Since 1857

Gresham House

Gresham House plc
Report and Accounts

For the year ended 31 December 2016

Gresham House plc

Report and Accounts for the year ended 31 December 2016

Incorporated in 1857, Gresham House plc is an AIM quoted specialist asset management group focussed on alternative and illiquid asset classes, aiming to generate superior returns for clients and shareholders over the longer term.

Shareholder value creation will be driven by long-term growth in earnings as a result of increasing assets under management and returns from invested capital and from carried interests in the funds managed.

Gresham House currently manages investments and co-investments through its investment management platform on behalf of institutions, family offices, charities and endowments and private individuals.

Highlights

An "exceptionally exciting time" for Gresham House

Platform

50% increase in AUM
Assets under management in the year to 31 December 2016 increase 50% to £363 million (2015: £242 million)

Over 200% revenue growth
Revenue grew in the year to 31 December 2016 to £4.3 million (2015: £1.4 million)

Operating loss reduced to £3.0 million (2105: £3.8 million)

Adjusted operating loss reduced to £1.6 million (2015: £3.1 million)

STRATEGIC EQUITY

LMS Capital appointed Gresham House Asset Management ("GHAM") as investment manager with AUM of £68 million at 31 December 2016

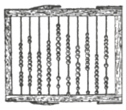
Gresham House Strategic Public Equity LP ("SPE LP") launched with committed AUM of £24 million at first close on 15 August 2016

Gresham House Strategic plc ("GHS") has seen NAV grow by 6% to 31 December 2016 from 14 August 2015

REAL ASSETS

Gresham House Forestry
AUM grown by 20% to £247 million at 31 December 2016 (2015: £205 Million)

Gresham House Forestry Fund LP launched with committed capital of £15 million at first close on 31 October 2016



Process

Investment in compliance and regulatory functions

Robust investment process
and Investment Committee's experience is a proven benefit for acquisitions and capital allocation decisions

Successful integration & rebrand
of Gresham House Forestry completed in the year

LMS's transition to GHAM as an external manager progressing to plan,
implementing cost savings and GHAM value-add

People

Continued investment in a strong and dedicated team
appointing a Finance Director, Chief Operating Officer and General Counsel, plus the lead fund manager for Gresham House Forestry and experienced Investment Directors in the Strategic Equity division

Post reporting period

Continued development in 2017
with Berkshire Pension Fund becoming a 20% shareholder in the Company and the proposed launch of the British Strategic Investment Fund with Berkshire as a cornerstone investor

A very productive year for Gresham House

Anthony Townsend
Chairman

Gresham House's development as a specialist asset manager has continued in the year and I am pleased to advise shareholders that the Company continues to deliver well against our stated strategy.

Activity in the year

Activity in the year has highlighted the progress made by the management team, with assets under management growing 50% through both organic and acquisition activity. Each of these elements of growth has been approached in a diligent manner to ensure that the investment management contracts acquired and funds launched are in line with the Company's stated strategy to operate in alternative and illiquid asset classes, which aim to generate superior returns for clients and shareholders over the longer term.

Results

The Group has reduced its adjusted operating loss to £1.6 million in the year from a £3.1 million loss last year, demonstrating great progress on the journey towards profitability. We continue to build the Group from a solid balance sheet and have the ability to approach opportunities from a strong position.

This performance is notable against a background of difficult economic and political conditions during 2016, following Britain's vote to leave the European Union in June and the US election results in November. The weakening of sterling and slow growth prospects for markets in general has impacted many companies. We are still operating in uncertain times, however the Board is keen to ensure that the business continues to be managed in a risk focussed manner. We are not materially exposed to foreign currency movements or interest rates and are using the current conditions to ensure that we continue to invest in the value driven areas of the market.

The management team

We have experienced some changes at the Board level in the year and I would like to take this opportunity to thank Michael Phillips on behalf of shareholders and the Board for his efforts in building Gresham House and his important role in the early stages of the Company's development. Mike stepped down from his role as Strategic Development Director at the end of the year to focus on his other business interests.

Shareholders will recall that we announced on 19 April 2016 that Kevin Acton would be joining us as Finance Director. Kevin took up his position on 6 June 2016 and very much hit the ground running; he has been a very valuable addition to the team and it has been a great pleasure working with him since then.

The Gresham House team has grown in the year to match the management's ambitions and provide a sound infrastructure to support the new funds launched and the investment management contracts acquired. The hard work and dedication of the whole team has driven the business to where it is today and I believe that we have the right people in place to continue to deliver against our strategic goals.

Shareholders

I am also pleased to welcome a number of new, long-term strategic shareholders to our share register in the year. Our supportive shareholder base has enabled the Company to use its balance sheet to develop to date and we are excited about the prospect of continuing to grow the business with this solid support behind us.

The announcement on 21 February 2017 and issuance of ordinary shares to the Royal County of Berkshire Pension Fund ("Berkshire"), highlight that Gresham House is building its name as an established specialist asset manager and becoming attractive to a wider audience of investors. We also look forward to working with Berkshire as the cornerstone investor in our new Gresham House British Strategic Investment Fund, in which we are already getting interest from local authority pension funds.

> We continue to build the Group from a solid balance sheet and have the ability to approach opportunities from a strong position.

Annual General Meeting

Our Annual General Meeting this year is being held at 11.00am on 18 May 2017 at Travers Smith, 10 Snow Hill, London, EC1A 2AL . Given how much has happened during the year and subsequently the Board would encourage shareholders to attend and hear directly from the management team on the progress to date. I therefore hope to see as many of you as possible there.

Outlook

Overall it has been a very productive year for the Company and we have the ambition to deliver further growth in 2017. We will continue to harness our existing relationships and grow the business in line with our stated strategy and I look forward to updating you with further progress later in the year.

Anthony Townsend
Chairman

27 March 2017

Chief Executive's Report

Another year of significant developments for the Group

Anthony Dalwood
Chief Executive Officer

The performance in AUM growth in the year has driven revenues up by over 200% to £4.3 million (2015: £1.4 million).

It has been a further year of significant development for the Group. Having firmly established Gresham House as a specialist asset manager focused on alternative and illiquid assets we have made progress on our journey to scale the business. This was a key objective we set out at the beginning of last year. We continue to focus on addressing the demand for long-term alternative investment strategies and providing alternative asset management solutions to institutions, family offices, charities and endowments. We are delivering against our stated strategy of growing the business organically and through acquisitions that enhance the platform. The Gresham House brand is gaining increased recognition from investors and the market as a result.

Building on the solid foundations we have established for a long-term sustainable and successful group, the management team continues to focus on the three pillars of "Platform, Process and People".

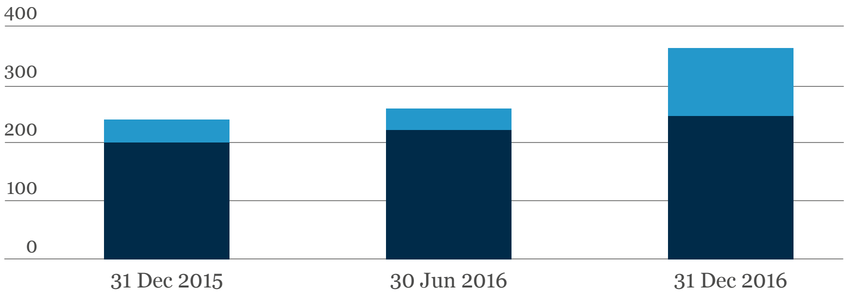
The Gresham House Platform

The demand for illiquid assets is increasing and so too are the opportunities for Gresham House. We have formed a scalable platform to offer a range of alternative investment products through our two specialist divisions: Strategic Equity covering public and private equity and Real Assets. This has resulted in significant growth of 50% in Assets Under Management ("AUM") to £363 million in the year to 31 December 2016 (2015: £242 million).

Growing AUM and thereby sustainable management fees including associated performance fees or carried interest is critical to the Group's success. The growth in AUM during in the year has increased revenues by over 200% to £4.3 million (2015: £1.4 million). The annualised management fees for the funds being managed at the end of December 2016 is £3.9 million from zero at the beginning of our journey in December 2014.

The Strategic Equity division has continued to develop and the team now manages three funds. Gresham House Asset Management Limited ("GHAM") was awarded the mandate in August 2015 to manage Gresham House Strategic plc ("GHS"), the AIM quoted company investing and actively engaging with management teams of undervalued smaller UK public companies. Subsequent to this, in August 2016 we launched the Gresham House Strategic Public Equity Fund LP ("SPE LP") with £24 million committed capital and co-investment. Following shareholder

Assets Under Management, £m
50% growth in the year to 31 December 2016



approval, GHAM was also appointed as investment manager to LMS Capital plc ("LMS") in August 2016, the London Stock Exchange listed private equity company with a Net Asset Value ("NAV") of £68 million at 31 December 2016.

The Real Assets division, currently comprising Gresham House Forestry Limited (formerly Aitchesse Limited), the specialist asset manager of UK commercial forestry, accounted for AUM of £247 million at the end of the year (2015: £205 million). The first close of the Gresham House Forestry Fund LP ("GHF LP") was in October 2016 and the subsequent purchase of a portfolio of six forests in West Scotland added £15 million to AUM in the year. We have also seen promising growth in the value of forests managed by Gresham House, making up the remaining £232 million of AUM.

The importance of technology in the daily lives of individuals is increasingly significant within asset management. Gresham House has identified an opportunity to materially enhance the client service proposition and create value through utilising digital platforms. We are therefore pleased to have recently added a new strategic objective to our development plan based around a new addition to our team, Andy Hampshire, who has joined us as Chief Technology Officer from Lloyds Development Capital. Andy has been tasked with creating value through developing a client platform to provide a high quality service for investors that facilitates co-investment opportunities.

The Gresham House Process

To continue to build a successful business and meet client expectations, we have robust processes in place that require us to maintain exceptionally high standards in delivering sustainable value creation over the long term. Our view is that the investment discipline needed to manage funds is also required to manage the Group and as significant shareholders ourselves, the management team is focused on value creation for all shareholders over the long-term. The Investment Committee adds to this discipline and provides external challenge and an independent industry expert view to ensure that potential acquisitions or capital allocation considered by the management team exceed Group hurdles.

We have drawn on the Investment Committee's experience in the year and are benefitting from the acquisitions that we have made to date. All of these are meeting or performing ahead of the Group's investment return requirement to deliver long-term return on capital of 15%.

Process is also essential to integrating new businesses into the Gresham House family. The integration and rebrand of Gresham House Forestry was completed in the year, with the forestry team now fully embedded in the Group. The transition for LMS from self-managed to an externally managed company is progressing well and we continue to work closely with the board of LMS and increase our direct interaction and engagement with LMS' portfolio companies. This has included members of the GHAM team joining investee company boards.

The Gresham House People

Gresham House is a people business and behind the platform and process we have built a strong and dedicated team supporting a culture built on long-term shareholder value, alignment and teamwork.

As mentioned in our Interim Results announcement on 28 September 2016, over the year, we made several key hires within the senior management team, a number of whom have previously worked with existing members of the Gresham House team.

Kevin Acton joined as Finance Director and John-Paul Preston as Chief Operating Officer in 2016, both adding to the strength of the senior management team.

The specialist investment teams have also been enhanced with the addition of several significant appointments. Richard Davidson joined as the Chairman of the Investment Committee of the forestry business and Pardip Khroud was appointed as an Investment Director in the Strategic Equity division. Nick Friedlos and Tony Sweet have also joined as Investment Directors, following the appointment of GHAM as investment manager to LMS.

As set out above, Andy Hampshire also joined us as our Chief Technology Officer in February 2017.

I would like to thank Mike Phillips for his contribution to establishing the initial foundations of Gresham House. Mike stepped down from his role as Strategic Development Director at the end of the year.

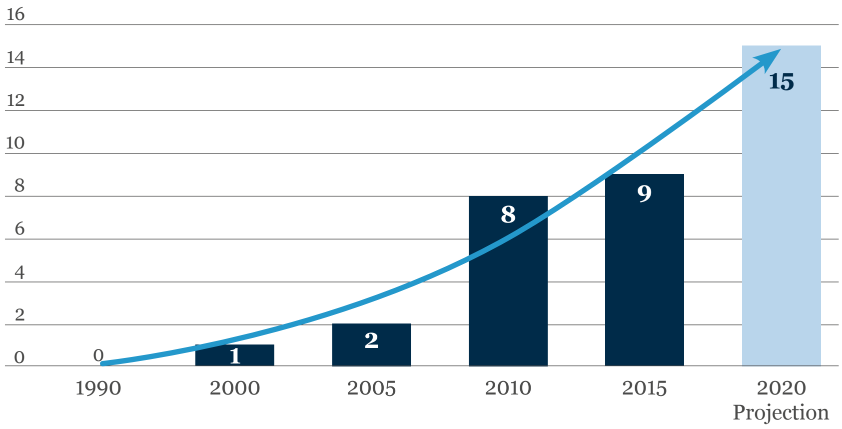
Gresham House is well positioned to offer a range of specialist products to address the increasing demands in the alternative market.

Outlook

The increasing allocation to alternative investments by pension funds highlights the growing demand in this area. The chart below illustrates the growth trend and the opportunity available.

UBS Pension Fund Indicators 2016

Percentage Allocation to Alternatives, %



Gresham House is well positioned to offer a range of specialist products to address the increasing demand in the alternative market.

The Company has developed significantly under the new management team in a relatively short two year period and momentum is driving us into the coming year. Long-term shareholder value creation continues to be at the forefront of the Board's strategic focus.

Growth in AUM to generate sustainable profit growth remains a priority and we are pleased with the developments to date, as shown by the 50% AUM growth in 2016, which gives us greater visibility on near-term profitability.

We continue to work on a number of initiatives for both organic and acquisition growth. The recently announced Gresham House British Strategic Investment Fund, with the Royal County of Berkshire Pension Fund ("Berkshire") acting as a cornerstone investor, is a good example of the Group's ambition to innovate and grow. This new platform for the Group aims to provide solutions to pension schemes and endowments who want to access smaller niche alternative investments with longer term investment horizons in a more engaged and cost efficient manner.

The ambition of the Group has also been recognised externally with a number of new strategic long-term investors becoming shareholders, including LMS in the year and recently Berkshire in March 2017. This helps to create a supportive and long-term investor base from which to grow the business. We are also pleased that the Gresham House Forestry acquisition is achieving the Group's intended long term hurdles of 15%.

We aim to close both the SPE LP and GHF LP funds in the second half of 2017 alongside managing both GHS and LMS portfolios to achieve their target returns for their respective shareholders.

There is also a renewed focus on realising value from the legacy portfolio, with both the Southern Gateway site and the remaining land at Newton-le-Willows entering marketing processes.

As we have grown the team alongside AUM we have also reviewed our London office needs. In February 2017, the London office moved to flexible office space at Octagon Point near St Paul's in London, with sufficient space to foreseeably accommodate the team for the next 18 month's development.

2017 strategic initiatives aim to achieve operating profitability in the near-term with a focus on achieving attractive operating margins in the medium-term. We have a strong balance sheet with longer term asset management contracts, and we are growing additional value through balance sheet carried interests in the asset management products we manage.

We have a busy year ahead of us and I am confident that we have the right team in place to achieve our goals including growing the brand and client satisfaction. These initiatives alongside an aligned, and capable management team are supporting the execution of the growth vision, with the near-term aim of achieving profitability.

Anthony Dalwood
Chief Executive Officer

27 March 2017

Financial Review

for the year ended 31 December 2016

Financial performance for the year ended 31 December 2016

	2016 £'000	2015 £'000
Income	4,264	1,358
Property outgoings	(290)	(339)
Administration overheads (excluding amortisation and depreciation)	(5,459)	(2,700)
Finance costs	(442)	(144)
Gains/(losses) on investments/property and associates	342	(1,229)
Adjusted operating loss	(1,585)	(3,054)
Amortisation and depreciation	(1,433)	(4)
Movement in fair value of deferred receivable/contingent	(51)	-
Exceptional items	-	(773)
Net operating loss after exceptional items	(3,069)	(3,831)

The Group's operating loss after exceptional items has decreased to £3,069k from £3,831k in the prior year. To measure the Group's performance, we focus on the trading profits, which is defined as the adjusted operating loss. The adjusted operating loss for the year to 31 December 2016 has reduced to £1,585k from £3,054k a year earlier. This non-GAAP measure reflects the Group's improved trading performance before the deduction of amortisation, depreciation, the fair value movement in contingent consideration and deferred receivable and exceptional items in the year. There has been a substantial improvement in income generated, primarily driven by AUM growth throughout the year. The cost base has also increased as the business has scaled and the right infrastructure and team are put in place. It should be noted that the balance sheet improvement in the period, from the gains on investments/property, are primarily driven by the share of profits recognised by the Group from its holding in GHS at £628k.

The net operating loss after exceptional items of £3,069k (2015: £3,831k) includes the deduction of amortisation and depreciation of £1,433k (2015: £4k), the increase in the fair value of the contingent consideration for Gresham House Forestry of £253k (2015: nil), the fair value movement in deferred receivable from Persimmon on the sale of Newton-le-Willows of £202k (2015: nil) and no exception items (2015: £773k).

Income

	2016 £'000	2015 £'000
Asset management income	3,202	333
Rental income	741	746
Dividend and investment income	249	228
Other income	72	51
Total income	4,264	1,358

Asset management income

In line with the growth in AUM outlined in the Chief Executive's Report there has been a substantial increase in asset management fee income to £3,202k in the year to 31 December 2016 (2015: £333k). This was the result of new funds being launched and investment management contracts acquired as part of Gresham House's development as a specialist asset manager. The annualised asset management fee income for funds managed as at 31 December 2016 is £3.9 million.

The Real Assets division delivered income from the forestry business of £2,120k in the year (2015: £206k related to six weeks' income). This is the first full year of the forestry business being part of the Group and also recognises the launch of GHF LP in October 2016, which generated management fee and transaction fee income of £249k.

Strategic Equity earned fees from all three of the funds managed by the division, totalling £1,082k in the year (2015: £127k). The Group earned management fee income of £542k from its contract with GHS, reflecting NAV growth and a full year of management services (2015: £127k). SPE LP, the sister fund to GHS, had its first close on 15 August 2016 and subsequently the Group earned £61k of management fees in the later part of 2016. The LMS management contract was awarded on 16 August 2016 and delivered management and transition fee income in the year of £479k.

Rental income

The legacy property portfolio includes the Southern Gateway site and the remaining land at Newton-le-Willows, which generated £741k in the year (2015: £747k). Southern Gateway rental income was £724k (2015: £738k), representing improvements in rent from a number of tenants being offset by a vacant period of six months. The vacant area of the site has since been let at a premium to its original rent.

Dividend and investment income

Dividend and investment income of £249k (2015: £228k) mainly represents interest earned on the Attila loan of £238k, which was earned and paid in the period (2015: £95k).

Property outgoings

The cost of managing the legacy property portfolio has reduced to £290k in 2016 (2015: £339k) as we rationalised the use of external consultants on the site and focused on readying the site for sale.

Administrative overheads

Administrative overheads excluding amortisation, depreciation and the fair value movement in contingent consideration payable and deferred receivable have grown to £5,459k in the year (2015: £2,700k). The development and transformation of Gresham House to a specialist asset manager has required investment in people and infrastructure to grow AUM. The increase of £2,759k is primarily driven by the growth of the business and costs relating to people, office and also recognising the first full year of the forestry business.

The Gresham House team has grown from 23 to 26 at the end of 2016 as we put in place the right support and investment team to deliver the ambitious growth plan. The Gresham House Forestry team has remained consistent with a team of eleven people throughout the year and the growth in headcount has therefore been in the Group and Strategic Equity teams, with key hires including the Finance Director, Chief Operating Officer and Investment Directors. People costs have consequently increased by £1,925k from £1,760k to £3,685k at the end of 2016. It should be noted that a cost reduction exercise has been identified including synergies, and is in the process of being implemented.

Office costs have also increased as the business has scaled. Early in 2016 the London office moved to flexible office space at Cheapside in London as an interim step to accommodate the increase in headcount and activity, which contributed to office costs of £307k (2015: £131k).

This is the first full year of owning Gresham House Forestry Limited and the administrative overheads from the business of £441k are now included in the Group income statement (2015: £32k).

Finance costs

In April 2016, the group refinanced the existing Co-operative bank facility of £2.85 million with a new Kleinwort Benson Bank facility of £7.0 million. The finance costs associated with both of these loans over the year was £442k (2015: £144k). Further details of the Kleinwort Benson Bank facility are included in the borrowings section of this Financial Review.

Gains/(losses) on investments

	2016 £'000	2015 £'000
Share of associates' profits	628	-
Gains/(losses) on investments held at fair value	(147)	(485)
Fair value movement on investment properties	(242)	(586)
Profit/(loss) on disposal of investment properties	103	(158)
Total gains/(losses) on investments	342	(1,229)

The gains/(losses) on investments table above represents the investment that the Group has made in the funds that it manages as well as the legacy investments in property and securities.

The share of associates' profits relates to the 19.2% holding that the Group has in GHS. The last results announcement from GHS was on 25 November 2016 for the six month period to 30 September 2016. Under associate accounting, the Group has therefore recognised its share of the profits in the period of £628k.

The fair value movement on investments reflects the Group's co-investment with SPE LP in IMI Mobile, which reduced in value by £113k in the period to 31 December 2016.

The capital expenditure at Southern Gateway has been offset by slower general market conditions and therefore although the valuation increased by £100k a value decrease of £242k was noted in the year (2015: £586k decrease).

The Group did however receive an overage payment of £103k in the year relating to the sale of the Vincent Lane site in 2013 as a result of housing sales in excess of the sale and purchase agreement.

Amortisation and depreciation

The acquisition of Aitchesse Limited (now Gresham House Forestry Limited) in November 2015 and the LMS investment management contract in August 2016 requires the recognition of goodwill and other intangible assets. In line with the Group's accounting policies, the intangible assets are amortised over their useful lives. This is the first full year over which the intangible assets are being amortised, with £1,364k being recognised as amortisation.

Depreciation of £69k in the year (2015: £4k) has a lesser impact on the Group's income statement and relates primarily to motor vehicles used by the forestry business.

Fair value movement in deferred receivable and contingent consideration

Persimmon purchased the Newton-le-Willows site in September 2015 and agreed a schedule of payments to the Group with annual instalments up until 22 March 2019. The deferred receivable is initially recognised at fair value and the £202k movement in the fair value in the year represents the reduction in time to payment, in line with International Financial Reporting Standards. Further details of the repayment profile are included in note 14 to the financial statements.

The fair value movement in the contingent consideration payable to the sellers of Aitchesse has increased by £253k in the year as there is less impact from the discount applied over time. Further details are in the following section.

Exceptional items

There were no exceptional items in the year compared to £773k in 2015. The 2015 exceptional items related to the re-admission to AIM and the acquisition of Aitchesse.

Financial position

	2016 £'000	2015 £'000
Assets		
Investments*	8,873	7,470
Property	10,000	9,900
Deferred receivable – Persimmon	5,180	5,916
Cash	2,802	4,390
Tangible/realisable assets	26,855	27,676
Intangible assets	6,630	6,588
Other assets	2,037	1,559
Total assets	35,522	35,823
Liabilities		
Borrowing	5,896	2,850
Contingent consideration	3,237	2,726
Other creditors	2,256	4,421
	11,389	9,997
Net assets	24,133	25,826

*IFRS requires the consolidation of the Gresham House Forestry Friends and Family Fund LP. This has been adjusted here for the £491k non-controlling interest to show the Group's position on an investment basis.

Tangible/realisable assets

The above highlights the strong balance sheet position that the Group has at the end of 2016. The tangible/realisable assets supporting this total £26.9 million (2015: £27.7 million), comprising investments, property, accrued income receivable from Persimmon on the sale of the Newton-le-Willows site and cash.

Investments

Investments include the value of the Group's holding at the end of the year in GHF LP of £1.2 million, co-investment in SPE LP of £468k and the Group's associate holding in GHS of £6.5 million (2015: £5.9 million). The remaining balance of £675k related to the legacy portfolio at the end of 2016. Good progress has been made in the year with realisations of £918k to 31 December 2016 from an opening value at the beginning of the year of £1,568k.

Property

The value of the property portfolio of Southern Gateway, £7.75 million (2015: £7.65 million) and the remaining land at Newton-le-Willows, £2.25 million (2015: £2.25 million) have both been valued independently at the end of the year. Both are now in active sales processes and we envisage selling these properties in the coming year.

Deferred receivable – Persimmon

The Persimmon deferred receivable relates to the instalments that are due from Persimmon annually up to 22 March 2019. In the year £0.9 million was paid early by Persimmon as a result of selling houses quicker than expected. The next instalment due on 22 March 2017 has therefore been reduced by this amount, and a further £0.1 million received early in January 2017, to £1.0 million. The deferred receivable has been fair valued as this was designated at fair value through profit or loss at inception.

Intangible assets

Intangible assets of £6.6 million (2015: £6.6 million) relate to the Aitchesse Limited (now Gresham House Forestry Limited) acquisition and the LMS management contract award. The intangible assets recognised at the end of the year for Aitchesse of goodwill, management contracts and customer relationships totalled £5.5 million. The performance of the business has supported the goodwill recognised and the management contract and customer relationships have been amortised in line with their expected useful lives.

The LMS contract has been recognised at a fair value of £1.4 million at acquisition, including acquisition costs, in August 2016 and amortised over three years, reducing to £1.2 million as at 31 December 2016.

Borrowing

In April 2016 the Group refinanced the loan that was in place with the Co-operative Bank (£2.85 million), which was secured on the property portfolio. A new facility with Kleinwort Benson Bank Limited was agreed to lend the Group £7.0 million with security over the Group's property portfolio as well as deferred receivable due from Persimmon. The facility is repayable over three years, matching the deferred receivable settlement by Persimmon. Interest is charged at LIBOR plus 4.5%.

Contingent consideration

The contingent consideration payable to the original owners of Aitchesse requires EBITDA generation by the Aitchesse business of between £1.7 million and £3.5 million in the period from 1 July 2015 to 28 February 2018. The current assessment is that the maximum EBITDA is expected to be achieved, with the Group incurring a full deferred consideration, which after discounting indicates a fair value of £3.0 million (2015: £2.7 million).

The remaining £258k relates to the fair value of the second tranche payment due to LMS for the management contract in August 2018.

Kevin Acton
Finance Director

27 March 2017

This report has been prepared by the Directors in accordance with the requirements under section 414 of the Companies Act 2006. The purpose of this report is to inform shareholders about how the Group fared during the year ended 31 December 2016.

Short forms and abbreviations are defined above in the Chairman's and Chief Executive's Reports.

Strategic objective

Gresham House is a specialist asset manager focussed on alternative and illiquid asset classes, aiming to generate superior returns for clients and shareholders over the longer term. Shareholder value creation will be driven by long-term growth in earnings as a result of increasing AUM and returns from invested capital.

Gresham House currently manages investments and co-investments through its investment management platform on behalf of institutions, family offices, charities and endowments and private individuals.

Gresham House's strategy is to grow AUM organically and through appropriate acquisitions, using its balance sheet to acquire businesses, attract talent, seed new funds and create new divisions with the aim of creating a sustainable and profitable business together with carried interest and performance fees.

Business model

The diagram below illustrates our business model:

Alternative investment strategies, illiquid assets, long-term horizons

- Quoted FCA authorised specialist manager
- Scalable platform
- Experienced team with strong investment track record
- Alignment - Management own 5%
- Developing best-in-class client technology platform

STRATEGIC EQUITY

Strategic public equity

- Gresham House Strategic plc – Quoted Investment Company
- Gresham House SPE Fund LP – Guernsey Limited Partnership

Private equity

- LMS Capital – Listed Investment Company

REAL ASSETS

Gresham House Foresty

- Gresham House Forestry – Segregated/managed accounts

NEW STRATEGIES

- Acquiring business, talent and expertise
- Grow existing vehicles
- Launching new strategies

Culture and philosophy of alignment through investment alongside clients

> Alignment with shareholders is critical to delivering value.

Specialist asset management vehicle

Gresham House, with its FCA regulated subsidiary Gresham House Asset Management Limited, provides investors with the opportunity to access a London Stock Exchange listed vehicle and so benefit from the sustainable management fees earned from its specialist asset management business. An experienced team with strong track records in their respective specialist sectors lead the business.

Alignment

Alignment with shareholders is critical to delivering value. The management team and close advisors ensure alignment by directly owning 5% of the business and the wider team is motivated to grow the value of Gresham House plc through long-term incentive schemes. It is also important for Gresham House to be aligned with the investors in the funds that it manages and therefore the Group typically holds a stake in these funds. This approach when combined with the talent at Gresham House and the development of a best-in-class client technology platform will allow Gresham House to deliver value to its shareholders and clients alike.

Developing asset classes

The Strategic Equity and Real Assets divisions currently house a number of funds that have either been launched organically or been acquired through existing businesses and management contracts. The Group will continue to develop the business by growing AUM through the purchase of existing companies, the raising of new funds and from sustainable management fee income from the two current divisions and any subsequent divisions that are yet to be established.

Key performance indicators

The key indicators of performance relevant for the Group are the trading profits of the investment management business, measured through the adjusted operating profit metric and AUM.

In the year to 31 December 2016 the adjusted operating loss had reduced to £1,585k (2015: £3,054k) and included net gains totalling £342k from associates, losses from investments and property (2015: £1,229k losses).

AUM grew to £363 million by the end of the year (2015: £242 million), further detail is included in the business review below.

Business review

Division	AUM 31 Dec 2016 £ million	AUM 30 Jun 2016 £ million	AUM 31 Dec 2015 £ million
Strategic Equity	116	37	37
Real Assets	247	224	205
Total AUM	363	261	242

Assets under management

The AUM of the Group has grown by over 50% in the year to £363 million at 31 December 2016 (2015: £242 million). The above table provides detail of AUM by division.

Growth in AUM has been both organic, through the raising of SPE LP (£24 million committed and co-investment) and GHF LP (£15 million), as well as acquisition, with the award of the LMS investment management contract (£68 million).

Real Assets – "Uncorrelated with traditional asset classes"

The Group's Real Assets division was established with the acquisition of Aitchesse Limited (now Gresham House Forestry Limited) in November 2015. The Real Assets division targets asset classes that are uncorrelated with traditional debt and equity classes and forestry is a great example of this. Forestry is a physical asset that generates income, provides inflation protection and is unaffected by the performance of financial markets, since trees continue to grow irrespective of the economic environment.

Gresham House Forestry is a specialist asset manager that manages over 30,000 hectares of UK commercial forestry on behalf of endowments, family offices, limited partnerships and high-net worth investors. The forestry business has completed its first full year of results since the acquisition and is now integrated with the Gresham House business. The figures below demonstrate that it has experienced good growth in the year to 31 December 2016.

The forestry business' 20% growth in AUM in the year to £247 million (2015: £205 million) was driven by the increase in value of the existing forests managed by the team, combined with new forest acquisitions and the launch of the Gresham House Forestry Fund LP ("GHF LP") on 31 October 2016.

GHF LP targets net returns of 10% per annum, with expected annual distribution of 2% to 4% from timber sales. GHF LP had its first close with £15 million of commitments and finance raised, which included £1.25 million from Gresham House. GHF LP has subsequently invested in six forests at a price of £12.3 million as at 31 December 2016 and is targeting a final close in the second half of 2017 at a size of £50 million.

Market conditions for Forestry continue to be favorable with GBP remaining weak and timber prices high. The UK timber harvest accounts for only 25% of the 60 million tonnes of timber used each year in the UK. Imports are therefore a key part of the timber industry in the UK. A large portion of these imports come from Scandinavia and a weak GBP against the Swedish Krone makes imported timber more expensive, benefiting the UK forestry market. The UK government has also renewed its commitment to housebuilding and with the timber content of new houses continuing to rise, this is further positive news for UK forestry.

While timber prices are back to their 2014 highs, fuel prices are not. This dynamic has had a positive impact on UK forestry returns since the costs of harvesting and haulage are considerable and are significantly affected by the price of fuel.

> Gresham House applies its Strategic Equity approach to UK and European small public and private companies that are typically below £100m in size, generate healthy cash flows and produce good return on capital, but have been overlooked by the market, so-called "value stocks".

Business review - continued

Strategic Equity – "Bridging public and private markets"

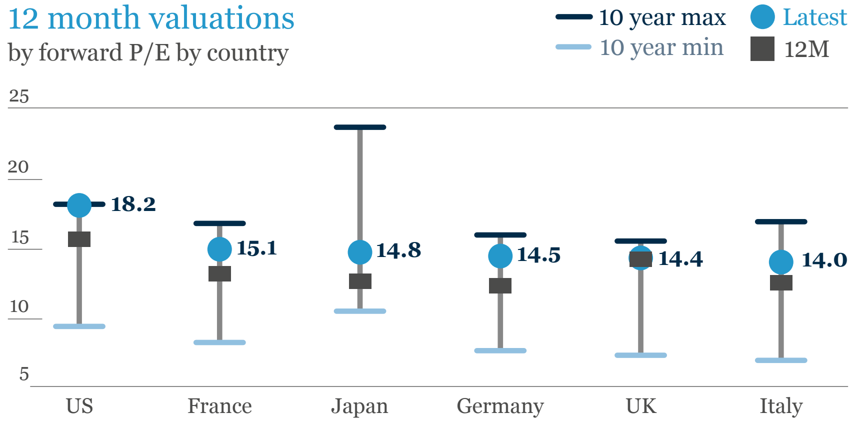
The Strategic Equity division focuses on inefficient areas of public and private markets to capture value over the long-term. This division covers both public market and private equity investment opportunities.

Gresham House applies its Strategic Equity approach to small public and private companies in the UK that are typically below £100m in size, generate healthy cash flows and produce good return on capital, but have been overlooked by the market, so-called "value stocks".

Given the current economic backdrop and political uncertainty we believe the UK market is expensive relative to historic ranges, as shown by the chart below which shows the valuation of companies within the FTSE All-Share Index, as a multiple of prospective earnings, are trading close to 10 year highs.

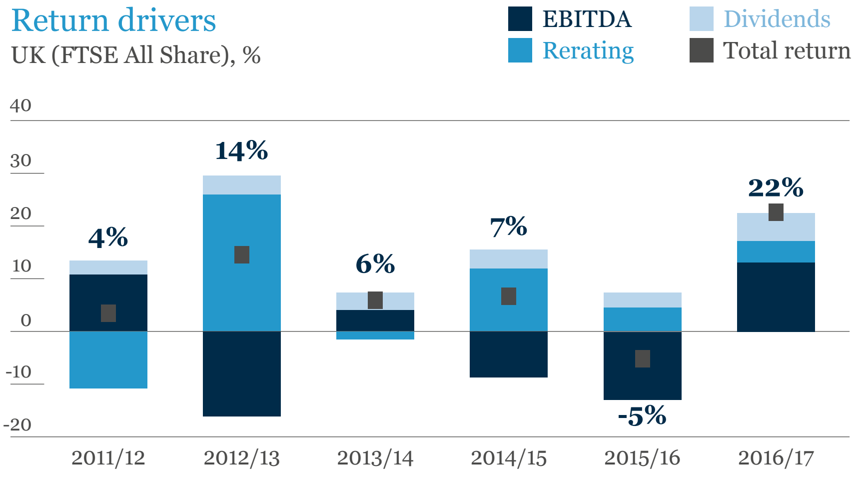
It is also clear that much of the uplift in company valuations in the UK over the last 12 months has been down to market re-rating, and then dividend pay-out rather than supported by earnings growth.

12 month valuations
by forward P/E by country



Source: Panmure Gordon 15 March 2017 – Economics report

Return drivers
UK (FTSE All Share), %



Source: Panmure Gordon 15 March 2017 – Economics report

Business review - continued

The chart showing the reduction in dividend cover also supports this with increasing pressure to return capital providing investors with a yield in a low yield market environment.

FTSE All-Share Index - dividend cover

Source: Panmure Gordon 15 March 2017 – Economics report

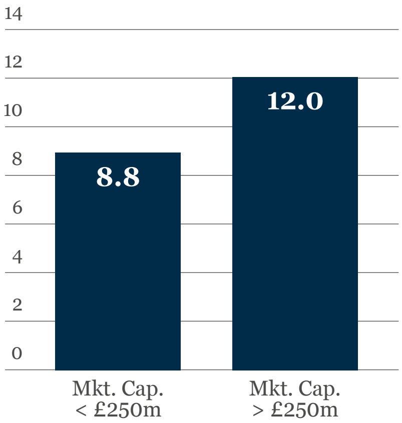
Gresham House Asset Management flagged this concern at the beginning of 2016 in its H1 2016 Investment Perspectives publication titled "Alpha generation from investing in value companies" and the chart below shows that although value stocks remain overlooked we are beginning to see a rotation away from growth and momentum stocks that are highly priced and into value. Earlier this year GHAM published its H1 2017 perspectives flagging the attractions of smaller companies that tend to be valued significantly below their larger peers, reiterating that within that opportunity set, those stocks with value characteristics offer scope to generate superior returns over the long-term.

Investment in smaller, value stocks requires a considerably higher level of engagement with investee company stakeholders. First, in order to identify market pricing inefficiencies, and catalysts for value creation, and then to support a clear strategic plan to create equity value over the long term (3-5 years) thereby targeting above market returns.

The Strategic Equity division provides access to this investment strategy through three vehicles, Gresham House Strategic plc ("GHS") and Gresham House Strategic Public Equity LP ("SPE LP"), both of which primarily target public markets, and LMS Capital plc ("LMS"), which targets direct private equity in the UK.

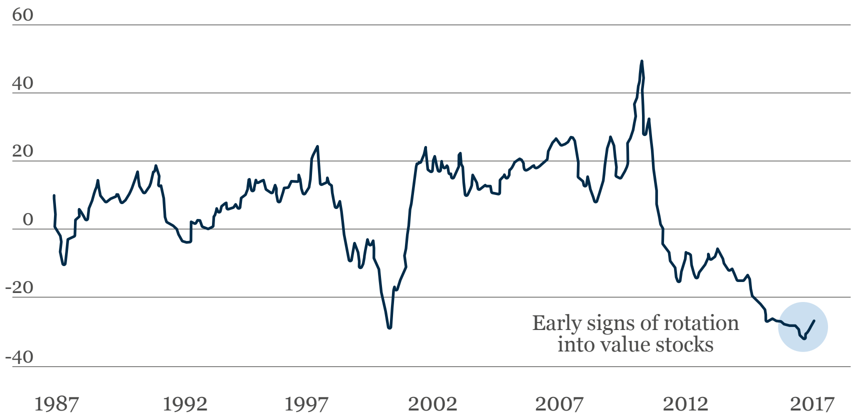
FTSE All-Share Index average EV/EBITDA

multiple (x)



Source: Bloomberg 15 March 2017, Median EV/EBITDA (Trading 12 months)

10 year rolling relative performance of MSCI World Value vs Growth



Source: Morgan Stanley

Business review - continued

Gresham House Strategic plc

GHS was the first investment mandate awarded to GHAM in August 2015 and the Group holds a 19.2% interest in GHS creating alignment between the two.

The existing GHS portfolio managed by GHAM continues to perform well with low volatility in difficult macro-economic and geo-political conditions. NAV growth to 31 December 2016 was 6% since GHAM's appointment on 14 August 2015. A resilient performance relative to the FTSE Small-Cap Index (excluding investment trusts), which also grew by 7% over the same period. Through buying GHS shares which currently trade at a 25% discount to the NAV per share, investors gain exposure to a portfolio of eight companies that are attractively valued at c.6x EV/EBITDA (stripping out cash from the portfolio) and growing earnings in excess of 30%*.

Gresham House Strategic Public Equity LP

SPE LP held its first close on 15 August 2016 with commitments and co-investment agreements of £24 million and is targeting a final close in the second half of 2017. SPE LP is a sister fund to GHS and will invest and divest alongside, utilising the same investment committee and investment team. Gresham House has entered into a co-investment agreement with SPE LP and has committed to an amount of £1.5 million.

LMS Capital plc

GHAM was appointed as the investment manager of LMS in August 2016. Over the past seven months there has been significant progress in the transition to external management and the generation of targeted annualised cost savings for LMS. Through this period, members of the investment team have actively engaged with underlying portfolio companies.

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. LMS had been undergoing a realisation programme ahead of GHAM's appointment in August 2016 and the adoption of a new investment policy focused predominantly on private equity investment. As the manager, GHAM will aim to achieve shareholder objectives through a staged approach:

1 Transition to external management, implementing cost savings and new investment process with newly formed investment committee. The appraisal of existing investments to optimise value, including appropriate realisations.

2 Return of capital from realisations alongside supporting longer term investments with potential for value creation.

3 Implement new investment strategy and seek to scale the company

The mandate to manage LMS involves maximising long-term value. This includes appropriate realisations of the existing portfolio and returning a further £11 million to shareholders alongside reinvestment in direct private equity investments in the UK in the longer term and focusing on options to scale LMS thereafter.

Gresham House paid a first tranche consideration of £1 million in Gresham House plc ordinary shares for the management contract in August 2016, with a second tranche amount of up to £1.25 million being payable in two years' time. The second tranche is payable on a sliding scale from zero to £1.25 million when the NAV in two years' time is between £67.5 million and £85 million. The investment management contract is for a minimum term of three years. Management fees of 1.5% per annum are earned on the average annual NAV of LMS of up to £100 million, 1.25% where NAV is greater than £100 million but lower than £150 million and 1.0% where NAV is greater than £150 million. Performance fees of 15% will be payable where new investments have had cumulative compound growth in excess of 8% per annum, with the first measurement being the period to 31 December 2017. No new investments have been made in the period to 31 December 2016.

*Using the latest corporate broker forecasts for the underlying portfolio companies and stripping out the cash position in the company. Gresham House EV is based on the market capitalisation and cash position as at 20 March 2017, the latest data available.

Business review - continued

LMS announced its annual results for the year to 31 December 2016 on 14 March 2017 and the positive foreign currency impact of the US dollar from LMS' US portfolio has been offset by weak trading performance in some of LMS' portfolio companies. As such, the year-end NAV was reduced to £68 million.

GHAM has engaged with portfolio companies and is working with the management teams to identify catalysts for growth, to drive long-term value creation and to reverse the disappointing portfolio performance in 2016. As stated above, the company has committed to return up to £11 million to LMS shareholders from realisations of the existing portfolio and is focused on progressing and initiating sale processes for certain holdings. Alongside any return to shareholders we will look to reinvest in direct private equity opportunities at the smaller end of the market, leveraging the expertise and experience of our investment team and new investment committee.

Legacy portfolio

The orderly disposal of the legacy portfolio has been ongoing in the year to 31 December 2016. The majority of the legacy portfolio relates to property, namely the Southern Gateway site and the remaining land at Newton-le-Willows, with a combined gross value of £10 million as at 31 December 2016 (2015: £9.9 million).

Southern Gateway

The Southern Gateway site is approximately 370,000 square feet of mixed commercial and warehouse property in Speke, Liverpool and is now in an active marketing process. During the year a number of initiatives have been implemented to improve the value of the site in preparation for sale. The current gross valuation of £7.75 million (2015: £7.65 million) has been assessed by an independent valuer and factors in the improvement initiatives as well as the general market conditions, which have been felt in the property market since the Brexit vote in the summer. We have entered a process to realise value in the short-term.

Newton-le-Willows

The majority of the Newton-le-Willows site was sold to Persimmon Homes in September 2015 for housing development. We have since been working on preparing the remaining land at Newton-le-Willows for sale and have recently applied for planning permission to build 82 homes. The valuation as at 31 December 2016 for the land is £2.25 million (2015: £2.25 million) as assessed by an independent valuer. The land is now in an active sales process and we are also aiming to realise value in the short-term.

Remaining securities

We have made good progress in disposing of the legacy security portfolio, realising £918k in the year. We continue to seek value as we dispose of these assets and focus on the current business as a specialist asset manager.

Principal risks, risk management and regulatory environment

There are a number of risks and uncertainties that the Group face. The Board has established a structured approach to identify, assess and manage these risks and further details are included in the internal controls section of the Corporate Governance section.

The following list highlights the principal risks:

Risks relating to the strategy of the Group

Failure to attract investment funds

The directors' strategy envisages the development of an asset management business. Such businesses are operationally geared and success depends on attracting adequate investment funds to manage. If the asset management business fails to attract sufficient assets to generate fees, this could have a material adverse effect on the Group's business, financial condition and prospects.

Ability to recruit and retain skilled personnel

The Group's success depends on qualified and experienced employees to enable it to raise assets for its asset management activity and successfully manage its investments. Should the Group be unable to attract new employees this could have a material adverse effect on the Group's ability to grow its business.

Dependence on key executives

The Group'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, which could have a material adverse effect on the deliverability of the strategy, the development of the asset management business and the financial prospects of the Group.

Exposure to macroeconomic, geographic, sector-related and geo-political risks

The Group's investment activities will expose its Shareholders to risks arising from macroeconomic, geographic, sector-related and geo-political risks.

Nature of investee companies

A majority of the investments made by the funds, which GHAM manages, will be in the securities of small and medium sized companies. Such securities may involve a higher degree of risk than would be the case for the securities of larger companies. If the investments do not perform well, GHAM, as the fund manager, would receive a lower management fee, and would be at risk of losing investors as a result of poor performance.

Liquidity of portfolio

The funds managed by GHAM may invest in securities that are not readily tradable, which may make it difficult for the funds to sell its investments.

Delay/failure to make significant acquisition

The Directors' strategy anticipates that the Group will develop by continuing to grow an asset management business through acquisition. If the Group is unable to negotiate successfully a meaningful acquisition or is unable to grow its asset management business organically, that could have a material impact upon the Group's ability to execute the directors' strategy.

The Group is likely to face competition from a variety of other potential purchasers in identifying and acquiring suitable assets. Market conditions may have a negative impact on the Group's ability to identify and execute investments in suitable assets that generate acceptable returns.

Potential requirement for further investment

Any potential expansion activity and/or business development may require additional capital. There can be no guarantee that the necessary funds will be available on a timely basis on favourable terms or at all or that, such funds (if raised) would be sufficient. If additional funds are raised by issuing equity securities, dilution to the existing Shareholders may result. If the Group is not able to obtain additional capital on acceptable terms or at all, it may be forced to curtail or abandon such planned expansion, activity and/or business development.

FCA Authorisations

GHAM is currently authorised by the FCA. GHAM is expected to meet certain FCA standards. This will result in an extra cost to the Group. Furthermore, should GHAM be in breach of its duties, the FCA has a wide range of enforcement powers, which include withdrawing a company's authorisation, suspending firms which undertake regulated activities, and fining firms or individuals who breach the rules. Use of these enforcement powers could bring about reputational and financial damage to the Group.

Risks relating to the Group's existing assets

The Group's current investment portfolio consists of land and commercial property (the property portfolio) and investments in equity and debt securities in predominantly smaller companies (the securities portfolio).

Property portfolio

General economic and property market risks
The value of the Group's property portfolio is dependent on general economic conditions as well as on the specific conditions of the commercial property market.

Tenant associated risks
Any non-renewal of existing leases or early termination by the existing tenants in the Group's property portfolio could result in a significant decrease in the Group's net rental income as the Group may not be able to secure a replacement tenant on favourable terms, or at all, for the vacated space.

If the Group's net rental income declines, it would have less cash available to service and repay its debts and the value of its properties could decline as well. In addition, significant expenditures associated with each property, such as taxes, service charges and maintenance costs, are normally not reduced in proportion to any decline in rental revenue from that property.

The Group is exposed to the credit risk of its tenants and the creditworthiness of its tenants can decline over the short-term. This may result in less rental income for the Group, delayed payments and/or costs or delay in taking enforcement or repossession action. The Group may again not be able to secure a replacement tenant on favourable terms or at all for space vacated by such a defaulting tenant.

Sale risks
The sale proceeds from Persimmon are payable in three further instalments. This exposes the Group to a credit risk with respect to the future financial standing of Persimmon and also means that the Group does not have all the proceeds of sale available for working capital or investment capital purposes or for distribution for some time after the sale.

Valuation risks
The valuation of the Group's property portfolio is inherently subjective. As a result, the valuations of the Group's property portfolio are subject to a degree of uncertainty and are made based on assumptions (including hope value in relation to successful negotiation of, and entry into, new leases) which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market.

Liability risks
The Group may be subject to warranty claims due to defects in quality or title relating to the leasing and sale of its properties.

Illiquidity risks
Properties of the type remaining in the Group's portfolio can be illiquid assets for reasons such as properties being tailored to tenants' specific requirements and reduced demand for property on the market. This may affect the Group's ability to, dispose of or liquidate part of its portfolio on a timely basis or at a satisfactory price, in response to changes in general economic conditions, property market conditions or other conditions.

Securities portfolio

Risks relating to investments in smaller companies and private assets
The Group invests in smaller company securities. Individual smaller companies can be expected, inter alia, in comparison to larger companies, to have less mature businesses, less depth of management and a higher risk profile. As a result, they may find it difficult to secure financing and/or overcome periods of economic slowdown. This may have a material adverse effect on the performance of that smaller company and may make it difficult or impossible for such company to repay its debts or lead it to reduce its dividends, which could reduce the Group's cash resources.

Furthermore, the value of securities in smaller companies can be more volatile than those of larger companies, particularly at times of economic downturn.

The Group may thus not be able to dispose of any of its investments in its securities portfolio for an acceptable price and/or at a specific time.

Risks relating to market and economic conditions
The Group's investments are subject to normal market fluctuations and the risks inherent in the purchase, holding or selling of securities and there can be no assurance that appreciation in the value of those investments will occur.

It should be noted that the Group currently has a 19.2% stake in Gresham House Strategic plc ("GHS"). The shares of GHS are traded on AIM. The value of these shares may be volatile and may go down as well as up. As the Group holds a significant proportion of

GHS's shares and is accounted for as an associate, the value of the ordinary shares may be affected by the value of the shares of GHS.

The anticipated proceeds from the repayment of the Attila loan notes and accrued interest exposes the Group to a risk on the purchaser of the Attila property asset, CALA Management Limited. Failure by the purchaser to pay the deferred receivable to Attila would affect its ability to repay the loan notes, accrued interest, and have a detrimental impact on the Group's working capital.

Risks relating to Gresham House Forestry Limited

In November 2015, the Group acquired Aitchesse Limited (now Gresham House Forestry Limited). There are specific risks relating to that business which are summarised below:

Concentration of clients

Gresham House Forestry has a small and concentrated client base, with four clients accounting for 96% of management fee income. In particular, one client comprises 55% of Gresham House Forestry's income from management fees. The loss of such a client before the business can increase or diversify its investor base is a risk and the loss could have a significant adverse effect on Gresham House Forestry's revenue. The current management team is aware that it faces a concentration risk and its management has been working to diversify their client base.

Sector focus – reliance on forestry

The success of Gresham House Forestry relies on the continued attractiveness to investors of the UK forestry and timber industry. Changes in the sector, rendering timber less attractive as an investment, could bring about a material adverse change to the business of Gresham House Forestry.

Regulation and tax

Regulation surrounding the forestry industry may be subject to change. Currently, timber is allowed significant tax breaks (it is not subject to income tax, capital gains tax or corporation tax and is also exempt from inheritance tax).

If these tax breaks were repealed, timber could cease to be an attractive investment to high-net-worth individuals and ultra-high-net-worth individuals and families. This would have a significant effect on the business of Gresham House Forestry.

Bespoke arrangements

One fund managed by Gresham House Forestry does not have a management agreement in place. This means this fund is not required to give notice to cancel its relationship with Gresham House Forestry, nor are its fee arrangements formalised. Gresham House Forestry is currently working with this client to put arrangements that are more formal in place and it is now expected that the arrangements will be documented during 2017.

Reliance on suppliers

There are a limited number of suppliers in the forestry industry. Although the Directors are satisfied that Gresham House Forestry has good relationships with its suppliers, there is a risk that, should these relationships deteriorate, Gresham House Forestry would struggle to find a replacement supplier. Should this occur, Gresham House Forestry may find it difficult to achieve its cost effective land management, which would affect the management fees it would receive.

The Board seeks to mitigate these and other perceived risks by setting appropriate policies and by undertaking a risk assessment at least annually.

The Board recognises the importance of sound corporate governance

This report sets out the procedures and systems currently in place and explains why the Board considers them effective.

As Gresham House plc is listed on the Alternative Investment Market it is not required to comply with the provisions of the UK Corporate Governance Code issued by the Financial Reporting Council in September 2014 ("the UK Code"). However, the Board recognises the importance of sound corporate governance and intend to comply with the Corporate Governance Code for Small and Mid-Size Quoted Companies ("QCA Code") as published by the Quoted Companies Alliance ("QCA") insofar as reasonably practicable given the Company's nature and size.

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 Code, applicable to, and more suitable for, many AIM companies.

The Board

The Board currently comprises two executive and three non-executive directors as described on page 35.

The Board is responsible for the overall strategy and management of the Group. There is a formal schedule of matters specifically reserved for Board decision 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 then a vote would be taken and the views of the dissenting director recorded in the minutes. There were no such dissentions during 2016. 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 procedures are followed. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole. Mr P G Moon is the Senior Independent Director.

The Board has established three committees to deal with specific aspects of the Group's affairs: Audit, Remuneration and Investment Committees.

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 this criteria the Board considers Messrs Townsend, Moon and Chadwick 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 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 re-appointment.

The directors retiring in accordance with the Company's Articles of Association are Messrs Kevin Acton and Peter Moon. The Chairman has carefully considered the position of each of the directors and considers their contribution to be significant and effective; accordingly, he recommends their re-election.

The Chairman has introduced a formal Board evaluation process and is satisfied that each director contributes effectively to their role.

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. There were five Board meetings, four meetings of the Audit Committee and one meeting of the Remuneration Committee held during the year and the attendance of the directors was as follows:

Director	Board	Remuneration Committee	Audit Committee
J A V Townsend	5*	1*	4
A L Dalwood	5	-	-
M C Phillips	4	-	-
K J Acton	3	-	-
R A Chadwick	5	1	4
P G Moon	5	1	4*

* Denotes Committee Chair

Audit Committee

The Audit Committee, which is chaired by Mr Peter Moon, operates within defined terms of reference and comprises the three non-executive directors of the Company. The specific responsibilities of the Audit Committee include a review of the Group's annual and half yearly results, a review of internal and financial controls applicable to the Group, the terms of appointment of the auditor together with their 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 twice a 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 can confirm 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 2016.

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 investment in Gresham House Strategic plc;
- Accounting for the acquisition of Gresham House Forestry Limited;
- Accounting for the acquisition of the LMS Capital plc ("LMS") management contract;
- Valuation of investment properties; and
- Valuation of unlisted investments.

Accounting for Gresham House Strategic plc

The Board considered carefully the implications of the Group's ownership of a 19.2% stake in GHS. The Board were 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 has been decided that it is appropriate to account for our 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 of the acquisition of Aitchesse Limited, from which 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.

Accounting for Gresham House Forestry Limited

The acquisition of Aitchesse required the Board to consider the fair value of the assets acquired, the fair value of the consideration paid and payable, the valuation of goodwill arising and any impairment of the goodwill and intangible assets arising. Further details are set out in the Notes to the Accounts.

Accounting for LMS management contract

On 16 August 2016, GHAM was awarded the contract to manage LMS. In recognition of the value of the contract, the Company paid £1 million in ordinary shares to LMS (332,484 shares issued), with a second tranche payment due subject to certain conditions being met in two years' time. The management contract has been recognised as an intangible asset in the period and the Board has considered the fair value of the contingent consideration as appropriate. Further details are set out in the Notes to the Accounts.

Valuation of investment properties

All investment properties investments were valued by Jones Lang LaSalle Limited, Chartered Surveyors, as at 31 December 2016. These external valuations were carried out on the basis of Market Value in accordance with the latest edition of the Valuation Standards published by the Royal Institution of Chartered Surveyors. The assumptions and underlying evidence to support these valuations have been reviewed by the Audit Committee which is satisfied that the valuations represent fair value based on current permitted use.

Valuation of unlisted securities

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

Having challenged management on the assumptions used the Audit Committee are not aware of any material misstatements, the Audit Committee is 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.

Non-audit services

Non-audit services provided by the external auditor are reviewed by the Audit Committee to ensure that independence and objectivity 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 2017 AGM, BDO LLP be reappointed as external auditor of the Company and Group for the forthcoming year.

Remuneration Committee

The Remuneration Committee is also a formally constituted committee of the Board with defined terms of reference. It consists of the three non-executive directors under the chairmanship of Mr J A V Townsend. The other members of the committee are Mr P G Moon and Mr R A Chadwick. The Committee is responsible for reviewing the performance of the executive directors and to set the scale and structure of their remuneration and the basis of their service agreements, and meets at least annually. The Committee is also responsible for recommending the allocation of long-term incentive arrangements to employees. Responsibility for setting the remuneration of senior staff will sit with the executive directors mindful of the policies being set by the Remuneration Committee.

Further information can be found in the Remuneration Report.

Investment Committee

The Investment Committee is chaired by Mr A L Dalwood with the other members being three 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 entire investment portfolio and meets on a regular basis as and when required. All investment decisions require the following approvals:

- Investments below 2% of NAV requires the approval of an executive director;
- Investments between 2% and 5% of NAV require a majority approval of the Investment Committee; and
- Investments above 5% of NAV require unanimous approval of the Investment Committee.

Advisory Group

The Company has developed an Advisory Group of experienced business people to act as advisers, deal introducers and business counsellors. They will be 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 the small size of the Board, the Board as a whole fulfils the function of the Nomination Committee. Any Board member can propose new members who will be considered by the Board as a whole. No new non-executive director will 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 advisors 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.

Share capital and voting rights

As at 1 January 2016 and 31 December 2016 there were 9,851,041 and 10,185,487 ordinary shares respectively in issue 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. 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. The primary forms of communication are:

- the annual and interim financial statements;
- announcements released to the London Stock Exchange; and
- the annual and any general meetings.

Remuneration Report

Remuneration Committee

The Remuneration Committee consists of the three non-executive directors of the Company under the chairmanship of Mr J A V Townsend. The Committee meets at least annually and is responsible for determining the terms of service and remuneration of the executive directors.

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.

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 2016 are set out below:

	2016 Number of shares	2015 Number of shares
J A V Townsend	34,855	34,855
A L Dalwood	209,133	209,133
M C Phillips*	87,138	87,138
D J L Abbot**	87,138	87,138
P G Moon	34,855	34,855
K J Acton	1,587	-

*Resigned 31 December 2016.
**Resigned 31 December 2015.

In addition, the following directors who served during the year held supporter warrants. Each supporter warrant will entitle 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.

	2016 Number of shares	2015 Number of shares
J A V Townsend	34,000	34,000
A L Dalwood	212,500	212,500
M C Phillips*	187,000	187,000
D J L Abbot**	93,500	93,500
P G Moon	29,750	29,750
K J Acton	-	-

*Resigned 31 December 2016.
**Resigned 31 December 2015.

Further details of the supporter warrants can be found in note 23 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 Mr Dalwood, six months for Mr Acton and three months for Mr Townsend, Mr Moon and Mr 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, then 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 were eligible to participate in such a 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 Committee intends that base salary and total remuneration of executive directors should be in line with the market. 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 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; and
- Long term incentive plan.

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 does not currently operate any pension schemes for the benefit of directors or employees. A contribution to pension or equivalent schemes is however an entitlement of all employees and appropriate arrangements are in place to ensure the Company makes appropriate contributions.

Annual bonus

The Company operates a discretionary bonus scheme for senior executives, 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 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 which will be released to them after three years together with any additional matching shares subject to performance criteria set out below. In 2016 the Remuneration Committee approved the reinvestment of up to 50% of annual bonuses into ordinary shares by management and employees.

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 out-performs 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 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 incentive arrangements and pursuant to the exercise of supporter warrants will not exceed 20% of the Company's total issued share capital.

Long term incentive plan

On 28 July 2016 the Company implemented a long-term incentive plan 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" shall broadly mean 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 performance criteria set out below. In the calculation of the 20% share of value, the benefit of the supporter warrants has been recognised. 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 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 requires a minimum term of employment of three years and awards are made to current management and new joiners at the Company's discretion.

Directors' emoluments

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

Year ended 31 December 2016	Basic salary £'000	Fees £'000	Benefits £'000	Bonuses £'000	Pensions £'000	Share based payments £'000	**2016 £'000**
Executive:							
A L Dalwood (iv)	185	-	3	202	18	25	433
M C Phillips (i), (iv)	165	-	2	110	16	19	312
K J Acton (ii)	86	-	1	82	9	1	179
Non-executive:							
J A V Townsend	50	-	-	-	-	-	50
P G Moon	25	-	-	-	-	-	25
R A Chadwick (iii)	-	20	-	-	-	-	20
Total	511	20	6	394	43	45	1,019

(i) Resigned 31 December 2016

(ii) Appointed 6 June 2016

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

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

Year ended 31 December 2015	Basic salary £'000	Fees £'000	Benefits £'000	Bonuses £'000	Other compensation £'000	2015 £'000
Executive:						
A L Dalwood	150	-	1	200	-	351
M C Phillips	75	-	9	110	-	194
D J L Abbot (i)	125	-	6	42	83	256
Non-executive:						
J A V Townsend	50	-	-	-	-	50
P G Moon	25	-	-	-	-	25
R A Chadwick (ii)	-	20	-	-	-	20
Total	425	20	16	352	83	896

(i) Resigned 31 December 2015

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

On behalf of the Board,

Anthony Townsend
Chairman, Remuneration Committee

27 March 2017

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2016.

Results and dividends

The Group Statement of Comprehensive Income is set out on page 40 and shows the results for the year ended 31 December 2016.

The Directors recommend that no final dividend for the year ended 31 December 2016 be paid as a result of the losses incurred by the Company during the year (2015: 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 and Chief Executive's Report on pages 2 to 7.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group are explained in the Risk Management section on pages 22 to 25.

Directors

The Gresham House Plc Board, senior team and Investment Committee hold a significant stake in Gresham House plc.

Anthony Townsend (aged 69) – Independent, non-executive Chairman

Anthony has spent over 40 years working in the City of London and was chairman of the Association of Investment Companies from 2001 to 2003. He is chairman of Baronsmead Second Venture Trust plc, British & American Investment Trust plc, F&C Global Smaller Companies plc, Finsbury Growth & Income Trust plc and Miton Global Opportunities Trust plc.

He was a director of Brit Insurance Holdings plc from 1999 to 2008 and represented it on the Council of Lloyd's of London from 2006 to 2008. He was managing director of Finsbury Asset Management Limited from 1988 to 1998. He was a non-executive director of Worldwide Healthcare Trust plc from 1995 to 2013. Anthony is currently chairman of the Remuneration Committee and a member of the Audit Committee.

Anthony (Tony) Dalwood (aged 46) – Chief Executive Officer

Tony is an experienced investor and adviser to public and private equity businesses. Tony established SVG Investment Managers (a subsidiary of SVG Capital plc) and acted as CEO and chairman of this entity, and launched Strategic Equity Capital plc. His previous appointments include CEO of SVG Advisers (formerly Schroders Ventures (London) Limited), membership of the UK Investment Committee of UBS Phillips & Drew Fund Management and the board of Schroders Private Equity Funds.

He is currently the chairman of the Investment Panel and on the board of the London Pensions Fund Authority, a director of JPEL plc and a director of Branton Capital Limited.

Kevin Acton (aged 39) – Finance Director

Kevin is the Finance Director for Gresham House plc and has over 15 years of finance and operational experience in private equity. Kevin joined Gresham House 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 England and Wales.

Peter Moon (aged 67) – Senior non-executive director

Peter started working in the City of London in 1972 and worked as an investment analyst and fund manager in a number of roles in unit and investment trusts, insurance and finally pension schemes. The last 25 years of his career were spent as the investment manager of the British Airways Pensions scheme and chief investment officer of the Universities Superannuation Scheme.

He is currently a director of Scottish American Investment Company and First Property Group and Bell Potter Securities Limited. Peter is currently chairman of the Audit Committee and a member of the Remuneration Committee.

Richard Chadwick (aged 65) – Non-executive director

Richard is a chartered accountant who was appointed to the Board of the Company on 17 June 2008 as a non-executive director. 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. Richard is presently a member of both the Audit and Remuneration Committees and a non-executive director of SpaceandPeople plc.

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.

Directors

The present directors are listed on page 35 together with brief biographical details. The directors who served during the period under review were:-

J A V Townsend Non–executive Chairman
A L Dalwood – Chief Executive
M C Phillips – Strategic Development *(resigned 31 December 2016)*
K J Acton – Finance Director *(appointed 6 June 2016)*
R A Chadwick – Non-executive
P G Moon – Non-executive

In accordance with the Company's articles of association Messrs Acton and Moon 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 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.

Substantial interests

At the date of this report the following substantial interests representing 3% or more of the total voting rights of the Company have been notified to the Company:

Shareholder	Number of shares	% of issued share capital	% of shareholder warrants
The Royal County of Berkshire Pension Fund	2,546,372	20.3	-
Revcap Estates 24 Limited	1,170,452	9.3	21.8
Majedie Asset Management Limited	936,797	7.5	-
LMS Capital plc	801,985	6.4	*
Saffie Investments Ltd	520,000	4.1	-
The Estate of A P Stirling	468,436	3.7	8.7
Credo Capital	396,746	3.2	-
River & Mercantile Asset Management LLP	389,076	3.1	-

* LMS Capital plc hold 909,908 LMS warrants

Companies Act 2006 disclosures

In accordance with Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 the directors disclose the following information:

- the structure of the Company's capital is summarised in notes 24 and 25. 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 Company's financial risk management objectives can be found in note 30 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 are required 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 judgments 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; 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 Company'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 and Article 4 of the IAS Regulation. 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 a 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.

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 24 to the financial statements.

By Order of the Board,

John-Paul Preston
Secretary

27 March 2017

5 New Street Square
London EC4A 3TW

Financial Statements

For the year ended 31 December 2016

Independent Auditor's Report

Independent Auditor's Report to the Members Of Gresham House plc

We have audited the financial statements of Gresham House plc for the year ended 31 December 2016 which comprise the group statement of comprehensive income, group and company statements of financial position, the group and company statements of changes in equity, the group and company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation 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.

This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at *www.frc.org.uk/auditscopeukprivate*

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 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 Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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 where 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.

Michelle Carroll
(senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London, United Kingdom

27 March 2017

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 2016

	Notes	**2016 £'000**	2015 £'000
Income	1		
Asset management income		3,202	333
Rental income		741	746
Dividend and interest income		249	228
Other operating income		72	51
Total income		4,264	1,358
Operating costs	3		
Property outgoings		(290)	(339)
Administrative overheads		(6,892)	(2,704)
Net operating loss before exceptional items		(2,918)	(1,685)
Finance costs	6	(442)	(144)
Exceptional items	*	-	(773)
Net operating loss after exceptional items		(3,360)	(2,602)
Gains and losses on investments:			
Share of associate's profit	16	628	-
Movement in fair value of investment property	11	(139)	(744)
Gains and (losses) on investments held at fair value	10	(147)	(485)
Movement in fair value of contingent consideration		(253)	-
Movement in fair value of deferred receivable		202	-
Operating loss before taxation		(3,069)	(3,831)
Taxation	7	33	-
Total comprehensive income		(3,036)	(3,831)
Attributable to:			
Equity holders of the parent		(3,027)	(3,807)
Non-controlling interest		(9)	(24)
		(3,036)	(3,831)
Basic and diluted loss per ordinary share (pence)	8	(30.3)	(40.5)

* Exceptional items in 2015 relate to professional fees incurred in respect of the re-admission to AIM and the acquisition of Aitchesse Limited which took place on 23 November 2015 and on the reorganisation of the Group's legacy subsidiaries.

Statements of Changes in Equity

Group

Year ended 31 December 2016

	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 2015		2,463	1,688	64	21,611	**25,826**	-	**25,826**
Comprehensive income for the year								
Loss for the year		-	-	-	(3,027)	**(3,027)**	(9)	**(3,036)**
Total comprehensive income for the year		-	-	-	(3,027)	**(3,027)**	(9)	**(3,036)**
Contributions by and distributions to owners								
Non controlling interest in Gresham House Friends & Family Fund LP		-	-	-	-	**-**	500	**500**
Share warrants issued	25	-	-	255	-	**255**	-	**255**
Share based payments	26	-	-	-	73	**73**	-	**73**
Issue of shares	24	83	923	-	-	**1,006**	-	**1,006**
Total contributions by and distributions to owners		83	923	255	73	**1,334**	500	**1,834**
Balance at 31 December 2016		2,546	2,611	319	18,657	**24,133**	491	**24,624**

Year ended 31 December 2015

	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 2014		2,336	12,508	64	12,934	27,842	-	27,842
Comprehensive income for the year								
Loss for the year		-	-	-	(3,807)	(3,807)	(24)	(3,831)
Total comprehensive income for the year		-	-	-	(3,807)	(3,807)	(24)	(3,831)
Contributions by and distributions to owners								
Transfer of non-controlling interest deficit		-	-	-	(24)	(24)	24	-
Issue of shares	24	127	1,688	-	-	1,815	-	1,815
Cancellation of share premium	27	-	(12,508)	-	12,508	-	-	-
Total contributions by and distributions to owners		127	(10,820)	-	12,484	1,791	24	1,815
Balance at 31 December 2015		2,463	1,688	64	21,611	25,826	-	25,826

Statements of Changes in Equity

Company

Year ended 31 December 2016

	Notes	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	**Total equity £'000**
Balance at 31 December 2015		2,463	1,688	64	16,939	**21,154**
Comprehensive income for the year						
Loss for the year		-	-	-	(786)	**(786)**
Total comprehensive income for the year		-	-	-	(786)	**(786)**
Contributions by and distributions to owners						
Issue of shares	24	83	923	-	-	**1,006**
Share warrants issued	25	-	-	255	-	**255**
Total contributions by and distributions to owners		83	923	255	-	**1,261**
Balance at 31 December 2016		2,546	2,611	319	16,153	**21,629**

Year ended 31 December 2015

	Notes	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	Total equity £'000
Balance at 31 December 2014		2,336	12,508	64	6,946	21,854
Comprehensive income for the year						
Loss for the year		-	-	-	(2,515)	(2,515)
Total comprehensive income for the year		-	-	-	(2,515)	(2,515)
Contributions by and distributions to owners						
Issue of shares	24	127	1,688	-	-	1,815
Cancellation of share premium	27	-	(12,508)	-	12,508	-
Total contributions by and distributions to owners		127	(10,820)	-	12,508	1,815
Balance at 31 December 2015		2,463	1,688	64	16,939	21,154

Statements of Financial Position

As at 31 December 2016

		Group		Company	
	Notes	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Assets					
Non current assets					
Investments – securities	10	2,834	1,568	1,116	1,568
Investment property	11	-	9,559	-	-
Tangible fixed assets	12	179	154	13	-
Investment in subsidiaries	15	-	-	16,292	2,822
Investment in associate	16	6,530	5,902	-	5,902
Intangible assets	13	6,630	6,588	-	-
Long-term receivables	14	4,095	5,916	-	-
		20,268	29,687	17,421	10,292
Current assets					
Trade receivables	17	1,259	665	-	-
Accrued income and prepaid expenses		917	1,081	219	383
Deferred receivable	14	1,139	-	-	-
Other current assets	18	-	-	9,734	11,568
Cash and cash equivalents		2,802	4,390	858	372
Non-current assets held for sale					
Property investments	11	9,628	-	-	-
Total current assets and non-current assets held for sale		15,745	6,136	10,811	12,323
Total assets		36,013	35,823	28,232	22,615
Current liabilities					
Trade and other payables	19	2,229	4,390	87	1,435
Short term borrowings	20	1,015	2,850	1,377	26
		3,244	7,240	1,464	1,461
Total assets less current liabilities		32,769	28,583	26,768	21,154
Non-current liabilities					
Deferred taxation	21	-	-	-	-
Long term borrowings	22	4,881		4,881	
Other creditors	23	3,264	2,757	258	-
		8,145	2,757	5,139	-
Net assets		24,624	25,826	21,629	21,154
Capital and reserves					
Ordinary share capital	24	2,546	2,463	2,546	2,463
Share premium	27	2,611	1,688	2,611	1,688
Share warrant reserve	27	319	64	319	64
Retained reserves	27	18,657	21,611	16,153	16,939
Equity attributable to equity shareholders		24,133	25,826	21,629	21,154
Non-controlling interest	27	491	-	-	-
Total equity		24,624	25,826	21,629	21,154
Basic and diluted net asset value per ordinary share (pence)	28	236.9	262.2	212.4	214.7

The loss after tax for the Company for the year ended 31 December 2016 was £786,000. The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 27 March 2017.

Kevin Acton
Finance Director

Group Statement of Cash Flows

For the year ended 31 December 2016

	Notes	**2016 £’000**	**2016 £’000**	2015 £’000	2015 £’000
Cash flow from operating activities					
Dividend income received		7		48	
Interest received		470		317	
Rental income received		728		549	
Other cash payments		(4,542)		(2,940)	
Net cash utilised in operations	29		(3,337)		(2,026)
Corporation tax paid		(204)		-	
Interest paid on loans		(226)		(175)	
			(430)		(175)
Net cash flow from operating activities			(3,767)		(2,201)
Cash flow from investing activities					
Acquisition of Aitchesse Limited		-		(1,074)	
Purchase of investments		(1,831)		(5,000)	
Sale of investments		918		-	
Sale of investment properties		-		2,222	
Deferred proceeds received on sale of investment properties		1,041		-	
Expenditure on investment properties		(353)		(329)	
Purchase of fixed assets		(125)		(24)	
Sale of fixed assets		37		15	
Purchase of contracts		(148)		-	
			(461)		(4,190)
Cash flow from financing activities					
Repayment of loans		(4,454)		(428)	
Receipt of loans		6,833		-	
Share issue proceeds		6		-	
LMS warrants issued		255		-	
			2,640		(428)
Decrease in cash and cash equivalents			(1,588)		(6,819)
Cash and cash equivalents at start of year			4,390		11,209
Cash and cash equivalents at end of year			2,802		4,390

Company Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Cash flow from operating activities					
Investment income received		7		48	
Interest received		470		316	
Other cash payments		(883)		(1,711)	
Net cash flow from operating activities	29		(406)		(1,347)
Interest paid on loans			(194)		-
Net cash flow from operating activities			(600)		(1,347)
Cash flow from investing activities					
Purchase of investments		(581)		(5,000)	
Sale of investments		918		-	
Investment in subsidiary		(1,250)		(2,500)	
Advanced to Group undertakings		(4,789)		(8,621)	
Repaid by Group undertakings		1,314		6,957	
Purchases of fixed assets		(16)		-	
			(4,404)		(9,164)
Cash flow from financing activities					
Repayment of loans		(1,604)		-	
Receipt of loans		6,833		-	
Share issue proceeds		6		-	
LMS warrants issued		255		-	
			5,490		-
Increase / (decrease) in cash and cash equivalents			486		(10,511)
Cash and cash equivalents at start of year			372		10,883
Cash and cash equivalents at end of year			858		372

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 standards and interpretations which have not been applied in these financial statements were in issue but not yet effective at year-end. The following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective at year end. The Directors do not anticipate that the adoption of these standards and interpretations will 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:

(i) IFRS 9 Financial Instruments

(ii) IFRS 10 (amended) Consolidated Financial Statements

(iii) IFRS 11 (amended) Accounting for Acquisitions of Interests in Joint Operations

(iv) IFRS 12 (amended) Disclosures of Interest in Other entities

(v) IFRS 14 Regulatory Deferral Accounts

(vi) IFRS 15 Revenue From Contracts With Customers

(vii) IFRS 16 Leases

(viii) IAS 16 (amended) Property, Plant and Equipment

(ix) IAS 28 (amended) Investments in Associates and Joint Ventures

(x) IAS 38 (amended) Intangibles

(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.

Associates

Where the Group has significant influence, it has the power to participate in (but not control) 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 objective evidence 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 27, the loss for the year being £786,000 (2015: £2,515,000).

(d) Segment reporting

IFRS 8 requires operating segments to be 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", "Legacy Property" and "Central".

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue 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.

(i) Asset management income

Revenue represents management and advisory fees for the provision of fund management and forestry management services and is recognised in the Statement of Comprehensive Income when the services are performed net of VAT.

(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) 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.

(iv) Performance fees

Performance fees will be recognised on the date of entitlement in accordance with the management contract.

(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 are 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 using rates of between 2% and 25%.

(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

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, in accordance with the documented investment strategy of the Company. Information about these financial assets is provided internally on a fair value basis to the Group's key management. All equity investments that were previously classified as held at fair value through profit or loss have been reassessed as at the date the Company became a trading company. The equity investments which do not meet the definitions of an associate or subsidiary remain held at fair value through profit and loss.

(i) 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.

(ii) 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 IFRS5.

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.

(iii) 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 as follows:

(i) Investments which have been made in the last 12 months are valued at cost in the absence of overriding factors;

(ii) Investments in companies at an early stage of development are also valued at cost in the absence of overriding factors;

(iii) Where investments have gone beyond the stage in their development in (ii) above, the shares may be valued by having regard to a suitable price-earnings ratio to that company's historical post-tax earnings or the net asset value of the investment; and

(iv) Where a value is indicated by a material arm's length market transaction by a third party in the shares of a company, that value may be used.

(iv) Loans and receivables

Unquoted loan stock is classified as loans and receivables in accordance with IAS39 and carried at amortised cost using the Effective Interest Rate method. Movements in both the amortised cost relating to the interest income and in respect of capital provisions are reflected in the Statement of Comprehensive Income. Loan stock accrued interest is recognised in the Statement of Financial Position as part of the carrying value of the loans and receivables at the end of each reporting period.

(k) 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.

(l) 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, 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 — 5 years
- Management contracts arising on acquisition — 1 to 3 years depending on the specific management contract details

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.

(m) 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. Provision is made when there is objective evidence that the Group will not be able to recover balances in full.

(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.

(m) Financial instruments - continued

(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.

(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.

(n) Pensions

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

(o) 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.

(p) 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 is 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.

(q) Critical accounting estimates and judgments

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) Consolidation of third party funds managed by the Group;

(ii) Value of investment properties;

(iii) Value of investments at fair value through profit and loss; and

(iv) Impairment in the value of loans.

Consolidation of third party funds managed 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.

Gresham House Strategic Public Equity LP ("SPE LP") is managed by GHAM, a subsidiary of Gresham House plc. GHAM in its role as investment advisor 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 ("GHFF"), 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 GHFF however indicates that it is in a controlling position and therefore should consolidate this in the Group financial statements.

Gresham House Strategic plc ("GHS") is managed by GHAM and the Company also holds 19.2% of the ordinary share capital as at 31 December 2016. 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 has therefore been classified as an associate.

Value of investment properties

The value of investment properties investments is based on independent third party valuations. These valuations are based on the investment method of valuation. This approach involves applying market-derived capitalisation yields to current and market-derived future income streams with appropriate adjustments for income voids arising from vacancies or rent free periods. These capitalisation yields and future income streams are derived from comparable property and leasing:

(i) transactions are considered to be the key inputs in the valuation. Other factors that are taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions; and

(ii) The fair value of consideration paid has been derived by applying appropriate discount rates to the consideration paid at the time of acquisition. In respect of the contingent consideration, fair value adjustments have been made to the estimated consideration payable and has been adjusted to fair value of the date of acquisition applying appropriate discount factors.

Value of investments at fair value through profit and loss

The investments which are held at fair value through profit and loss in unquoted companies require judgement to be exercised, with reference to the valuation policy and International Private Equity Valuation guideline.

Impairment in the value of loans

Impairment reviews of the loans held by the Group require a careful assessment of the performance and financial position of the company involved from the best information that is available. This assessment requires the exercise of judgement to conclude whether an impairment is appropriate to the loans held by the Group.

Notes to the Accounts

for the year ended 31 December 2016

1. Income

		2016 £'000	2015 £'000
Asset management income			
Fund management income		1,082	127
Forestry management income		2,120	206
		3,202	333
Income from investments			
Rental income		741	746
Dividend income –	Listed UK	7	48
Interest receivable:	Banks	4	40
	Other	238	140
		990	974
Other operating income			
Reversal of provision against loans		5	-
Management fees receivable		67	51
		72	51
Total income		4,264	1,358
Total income comprises		3,202	333
Asset management income		741	746
Rental income		7	48
Dividends		242	180
Interest		72	51
Other operating income		4,264	1,358

2 Segmental reporting

For the year ended 31 December 2015, the Group invested in securities and maintained its investment in commercial properties, and during the course of the year, the strategy that the new management team had set out started to take shape.

From August 2015 onwards, the Group's asset management company, Gresham House Asset Management Limited began to generate fund advisory fees and then, upon FCA regulation, fund management fees from its management of Gresham House Strategic plc. In November 2015, the Group acquired the forestry management business of Aitchesse Limited (now Gresham House Forestry Limited) and generated fees from the management of forestry.

During 2016 the Group continued to grow its Strategic Equity division through the appointment of Gresham House Asset Management Limited as investment manager to LMS Capital plc, and the launch of Gresham House Strategic Public Equity LP. The Real Assets division also launched the Gresham House Forestry Fund LP in the year.

Accordingly, management reporting is split under the headings "Real Assets", "Strategic Equity", "Legacy Property" and "Central".

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

2 Segmental reporting - continued

31 December 2016	Real Assets £'000	Strategic Equity £'000	Legacy Property £'000	Central £'000	Consolidated £'000
Revenue					
Asset management income	2,120	1,082	-	-	3,202
Income from investments	1	1	741	247	990
Other operating income	-	-	27	45	72
Total revenue	2,121	1,083	768	292	4,264
Share of associate's profit	-	628	-	-	628
Gains and losses on investments at fair value	(31)	(113)	-	(3)	(147)
Movement in fair value of property investments	-	-	(139)	-	(139)
Total income and gains	2,090	1,598	629	289	4,606
Segment expenses	(1,422)	(1,647)	(451)	(2,229)	(5,749)
Finance costs	-	-	-	(442)	(442)
Adjusted operating profit/(loss)	668	(49)	178	(2,382)	(1,585)
Depreciation and amortisation					(1,441)
Profit on disposal of tangible fixed assets					8
Movement in fair value of contingent consideration					(253)
Movement in fair value of deferred receivable					202
Loss before taxation					(3,069)

31 December 2015	Real Assets £'000	Strategic Equity £'000	Legacy Property £'000	Central £'000	Consolidated £'000
Revenue					
Asset management income	206	127	-	-	333
Income from investments	1	1	747	225	974
Other operating income	-	-	27	24	51
Total revenue	207	128	774	249	1,358
Gains and losses on investments at fair value	-	-	-	(485)	(485)
Movement in fair value of property investments	-	-	(744)	-	(744)
Total income and gains	207	128	30	(236)	129
Segment expenses	(138)	(531)	(459)	(1,911)	(3,039)
Finance costs	-	-	-	(144)	(144)
Adjusted operating profit/(loss)	69	(403)	(429)	(2,291)	(3,054)
Exceptional operating expenses					(773)
Depreciation and amortisation					(10)
Profit on disposal of tangible fixed assets					6
Loss before taxation					(3,831)

2 Segmental reporting - continued

Other information

31 December 2016	Real Assets £'000	Strategic Equity £'000	Legacy Property £'000	Central £'000	Consolidated £'000
Segment assets	2,853	8,914	15,775	8,471	36,013
Segment liabilities	(296)	(144)	(526)	(10,423)	(11,389)
	2,557	8,770	15,249	(1,952)	24,624
Capital expenditure	1,865	581	311	16	2,773
Depreciation and amortisation	1,250	157	5	3	1,415
Non-cash expenses other than depreciation	-	-	-	73	73

31 December 2015	Real Assets £'000	Strategic Equity £'000	Legacy Property £'000	Central £'000	Consolidated £'000
Segment assets	1,154	8,379	17,157	9,199	35,889
Segment liabilities	(606)	(7)	(4,733)	(4,717)	(10,063)
	548	8,372	12,424	4,482	25,826
Capital expenditure	53	6,361	359	-	6,773
Depreciation	1	-	3	-	4

3 Operating costs

Operating costs comprise the following:

	2016 £'000	2015 £'000
a) Property outgoings:		
Wages and salaries	49	50
Social security costs	6	6
Other operating costs (net of service charges recoverable from tenants of £803,000 (2015: £724,000))	235	283
	290	339
b) Administrative overheads:		
Directors' emoluments (excluding benefits in kind and share based payments)	968	880
Auditor's remuneration*	106	200
Amortisation	1,364	-
Depreciation	77	10
Profit on disposal of assets	(8)	(6)
Wages and salaries	2,234	647
Social security costs	428	177
Operating lease rentals – land and buildings	3	24
Share based payments	73	-
Other operating costs	1,647	772
	6,892	2,704
Staff costs (including directors' emoluments) were:		
Wages, salaries and fees	3,100	1,577
Social security costs	434	183
Pension costs	151	-
	3,685	1,760

3 Operating costs - continued

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

	2016 £'000	2015 £'000
Audit fees	106	99
Auditor's other fees –other services	12	101
	118	200

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.

£12,000 of costs for other services above are pertaining to valuation services relating to the appointment of Gresham House Asset Management Limited as investment manager to LMS Capital plc, which have been capitalised in the financial statements.

The average number of persons employed by the Group, including the executive directors, was 26 (2015: 12). The Company has no employees.

The Group has no commitments under operating leases for the current and prior year.

4 Directors' emoluments

The emoluments of the directors are disclosed in the Remuneration Report on page 33.

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 £137,000 (2015: £89,000).

5 Business combinations during the period

There were no new business combinations that took place during the year ended 31 December 2016.

On 20 November 2015, shareholders approved the acquisition of Aitchesse Limited (Aitchesse) in a general meeting. The Group acquired 100% of the issued share capital of Aitchesse, a Scottish company whose principal activity is the management of forestry. Further details on this transaction can be found in the 2015 Annual Report.

6 Finance costs

	2016 £'000	2015 £'000
Interest payable on loans and overdrafts	293	137
Finance fees	149	7
	442	144

7 Taxation

	2016 £'000	2015 £'000
(a) Analysis of charge in period:		
UK Corporation tax at 20% (2015: 20.25%)	-	-
Overprovision in prior year	(33)	-
Total tax credit	(33)	-
(b) Factors affecting tax credit for period:		
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(614)	(776)
Tax effect of:		
Investment losses not taxable	29	98
Dividend income not taxable	(1)	(10)
Amortisation not taxable	238	-
Expenses disallowed	69	153
Other gains and losses not taxable	(138)	-
Movement in losses carried forward	384	535
Actual tax credit	(33)	-

The Group has unutilised tax losses of approximately £11.2 million (2015: £6.0 million) available against future corporation tax liabilities. The potential deferred taxation asset of £2.2 million (2015: £1.2 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.

8 Earnings per share

(a) Basic and diluted loss per share

	2016	2015
Total net loss attributable to equity holders of the parent (£'000)	(3,027)	(3,807)
Weighted average number of ordinary shares in issue during the period	9,976,412	9,404,614
Basic and diluted loss per share attributable to equity holders of the parent (pence)	(30.3)	(40.5)

No shares were deemed to have been issued at nil consideration as a result of the shareholder and supporter warrants granted.

The shareholder, supporter warrants and LMS warrants are not dilutive as the exercise price of the warrants is 323.27p which is higher than the average market price of ordinary shares during the year (see note 25).

(b) Adjusted earnings per share

Adjusted earnings per share is based on adjusted loss after tax, where adjusted loss is stated after charging interest but before depreciation, amortisation, exceptional items and items relating to previous years. The fair value movement in the contingent consideration payable and deferred receivable has also been adjusted for as similar to amortisation, these do not relate to the trading profits of the business.

Adjusted loss for calculating adjusted earnings per share:

	2016 £'000	2015 £'000
Operating loss before taxation for the year	(3,069)	(3,831)
Add back:		
Exceptional operating expenses	-	773
Depreciation and amortisation	1,441	10
Profit on disposal of tangible fixed assets	(8)	(6)
Movement in fair value of deferred consideration	253	-
Other fair value movements	(202)	-
Adjusted loss before and after tax	(1,585)	(3,054)
Non-controlling interest	9	24
Adjusted loss after tax attributable to equity holders of the parent	(1,576)	(3,030)
Adjusted loss per share (pence)	(15.8)	(32.2)

9 Dividends

No dividends have been paid or proposed in the year (2015: nil).

10 Investments – Securities

An analysis of total investments is as follows:

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Listed securities – on the London Stock Exchange	-	105	-	105
Securities dealt in under AIM	468	-	468	-
Securities dealt in under NEX Exchange	31	51	31	51
Unlisted securities	2,335	1,412	617	1,412
Closing value at 31 December	2,834	1,568	1,116	1,568
Investments valued at fair value through profit and loss	2,217	157	499	157
Loans and receivables valued at amortised cost	617	1,411	617	1,411
	2,834	1,568	1,116	1,568

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Opening cost	6,094	6,300	6,094	6,542
Opening net unrealised losses	(4,526)	(3,345)	(4,526)	(3,587)
Opening value	1,568	2,955	1,568	2,955
Movements in the year:				
Purchases at cost	2,331	6,361	581	6,361
Sales – proceeds	(918)	(7,263)	(918)	(7,263)
Sales – realised gains & (losses) on sales	(2,942)	(26)	(2,942)	(268)
Net unrealised gains & (losses)	2,795	(459)	2,827	(217)
Closing value	2,834	1,568	1,116	1,568
Closing cost	4,565	6,094	2,815	6,094
Closing net unrealised losses	(1,731)	(4,526)	(1,699)	(4,526)
Closing value	2,834	1,568	1,116	1,568

Gains and losses on investments held at fair value

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Net realised gains & (losses) on disposal	(2,942)	(26)	(2,942)	(268)
Net unrealised gains & (losses)	2,795	(459)	2,827	(217)
Net losses on investments	(147)	(485)	(115)	(485)

An analysis of investments is as follows:

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Equity investments	2,217	52	499	52
Fixed income securities	-	105	-	105
Unquoted loan stock	617	1,411	617	1,411
	2,834	1,568	1,116	1,568

Further information on the measurement of fair value can be found in note 31.

11 Investment property

Investment properties have been classified as follows:

	Group	
	2016 £'000	2015 £'000
Non-current assets	**-**	9,559
Non-current assets held for sale	**9,628**	-
	9,628	9,559

The orderly disposal of the legacy investment property portfolio has been ongoing in the year to 31 December 2016 and an active sales process is underway. These assets are now expected to be realised in the short term and as such have been classified as non-current assets held for sale.

A further analysis of total investment properties is as follows:

	Group	
	2016 £'000	2015 £'000
Net book value and valuation		
At 1 January	**9,559**	16,675
Additions during the year – expenditure on existing properties	**311**	359
Disposals during the year - proceeds	**(103)**	(6,731)
Profit / (loss) on disposal of investment properties	**103**	(158)
Movement in fair value during the year	**(242)**	(586)
At 31 December	**9,628**	9,559

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.

All investment properties were valued by Jones Lang LaSalle Limited, Chartered Surveyors, as at 31 December 2016 at a combined total of £10 million. These external valuations were carried out on the basis of Market Value in accordance with the latest edition of the Valuation Standards published by the Royal Institution of Chartered Surveyors.

The gross property valuation has been adjusted for the fixed rental uplift as follows:

	2016 £'000	2015 £'000
Gross valuation	**10,000**	9,900
Rent free receivable	**(372)**	(341)
	9,628	9,559

Operating leases

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2016 £'000	2015 £'000
Not later than one year	**723**	657
Between 2 and 5 years	**1,271**	1,441
Over 5 years	**914**	682
	2,908	2,780

Rental income recognised in the Statement of Comprehensive Income amounted to £741,000 (2015: £746,000).

The commercial leases vary according to the condition of the units let. The commercial units are leased on terms where the tenant has the responsibility for repairs and running costs for each individual unit (other than roof repairs in certain circumstances) with a service charge payable to cover estate services provided by the landlord.

11 Investment property - continued

The cost of the above properties as at 31 December 2016 is as follows:

	Group £'000
Brought forward	9,576
Additions during the year	311
	9,887

Capital commitments

Capital expenditure contracted for but not provided for in the financial statements for the Group was £118,000 (2015: £16,000) and for the Company was nil (2015: nil).

Movement in fair value of investment properties	Group	
	2016 £'000	2015 £'000
Realised gains/(losses) on disposal of investment property	103	(158)
Decrease in fair value	(242)	(586)
Movement in fair value of investment property	(139)	(744)

Further information on the measurement of fair value can be found in note 31.

12 Tangible fixed assets

Group	**2016**				**2015**		
	Office equipment £'000	**Motor vehicles £'000**	**Leasehold property £'000**	**Total £'000**	**Motor vehicles £'000**	**Leasehold property £'000**	**Total £'000**
Cost							
As at 1 January	-	154	10	164	-	-	-
Additions	16	115	-	131	98	-	98
Additions on acquisition of subsidiary	-	-	-	-	92	10	102
Disposals during the year	-	(32)	-	(32)	(36)	-	(36)
As at 31 December	16	237	10	263	154	10	164
Depreciation							
As at 1 January	-	10	-	10	-	-	-
Charge for the year	3	73	1	77	10	-	10
Disposals during the year	-	(3)	-	(3)	-	-	-
As at 31 December	3	80	1	84	10	-	10
Net book value as at 31 December	13	157	9	179	144	10	154

12 Tangible fixed assets - continued

Company

	2016 Office equipment £'000	2015 Office equipment £'000
Cost		
As at 1 January	-	-
Additions	16	-
As at 31 December	16	-
Depreciation		
As at 1 January	-	-
Charge for the year	3	-
As at 31 December	3	-
Net book value as at 31 December	13	-

13 Intangible assets

Group	**2016**				**2015**			
	Goodwill £'000	**Customer relationships £'000**	**Contracts £'000**	**Total £'000**	Goodwill £'000	Customer relationships £'000	Contracts £'000	Total £'000
Cost								
As at 1 January 2016	2,942	3,072	574	6,588	-	-	-	-
Additions	-	-	1,406	1,406	2,942	3,072	574	6,588
As at 31 December 2016	2,942	3,072	1,980	7,994	2,942	3,072	574	6,588
Amortisation								
As at 1 January 2016	-	-	-	-	-	-	-	-
Charge for the year	-	615	749	1,364	-	-	-	-
As at 31 December 2016	-	615	749	1,364	-	-	-	-
Net book value as at 31 December	2,942	2,457	1,231	6,630	2,942	3,072	574	6,588

On 16 August 2016, Gresham House Asset Management ("GHAM") was appointed the investment manager of LMS Capital plc ("LMS"). The Company issued a first tranche of 332,484 new ordinary shares to LMS with a value of £1 million on 16 August 2016 and will issue a second tranche of new ordinary shares on the second anniversary of the appointment up to a value of £1.25 million subject to certain performance conditions. The fair value of the contract at 16 August 2016 was estimated at £1,258,000, with a further £148,000 of associated acquisition costs and has been recorded as an addition to contracts in the period and will be amortised over the contract's useful life of three years.

13 Intangible assets - continued

Contingent consideration

The second tranche issue of new ordinary shares will depend on the following:

- LMS extending the term of the portfolio management agreement for two years following the second anniversary of appointment on 16 August 2016;
- There being no material changes to the terms of the portfolio management agreement; and
- LMS undertaking not to return capital to shareholders during the two year period following the second anniversary of appointment.

The value of the second tranche will be calculated by the Net Asset Value ("NAV") of the portfolio on the second anniversary of appointment:

- If the NAV is below £67.5 million, no shares will be issued;
- If the NAV is between £70.0 million and £80.0 million, the value of the second tranche shares will be between £500,000 and £1 million calculated on a straight line basis;
- If the NAV is between £80.0 million and £85.0 million, the value of the second tranche shares will be between £1 million and £1.25 million calculated on a straight line basis; and
- If the NAV is above £85.0 million the maximum value of shares issued will be capped at £1.25 million.

Fair value

The fair value of the contract has been estimated using an equal weighting of three scenarios. The estimated cash flows in each case has been valued at a discount of 15%. This resulted in fair value of £1,258,000, with a contingent consideration of £258,000, which has been included in non-current liabilities as deferred consideration, note 23.

The Company also issued 909,908 LMS Warrants to LMS on 14 October 2016, details are included in note 25.

GHAM will receive an annual management fee of:

- 1.5% of the average NAV of LMS for an NAV of up to £100 million;
- 1.25% of the average NAV of LMS for an NAV of between £100 million and £150 million;
- 1.0% of the average NAV of LMS for an NAV of greater than £150 million

GHAM will also receive a performance fee of 15% on the gain in NAV of new investments made since being appointed the investment manager of LMS, subject to a hurdle rate of 8%.

14 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 a further payment of £937,252 received during the year and the balance of the consideration, at fair value, will be receivable in three tranches as follows:

	£'000
On 22 March 2017 – included within current assets	1,139
On 22 March 2018	2,020
On 22 March 2019	2,021
	5,180

The total cash value of the deferred receipts is £5,368,000, though this has been designated at fair value through the Statement of Comprehensive Income

The discount rate applied was 2.49% (2015: 2.77%) being the average rate of borrowing on Persimmon's debt facilities.

Long term receivables consist of the following:	**Group**	
	2016 £'000	2015 £'000
Deferred receivables	4,041	5,916
Other debtors	54	-
	4,095	5,916

15 Investments in subsidiaries

Subsidiary undertakings

	Company	
	2016 £'000	2015 £'000
At 1 January	2,822	322
Additions	16,544	2,500
Disposals	(3,074)	-
At 31 December	16,292	2,822

During the year the Group put in place a reorganisation of its subsidiaries.

Under the reorganisation, Gresham House Holdings Limited ("GHHL") became an intermediate holding company between Gresham House plc and the subsidiaries of the Group.

As a part of the reorganisation, intercompany balances within the Group were rationalised and balances of £15,294,000 were capitalised.

The subsidiary undertakings of Gresham House plc are as follows:

	Held by Company %	Held by other Group companies %	Country of incorporation and registered office
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
Gresham House Asset Management Limited	-	100	5 New Street Square, London EC4A 3TW, England
Gresham House Capital Partners 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 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 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 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 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
Watlington Investments Limited	-	100	5 New Street Square, London EC4A 3TW, England
Wolden Estates Limited	-	100	5 New Street Square, London EC4A 3TW, England

16 Investment in associate

The Board believe that Gresham House plc exercises significant influence over Gresham House Strategic plc ("GHS"), but not control, through its 19.2% equity investment as well as the investment management agreement between GHAM and GHS.

	Group	
	2016 £'000	2015 £'000
Investment in associate	5,902	5,902
Share of associate's profit	628	-
	6,530	5,902

The latest published financial information of GHS was the unaudited interim results for the six months to 30 September 2016. The assets and liabilities at that date are shown below:

	2016 £'000	2015 £'000
Non current assets	25,233	19,348
Current assets	14,886	17,208
Current liabilities	(224)	(156)
Net assets	39,895	36,400

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 £3,733,000 and revenues of £171,000 for the six months ended 30 September 2016.

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

17 Trade receivables

	Group		Company	
Amounts receivable within one year:	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Trade receivables	1,259	665	-	-
Less allowance for credit losses	-	-	-	-
	1,259	665	-	-
Allowances for credit losses on trade receivables:				
Allowances as at 1 January	-	4	-	-
Changes during the year released to Statement of Comprehensive Income:				
- allowances reversed	-	(4)	-	-
Allowances as at 31 December	-	-	-	-

Trade receivables are assessed for impairment when older than 90 days. As at 31 December 2016, trade receivables of £20,000 (2015: £73,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
1-3 months	-	69	-	-
3-6 months	20	1	-	-
More than 6 months	-	3	-	-
	20	73	-	-

As at 31 December 2016 trade receivables of £nil (2015: £nil) were impaired and provided for.

The main credit risk represents the possibility of tenants defaulting in their rental commitments. This risk is mitigated by regular monitoring of the financial covenant strength of the tenant base, together with regular meetings with the tenants.

18 Other current assets

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Amounts owed by Group undertakings	-	-	9,734	11,568
	-	-	9,734	11,568

19 Trade and other payables

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Trade creditors	225	265	-	-
Other creditors	332	1,913	14	53
Short term loan notes	-	667	-	667
Accruals	1,672	1,545	73	715
	2,229	4,390	87	1,435

20 Short term borrowings

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Bank loans – within current liabilities (note 22)	1,015	2,850	1,015	-
Amounts owed to Group undertakings	-	-	362	26
	1,015	2,850	1,377	26

21 Deferred taxation

Under International Accounting Standards ("IAS") 12 (Income Taxes) provision is made for the deferred tax liability associated with the revaluation of property investments.

The deferred tax provision on the revaluation of property investments calculated under IAS 12 is £nil at 31 December 2016 (2015: £nil) due to the availability of losses and indexation allowances.

22 Long term borrowings

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Bank loans	4,881	-	4,881	-
	4,881	-	4,881	-

On 12 April 2016, the Company signed a £7.0 million banking facility agreement with Kleinwort Benson Bank Limited ("the facility"). The facility is secured against the Group's property assets and the deferred receivable from the sale of the Newton-le-Willows site to Persimmon in September 2015.

The facility is repayable in three tranches to match the deferred receivable due from Persimmon over a three year period:

- £1,154,000 on 22 March 2017 (£937,000 repaid on 5 October 2016)
- £2,092,000 on 22 March 2018
- £2,817,000 on 22 March 2019

The interest payable on the facility is LIBOR plus 4.5%.

23 Non-current liabilities – other creditors

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Contingent consideration	3,237	2,726	258	-
Other creditors	27	31	-	-
	3,264	2,757	258	-

Contingent consideration

Contingent consideration will be payable if Gresham House Forestry ("GHF") achieves certain EBITDA targets. The amount of additional consideration payable shall increase on a sliding scale depending on the EBITDA achieved in the period to 22 February 2018. The contingent consideration shall be payable if GHF achieves EBITDA between a range of £1,733,333 and £3,466,666 with the full £3,697,237 of additional consideration being payable if EBITDA of £3,466,666 or more is achieved and no additional consideration being payable if EBITDA of less than £1,733,333 is achieved.

In the event of the target being achieved, the Company is obliged to issue a further 736,074 shares to the vendors. The fair value of the contingent consideration has been based on the mid-market share price on 23 November 2015, the date of the acquisition of GHF, at 357.5p per share. The directors, having carefully reviewed the future business prospects of GHF, believe that the maximum contingent consideration will be achieved.

The additional consideration shall be satisfied by:

• the payment of up to £1,500,055 in cash to the sellers; and

• the issue of up to 736,074 new ordinary shares to the vendors.

Fair value

The fair value of the contingent consideration is estimated using an income approach based on a discount assuming a maximum pay-out of the contingent consideration as anticipated by the Board, supported by forecasts of the trading of GHF in the period to 22 February 2018.

Contingent cash payable has been valued at a discount of 13.5%.

The entire amount of the contingent consideration is recognised as a financial liability and is measured at fair value through comprehensive income at each reporting date.

The minimum contingent consideration is £nil.

The contingent consideration for the second tranche payment of the LMS contract has a fair value of £258k. Further details of the LMS contract are included in note 13.

24 Share capital

Share Capital	**2016 £'000**	2015 £'000
Allotted: Ordinary – 10,185,487 (2015: 9,851,041) fully paid shares of 25p each	2,546	2,463

On 16 August 2016 the Company issued 332,484 new ordinary shares at a price of 300.77p per share as part of the consideration for the appointment of Gresham House Asset Management Limited as the investment manager to LMS Capital plc. Additionally, 1,962 shareholder warrants were exercised during the year at a price of 323.27p.

25 Share warrants

Group

	2016				2015		
	Shareholder warrants	**Supporter warrants**	**LMS warrants**	**Total warrants**	Shareholder warrants	Supporter warrants	Total warrants
Balance at 1 January	1,073,775	850,000	-	1,923,775	1,073,904	850,000	1,923,904
Warrants granted during the year	-	-	909,908	909,908	-	-	-
Warrants exercised during the year	(1,962)	-	-	(1,962)	(129)	-	(129)
As at 31 December	1,071,813	850,000	909,908	2,831,721	1,073,775	850,000	1,923,775

25 Share warrants - continued

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 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.

There were no warrants issued in the 2015. During the year, 1,962 shareholder warrants were converted into ordinary shares resulting in the issue of 1,962 new ordinary shares (2015: 129).

26 Share based payments

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 ("plan") 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 plan, "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 plan, 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.

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 plan meets these criteria and should therefore be recognised at award as fair value and amortised over the vesting period of two years. A total award of 1,000 A shares in Gresham House Holdings Limited was made on 28 July 2016 and all of these were outstanding as at 31 December 2016 and are not exercisable until the end of the vesting period. The weighted average time to vesting is 14 months. There is no amount payable by the beneficiaries on exercise.

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. The fair value of the plan at award was £155,000 (£155 per share), which will be amortised over the two year vesting period.

27 Reserves

Group

	2016			2015		
	Share premium account £'000	**Share warrant reserve £'000**	**Retained reserves £'000**	Share premium account £'000	Share warrant reserve £'000	Retained reserves £'000
Balance at 1 January	1,688	64	21,611	12,508	64	12,934
Loss and total comprehensive income	-	-	(3,027)	-	-	(3,807)
Transfer of non-controlling interest deficit	-	-	-	-	-	(24)
Issue of shares	923	-	-	1,688	-	-
Issue of warrants	-	255	-	-	-	-
Cancellation of share premium	-	-	-	(12,508)	-	12,508
Share based payments	-	-	73	-	-	-
As at 31 December	2,611	319	18,657	1,688	64	21,611

Company

	2016			2015		
	Share premium account £'000	**Share warrant reserve £'000**	**Retained reserves £'000**	Share premium account £'000	Share warrant reserve £'000	Retained reserves £'000
Balance at 1 January	1,688	64	16,939	12,508	64	6,946
Loss and total comprehensive income	-	-	(786)	-	-	(2,515)
Issue of shares	923	-	-	1,688	-	-
Issue of warrants	-	255	-	-	-	-
Cancellation of share premium	-	-	-	(12,508)	-	12,508
Share based payments	-	-	-	-	-	-
As at 31 December	2,611	319	16,153	1,688	64	16,939

Non-controlling interest:	**2016 £'000**	2015 £'000
Balance as at 1 January	-	-
Interest in trading result for the year	56	51
Interest in investments - securities	500	-
Interest in movement in investment property for the year	(65)	(75)
Transfer deficit balance	-	24
	491	-

On 4 February 2015, the High Court approved the cancellation of the Company's share premium account (the "Cancellation"). As a consequence of the Cancellation, £12,508,000 standing to the credit of the Company's share premium account was cancelled. This will facilitate any share buyback or payment of dividends that the Board of the Company may in the future approve by creating a reserve of an equivalent amount that, subject to certain creditor protection undertakings, will form part of a distributable reserve. The Cancellation had no effect on the overall net asset position of the Company.

28 Net asset value per share

Basic and diluted

	2016	2015
Equity attributable to holders of the parent (£'000)	24,133	25,826
Number of ordinary shares in issue at the end of the period	10,185,487	9,851,041
Basic and diluted net asset value per share (pence)	236.9	262.2

No shares were deemed to have been issued at nil consideration as a result of shareholder and supporter warrants granted.

The shareholder, supporter and LMS warrants are not dilutive as the exercise price of the warrants is 323.27p which is higher than the average market price of ordinary shares during the year.

The movement during the year of the assets attributable to ordinary shares were as follows:

	£'000
Total net assets attributable at 1 January 2016	25,826
Total recognised losses for the year	(3,027)
Share warrants issued	255
Share based payments	73
Issue of shares	1,006
Total net assets attributable at 31 December 2016	24,133

29 Reconciliation of operating profit to operating cash flows

	Group		**Company**	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Net loss after exceptional items	(3,360)	(2,602)	(2,086)	(2,181)
Interest payable	293	137	260	-
Depreciation	77	10	3	-
Profit on disposal of tangible fixed assets	(8)	(6)	-	-
Amortisation	1,364	-	-	-
Share based payments	72	-	-	-
Intercompany loans waived	-	-	2,000	-
	(1,562)	(2,461)	177	(2,181)
Increase in long term receivables	(54)	-	-	-
(Increase) / decrease in current assets	(430)	(343)	164	136
(Decrease) / increase in current liabilities	(1,291)	778	(747)	698
	(3,337)	(2,026)	(406)	(1,347)

30 Financial instruments

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

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; and

(iv) short term and long term borrowings.

30 Financial instruments - continued

As at 31 December 2016 the following categories of financial instruments were held by:-

Group

Financial assets per Statement of Financial Position	2016 Loans and receivables £'000	2016 Assets at fair value through comprehensive income £'000	2015 Loans and receivables £'000	2015 Assets at fair value through comprehensive income £'000
Investments – securities	617	2,217	1,411	157
Trade and other receivables – current and non-current	1,259	5,180	665	5,916
Accrued income	387	-	454	-
Cash and cash equivalents	2,802	-	4,390	-
	5,065	7,397	6,920	6,073

Financial liabilities per Statement of Financial Position	2016 Other financial liabilities £'000	2016 Liabilities at fair value through comprehensive income £'000	2015 Other financial liabilities £'000	2015 Liabilities at fair value through comprehensive income £'000
Trade and other payables – short term*	2,229	-	4,390	-
Bank loans – short & long term	5,896	-	2,850	-
Other creditors – long term	27	3,237	31	2,726
	8,152	3,237	7,271	2,726

* £245,000 (2015: £1,765,000) of corporation tax, PAYE and VAT payable is included within trade and other payables.

Company

Financial assets per Statement of Financial Position	2016 Loans and receivables £'000	2016 Assets at fair value through comprehensive income £'000	2015 Loans and receivables £'000	2015 Assets at fair value through comprehensive income £'000
Investments – securities	617	499	1,411	157
Accrued income	219	-	383	-
Amounts owed by Group undertakings	9,734	-	11,568	-
Cash and cash equivalents	858	-	372	-
	11,428	499	13,734	157

Financial liabilities per Statement of Financial Position	2016 Other financial liabilities £'000	2016 Liabilities at fair value through comprehensive income £'000	2015 Other financial liabilities £'000	2015 Liabilities at fair value through comprehensive income £'000
Trade and other payables – short term	87	-	1,435	-
Other loans – short & long term	6,258	-	26	-
Other creditors – long term	-	258	-	-
	6,345	258	1,461	-

30 Financial instruments - continued

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 assets 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:

	2016 £'000	2015 £'000
Loan stock investments	617	1,411
Trade and other receivables – long term	5,180	5,916
Trade and other receivables – short term	1,259	665
Accrued income	387	454
Cash and cash equivalents	2,802	4,390
	10,245	12,836

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 £11,428,000 (2015: £13,734,000).

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.

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

(a) Loan stock investments		**2016 £'000**	2015 £'000
Repayable within:-	1 year	151	-
	1-2 years	466	945
	2-3 years	-	-
	3-4 years	-	466
	4-5 years	-	-
		617	1,411

As at 31 December 2016 loan stock investments totalling £340,000 (2015: £423,000) were impaired and provided for.

As at 31 December 2016 other loans totalling £155,000 (2015: £196,000) were impaired and provided for.

30 Financial instruments - continued

There is potentially a risk whereby a counter party 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 2016 and 2015 were:

Group

As at 31 December 2016	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
Investments - securities	2,217	617	-	-	-	2,834
Cash	-	-	2,802	-	-	2,802
Trade and other receivables	1,259	-	-	-	-	1,259
Accrued income	387	-	-	-	-	387
Creditors						
– falling due within 1 year	(2,229)	-	-	-	(1,015)	(3,244)
– falling due after 1 year	(3,237)	-	-	(27)	(4,881)	(8,145)
	(1,603)	617	2,802	(27)	(5,896)	(4,107)

As at 31 December 2015	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
Investments - securities	52	1,516	-	-	-	1,568
Cash	-	-	4,390	-	-	4,390
Trade and other receivables	665	-	-	-	-	665
Accrued income	454	-	-	-	-	454
Creditors						
– falling due within 1 year	(3,723)	-	-	(667)	(2,850)	(7,240)
– falling due after 1 year	(2,726)	-	-	(31)	-	(2,757)
	(5,278)	1,516	4,390	(698)	(2,850)	(2,920)

Non interest bearing assets comprise the portfolio of ordinary shares, dealing securities and non interest bearing loans.

Fixed rate assets comprise preference shares, fixed rate loans, unsecured loans and loans repayable on demand, with a weighted average interest rate of 10.0% (2015: 9.9%).

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.

30 Financial instruments - continued

The interest rate exposure profile of the Company's financial assets and liabilities as at 31 December 2016 and 2015 were:

Company

As at 31 December 2016	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
Investments - securities	499	617	-	-	-	1,116
Cash	-	-	858	-	-	858
Accrued income	219	-	-	-	-	219
Owed by Group undertakings	9,734	-	-	-	-	9,734
Creditors						
– falling due within 1 year	(87)	-	-	-	(1,105)	(1,192)
– falling due after 1 year	(258)	-	-	-	(4,881)	(5,139)
	10,107	617	858	-	(5,986)	5,596

As at 31 December 2015	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
Investments - securities	52	1,516	-	-	-	1,568
Cash	-	-	372	-	-	372
Accrued income	383	-	-	-	-	383
Owed by Group undertakings	11,568	-	-	-	-	11,568
Creditors						
– falling due within 1 year	(768)	-	-	(667)	-	(1,435)
– falling due after 1 year	-	-	-	-	-	-
	11,235	1,516	372	(667)	-	12,456

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 change in interest rates:

	2016 Profit and net assets	2015 Profit and net assets
If interest rates were 0.5% lower with all other variables constant – increase (£'000)	29	14
Increase in earnings and net asset value per ordinary share (pence)	0.30	0.14
If interest rates were 0.5% higher with all other variables constant – decrease (£'000)	(29)	(14)
Decrease in earnings and net asset value per ordinary share (pence)	(0.30)	(0.14)

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 be able to provide loan interest and quarterly capital repayment cover of at least 6 months.

30 Financial instruments - continued

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.

As at 31 December 2016	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Bank borrowings	1,413	2,264	2,863
Trade payables	225	-	-
Accruals	1,672	-	-
Contingent consideration	-	3,955	-
Other creditors	359	-	-
	3,669	6,219	2,863

As at 31 December 2015	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Bank borrowings	2,890	-	-
Trade payables	265	-	-
Accruals	1,545		-
Contingent consideration	-	-	3,697
Short term loan notes	667	-	-
Other creditors	1,944	-	-
	7,311	-	3,697

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 20 and 22, 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. 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	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Debt	(5,896)	(2,850)	(5,896)	-
Cash and cash equivalents	2,802	4,390	858	372
Net (debt) / cash	(3,094)	1,540	(5,038)	372
Net (debt) / cash as a % of net assets	(12.6%)	6.0%	(23.3%)	1.8%

31 Fair value measurements

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 investment properties the significant unobservable inputs used in the valuation at 31 December 2016 are the estimated rental value ("ERV") of the properties and the market capitalisation rate (yield). The ERV has been determined by reference to rents currently achieved on existing leases and the rents being asked by landlords advertising properties of a similar specification in that geographical region. The market capitalisation rate has been determined by reference to actual market transactions for properties in that region, with adjustment made to reflect the particular characteristics of that property. A decrease in the ERV or an increase in the market capitalisation rate will decrease the fair value of the investment property. Conversely an increase in the ERV or decrease in the market capitalisation rate will increase the fair value.

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).

Further details of the securities portfolio can be found in note 10 and of the property portfolio in note 11 of these financial statements.

An analysis of the Group's and Company's assets measured at fair value by hierarchy is set out below.

Group

Financial assets at fair value through profit and loss:	**31 December 2016 £'000**	**Level 1 £'000**	**Level 3 £'000**
Property investments	9,628	-	9,628
Investments - securities			
- Equities	2,217	499	1,718
Trade and other receivables – long term	5,180	-	5,180
	17,025	499	16,526

Financial assets at fair value through profit and loss:	31 December 2015 £'000	Level 1 £'000	Level 3 £'000
Property investments	9,559	-	9,559
Investments - securities			
- Equities	52	51	1
- Fixed income	105	105	-
Trade and other receivables – long term	5,916	-	5,916
	15,632	156	15,476

31 Fair value measurements - continued

Company

Financial assets at fair value through profit and loss:	**31 December 2016 £'000**	**Level 1 £'000**	**Level 3 £'000**
Investments - securities			
- Equities	499	499	-
	499	499	-

Financial assets at fair value through profit and loss:	31 December 2015 £'000	Level 1 £'000	Level 3 £'000
Investments - securities			
- Equities	52	51	1
- Fixed income	105	105	-
	157	156	1

Set out below is a reconciliation of financial assets measured at fair value based on level 3.

Group

31 December 2016	Property investments £'000	Investments – securities £'000	Trade and other receivables – long term £'000	Total £'000
Opening balance	9,559	1	5,916	15,476
Total gains and (losses):				
In Statement of Comprehensive Income	(139)	-	201	62
Additions	311	1,718	-	2,029
Disposals	(103)	(1)	(937)	(1,041)
Closing balance	9,628	1,718	5,180	16,526
Total gains and (losses) for the period included in comprehensive income for assets held at the end of the reporting period	(242)	-	201	(41)

31 December 2015	Property investments £'000	Investments – securities £'000	Trade and other receivables – long term £'000	Total £'000
Opening balance	16,675	441	-	17,116
Total gains and (losses):				
In Statement of Comprehensive Income	(744)	(440)	-	(1,184)
Additions	359	-	5,916	6,275
Disposals	(6,731)	-		(6,731)
Closing balance	9,559	1	5,916	15,476
Total gains and (losses) for the period included in comprehensive income for assets held at the end of the reporting period	(586)	(440)	-	(1,026)

31 Fair value measurements - continued

Company

31 December 2016	Investments – securities £'000	Trading securities £'000	Total £'000
Opening balance	1	-	1
Disposals	(1)	-	(1)
Closing balance	-	-	-
Total gains or losses for the period included in comprehensive income for assets held at the end of the reporting period	-	-	-

31 December 2015	Investments – securities £'000	Trading securities £'000	Total £'000
Opening balance	441	-	441
Total gains or losses:			
In Statement of Comprehensive Income	(440)	-	(440)
Closing balance	1	-	1
Total gains or losses for the period included in comprehensive income for assets held at the end of the reporting period	(440)	-	(440)

The only financial liabilities held at fair value relates to the deferred consideration on the acquisition of Gresham House Forestry Limited (formally Aitchesse Limited) and the appointment of Gresham House Asset Management Limited as investment manager to LMS Capital plc amounting to £3,237,000. This is measured using level 3 valuation techniques. The only such financial liabilities held at fair value within the Company relates to the LMS contingent consideration totalling £258,000.

Price risk sensitivity

Based on values as at 31 December 2016 a 10% movement in the fair values of the Group's equity and direct property investments would be equivalent to a movement of £1,185,000 in both profit and net assets.

32 Related party transactions

Group

During the year management fees totalling £542,453 (2015: £126,596) were invoiced to Gresham House Strategic plc ("GHS"), a company in which the Group has a 19.2% interest. At the year-end £57,803 (2015: £151,916) was due from GHS.

During the year management fees totalling £479,996 (2015: £nil) 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 £253,725 (2015: £nil) was due from LMS.

Company

During the year the Company advanced loans totalling £3,098,028 to (2015: received £550,736 from) Security Change Limited. At the year-end £3,071,913 was due from (2015: £26,115 owed to) Security Change Limited. No interest was charged during the year (2015: £nil).

During the year the Company received £8,278,600 (2015: £nil) from Gresham House Finance Limited (formally Watlington Investments Limited). At the year-end £221,400 (2015: £8,500,000) was owed by Gresham House Finance Limited, against which a provision of £nil (2015: £1,629,000) has been made. No interest was charged during the year (2015: £nil).

During the year the Company received £361,460 (2015: £nil) from Gresham House Forestry Limited. At the year-end £361,460 (2015: £nil) was owed to Gresham House Forestry Limited. No interest was charged during the year (2015: £nil).

During the year Gresham House plc advanced loans totalling £2,005,085 (2015: £4,321,977) to Gresham House Holdings Limited. At the year-end £6,327,062 (2015: £4,321,977) was owed by Gresham House Holdings Limited. No interest was charged during the year (2015: £nil).

During the year the Company charged management fees totalling £nil (2015: £397,020) to Gresham House Asset Management Limited. At the year end £113,733 (2015: £375,406) was owed by Gresham House Asset Management Limited.

33 Post balance sheet events

At the extraordinary general meeting of the Company on 10 March 2017, it was resolved to issue 2,251,372 new ordinary shares at a price of 325 pence per share to the Royal County of Berkshire Pension Fund ("Berkshire"). This represents the alignment of Berkshire with the Company following the announcement on 21 February 2017 that Berkshire intends to become a cornerstone investor in the British Strategic Investment Fund ("BSIF"). BSIF will be managed by GHAM and is aimed at providing solutions to longer term investors, addressing demand for alternatives and illiquid assets in a cost-effective manner which will also facilitate structured co-investment.

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the “Meeting”) of Gresham House plc (the “Company”) will be held at the offices of Travers Smith, 10 Snow Hill, London, EC1A 2AL on 18 May 2017 at 11.00 am for the purpose of considering and (if thought fit) passing the Resolutions set out below of which Resolutions 1 to 6 will be proposed as ordinary resolutions and Resolutions 7 and 8 will be proposed as special resolutions.

Ordinary Resolutions

1. To receive and adopt the accounts for the year ended 31 December 2016 together with the directors’ report and the report of the auditor;
2. To re-elect as a director Mr Kevin John Acton who retires in accordance with the Company’s articles of association and offers himself for re-election;
3. To re-elect as a director Mr Peter Geoffrey Moon who retires in accordance with the Company’s articles of association and offers himself for re-election;
4. To re-appoint 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;
5. To authorise the directors to fix the remuneration of the auditors;
6. 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:

   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 £1,044,746; and

   b. allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £2,089,493 (such amount to be reduced by the nominal amount of any shares allotted or rights granted under paragraph (a) of this Resolution 6) 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 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 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;

Special Resolutions

7. That, subject to the passing of Resolution 6 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 6 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 £470,136,

   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;

8. 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 1,253,696;

   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) 5 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; and

      (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 end 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
Secretary
27 March 2017

5 New Street Square
London EC4A 3TW

Explanatory notes

The following notes give an explanation of the proposed resolutions.

Resolution 1 to 6 (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 7 and 8 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 – Receiving the Account and Reports
At the Meeting, the directors will present to the shareholders the annual accounts, together with the directors' reports and auditors' reports on the accounts, for the financial year ended 31 December 2016.

Resolutions 2 and 3 - 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, Kevin Acton and Peter Moon will retire. Each of Kevin and Peter is offering himself for re-election and resolutions 2 and 3 propose their re-election as directors.

Brief biographies of the directors are set out on page 35 of the Annual Report and Accounts.

Resolution 4 – Re-appointment of Auditors
This resolution concerns the re-appointment of BDO LLP as auditors until the conclusion of the next general meeting at which accounts are laid, that is, the next Annual General Meeting.

Resolution 5 – Auditors' Remuneration
This resolution authorises the directors to fix the auditors' remuneration.

Resolution 6 – Authority to allot shares or grant subscription or conversion rights
The resolution asks shareholders to grant the directors authority under section 551 Companies Act 2006 to allot shares or grant such subscription or conversion rights as are contemplated by sections 551(1)(a) and (b) respectively of the Companies Act 2006 up to a maximum aggregate nominal value of £2,089,493, being approximately two thirds of the nominal value of the issued ordinary share capital of the Company as at 27 March 2017. As at 27 March 2017, the Company held no treasury shares.

£1,044,746 of this authority is reserved for a fully pre-emptive rights issue. This is the maximum permitted amount under best practice corporate governance guidelines. The authority will expire at the next Annual General Meeting or the date falling 15 months from the passing of the 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 of any agreement to allot shares entered into pursuant to previous authorities remains valid. The resolution replaces a similar resolution passed at a General Meeting of the Company held on 10 March 2017.

The directors have no present intention of exercising such authority.

Resolution 7 – Disapplication of pre-emption rights
If the directors wish to allot new shares or other equity securities for cash, the Companies Act 2006 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 7 asks shareholders to grant the directors (i) a general authority to allot equity securities for cash up to an aggregate nominal value of £470,136 (being 15% of the Company's issued ordinary share capital as at 27 March 2017) 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 6 allowing the directors to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems which might arise.

The authority will expire at the 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 a General Meeting of the Company held on 10 March 2017.

The directors have no present intention of exercising such authority.

Resolution 8 - Purchases of own shares by the Company
Resolution 8 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 27 March 2017. The maximum and minimum prices payable are also limited 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. The resolution renews a similar resolution passed at a General Meeting of the Company held on 10 March 2017. The Company will be able to hold the ordinary shares which have been repurchased as treasury shares and re-sell them for cash, cancel them or use them for the purposes of its employee share schemes.

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 16 May 2017; 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, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA; and
   - received by Neville Registrars no later than 11 am on 16 May 2017.

   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 11 am on 16 May 2017. 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 apply 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, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. Telephone 0121 585 1131 (lines are open Mon-Fri 9.00 am – 5.00 pm) or from overseas +44 121 585 1131.

   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, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. 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 11 am on 16 May 2017.

   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 27 March 2017, being the last business day prior to the publication of this notice, the Company's issued share capital comprised 12,536,957 ordinary shares of 25 pence, carrying one vote each. Therefore, the Company's total voting rights as at 27 March 2017 are 12,536,957.

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
    - any related documents (including the Chairman's letter and proxy form),

    to communicate with the Company for any purposes other than those expressly stated.

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.

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 **Peter Moon** 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 & Brokers	**Liberum Capital Limited** Ropemaker Place London EC2Y 9LY
Registrars	**Neville Registrars Limited** Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
Solicitors	**Eversheds Sutherland (International) LLP** One Wood Street London EC2V 7WS

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Gresham House plc

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