21.9 million, up from £19.4 million at the beginning of the year. The business continues to generate cash from operations alongside the issuance of £8.0 million of shares in March 2020 and gross cash received of £2.4 million on the sale of the Devco Project (battery storage) to GRID, which was announced in December 2019. This activity underlines the Group's ability to generate cash to grow the business.

This cash has been used to acquire the TradeRisks business (£3.5 million) and make further investments in the development of battery storage through Devco Projects to support the pipeline for GRID.

The Devco Projects are included in the statement of financial position as assets and liabilities of a disposal group held for sale. These vehicles are consolidated under IFRS and the increase in assets and the associated liabilities reflects the investment in batteries, which has been funded by loans with GRID.

**Outlook**

The continued growth in AUM through the turbulent first half of 2020 means the Group is well placed for the second half of 2020 and beyond. We continue to raise funds in ESG attractive asset classes such as forestry, infrastructure, housing and renewable energy and are cautiously optimistic of continued progress during the remainder of 2020.

**Kevin Acton**
**Chief Financial Officer**
17 September 2020

**We operate in markets with stable revenue streams and have over £1.0 billion of AUM in Limited Partnership management contracts with a weighted average contract length of 15 years**

# Unaudited Condensed Group Statement of Comprehensive Income

| | Notes | **Six months ended 30 June 2020 (unaudited) £'000** | Six months ended 30 June 2019 (unaudited) £'000 | Year ended 31 December 2019 (audited) £'000 |
|---|---|---|---|---|
| **Income** | | | | |
| Asset management income | | **17,583** | 13,270 | 31,226 |
| Dividend and interest income | | **200** | 74 | 278 |
| Other operating income | | **20** | 14 | 79 |
| Performance fees and carried interest | | **–** | 1,944 | 1,944 |
| **Total income** | 5 | **17,803** | 15,302 | 33,527 |
| **Operating costs** | | | | |
| Administrative overheads | | **(17,339)** | (14,908) | (34,130) |
| **Net operating profit/(loss) before exceptional items** | | **464** | 394 | (603) |
| Finance costs | | **(5)** | (305) | (390) |
| Exceptional items | 7 | **(1,170)** | (757) | (1,063) |
| **Net operating loss after exceptional items** | | **(711)** | (668) | (2,056) |
| **Gains and losses on investments** | | | | |
| Share of associates' (losses)/profits | | **(177)** | 142 | 246 |
| Gains and losses on investments held at fair value | | **(64)** | 274 | 3,048 |
| Movement in fair value of contingent consideration | | **(657)** | (549) | (2,065) |
| **Operating loss before taxation** | | **(1,609)** | (801) | (827) |
| Taxation | | **(623)** | 144 | (23) |
| **Operating loss from continuing operations** | | **(2,232)** | (657) | (850) |
| (Loss)/profit from discontinued operations | | **(6)** | (2) | 55 |
| **Total comprehensive income** | | **(2,238)** | (659) | (795) |
| Attributable to: | | | | |
| Equity holders of the parent | | **(2,237)** | (664) | (850) |
| Non-controlling interest | | **(1)** | 5 | 55 |
| | | **(2,238)** | (659) | (795) |
| **Basic and diluted loss per ordinary share (pence)** | 8 | **(7.7)** | (2.6) | (3.2) |
| **Basic adjusted profit per ordinary share (pence)** | 8 | **18.0** | 18.1 | 38.9 |
| **Diluted adjusted profit per ordinary share (pence)** | 8 | **16.2** | 16.6 | 34.3 |

# Unaudited Condensed Group Statements of Changes In Equity

## Six months ended 30 June 2020 (unaudited)

| | Ordinary share capital £'000 | Share premium £'000 | Retained reserves £'000 | **Equity attributable to equity shareholders £'000** | Non-controlling interest £'000 | **Total equity £'000** |
|---|---|---|---|---|---|---|
| Balance at 31 December 2019 | 6,956 | 69,242 | 14,039 | **90,237** | 582 | **90,819** |
| **Loss and total comprehensive income for the period** | – | – | (2,237) | **(2,237)** | (1) | **(2,238)** |
| **Contributions by and distributions to owners** | | | | | | |
| Share-based payments | – | – | (1,755) | **(1,755)** | – | **(1,755)** |
| Issue of shares | 547 | 10,800 | – | **11,347** | – | **11,347** |
| Dividends paid | – | – | (1,351) | **(1,351)** | – | **(1,351)** |
| **Total contributions by and distributions to owners** | 547 | 10,800 | (3,106) | **8,241** | – | **8,241** |
| Balance at 30 June 2020 | 7,503 | 80,042 | 8,696 | **96,241** | 581 | **96,822** |

## Six months ended 30 June 2019 (unaudited)

| | Ordinary share capital £'000 | Share premium £'000 | Share warrant reserve £'000 | Retained reserves £'000 | **Equity attributable to equity shareholders £'000** | Non-controlling interest £'000 | **Total equity £'000** |
|---|---|---|---|---|---|---|---|
| Balance at 31 December 2018 | 6,218 | 57,901 | 58 | 15,036 | **79,213** | 527 | **79,740** |
| Adjustments for changes in accounting policy for IFRS16 Leases | – | – | – | 6 | **6** | – | **6** |
| Balance at 31 December 2018 after adjustment | 6,218 | 57,901 | 58 | 15,042 | **79,219** | 527 | **79,746** |
| **Loss and total comprehensive income for the period** | – | – | – | (664) | **(664)** | 5 | **(659)** |
| **Contributions by and distributions to owners** | | | | | | | |
| Share-based payments | – | – | – | 756 | **756** | – | **756** |
| Issue of shares | 592 | 9,500 | (57) | – | **10,035** | – | **10,035** |
| Dividends paid | – | – | – | (795) | **(795)** | – | **(795)** |
| **Total contributions by and distributions to owners** | 592 | 9,500 | (57) | (39) | **9,996** | – | **9,996** |
| Balance at 30 June 2019 | 6,810 | 67,401 | 1 | 14,339 | **88,511** | 532 | **89,083** |

## Year ended 31 December 2019 (audited)

| | Ordinary share capital £'000 | Share premium £'000 | Share warrant reserve £'000 | Retained reserves £'000 | **Equity attributable to equity shareholders £'000** | Non-controlling interest £'000 | **Total equity £'000** |
|---|---|---|---|---|---|---|---|
| Balance at 31 December 2018 | 6,218 | 57,901 | 58 | 15,036 | **79,213** | 527 | **79,740** |
| Adjustments for changes in accounting policy for IFRS16 Leases | – | – | – | 6 | **6** | – | **6** |
| Balance at 31 December 2018 after adjustment | 6,218 | 57,901 | 58 | 15,042 | **79,219** | 527 | **79,746** |
| **Loss and total comprehensive income for the year** | – | – | – | (850) | **(850)** | 55 | **(795)** |
| **Contributions by and distributions to owners** | | | | | | | |
| Share-based payments | 8 | 189 | – | 642 | **839** | – | **839** |
| Issue of shares | 730 | 11,152 | (58) | – | **11,824** | – | **11,824** |
| Dividends paid | – | – | – | (795) | **(795)** | – | **(795)** |
| **Total contributions by and distributions to owners** | 738 | 11,341 | (58) | (153) | **11,868** | – | **11,868** |
| Balance at 31 December 2019 | 6,956 | 69,242 | – | 14,039 | **90,237** | 582 | **90,819** |

# Unaudited Condensed Group Statement of Financial Position

| | Notes | 30 June 2020 (unaudited) £'000 | 30 June 2019 (unaudited) £'000 | 31 December 2019 (audited) £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Investments – securities | 10 | **9,872** | 7,791 | 9,621 |
| Tangible fixed assets | | **743** | 1,132 | 813 |
| Investment in associates | | **9,009** | 10,340 | 9,186 |
| Intangible assets | | **63,779** | 62,157 | 58,545 |
| **Total non-current assets** | | **83,403** | 81,420 | 78,165 |
| **Current assets** | | | | |
| Trade and other receivables | | **6,092** | 7,405 | 5,334 |
| Accrued income and prepaid expenses | | **6,196** | 2,202 | 7,200 |
| Other current assets | | **1,071** | 3,192 | 1,420 |
| Deferred tax | | **613** | – | 613 |
| Cash and cash equivalents | | **21,864** | 15,826 | 19,432 |
| **Non-current assets held for sale** | | | | |
| Assets of a disposal group held for sale | | **35,407** | – | 12,188 |
| **Total current & non-current assets held for sale** | | **71,243** | 28,625 | 46,187 |
| **Total assets** | | **154,646** | 110,045 | 124,352 |
| **Current liabilities** | | | | |
| Trade and other payables | | **19,618** | 6,059 | 15,210 |
| Short-term borrowings | | **–** | 2,000 | – |
| **Liabilities of a disposal group held for sale** | | | | |
| Liabilities of a disposal group held for sale | | **31,255** | – | 9,718 |
| | | **50,873** | 8,059 | 24,928 |
| **Total assets less current liabilities** | | **103,773** | 101,986 | 99,424 |
| **Non-current liabilities** | | | | |
| Deferred taxation | | **3,037** | 2,800 | 2,632 |
| Long-term borrowings | | **–** | 947 | – |
| Other creditors | | **3,914** | 9,156 | 5,973 |
| | | **6,951** | 12,903 | 8,605 |
| **Net assets** | | **96,822** | 89,083 | 90,819 |
| **Capital and reserves** | | | | |
| Ordinary share capital | 11 | **7,503** | 6,810 | 6,956 |
| Share premium | | **80,042** | 67,401 | 69,242 |
| Share warrant reserve | | **–** | 1 | – |
| Retained reserves | | **8,696** | 14,339 | 14,039 |
| **Equity attributable to equity shareholders** | | **96,241** | 88,551 | 90,237 |
| **Non-controlling interest** | | **581** | 532 | 582 |
| **Total equity** | | **96,822** | 89,083 | 90,819 |
| **Basic net asset value per ordinary share (pence)** | 13 | **320.7** | 325.1 | 324.3 |
| **Diluted net asset value per ordinary share (pence)** | 13 | **288.9** | 299.7 | 288.2 |

# Unaudited Condensed Group Statement of Cash Flows

| | Notes | **Six months ended 30 June 2020 (unaudited) £'000** | Six months ended 30 June 2019 (unaudited) £'000 | Year ended 31 December 2019 (audited) £'000 |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| Net cash generated from operations | 14 | **6,225** | 2,362 | 9,646 |
| Corporation tax paid | | **(98)** | (171) | (178) |
| Interest paid on loans | | **(5)** | (222) | (265) |
| Net cash flow from operating activities | | **6,122** | 1,969 | 9,203 |
| **Cash flow from investing activities** | | | | |
| Acquisition of TradeRisks Limited | | **(8,045)** | – | – |
| Investment in associates | | **–** | – | (65) |
| Dividends received from associates | | **82** | – | 118 |
| Purchase of investments | | **(269)** | (2,260) | (2,149) |
| Sale of investments | | **187** | 27 | 319 |
| Deferred proceeds received on sale of investment properties | | **–** | 1,033 | 1,033 |
| Investment in DevCo projects | | **(2,021)** | – | (1,510) |
| DevCo loans repaid | | **1,096** | – | – |
| Proceeds received on sale of DevCo projects | | **2,334** | – | – |
| Purchase of fixed assets | | **(103)** | (139) | (269) |
| Sale of fixed assets | | **–** | 12 | 40 |
| Purchase of intangible assets | | **(286)** | (158) | (302) |
| | | **(7,025)** | (1,485) | (2,785) |
| **Cash flow from financing activities** | | | | |
| Repayment of loans | | **–** | (7,000) | (10,000) |
| Share issue proceeds | | **8,010** | 6,496 | 6,495 |
| Share issue costs | | **(347)** | (8) | (8) |
| Share warrants exercised | | **182** | 3,069 | 4,859 |
| Share-based payments settled | | **(2,860)** | – | (833) |
| Dividends paid | | **(1,351)** | (795) | (795) |
| Lease payments under IFRS16 | | **(299)** | (378) | (662) |
| | | **3,335** | 1,384 | (944) |
| **Increase in cash and cash equivalents** | | **2,432** | 1,868 | 5,474 |
| Cash and cash equivalents at start of period | | **19,432** | 13,958 | 13,958 |
| Cash and cash equivalents at end of period | | **21,864** | 15,826 | 19,432 |

# Notes to the Accounts

## 1 REPORTING ENTITY

Gresham House plc (the Company) is a public limited company limited by shares incorporated in the United Kingdom under the Companies Act and registered in England. The unaudited condensed group interim financial statements of the Company as at and for the six months ended 30 June 2020 comprise the Company and its subsidiary undertakings (together referred to as the Group). All intra-group transactions, balances, income and expenses are eliminated on consolidation.

## 2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial information presented in these interim results has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted by the European Union. The principal accounting policies adopted in the preparation of the financial information in these interim results are primarily unchanged from those used in the Company's financial statements for the year ended 31 December 2019 and are consistent with those that the Company expects to apply in its financial statements for the year ended 31 December 2020.

The financial information for the year ended 31 December 2019 presented in this Interim Report does not constitute the Company's statutory accounts for that period but has been derived from them. The Report and Accounts for the year ended 31 December 2019 were audited and have been filed with the Registrar of Companies. The Independent Auditor's Report on the Report and Accounts for the year ended 31 December 2019 was unqualified and did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006. The financial information for the periods ended 30 June 2019 and 30 June 2020 are unaudited and have not been reviewed by the Company's auditors.

## 3 ESTIMATES AND MANAGEMENT JUDGEMENTS

The preparation of the unaudited condensed group interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unaudited condensed group interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the group financial statements as at and for the year ended 31 December 2019.

The only change has been the recognition of the significant events of COVID-19 on the treatment of Gresham House Strategic plc (GHS) as an Associate. The Group recognises its share of profits and losses in GHS using the latest available annual report (year to 31 March) or interim results (period to 30 September). The Board has considered the significant impact of COVID-19 and in this instance have used the Group's share of GHS's profits and losses based on its publicly announced Net Asset Value as at 30 June 2020. The Group's share of this loss is £127,000 for the nine month period to 30 June 2020. The 31 March 2020 share of losses is considered not reflective of the position of GHS as at 30 June 2020 and as a significant event has taken place the Board have concluded to adjust for this interim period. This is not a change of accounting policy but has been adjusted to provide the reader of the accounts with greater clarity.

## 4 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policy are consistent with those disclosed in the group financial statements as at and for the year ended 31 December 2019.

## 5 INCOME

| | **Six months ended 30 June 2020 £'000** | Six months ended 30 June 2019 £'000 | Year ended 31 December 2019 £'000 |
|---|---|---|---|
| **Asset management income** | | | |
| Asset management income | **17,583** | 13,270 | 31,226 |
| | **17,583** | 13,270 | 31,226 |
| **Income from investments** | | | |
| Dividend income – Listed UK | **138** | 47 | 166 |
| Interest receivable – Banks | **51** | 15 | 52 |
| – Other | **11** | 12 | 60 |
| | **200** | 74 | 278 |
| **Other operating income** | | | |
| Arrangement fees | **–** | – | 13 |
| Consultancy fees receivable | **–** | 5 | 5 |
| Other fees receivable | **20** | 9 | 61 |
| | **20** | 14 | 79 |
| **Performance fees** | | | |
| Performance fees | **–** | 1,944 | 1,944 |
| | **–** | 1,944 | 1,944 |
| **Total income** | **17,803** | 15,302 | 33,527 |

## 6 BUSINESS COMBINATIONS

On 5 March 2020 the Group acquired 100% of the issued share capital of TradeRisks Limited (TradeRisks), a company registered in England. TradeRisks is a fund management business and specialist provider of debt structuring and advisory services to the housing and social infrastructure sectors. TradeRisks' wholly owned and separately FCA regulated subsidiary, ReSI Capital Management Limited (RCM), is the manager of Residential Secure Income plc (ReSI plc)(LSE: RESI), a closed-ended investment company which seeks to deliver secure income returns to its shareholders by investing in portfolios of shared ownership, retirement and local authority housing. The management contracts for ReSI plc were acquired as part of the acquisition of TradeRisks.

The fair value of the identifiable net assets acquired, and the consideration paid under IFRS3 are as follows:

| | Net book value £'000 | Adjustments £'000 | Fair value £'000 |
|---|---|---|---|
| Investments | 463 | – | 463 |
| Tangible fixed assets | 180 | – | 180 |
| Intangible fixed assets | 97 | – | 97 |
| Cash | 1,639 | – | 1,639 |
| Trade and other receivables | 5,999 | – | 5,999 |
| Trade and other payables | (426) | – | (426) |
| Management contracts | – | 2,886 | 2,886 |
| Customer relationships | – | 263 | 263 |
| Deferred tax liability | – | (598) | (598) |
| Goodwill | – | 5,655 | 5,655 |
| Total identifiable net assets | 7,952 | 8,206 | 16,158 |

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

| | £'000 |
|---|---|
| Cash | 9,684 |
| Shares – 555,555 shares in Gresham House plc valued at 625 pence per share on 5 March 2020 | 3,472 |
| Total initial consideration | 13,156 |
| Contingent consideration | 3,002 |
| Total consideration | 16,158 |

The consideration shares were admitted to trading on AIM on 11 March 2020.

**Contingent consideration**

Contingent consideration totalling a maximum of £6.0 million will be payable in cash to the sellers based on the following:

- 0.5% of funds raised payable in three years, with maximum amount capped at £3.0 million. The expected fair value at acquisition is £1.9 million.
- Any realised synergies payable in three years, capped at £1.0 million. The expected fair value at acquisition is £0.8 million.
- £2.0 million payable within six months post-completion for any inventory true-up.

The fair value of the contingent consideration has been estimated at the date of acquisition using estimated outcomes, the probability of those outcomes and discounting this at 7.5%. 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 £3.0 million.

## 6 BUSINESS COMBINATIONS (CONTINUED)

**Revenue and profits of TradeRisks**

TradeRisks was acquired on 5 March 2020. The Group has recognised the following amounts in respect of TradeRisks for the 17-week period ended 30 June 2020:

| | £'000 |
|---|---|
| Revenue | 784 |
| Loss before tax | (133) |

The £133,000 loss for the period of ownership reflects the impact of COVID-19 on the debt arrangement business.

Prior to acquisition by the Group, TradeRisks had a 31 July year end. The results for the most recent audited reporting period prior to acquisition were to 31 July 2019. Had TradeRisks been part of the Group for the entire reporting period the following sums would have been consolidated:

| | £'000 |
|---|---|
| Revenue | 5,897 |
| Profit before tax | 2,187 |

**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 TradeRisks acquisition is not deductible for tax purposes.

**Fair value**

The fair value of the management contracts and customer relationships have been estimated using a discounted cash flow model. The estimated cash flows have been valued at a discount of 7.5%. This resulted in the fair value of management contracts being recognised at £2,886,000 and the customer relationships at £263,000.

## 7 EXCEPTIONAL ITEMS

| | Six months ended 30 June 2020 £'000 | Six months ended 30 June 2019 £'000 | Year ended 31 December 2019 £'000 |
|---|---|---|---|
| **Acquisition costs** | | | |
| TradeRisks Limited | **847** | – | – |
| FIM Services Limited | **–** | – | 2 |
| Livingbridge VC | **–** | 10 | 10 |
| Joint Venture establishment | **210** | 217 | 251 |
| Other | **30** | – | – |
| | **1,087** | 227 | 263 |
| Restructuring costs | **83** | 376 | 646 |
| Exceptional legal fees | **–** | 154 | 154 |
| | **1,170** | 757 | 1,063 |

Acquisition, associated restructuring costs and exceptional legal fees are considered exceptional and not part of the normal course of business activity.

## 8 EARNINGS PER SHARE

**Basic and diluted loss per share**

| | **Six months ended 30 June 2020** | Six months ended 30 June 2019 | Year ended 31 December 2019 |
|---|---|---|---|
| Total net loss attributable to equity holders of the parent (£'000) | **(2,237)** | (664) | (850) |
| Weighted average number of ordinary shares in issue during the period | **29,099,750** | 25,089,445 | 26,479,021 |
| Basic and diluted loss per share to equity holders of the parent (pence) | **(7.7)** | (2.6) | (3.2) |

3,301,297 (30 June 2019: 2,307,168; 31 December 2019: 3,490,871) shares were deemed to have been issued at nil consideration as a result of the shareholder and supporter warrants granted (in prior periods) 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.

**Adjusted earnings per share**

Adjusted earnings per share is based on adjusted operating profit, which is stated after charging interest but before depreciation, amortisation, share-based payments relating to acquisitions, profits and losses on disposal of tangible fixed assets, net performance fees, net development gains and exceptional items, to provide the non-GAAP measure of the performance as an asset manager. This includes dividend and interest income received from investment in associates. This metric was revised in 2019 to reflect the activity of the core asset management business separately from performance fees and realised gains on investments. Accordingly, the metric now deducts net performance fees, variable compensation attributable to gains on investments (development projects) and share-based payments relating to acquisitions.

Adjusted profit for calculating adjusted earnings per share:

| | **Six months ended 30 June 2020 £'000** | Six months ended 30 June 2019 £'000 | Year ended 31 December 2019 £'000 |
|---|---|---|---|
| Net operating loss after exceptional items | **(711)** | (668) | (2,056) |
| Add back: | | | |
| Exceptional operating expenses | **1,170** | 757 | 1,063 |
| Depreciation and amortisation | **4,482** | 4,325 | 8,484 |
| Loss on disposal of tangible fixed assets | **–** | 25 | 43 |
| Dividend income received from associates | **–** | – | 1,323 |
| Net performance fees | **–** | (200) | (200) |
| Variable compensation attributable to realised gains on investments | **–** | – | 1,037 |
| Share-based payments relating to acquisitions | **296** | 296 | 593 |
| Adjusted operating profit attributable to equity holders of the parent | **5,237** | 4,535 | 10,287 |
| Adjusted profit per share (pence) – basic | **18.0** | 18.1 | 38.9 |
| Adjusted profit per share (pence) – diluted | **16.2** | 16.6 | 34.3 |

## 9 DIVIDENDS

The Company paid £1,351,000 during the period which represents a final dividend for the year ended 31 December 2019 of 4.5 pence per share. A final dividend for the year ended 31 December 2018 of 3.0 pence per share totalling £795,000 was paid in May 2019.

## 10 INVESTMENTS – SECURITIES

Investments have been classified as follows:

| | **30 June 2020 £'000** | 30 June 2019 £'000 | 31 December 2019 £'000 |
|---|---|---|---|
| Non-current assets | **9,872** | 7,791 | 9,621 |
| Other debtors due within one year – Investment in development projects | **752** | 2,840 | 1,208 |
| | **10,624** | 10,631 | 10,829 |

## 10 INVESTMENTS – SECURITIES (CONTINUED)

A further analysis of total investments is as follows:

| | 30 June 2020 £'000 | 30 June 2019 £'000 | 31 December 2019 £'000 |
|---|---|---|---|
| Listed securities – on the London Stock Exchange | **6,318** | 4,389 | 5,624 |
| Securities dealt in under AIM | **395** | 593 | 531 |
| Securities dealt in under Aquis Stock Exchange | **13** | 18 | 10 |
| Unlisted securities | **3,898** | 5,631 | 4,664 |
| Closing value | **10,624** | 10,631 | 10,829 |
| Investments valued at fair value through profit or loss | **9,605** | 7,489 | 8,914 |
| Loans and receivables carried at amortised cost | **1,019** | 3,142 | 1,915 |
| | **10,624** | 10,631 | 10,829 |

Unlisted securities primarily include the Group's investment in the Gresham House Forestry Fund LP (£2.1 million, including non-controlling interests), investment in battery storage projects (£0.8 million) included within other debtors due within one year, and an investment of £0.6 million in LF GH Equity Funds.

## 11 SHARE CAPITAL

| | 30 June 2020 £'000 | 30 June 2019 £'000 | 31 December 2019 £'000 |
|---|---|---|---|
| Allotted: Ordinary – 30,012,401 (30 June 2019: 27,239,162; 31 December 2019: 27,824,222) fully paid shares of 25 pence each | **7,503** | 6,810 | 6,956 |

During the six months to 30 June 2020 the Company issued the following new ordinary shares:

- 2,924 shares on 14 January 2020 at a price of 324.8 pence per share pursuant to an exercise of options in the 2018 Save as You Earn (SAYE) Scheme;
- 555,555 shares on 11 March 2020 at a price of 625 pence per share to the vendors of TradeRisks Limited;
- 4,770 shares on 11 March 2020 at a price of 632.5 pence to the Gresham House plc Employee Benefit Trust to be used to satisfy awards arising from the Company's employee incentive schemes;
- 1,568,628 placing shares on 20 March 2020 at a price of 510 pence per share; and
- 56,302 shareholder warrants were exercised during the period at a price of 323.27 pence per share.

## 12 SHARE WARRANTS

| | Shareholder warrants | Supporter warrants | Total warrants |
|---|---|---|---|
| Balance at 1 January 2019 | 874,485 | 769,000 | 1,643,485 |
| Warrants exercised during the period | (197,726) | (752,000) | (949,726) |
| Balance at 30 June 2019 | 676,759 | 17,000 | 693,759 |
| Warrants exercised during the period | (536,456) | (17,000) | (553,456) |
| Warrants lapsed during the period | (83,940) | – | (83,940) |
| Balance at 31 December 2019 | 56,363 | – | 56,363 |
| Warrants exercised during the period | (56,302) | – | (56,302) |
| Warrants lapsed during the period | 61 | – | 61 |
| **Balance at 30 June 2020** | **–** | **–** | **–** |

**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 323.27 pence per ordinary share and are subject to the terms of the shareholder warrant instrument dated 7 October 2014. Shareholder warrants not exercised by 31 December 2019 lapsed.

### 12 SHARE WARRANTS (CONTINUED)

**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 7.5 pence 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 exercisable between 1 December 2015 and 31 December 2019; and (iii) are subject to the terms of the supporter warrant instrument dated 7 October 2014.

During the six months to 30 June 2020 56,302 shareholder warrants were converted into ordinary shares resulting in the issue of 56,302 new ordinary shares (30 June 2019: 949,726; year ended 31 December 2019: 1,503,182). Notice was given by shareholder warrant holders by 31 December 2019 for 56,363 shareholder warrants, of which 56,302 have been exercised, with the remaining 61 shareholder warrants lapsing in the period.

### 13 NET ASSET VALUE PER SHARE

**Basic**

| | 30 June 2020 | 30 June 2019 | 31 December 2019 |
|---|---|---|---|
| Equity attributable to holders of the parent (£'000) | **96,241** | 88,551 | 90,237 |
| Number of ordinary shares in issue at the end of the period | **30,012,401** | 27,239,162 | 27,824,222 |
| Basic net asset value (pence) | **320.7** | 325.1 | 324.3 |

**Diluted**

| | 30 June 2020 | 30 June 2019 | 31 December 2019 |
|---|---|---|---|
| Equity attributable to holders of the parent (£'000) | **96,241** | 88,551 | 90,237 |
| Number of ordinary shares in issue at the end of the period | **33,313,698** | 29,546,330 | 31,315,093 |
| Diluted net asset value (pence) | **288.1** | 299.7 | 288.2 |

Diluted net asset value per share is based on the number of shares in issue at the period end together with 3,301,297 (30 June 2019: 2,307,168; 31 December 2019: 3,490,871) shares deemed to have been issued at nil consideration as a result of the shareholder and supporter warrants (in prior periods) and shares which could be issued under the bonus share matching plan and long-term incentive plans.

### 14 RECONCILIATION OF NET OPERATING LOSS TO OPERATING CASH FLOWS

| | 30 June 2020 £'000 | 30 June 2019 £'000 | 31 December 2019 £'000 |
|---|---|---|---|
| Net operating loss after exceptional items | **(711)** | (668) | (2,056) |
| (Loss)/profit from discontinued operations | **(6)** | (2) | 55 |
| Interest payable | **5** | 195 | 221 |
| Depreciation | **529** | 413 | 816 |
| Loss/(profit) on disposal of tangible fixed assets | **–** | 25 | 43 |
| Amortisation | **3,953** | 3,912 | 7,668 |
| Share-based payments | **1,105** | 756 | 1,844 |
| | **4,875** | 4,631 | 8,591 |
| Decrease in long-term receivables | **–** | 78 | 78 |
| Decrease/(increase) in current assets | **3,851** | (4,127) | (4,638) |
| (Decrease)/increase in current liabilities | **(2,501)** | 1,780 | 5,615 |
| | **6,225** | 2,362 | 9,646 |

# Corporate Information

| | | |
|---|---|---|
| **Company Number** | 871 incorporated in England | |
| **Directors** | Anthony Townsend | Non-Executive Chairman |
| | Anthony Dalwood | Chief Executive Officer |
| | Kevin Acton | Chief Financial Officer |
| | Richard Chadwick | Non-Executive |
| | Simon Stilwell | Non-Executive |
| | Rachel Beagles | Non-Executive |
| | Gareth Davies | Non-Executive |
| **Secretary** | Samee Khan | |
| **Registered Office** | 5 New Street Square<br>London EC4A 3TW | |
| **Auditor** | BDO LLP<br>55 Baker Street<br>London W1U 7EU | |
| **Nominated Adviser and Joint Broker** | Canaccord Genuity Limited<br>88 Wood Street<br>London EC2V 7QR | |
| **Financial Adviser and Joint Broker** | Jefferies International Limited<br>100 Bishopsgate<br>London EC2N 4JL | |
| **Registrars** | Neville Registrars Limited<br>Neville House<br>Steelpark Road<br>Halesowen<br>West Midlands B62 8HD | |
| **Solicitors** | Eversheds Sutherland (International) LLP<br>One Wood Street<br>London EC2V 7WS | |

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