Since 1857

Gresham House

Specialist asset management

GRESHAM HOUSE PLC

INTERIM REPORT AND ACCOUNTS AS AT 30 JUNE 2018

Registered in England with number 871

THE SPECIALIST ALTERNATIVE ASSET MANAGER

GRESHAM HOUSE PLC IS A LISTED SPECIALIST ALTERNATIVE ASSET MANAGER OFFERING FUNDS, DIRECT INVESTMENTS AND TAILORED INVESTMENT SOLUTIONS, INCLUDING CO-INVESTMENT, ACROSS FIVE HIGHLY DIFFERENTIATED ALTERNATIVE INVESTMENT STRATEGIES

The Group aims to generate superior returns for clients and shareholders across a range of alternative investment strategies and illiquid asset classes over long-term investment horizons.

The investment team applies their expertise, knowledge and experience to create value for its shareholders primarily through growth in Assets Under Management, annual management fees, performance fees, carried interests, profit growth plus returns on invested balance sheet capital.

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

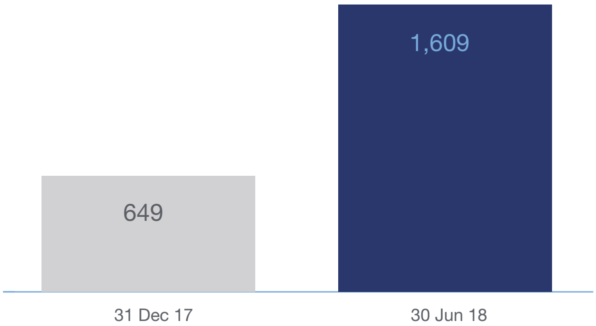
IN THIS REPORT

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

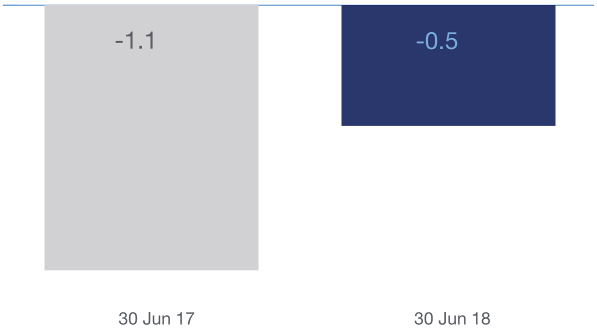
ASSETS UNDER MANAGEMENT (£M)

£1,609M
+148%



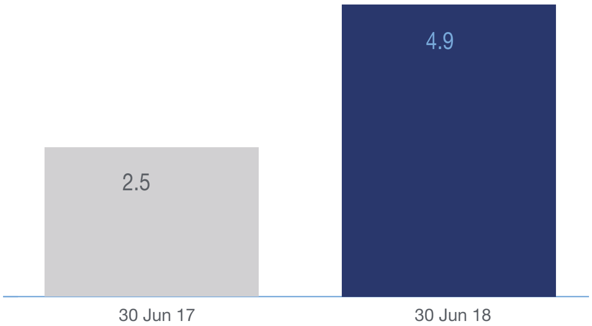
OPERATING LOSS (£M)

£(0.5)M
+58% Reduction in Loss



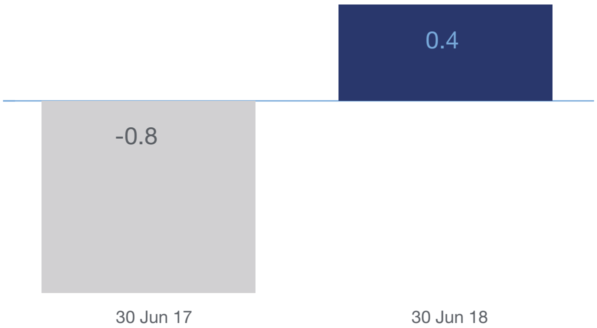
TOTAL INCOME (£M)

£4.9M
+98%



ADJUSTED OPERATING PROFIT (£M)[2]

£0.4M



HIGHLIGHTS

— Growth in AUM to £1.6bn results in H1 adjusted operating profit of £0.4m – profitability enhanced by the capture of identified synergies from acquisitions with more identified for 2019

— Strong balance sheet with cash and liquid assets of £33.3m[1]

— Strong performance of existing funds managed by the Group, including Gresham House Strategic plc where the three-year anniversary saw outperformance over benchmark by 11.2% since the Group took over the management contract

— All corporate acquisitions to date have met or exceeded their 15% medium-term return on shareholder capital hurdle

— Successful completion of £15.0m placing to fund transformational acquisition of FIM Services, enhancing the Group's forestry and new energy asset management capabilities (Gresham House now the largest UK commercial forestry asset manager)

— Continuing investment in scaling existing five asset management divisions, operations, marketing and distribution capability from organic cashflow

— Intention to accelerate dividend policy with an initial payment in 2019

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

[2] Adjusted operating profit is defined as the net trading profit of the Group before deducting amortisation, depreciation and exceptional items relating to acquisition and restructuring costs. Represents a £1.2m improvement from a £0.8m loss to a £0.4m profit

CONTINUED STRONG PROGRESS

DURING THE FIRST HALF OF THE YEAR, WE HAVE CONTINUED TO IMPLEMENT OUR STRATEGY OF CREATING A DIVERSE RANGE OF HIGH-QUALITY ALTERNATIVE INVESTMENT OPPORTUNITIES, DELIVERED WITH OUTSTANDING CLIENT SERVICE

ANTHONY TOWNSEND CHAIRMAN

Over three years into our plan to create a market-leading alternative investment manager, I am delighted to report that we continue to make strong progress and are excited by the opportunities before us.

ACTIVITY IN THE PERIOD

The continued success of the Group relies on maintaining sustainable long-term growth, identifying new investment opportunities and using the balance sheet to develop our offering for clients.

The management team has maintained strong momentum during the period, growing the Group's Assets Under Management, ("AUM") by 148% to over £1.6 billion, (2017: £649 million), driven by the transformative acquisition of FIM Services Limited, ("FIM") in May 2018. Gresham House is now the market-leading forestry asset manager in the UK with enhanced expertise in new energy asset management.

The final part of the Hazel Capital LLP ("Hazel Capital") transaction completed in the period, with the Group acquiring stakes in energy storage projects and expanding its revenue opportunities in the renewables market. The team is developing these new projects, which are expected to be an attractive addition to the Group's investment pipeline.

Taking the wider pipeline into consideration, we have an exciting array of new opportunities in prospect. Consequently, we have continued to invest in our distribution and sales capabilities, ensuring that we are able to address a wider investor audience.

RESULTS

Income for the first half of the year nearly doubled in comparison to the first half of 2017, reaching £4.9 million, (H1 2017: £2.5 million). The Group is now profitable on an underlying basis, achieving an adjusted operating profit of £0.4 million, (H1 2017: £0.8 million loss) driven by organic activity, such as the British Strategic Investment Fund and Gresham House Strategic plc and acquiring management contracts and businesses, such as Hazel Capital and FIM.

The Gresham House Group is focused on generating long-term shareholder value through growing organically alongside selective acquisitions in specialist alternative asset management.

The Board has considered the Company's long-term dividend policy and is pleased to announce that it intends to propose a dividend payment alongside the announcement of the full year results of the Company for the year ended 31 December 2018.

SHAREHOLDERS

As management continues to grow the business, the Group is fortunate to enjoy the support of a strong and committed shareholder base. This was evidenced most recently during the £15 million placement and accelerated book build as part of the FIM transaction, where we were over-subscribed and also welcomed a number of new shareholders to the register. The Board will continue to work closely with the Group's shareholders as we continue to implement our strategy for the business. We are also delighted that there is a growing ownership of Gresham House shares within the employees of the Group who are investing through such mechanisms as bonus reinvestment in "bonus share matching" and "save as you earn".

> "
> **AS THE MANAGEMENT TEAM CONTINUES TO INTEGRATE RECENT ACQUISITIONS AND DEVELOP FUTURE OPPORTUNITIES, WE LOOK FORWARD WITH OPTIMISM**

BOARD

It is vital that growth companies have access to the right expertise and experience at Board level in order to provide the necessary governance and support to management. I was delighted to welcome Rachel Beagles to the Board in March 2018 who has, together with the 2017 appointment of Simon Stilwell, proven valuable.

OUTLOOK

The excellent progress made during the first half of the year helped the Group maintain its strong momentum. There's no doubt that Tony Dalwood and his team have worked hard over the past three years to build a significant specialist alternative asset management business. We are developing an exciting pipeline of opportunities to grow organically and there remain attractive opportunities to grow through acquisition.

As the management team continues to integrate recent acquisitions and develop future opportunities, we look forward with optimism.

ANTHONY TOWNSEND
CHAIRMAN
13 September 2018

SPECIALIST ALTERNATIVE ASSET MANAGER

IN THE FIRST HALF OF 2018, THE COMPANY MADE EXCELLENT PROGRESS. OUR INCREASED SIZE GIVES US GREATER RELEVANCE TO A WIDER CONSTITUENCY OF INVESTORS AND OUR BRAND, WEBSITE AND CLIENT PORTAL ARE GAINING GREATER RECOGNITION. WE HAVE AMBITIOUS PLANS TO CONTINUE GROWING THE BUSINESS IN LINE WITH OUR VISION TO BECOME AN "ASSET TO COVET", WITH TEAMS ACROSS THE BUSINESS DEVELOPING HIGH-QUALITY NEW INVESTMENT OPPORTUNITIES FOR CLIENTS

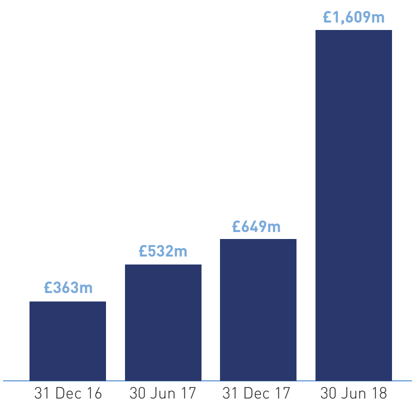
ANTHONY DALWOOD CHIEF EXECUTIVE

CONTINUED GROWTH

The acquisition of FIM during the period has had a transformative effect on the business: more than doubling AUM to £1.6 billion; expanding long-term sustainable management fee income; adding a strong team; and bringing a complementary investor base into the Group, widening its distribution capabilities for new product launches.

At the same time, we have continued our work to develop a range of new investment opportunities, where our blend of skills and expertise can be most effectively deployed to generate high-quality returns for investors and shareholders. Examples of this include our New Energy team developing products in areas such as energy storage systems, where we are targeting new launches in the near future. After the period end, we launched a further fundraising for FIM Solar Distribution LLP and plan to raise further funds for the FIM Sustainable Timber and Energy LP in the second half of 2018.

ASSETS UNDER MANAGEMENT



DISCIPLINED APPROACH

The Group's continued growth requires a diligent and disciplined approach to managing risk and controls within the business. The Investment Committee process exists to challenge capital allocation decisions for both Gresham House plc as well as the funds that are managed and advised by the Group. This discipline aims to safeguard client and shareholder funds alike.

GENERATING SHAREHOLDER VALUE

Scale and efficiency are central elements of creating shareholder value in a successful asset management business. During the period we added significant scale to the business and have focused on optimising the Group's new and existing operations.

The integration of the FIM business is going well and we are already starting to see the benefit of operational efficiency gains. We have only recognised the profits of the FIM business since acquisition towards the end of May 2018, so the second half of 2018 will see the real impact of FIM on the profits of the Group. In addition, we have identified further synergies for 2019.

Turning to the wider Group, all acquisitions to date have met their 15% medium-term return on capital hurdle, demonstrating the team's ability to create value through acquisitions and integration. The earnout payment to the sellers of the Aitchesse business was also settled in the period, confirming a return on investment of 15% since acquisition.

We are also creating shareholder value through the development of new investment products and the effective management of existing funds through our two core divisions, Strategic Equity and Real Assets. The British Strategic Investment Fund ("BSIF") is a good example where we continue to have strong interest from local government pension schemes looking to invest in housing and infrastructure opportunities below £50 million. BSIF has invested and committed £27 million across PRS (private rental sector) housing and energy storage systems (utility scale batteries) and has an exciting pipeline of investment opportunities.

The performance of the other funds that the Group manages has been strong, with Gresham House Strategic plc recently passing its three-year anniversary and outperforming its benchmark by 11.2%. This fund has the potential to generate performance fees, alongside other funds, which have the potential to make carried interest payments to the Group. We currently do not accrue for performance fees and carried interest in our results until they are certain, but current performance indicates that we would expect these to be delivered in future periods.

Looking ahead, we have a number of exciting new energy, infrastructure, and private equity investment opportunities alongside which we are using the Group's balance sheet to develop assets and seed new initiatives, such as energy storage systems.

CHIEF EXECUTIVE'S REPORT

AUM	INCOME	ADJUSTED OPERATING PROFIT
£1.6BN +148%	£4.9M +98%	£0.4M

TALENTED TEAM

Achieving our objectives for the business can only happen with the right mix of high-quality people performing to the best of their abilities. Testament to this is our recent win of Best Alternative Investment Manager at the 2018 European Wealth Briefing Awards. I am grateful to everyone working in the business for what we have achieved so far and will do in the future.

The focus on where to deploy resources is critical to our continued development and we have identified the need to enhance the Group's distribution and sales capabilities in addition to building our investment teams to deploy capital for investors in an efficient and profitable manner.

> "WE HAVE CONTINUED OUR WORK TO DEVELOP A RANGE OF NEW INVESTMENT OPPORTUNITIES, WHERE OUR BLEND OF SKILLS AND EXPERTISE CAN BE MOST EFFECTIVELY DEPLOYED TO GENERATE HIGH-QUALITY RETURNS FOR INVESTORS AND SHAREHOLDERS

With this in mind, I am very pleased that Heather Fleming has joined us as Head of Institutional Business. Heather was previously the Head of Institutional Distribution for UK & Ireland at Fidelity and brings considerable experience and expertise to our fundraising strategy. We will also be hiring to provide greater support for Heather and grow this critical area of the business.

I am also delighted to welcome the team who have joined Gresham House as part of the FIM transaction. We have a high-quality forestry and renewables team to merge with our existing team of strong individuals and capabilities. We expect these key areas of our Real Assets division to develop and grow and I look forward to continuing to work closely with all of the team on new developments and initiatives.

OUTLOOK

Our strategy for Gresham House is proceeding as planned, with organic and acquisitive growth increasing our scale, enabling us to be more efficient, creating attractive investment opportunities for clients and creating value for shareholders. With the achievement of operational profitability, new fundraisings and initiatives, we are gaining momentum across the Group and expect this to positively impact the bottom line.

Whilst we focus on completing the integration of the FIM business, there remain attractive opportunities to grow the business organically and through acquisition. We will continue to be selective in our acquisition strategy, focusing on the most effective way to create value for shareholders.

The geopolitical outlook for the UK and Europe remain uncertain as the terms of Brexit continue to be negotiated. We are monitoring this closely to manage the risks and also capitalise on opportunities as the fundamental characteristics of long-term alternative assets remain attractive to investors.

Whilst valuations across most traditional asset classes are relatively high, the growing demand for alternatives managed by teams with strong track records, continues to grow as asset allocation to these areas increases. Investors are increasingly looking for "partners" to support them in achieving their investment and positive social impact targets. Gresham House has shown multiple points of evidence that it can be a solutions provider and is looking to increase these partnership relationships with more family offices, pension schemes and high-net-worth individuals to achieve client and shareholder value objectives.

ANTHONY DALWOOD
CHIEF EXECUTIVE
13 September 2018

STRONG BALANCE SHEET

THE FIRST HALF OF 2018 HAS BEEN ANOTHER IMPORTANT PERIOD IN THE DEVELOPMENT OF GRESHAM HOUSE, WITH THE COMPLETION OF THE FIM TRANSACTION AND THE BUSINESS CONTINUING TO GROW

KEVIN ACTON FINANCE DIRECTOR

ADJUSTED OPERATING PROFIT

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000
Income	**4,948**	2,501
Administration overheads (excluding amortisation and depreciation and exceptional items)	**(4,575)**	(3,066)
Finance costs	**–**	(220)
Adjusted operating profit/(loss)	**373**	**(785)**
Amortisation and depreciation	**(847)**	(572)
Exceptional items	**(977)**	–
Net trading loss	**(1,451)**	(1,357)
Gains/(losses) on investments	**1,073**	236
Tax	**–**	–
Operating loss after tax	**(378)**	(1,121)
Profit/(loss) from discontinued operations	**18**	(1,021)
Total comprehensive income	**(360)**	(2,142)

ADJUSTED OPERATING PROFIT

Gresham House continues to be profitable and delivered an adjusted operating profit for the six months to 30 June 2018 of £0.4 million, (H1 2017: £0.8 million loss). As a reminder, we use the non-GAAP measure of adjusted operating profit as a key performance indicator for Gresham House as an alternative asset manager. Adjusted operating profit is defined as the net trading profit of the Group before deducting amortisation, depreciation and exceptional items relating to acquisition and restructuring costs, to show the true performance of the asset management business.

INCOME

Total income in the period increased by 98% to £4.9 million, (H1 2017: £2.5 million). This was driven by the management fees for new vehicles, such as BSIF, being in operation for the full period and solid performances across existing funds. The weighted average length of LP management contracts (representing AUM of over £700 million) is 17.3 years, highlighting the long-term and high-quality nature of the Group's income streams. The acquisition of FIM completed on 21 May 2018 and the Group results therefore include approximately six weeks of revenues from the FIM Forestry and Renewable Energy funds. The impact of the transaction on the Group's profits will be more noticeable in the second half of 2018.

ADMINISTRATION EXPENSES

Administration expenses, (excluding amortisation, depreciation and exceptional items) have increased to £4.6 million, (H1 2017: £3.1 million) in the period, reflecting the growth of the business. The average number of employees in the period was 45, (H1 2017: 31) with the increase representing the New Energy team who joined as part of the Hazel Capital transaction in November 2017 and the recently acquired FIM team. We continue to manage costs diligently while ensuring that we invest in critical areas of the business. This includes a focused investment in distribution and sales support team as well as our investment teams, with new hires planned in the second half of the year.

FINANCIAL REVIEW

The transaction activity and related fees in the period have increased exceptional items to £1.0 million, (H1 2017: nil). The FIM transaction fees and associated restructuring costs of integrating FIM with the existing Gresham House Forestry and New Energy businesses are considered one-off costs. We expect the result of the integration to generate cost synergies as well as increased revenue opportunities.

FAIR VALUE MOVEMENTS

Other items of note in the period were the settlement of the earnout from the Aitchesse acquisition for £3.2 million and the current assessment on the size of the tranche two payment to LMS being reduced to zero, based on the NAV of LMS being below the £67.5 million threshold. The net fair value impact of these in the period was a gain of £48,000.

FINANCIAL POSITION

The increase in the net assets of the Group relates primarily to the share placement of £15.0 million and £9.8 million consideration shares issued as part of the FIM transaction. Intangible assets have increased as a result by £24.1 million for FIM management contracts and goodwill.

Cash remained strong at the end of the period at £17.4 million (2017: £9.8 million), with key inflows being the repayment of £1.6 million by Persimmon, £2.0 million received in settlement for the sale of the remaining land at Newton-le-Willows as well as cash received on the exercise of a number of warrants in the period of £3.5 million.

Combining this with the operating cash flows from the asset management business has generated a healthy cash position at the end of the period. We intend to use the cash to invest in acquisitions that are complementary to the Group and add shareholder value in line with our 15% medium-term return hurdles, as well as seed new projects and funds to grow the business.

We look forward to continuing to grow in the second half of 2018 as we integrate FIM and deliver further organic growth.

KEVIN ACTON
FINANCE DIRECTOR
13 September 2018

UNAUDITED CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Six months ended 30 June 2018 (unaudited) £'000**	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Income				
Asset management income		**4,760**	2,409	5,805
Dividend and interest income		**155**	24	431
Other operating income		**33**	68	221
Total income	5	**4,948**	2,501	6,457
Operating costs				
Administrative overheads		**(5,422)**	(3,638)	(8,021)
Net operating loss before exceptional items		**(474)**	(1,137)	(1,564)
Finance costs		**–**	(220)	(344)
Exceptional items	*	**(977)**	–	(308)
Net operating loss after exceptional items		**(1,451)**	(1,357)	(2,216)
Gains and (losses) on investments				
Share of associates' profits/(losses)		**927**	(72)	(68)
Gains and (losses) on investments held at fair value		**86**	172	(230)
Movement in fair value of contingent consideration		**48**	16	(56)
Movement in fair value of deferred receivable		**12**	120	148
Operating loss before taxation		**(378)**	(1,121)	(2,422)
Taxation		**–**	–	–
Operating loss from continuing operations		**(378)**	(1,121)	(2,422)
Profit/(loss) from discontinued operations	7	**18**	(1,021)	(1,104)
Total comprehensive income		**(360)**	(2,142)	(3,526)
Attributable to:				
Equity holders of the parent		**(369)**	(1,892)	(3,124)
Non-controlling interest		**9**	(250)	(402)
		(360)	(2,142)	(3,526)
Basic and diluted loss per ordinary share (pence)	8	**(2.6)**	(15.7)	(25.9)

* Exceptional items relate to professional fees and restructuring costs incurred in respect of the acquisition of FIM Services Limited which took place on 21 May 2018 (see note 6) and the Hazel Capital LLP transaction.

UNAUDITED CONDENSED GROUP STATEMENTS OF CHANGES IN EQUITY

SIX MONTHS ENDED 30 JUNE 2018 (UNAUDITED)

	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	**Equity attributable to equity share-holders £'000**	Non-controlling interest £'000	**Total equity £'000**
Balance at 31 December 2017	3,134	9,649	319	15,268	**28,370**	477	**28,847**
Comprehensive income for the period							
Loss for the period	–	–	–	(369)	**(369)**	9	**(360)**
Total comprehensive income for the period	–	–	–	(369)	**(369)**	9	**(360)**
Contributions by and distributions to owners							
Transfer of non-controlling interest deficit	–	–	–	6	**6**	(6)	**–**
Share based payments	–	–	–	78	**78**	–	**78**
Issue of shares	2,016	30,872	(261)	–	**32,627**	–	**32,627**
Total contributions by and distributions to owners	2,016	30,872	(261)	84	**32,711**	(6)	**32,705**
Balance at 30 June 2018	5,150	40,521	58	14,983	**60,712**	480	**61,192**

SIX MONTHS ENDED 30 JUNE 2017 (UNAUDITED)

	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	**Equity attributable to equity share-holders £'000**	Non-controlling interest £'000	**Total equity £'000**
Balance at 31 December 2016	2,546	2,611	319	18,657	**24,133**	491	**24,624**
Comprehensive income for the period							
Loss for the period	–	–	–	(1,892)	**(1,892)**	(250)	**(2,142)**
Total comprehensive income for the period	–	–	–	(1,892)	**(1,892)**	(250)	**(2,142)**
Contributions by and distributions to owners							
Transfer of non-controlling interest deficit	–	–	–	(245)	**(245)**	245	**–**
Share based payments	–	–	–	51	**51**	–	**51**
Issue of shares	588	7,038	–	–	**7,626**	–	**7,626**
Total contributions by and distributions to owners	588	7,038	–	(194)	**7,432**	245	**7,677**
Balance at 30 June 2017	3,134	9,649	319	16,571	**29,673**	486	**30,159**

UNAUDITED CONDENSED GROUP STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017 (AUDITED)

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

UNAUDITED CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

Assets	Notes	30 June 2018 (unaudited) £'000	30 June 2017 (unaudited) £'000	31 December 2017 (audited) £'000
Non-current assets				
Investments – securities	10	**4,788**	4,580	2,989
Tangible fixed assets		**388**	215	196
Investment in associates		**9,618**	6,457	6,462
Intangible assets		**29,706**	6,127	6,327
Long-term receivables		**–**	1,661	1,618
Total non-current assets		**44,500**	19,040	17,592
Current assets				
Trade receivables		**1,644**	957	2,089
Accrued income and prepaid expenses		**2,016**	937	785
Deferred receivable		**2,112**	2,059	2,075
Cash and cash equivalents		**17,418**	8,100	9,785
Non-current assets held for sale				
Investment property		**–**	8,516	1,986
Total current assets and non-current assets held for sale		**23,190**	20,569	16,720
Total assets		**67,690**	39,609	34,312
Current liabilities				
Trade and other payables		**3,335**	1,866	2,170
Contingent consideration		**–**	2,962	3,293
Short-term borrowings		**–**	2,025	–
		3,335	6,853	5,463
Total assets less current liabilities		**64,355**	32,756	28,849
Non-current liabilities				
Long-term borrowings		**–**	2,324	–
Other creditors		**3,163**	273	2
		3,163	2,597	2
Net assets		**61,192**	30,159	28,847
Capital and reserves				
Ordinary share capital	11	**5,150**	3,134	3,134
Share premium		**40,521**	9,649	9,649
Share warrant reserve		**58**	319	319
Retained reserves		**14,983**	16,571	15,268
Equity attributable to equity shareholders		**60,712**	29,673	28,370
Non-controlling interest		**480**	486	477
Total equity		**61,192**	30,159	28,847
Basic net asset value per ordinary share	13	**294.7p**	236.7p	226.3p
Diluted net asset value per ordinary share	13	**275.5p**	236.7p	211.2p

UNAUDITED CONDENSED GROUP STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June 2018 (unaudited) £'000	Six months ended 30 June 2017 (unaudited) £'000	Year ended 31 December 2017 (audited) £'000
Cash flows from operating activities				
Net cash utilised in operations	14	**244**	(484)	(1,615)
Interest paid on loans		**–**	(145)	(236)
Corporation tax received		**–**	33	33
Net cash flows in operating activities		**244**	(596)	(1,818)
Cash flows from investing activities				
Cash consideration for FIM Services Limited		**(10,828)**	–	–
Deferred consideration paid		**(1,027)**	–	–
Investment in associates		**(1,979)**	–	–
Purchase of investments		**(229)**	(1,574)	(5,177)
Sale of investments		**16**	–	4,946
Sale of investment properties		**1,985**	–	6,680
Deferred proceeds received on sale of investment properties		**1,593**	1,634	1,635
Expenditure on investment properties		**–**	(123)	(137)
Purchase of fixed assets		**(111)**	(99)	(137)
Sale of fixed assets		**20**	16	23
Purchase of intangible assets		**(123)**	(39)	(762)
		(10,683)	(185)	7,071
Cash flows from financing activities				
Repayment of loans		**–**	(1,547)	(5,896)
Share warrants exercised		**3,544**	–	–
Share issue proceeds		**15,000**	7,626	7,626
Share issue costs		**(472)**	–	–
		18,072	6,079	1,730
Increase in cash and cash equivalents		**7,633**	5,298	6,983
Cash and cash equivalents at start of period		**9,785**	2,802	2,802
Cash and cash equivalents at end of period		**17,418**	8,100	9,785

NOTES TO THE ACCOUNTS

1 REPORTING ENTITY

Gresham House plc ("the Company") is a company incorporated in England. The unaudited condensed group interim financial statements of the Company as at and for the six months ended 30 June 2018 comprise the Company and its subsidiary undertakings (together referred to as the "Group"). All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2 STATEMENT OF COMPLIANCE

The financial information presented in these interim results has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted by the European Union. The principal accounting policies adopted in the preparation of the financial information in these interim results are primarily unchanged from those used in the Company's financial statements for the year ended 31 December 2017 and are consistent with those that the Company expects to apply in its financial statements for the year ended 31 December 2018. The only change has been the adoption of the following new accounting standards, which are effective for periods beginning 1 January 2018:

IFRS 9 Financial Instruments – IFRS 9 replaced the classification and measurement models for financial instruments in IAS 39 Financial Instruments: Recognition, with three classification categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The Group recognises all equity investments within the scope of IFRS 9 as measured at fair value through profit or loss.

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

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

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

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

Stage 1 and Stage 2 credit loss allowances effectively replace the collectively-assessed allowance for loans not yet identified as impaired recorded under IAS 39, while Stage 3 credit loss allowances effectively replace the individually and collectively assessed allowances for impaired loans. The measurement of expected credit losses is based on the impairment reviews, which reflect the underlying performance of the financial asset, expected cash flows and changes in expected performance. As as at the date of these interim results there are no indications of impairment losses or expected credit losses. There has been no material impact as a result of the adoption of IFRS 9.

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

NOTES TO THE ACCOUNTS

2 STATEMENT OF COMPLIANCE – CONTINUED

The financial information for the year ended 31 December 2017 presented in this interim report does not constitute the Company's statutory accounts for that period but has been derived from them. The Report and Accounts for the year ended 31 December 2017 were audited and have been filed with the Registrar of Companies. The Independent Auditor's Report on the Report and Accounts for the year ended 31 December 2017 was unqualified and did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006. The financial information for the periods ended 30 June 2017 and 30 June 2018 are unaudited and have not been reviewed by the Company's auditors.

3 ESTIMATES AND MANAGEMENT JUDGEMENTS

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

In preparing these unaudited condensed group interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the group financial statements as at and for the year ended 31 December 2017. The distribution fee accounting treatment was also revisited and management concluded that the treatment remains consistent with the group financial statements as at and for the year ended 31 December 2017.

4 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policy are consistent with those disclosed in the group financial statements as at and for the year ended 31 December 2017.

5 INCOME

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Asset management income			
Asset management income	**4,760**	2,409	5,805
	4,760	2,409	5,805
Income from investments			
Dividend income – Listed UK	**140**	–	106
Interest receivable – Bank & brokers	**6**	1	2
– Other	**9**	23	323
	155	24	431
Other operating income			
Arrangement fees	**–**	19	135
Reversal of provision against loans	**–**	5	9
Consultancy fees receivable	**6**	8	14
Other fees receivable	**27**	36	63
	33	68	221
Total income	**4,948**	2,501	6,457

NOTES TO THE ACCOUNTS

6 BUSINESS COMBINATIONS

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

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

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

	Net book value £'000	Adjustments £'000	Fair value £'000
Tangible fixed assets	165	–	165
Investments	818	(318)	500
Cash	6,024	–	6,024
Trade and other receivables	920	–	920
Trade and other payables	(1,074)	–	(1,074)
Goodwill and client contracts	–	24,117	24,117
Total identifiable net assets	6,853	23,799	30,652

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

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

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

Contingent consideration

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

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

The fair value of the contingent consideration has been estimated at the date of acquisition using forecast details for the combined business and discounting this at 11.0%. This is cash settled and will therefore be recognised as a liability on the balance sheet and the fair value assessed each reporting period. The fair value at the time of acquisition was calculated as £3,163,000.

Costs associated with the acquisition of FIM totalled £743,000 and are shown as an exceptional item in the Group Statement of Comprehensive Income.

Business combinations in the prior periods related to the acquisition of the asset management business of Hazel Capital LLP. Further details can be found in Note 5 of the 2017 Report and Accounts.

NOTES TO THE ACCOUNTS

7 DISCONTINUED OPERATIONS

Discontinued operations represent the legacy property portfolio of the Group, with the sale of the remaining land at Newton-le-Willows completing during the period.

The disposal group fulfilled the requirements of IFRS 5 in the prior period to be classified as “discontinued operations” in the consolidated statement of comprehensive income, the results of which are set out below:

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Rental income	**–**	376	531
Other operating income	**–**	–	22
Property outgoings	**19**	(162)	(191)
Loss on disposal of investment properties	**(1)**	–	(1,135)
Movement in fair value of investment property	**–**	(1,235)	(331)
Net profit/(loss) from discontinued operations	**18**	(1,021)	(1,104)

8 EARNINGS PER SHARE

Basic and diluted loss per share

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Total net loss attributable to equity holders of the parent (£’000)	**(369)**	(1,892)	(3,124)
Weighted average number of ordinary shares in issue during the period	**14,127,220**	12,073,106	12,073,106
Basic and diluted loss per share to equity holders of the parent (pence)	**(2.6)**	(15.7)	(25.9)

1,439,875 (30 June 2017: nil; 31 December 2017: 898,747) shares were deemed to have been issued at nil consideration as a result of the shareholder, supporter and LMS warrants granted and shares which could be issued under the bonus share matching plan and long-term incentive plans which, as required under IAS 33, Earnings per Share, have not been recognised as they would reduce the loss per share.

Adjusted earnings per share

Adjusted earnings per share is based on adjusted operating profit, which is stated after charging interest but before depreciation, amortisation, profit on disposal of tangible fixed assets and exceptional items, to simplify the non-GAAP measure of the performance as an asset manager.

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

	Six months ended 30 June 2018 £’000	Six months ended 30 June 2017 £’000	Year ended 31 December 2017 £’000
Operating loss before taxation for the period	**(1,451)**	(1,357)	(2,216)
Add back:			
Exceptional operating expenses	**977**	–	308
Depreciation and amortisation	**866**	584	1,209
Profit on disposal of tangible fixed assets	**(19)**	(12)	(12)
Adjusted operating profit/(loss)	**373**	(785)	(711)
Adjusted earnings/(loss) per share (pence) – basic	**2.6**	(6.5)	(5.9)
Adjusted earnings/(loss) per share (pence) – diluted	**2.4**	(6.5)	(5.9)

NOTES TO THE ACCOUNTS

9 DIVIDENDS

No final or interim dividends were proposed or paid for the periods ending 30 June 2018, 31 December 2017 and 30 June 2017.

10 INVESTMENTS – SECURITIES

An analysis of total investments is as follows:

	30 June 2018 £'000	30 June 2017 £'000	31 December 2017 £'000
Listed securities – on the London Stock Exchange	**302**	–	281
Securities dealt in under AIM	**841**	672	787
Securities dealt in under NEX Exchange	**18**	42	38
Unlisted securities	**3,627**	3,866	1,883
Carrying value	**4,788**	4,580	2,989
Investments valued at fair value through profit or loss	**4,465**	2,417	2,830
Loans and receivables valued at amortised cost	**323**	2,163	159
	4,788	4,580	2,989

Unlisted securities include the Group's investment in the Gresham House Forestry Fund LP (£1.7 million, including non-controlling interests), investment in battery storage projects (£1.1 million) and an investment of £0.5 million in Windfarm LP funds as per the FIM transaction.

11 SHARE CAPITAL

	30 June 2018 £'000	30 June 2017 £'000	31 December 2017 £'000
Allotted: Ordinary – 20,600,550 (30 June 2017: 12,536,957; 31 December 2017: 12,536,957) fully paid shares of 25p each	**5,150**	3,134	3,134

12 SHARE WARRANTS

	Shareholder warrants	Supporter warrants	LMS warrants	Total warrants
Balance at 31 December 2016	1,071,813	850,000	909,908	2,831,721
Warrants exercised during the period	(1)	–	–	(1)
Balance at 30 June 2017	1,071,812	850,000	–	2,831,720
Warrants exercised during the period	–	–	–	–
Balance at 31 December 2017	1,071,812	850,000	909,908	2,831,720
Warrants exercised during the period	(105,392)	(81,000)	(909,908)	(1,096,300)
Balance at 30 June 2018	**966,420**	**769,000**	**–**	**1,735,420**

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.

NOTES TO THE ACCOUNTS

12 SHARE WARRANTS – CONTINUED

Supporter warrants

On 1 December 2014 the Company issued 850,000 supporter warrants to the new directors and certain members of the Investment Committee and Advisory Group at a price of 7.5p 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 exercisable between 1 December 2015 and 31 December 2019; and (iii) are subject to the terms of the supporter warrant instrument dated 7 October 2014.

LMS warrants

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

During the period 105,392 shareholder warrants, 81,000 supporter warrants and 909,908 LMS warrants were converted into ordinary shares resulting in the issue of 1,096,300 new ordinary shares (30 June 2017: 1; 31 December 2017: 1).

13 NET ASSET VALUE PER SHARE

Basic	**30 June 2018**	30 June 2017	31 December 2017
Equity attributable to holders of the parent (£'000)	**60,712**	29,673	28,370
Number of ordinary shares in issue at the end of the period	**20,600,550**	12,536,957	12,536,957
Basic net asset value (pence)	**294.7**	236.7	226.3

Diluted	**30 June 2018**	30 June 2017	31 December 2017
Equity attributable to holders of the parent (£'000)	**60,712**	29,673	28,370
Number of ordinary shares in issue at the end of the period	**22,040,425**	12,536,957	13,435,704
Diluted net asset value (pence)	**275.5**	236.7	211.2

Diluted net asset value per share is based on the number of shares in issue at the period end together with 1,439,875 (30 June 2017: nil; 31 December 2017: 898,747) shares deemed to have been issued at nil consideration as a result of the shareholder and supporter warrants granted and shares which could be issued under the bonus share matching plan and long-term incentive plans.

These shares and warrants had no dilutive effect for the period ended 30 June 2017 as the exercise price of the warrants is 323.27p which was higher than the average market price of the ordinary shares during the period.

NOTES TO THE ACCOUNTS

14 RECONCILIATION OF NET OPERATING LOSS TO OPERATING CASH FLOWS

	30 June 2018 £'000	30 June 2017 £'000	31 December 2017 £'000
Net operating loss after exceptional items	**(1,451)**	(1,357)	(2,216)
Profit/(loss) from discontinued operations	**18**	(1,021)	(1,104)
Movement in fair value of investment property	**1**	1,235	1,466
Interest payable	**–**	125	170
Depreciation	**62**	42	87
Profit on disposal of tangible fixed assets	**(19)**	(12)	(12)
Amortisation	**804**	542	1,122
Share based payments	**78**	51	123
	(507)	(395)	(364)
Decrease in long-term receivables	**–**	–	54
Decrease/(increase) in current assets	**354**	282	(1,219)
Increase/(decrease) in current liabilities	**397**	(371)	(86)
	244	(484)	(1,615)

CORPORATE INFORMATION

Company Number	871 incorporated in England	
Directors	Anthony Townsend	Non-Executive Chairman
	Anthony Dalwood	Chief Executive
	Kevin Acton	Finance Director
	Richard Chadwick	Non-Executive
	Simon Stilwell	Non-Executive
	Rachel Beagles	Non-Executive
Secretary	John-Paul Preston	
Registered Office	5 New Street Square London EC4A 3TW	
Auditor	BDO LLP 55 Baker Street London W1U 7EU	
Nominated Adviser & Joint Broker	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR	
Financial Adviser & Joint Broker	Jefferies International Limited 68 Upper Thames Street London EC4V 3BJ	
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	

Produced by ColourfastWorld Limited