



Gresham House plc

Report and Accounts 2014

Registered number: 871 (England)

Corporate Information

Company Number	871 incorporated in England
Directors	J A V Townsend <i>Non-executive Chairman</i> A L Dalwood <i>Chief Executive</i> M C Phillips <i>Strategic Development</i> D J L Abbot <i>Finance</i> R A Chadwick <i>Non-executive</i> P G Moon <i>Non-executive</i>
Secretary	D J L Abbot
Registered Office	5 New Street Square London EC4A 3TW
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Nominated Adviser & Broker	Westhouse Securities Limited 110 Bishopsgate London EC2N 4AY
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
Solicitors	Taylor Wessing LLP 5 New Street Square London EC4A 3TW

Chairman's Statement

It is a great pleasure to address our existing shareholders and new investors as the new Chairman of this long established company.

A new and exciting journey for Gresham House lies ahead. We are seeking to compete and grow in a sophisticated and diverse market, setting ourselves the goal of establishing a presence as a specialist asset manager focused on illiquid and differentiated assets, carving out our own niche within the asset management industry.

This set of results covers a period of transition for Gresham House.

The new management team took responsibility at the beginning of December 2014 and the results reflect the efforts of the outgoing management team in stewarding the assets of the Company as detailed negotiations with the new team were taking place. Gresham House was first listed in 1950 and, after becoming an investment trust on the full market of the London Stock Exchange in 1966, the Company joined the Alternative Investment Market of the London Stock Exchange on 1 December 2014.

This set of accounts refers to the history of the Company in 2014 but we have taken the opportunity in the various reports herein to point to the future direction of the Company.

As existing shareholders know, it had been the intention of the directors of the Company to liquidate the Company's assets and return the proceeds to shareholders. Following approval at a General Meeting of shareholders on 31 October 2014, it was agreed that the Company should take a change of direction.

I am delighted to chair the new Board of executive and non-executive directors, who bring a wealth of experience to the Company.

We have assembled a team of people with experience and skills in developing and growing asset management businesses. A cash injection of £10.6m (net) as well as the anticipated proceeds from the existing assets positions the business well. The journey will aim to address a growing market opportunity for co-investment from family offices and other professional clients and we set about that journey with enthusiasm and confidence.

I would like to put on record the thanks from the new management team, led by Anthony (Tony) Dalwood, your CEO, for the gracious and cooperative way in which the handover from the previous management was conducted. I would also like to thank the former directors led by Chairman Tony Ebel, Brian Hallett, John Lorimer and Rosemary Chopin-John. I am pleased that Tony, Brian and John will continue to work with us as consultants in respect of the legacy assets and that Richard Chadwick will continue as non-executive director as the new team establish themselves. In keeping with the experienced backgrounds of the new executive team, we welcome Peter Moon as senior independent non-executive, who brings additional investment and business expertise on to the Board.

2014 was a year of change for Gresham House, 2015 will be a year of even greater change. In this report, you will find a commentary from Tony Dalwood which deals with our future hopes and expectations for the business as well as a Strategic Report where we comment on the main events and drivers that influenced the outcome for the year ended 31 December 2014.

The team is seeing considerable deal flow and already making progress. I look forward to reporting future developments to you in due course.

27 April 2015

Anthony Townsend
Chairman

Chief Executive's Report

It is a privilege to be writing to you as your new Chief Executive. Gresham House has a very long history and tradition; now, with a new and experienced management team at the helm, the Company will address and profit from a growing market opportunity within the differentiated or illiquid areas of asset management.

I am excited to be working with a Chairman of Anthony Townsend's calibre. Anthony brings to this new role a wealth of experience, an extensive network and a deep knowledge of our industry.

Your new team took responsibility in December, the final month of the year to which these accounts apply, and as such the "new journey" begins from 2015.

The December 2014 fundraising and move to the Alternative Investment Market of the London Stock Exchange ("AIM") raised £10.6m (net of expenses) from new shareholders including established institutions, family offices and other investors. This has provided the working capital that will enable us to grow the business organically and through targeted acquisitions. The decision to move to AIM was based on that market being more appropriate for the size of the Company at this stage and because it provides a suitable environment in which to implement our new strategy and investment policy; we can also appeal to a wider investor base that may not be able to invest in authorised investment trusts. Our AIM listing gives us the flexibility and the currency of publicly quoted equity that will be useful for future growth.

The new management team, Investment Committee and Advisory Group are now also significant shareholders, aligned with the long term objective of creating shareholder value.

Gresham House has, since incorporation in 1857, been primarily focussed on asset value growth. We are now commencing a journey to evolve the Company into a specialist asset manager, based on a long term investment philosophy and disciplined process with capable people at the core. In summary, "traditional values, modern methods".

The 2008/2009 global financial crisis led to investors and limited partners reappraising investment strategies and vehicle structures, with particular attention on "blind pool" and long lock up vehicles. Investors are increasingly demanding more transparency, discretion and improved service levels, alongside a sharper focus on fees and alignment with their asset manager. This has resulted in a substantial increase in the desire for co-investment opportunities. The sourcing, appraising, execution and management of such opportunities is not always something family offices and institutions are able to do, despite wanting to. Gresham House will position itself to address this growing market for investors seeking superior longer term returns through illiquid or differentiated strategies, whilst also facilitating co-investment demand where appropriate.

We are establishing the building blocks to develop a sustainable long term asset management business and to use the balance sheet with a merchant banking style approach, based on private equity disciplines, to determine capital allocation. We will target shareholder value growth through increasing assets under management and a focus on profitability.

The Company will have three core pillars to support its growth. Firstly, philosophy: disciplined Private Equity process based upon a value investment philosophy. Secondly, people: a team of highly capable investment and business managers, including an Advisory Group of respected industrialists, investors and financiers. Thirdly, platform: product development, distribution and structured discretionary co-investment.

The results for the year ended 31 December 2014 which are in line with management expectations are discussed in full in the Strategic Report. The future Gresham House will be focussed on growing profitability, performance fees and assets under management. However, the historic results show the Group trading result for the year ended 31 December 2014 as a loss of £615,000 against a loss of £1,503,000 in 2013. Net assets as at 31 December 2014 were £27.8m (2013: £20.3m) whilst net asset value per share, reflecting in part the increased number of shares in issue following completion of the placing in December 2014, has decreased in the year to 31 December 2014 to 298.0p from 378.5p per share at 31 December 2013 (331.7p as at 30 June 2014).

Since the beginning of December, the new management team has implemented its own 90 day plan to initiate the new strategy and has established an office in Austin Friars in the City of London.

An exercise has been commenced to review the Group structure. Gresham House had developed a complex group structure consisting of a number of special purpose vehicles through which it held its property assets and associated finance. The idea is to simplify the structure and utilise whatever tax losses are available.

Chief Executive's Report – continued

The Capital Reduction that was approved by shareholders at the General Meeting has been approved by the High Court with the consequence that the Share Premium Account can be utilised as part of the Company's general revenue reserves and be available for share buy-backs and dividend distribution in the future.

We have submitted an application to the Financial Conduct Authority for authorisation of our newly formed subsidiary, Gresham House Asset Management Limited.

On the people front we have also been active. Gresham House has a long investment history and a crucial component of the future long term success will be its capital allocation decisions. Accordingly, Michael Phillips and I are pleased to have established an experienced Investment Committee which includes Rupert Robinson, former CEO and CIO of Schroder Private Bank, Bruce Carnegie Brown, currently Chairman of Aon (UK) and Moneysupermarket.com plc and formerly of 3i QPE and Matthew Peacock, managing partner of Hanover Investors.

We are in the process of establishing an Advisory Group to support the long term development of the business, including appraisal, deal flow and strategy. We look forward to welcoming a limited number of very experienced and successful individuals into the Gresham House "family" and will say more on this in due course.

I am particularly pleased to announce that my former colleague Graham Bird will be joining as Head of Strategic Investments in June. Graham occupied the same role at SVG Investment Managers, and was an important member of the team, alongside me, that launched the SVG 'Strategic Public Equity' products which included Strategic Equity Capital plc. We anticipate developing this area of Gresham House through an investment vehicle as a significant step towards long term shareholder value creation. We have commenced work towards launching this investment platform which will apply disciplined private equity techniques in the public market, and we are developing the offering in discussion with potential investors.

We have also been busy with the existing portfolio of assets, of which the vast majority is represented by property (Southern Gateway in Speke and a large plot of land at Newton-le-Willows) and an investment in SpaceandPeople plc (AIM quoted). We are looking at ways to optimise the returns we can expect from our assets and have identified some areas where the new management team can add value at the margin whilst we appraise how to maximise the value of these investments.

We are pleased to report that in respect of the sale of the site at Newton-le-Willows to Persimmon Homes, although it has taken longer than the previous management anticipated, we are progressing towards completion. Documentation of the s.106 planning agreements is now taking place and this should then lead to the local authority giving detailed planning consent. As is standard procedure, there will then be a 6 week period during which the decision is subject to judicial review (we are not aware of any objections to the planning application) and directly thereafter we expect Persimmon to complete. Completion will trigger the initial cash receipt and the subsequent receipts agreed in the contract. Once the sale of the residential element of the Newton-le-Willows site has completed, we will look to market the retail element in earnest.

Since the year-end, the Attila contract has been signed with Cala Homes in Edinburgh, as a result of which initial cash proceeds of £335k are expected imminently. We will then receive two further instalments of capital and interest in April 2016 and October 2016 of £651k and £605k. In addition, further positive developments include, at Memorial Holdings the signing of a significant contract with the London Borough of Tower Hamlets to provide cemetery places over the coming years and for SpaceandPeople plc, an improvement in the share price.

The landlord's improvements that we are committed to at Southern Gateway have now commenced. The Group has reached an agreement with the Co-op to extend the Group's existing £3.278m loan facility on unchanged terms. The Co-op has also agreed to advance a further £0.372m that will be applied to finance capital expenditure to enhance the property. The enlarged facility will run for two years from drawdown.

The financial markets in the UK and US are touching new highs and headline valuations do not appear to offer attractive value, particularly when we may well be towards the peak of the corporate return on the equity cycle. However, the aggregate headline metrics do mask significant valuation opportunities. This is the case currently whereby the unprecedented interest rate policy and search for yield has meant various areas are less highly valued. When taken together with the long-term structural growth in demand for alternative and specialist asset management product and client service, Gresham House is attractively positioned.

Chief Executive's Report – continued

It has been a year of major change for Gresham House and I feel excited about the future. Gresham House is a quoted entity now consisting of approximately £28m of net assets, including c. £11m of cash plus properties in realisation, with a clear strategy for growth and alignment of management interests with shareholders. We have already seen a significant number of opportunities that could lead to acquisitions that we continue to explore and the journey is well underway for the new management team to address the market opportunity both organically and through selective acquisitions.

27 April 2015

Anthony Dalwood
Chief Executive Officer

Strategic Report

This report has been prepared by the directors in accordance with the requirements of section 414 of the Companies Act 2006. The purpose of this report is to inform shareholders about how the Company fared during the year ended 31 December 2014.

On 31 October 2014, shareholders of the Company approved a change of direction for the Company. In December 2014 Gresham House ceased being an Authorised Investment Trust, delisted from the Official List and was admitted to the Alternative Investment Market of the London Stock Exchange and adopted a new investing policy.

The majority of the board of directors resigned and a new team of directors took office with effect from 1 December 2014. Further details are set out in the Report of the Directors.

The Company raised £10.6 million net of expenses, pursuant to the placing of 3,973,510 new Ordinary Shares at 286.9 pence per share and the subscription for the 850,000 unquoted supporter warrants by various members of the incoming management team.

The information covers the year under review and the new policies the Company has adopted following the October 2014 General Meeting.

Investment objective

The directors intend to develop the Company as a quoted platform principally for the investment in, and the investment management of, relatively differentiated, specialist or illiquid assets in order to generate superior risk adjusted returns for shareholders over the longer term. Returns are expected to be principally through capital growth. In addition the directors intend to develop an asset management business, either organically or through one or more acquisitions.

Investing policy

Gresham House plc will seek to use the expertise and experience of its new board of directors and members of the Investment Committee to invest according to a robust private equity-style "value" investment philosophy. The Company's investing policy is to invest in assets that will typically have a number of the following characteristics:

- an illiquidity discount;
- a minimum target rate of return of 15 per cent;
- cash generative (or expected to generate cash within a reasonable investment horizon);
- relatively differentiated, specialist or illiquid;
- attractive management track records;
- potential for superior risk adjusted returns;
- potential for liquidity or exit within an identified time frame;
- potential for the Company to have a competitive advantage; and/or
- potential for the Company to add incremental value to an investment.

Investments may be either passive or active and the Company may make investments directly or indirectly (including through any asset management business, special purpose vehicle or underlying fund) and for cash or share consideration. In particular the Company may:

- invest in and take controlling or non-controlling stakes in publically and/or privately held companies (primarily in equity and related instruments) and also in convertible or non-convertible debt instruments;
- set up and potentially co-invest in funds including cornerstone investments in specialist funds on preferred terms which may include lower management fees; and
- enter into derivative contracts (including but not limited to currency hedging, or other portfolio risk management techniques).

Strategic Report – continued

A majority of the direct investments made by the Company will be in securities of small and medium sized companies. Initial potential target areas may include small public (less than £250 million market capitalisation) and private companies.

The Company will not invest more than 35 per cent of the Group's gross assets, at the time when the investment is made, in securities issued by any single company other than in a single collective investment undertaking or fund structure. Where such an investment is made in a single collective investment undertaking, due regard will be paid to the concentration of risk that such an investment may entail. The investment will only be made after the Investment Committee is convinced that the risk/return relationship is acceptable.

The board of directors will consider investment in a number of business areas, particularly those sectors in which the board of directors collectively believes that it and/or members of the Investment Committee has the necessary expertise and experience to be able to manage the opportunity.

Investments may be made in any country globally.

The Company has no borrowing limits.

A typical direct investment (other than in connection with the development of an asset management business or an investment in a fund) will be expected to have a holding period of between three to five years, but may be shorter or longer, as appropriate, to develop realisable intrinsic value in order to maximise shareholder value.

The directors' initial intention is to re-invest profits into the Company rather than paying dividends and shareholder returns are likely to be through capital appreciation. However the directors may pay dividends in accordance with any alternative dividend policy that they may adopt from time to time in order to maximise shareholder value over the longer term.

Any material change in the Investing policy will require prior shareholder approval in accordance with the AIM Rules for Companies.

Whilst the Company now operates as an investing company, the directors intend to develop an asset management business, either organically or through one or more acquisitions. The development of such an asset management business may lead to the Company ceasing to be an investing company (as defined in the AIM Rules for Companies) and instead become a trading company (i.e. it would become a company which operates an asset management business with some direct and indirect investments). The key expected consequences of such a development would be as follows:

- NAV per share would cease to be an appropriate performance indicator;
- the Company may acquire businesses where the acquisition involves recognising purchased goodwill and other intangible assets, which may have to be amortised. Such amortisation would have a negative impact on the Company's balance sheet, despite such acquisitions being made in anticipation of contributing in time to the Company's earnings;
- the Company's Standard Industrial Classification may change. This would, in turn, alter the way in which it is classified for various statistical and analytical purposes and may limit the ability of some investors to hold the Company's shares where the investors' investment mandates are specific as to the type of share they are able to hold; and
- the new investing policy would cease to be applicable.

The Group continues to hold investments in commercial properties and will invest further but only where this enhances or protects the value of existing investments. As any of these assets are realised the proceeds of realisation will be redeployed in accordance with the investing policy and/or the development of an asset management business.

Strategic Report – continued

Performance during the year

Up until 1 December 2014 the previous board continued to focus on maximising shareholder returns by an orderly realisation of the Group's assets, including the sale of the majority of the site at Newton-le-Willows to Persimmon Homes Limited for £7.43m conditional upon satisfactory detailed planning permission being obtained (which is still ongoing) and the sale of the six acre development site in Knowsley for £416,000 in May 2014. In addition the value of the property known as Southern Gateway in Speke, Liverpool was significantly enhanced by the letting of Wellington House for a ten year period in October 2014.

Since that date the new Board has been seeking suitable investment opportunities in accordance with its investment objective.

The Group trading result for the year ended 31 December 2014 was a loss of £615,000 against a loss of £1,503,000 in 2013. The comparison between both years is as follows:

	2014 £'000	2013 £'000
Rental income	858	999
Dividend and investment income	248	268
Other income	66	76
Property outgoings	(516)	(1,243)
Administration overheads	(1,062)	(846)
Finance costs	(209)	(757)
Net trading loss	<u>(615)</u>	<u>(1,503)</u>

The significant variances between the two years are as follows:-

The decrease in rental income was as a result of (i) the sale of Northern Gateway in late 2013 and (ii) reduced income from the site at Newton-le-Willows as tenants left the site making it available for development, offset by an increase in rental income of £80,000 at Southern Gateway.

The significant reduction in property outgoings of £727,000 over the year ended 31 December 2013 was principally due to (i) a reduction of costs of £423,000 on the development site at Knowsley, (ii) a reduction of £158,000 in legal and professional fees incurred and (iii) a reduction in other property related costs amounting to £100,000.

Administration costs have remained overall fairly constant with the previous year with the exception of the inclusion in 2014 of £255,000 in respect of share based payments following the issue of supporter warrants on 1 December 2014.

There has been a substantial decrease in finance costs as a result of bank borrowings being significantly reduced during the year ended 31 December 2013.

Net asset value

The net asset value per share ("NAV") has decreased in the year to 31 December 2014 to 298.0p from 378.5p per share at 31 December 2013 (331.7p as at 30 June 2014).

This decrease in NAV is due to the net trading loss of £1,293,000, the revaluation deficit on investment property of £523,000 and the loss on investments held at fair value of £2,188,000. The NAV was also diluted by the issue of 3,973,510 new ordinary shares as part of the fund raising which completed in December 2014.

Property portfolio

The property portfolio consists of the property in Speke, Liverpool, known as Southern Gateway, and the site at Newton-le-Willows where, as previously reported, contracts were exchanged with Persimmon Homes Limited on 29 April 2014 for the sale of the majority of the site for £7.43m plus overage conditional upon Persimmon obtaining satisfactory detailed planning permission. In order to take into account the extended payment terms over a period of 42 months from completion this asset has been valued in the accounts at a discounted amount of £6.8m.

At Speke we continue with our strategy to maximise income over the short term with a view to selling thereafter. As reported above the value of the site has increased significantly during the year from £5.35m to £7.25m, primarily as a result of increased lettings.

Strategic Report – continued

Year-end valuations are overall virtually the same at £16.675m as at 31 December 2014 against £16.7m as at 31 December 2013 and £16.35m as at 30 June 2014 as confirmed on 28 November 2014 at the time of the placing and admission to AIM. However there has been significant movement between the two sites with the value of Southern Gateway increasing by £1.9m and the value of Newton-le-Willows decreasing by a similar sum primarily as a result of the poor backdrop on food retail over the Christmas period and into this current year impacting the valuation of the retail element of the site.

Securities portfolio

At 31 December 2014 the value of the investment portfolio decreased by £2,204,000 as a result of net disposals of £19,000 and net realised and unrealised losses of £2,185,000 reflecting the significant fall in the value of our investment in SpaceandPeople plc from £2,805,000 as at 31 December 2013 to £928,000 as at 31 December 2014. Since the year end however the value of this investment has increased and, as at 24 April 2015, was valued at £1,237,500.

The value of the securities portfolio as at 31 December 2014 amounted to £2,955,000 with the principal constituents continuing to be our investments in SpaceandPeople plc (see above), Attila (BR) Ltd (valued at £945,000 at year end compared with £935,000 as at 31 December 2013), Kemnal Investments Ltd (valued at £466,000 for both 31 December 2014 and 2013) and Memorial Holdings Limited (the value of which has decreased by £169,000 to £441,000 as at year end as a result of trading losses incurred during the year).

Borrowings and cash at bank

Loans at 31 December 2014 amounted to £3,278,000 against £3,746,000 at 31 December 2013. The loan is from the Co-operative Bank and is secured against the property portfolio. This represents a loan to value of 20% against the overall property investments. The Co-op loan was informally extended by the bank until 31 March 2015. The Group has reached an agreement with the Co-op to extend the group's existing £3.278m loan facility on unchanged terms. The Co-op has also agreed to advance a further £0.372m that will be applied to finance capital expenditure to enhance the property at Southern Gateway, Speke, Liverpool. The enlarged facility will run for two years from drawdown.

Cash in hand at 31 December 2014 has increased from £1.625m at 31 December 2013 to £11.209m at 31 December 2014 following the placing of new ordinary shares and issue of supporter warrants during the year.

Key performance indicators

The Board considers the main key performance indicator applicable to the Group to be net asset value per share ("NAV"). As at 31 December 2014, the NAV was 298.0p (2013: 378.5p). The main non-financial KPI is considered to be the amount of vacant space within the property portfolio. As at 31 December 2014 this had reduced significantly to 75,980 sq. ft. representing 20.1% of the total available (2013: 157,657 sq. ft. and 34.9%), the percentage decrease being principally as a result of additional lettings at Southern Gateway.

The above KPIs will cease to be relevant in future years as the Company transitions from an investing company (with a heavy property bias) to an asset management operating company. In future, it is likely that the KPIs will be guided by Earnings per Share, other profitability metrics and Assets under Management. In the year under review, however, there are no meaningful comparators to discuss.

Principal risks, risk management and regulatory environment

The Board believes that the principal risks faced by the Group in the year-ended 31 December 2014 were:

Economic risk

Events such as unfavourable economic conditions, industry conditions, competition, changes in law, political events and trends could affect trading conditions and consequently (i) the Company's investment portfolio, particularly the value of smaller company investments, and (ii) the value of the property investments. In addition, negative economic conditions might also have an adverse effect on the Group's rental revenues (either due to tenant defaults, unlet properties or decreasing rental values) and diminish its ability to dispose of properties (either at acceptable values or at all) and its available cash.

Strategic Report – continued

Regulatory

The Company is required to comply with the Companies Act 2006, the AIM Rules for Companies and International Financial Reporting Standards. A breach of any of these might lead to a suspension of the Company's Stock Exchange listing, financial penalties or a qualified audit report. The property market is significantly dependent upon changes in relevant areas of law or their application and interpretation by the competent authorities, including but not limited to, planning, lease and tax laws and practices which cannot be reasonably foreseen. A significant part of the site at Newton-le-Willows owned by the Group has been sold to Persimmon conditional upon satisfactory planning permission being granted. If such is not obtained then the transaction will not proceed.

After the year-end, application has been made to the Financial Conduct Authority ("FCA") to seek regulatory authorisation for the Group's new subsidiary, Gresham House Asset Management Limited ("GHAM"). Once regulated, GHAM will have to comply with the rules and principles of FCA. A breach of any of these regulations might limit the Company's ability to develop as an asset management business as well as expose it to fines and other penalties.

Key person risk

The future development of the Company will be highly reliant on the ability of a small number of people to deliver the new investment policy.

Financial and operating risk

Inadequate controls may lead to misappropriation of assets, inappropriate accounting policies could lead to misreporting or breaches of regulations.

Market price risk

There will always be uncertainty regarding future prices of investments held within the Company's portfolio, particularly where the investment is unquoted.

Market liquidity risk

Shareholders may find it difficult to sell their shares in the Company at a price which is near to the net asset value.

Interest rate risk

The Group's investments and net revenue may be affected by interest rate movements.

Credit risk

Any realisation of property assets is likely to be affected by the payment terms currently being adopted by residential developers which could involve payments being made in staged payments. In particular, the sale proceeds from Persimmon are payable in four instalments over a period of 42 months from completion which exposes the Group to a credit risk with respect to the future financial standing of Persimmon. In addition the repayment of loan stock by Attila (BR) Ltd is anticipated to be over a period of 18 months from the date of the sale of its site in Edinburgh to Cala Management Limited which again exposes the Group to a similar risk.

Property – tenant associated risk

Any non-renewal of existing leases or early termination by existing tenants could result in a significant decrease in the Group's net rental income and the Group may not be able to secure a replacement tenant on favourable terms, or at all, for the vacant space. If the Group's net rental declines it would have less cash available to service and repay its debts and the value of its properties could decline further. In addition 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, delayed payments and/or costs or delay in taking enforcement or repossession action.

Property – illiquidity risk.

Properties of the type included 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 also affect the Group's ability to vary its portfolio, dispose of or liquidate part of its portfolio on a timely basis or at a satisfactory price, or to acquire other properties, in response to changes in general economic conditions, property market conditions or other conditions.

Strategic Report – continued

Securities – asset and liquidity risk

The Group invests predominately 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. As they are less likely to have the financial resources of larger companies they may also find it more difficult to retain key skilled individuals. Any of these events may have a material adverse effect on the performance of that smaller company and may make it difficult or impossible for such a company to repay its debts or lead it to reduce dividends which could reduce the Company's cash resources and ability to pay dividends. A significant portion of the Groups securities portfolio consists of unquoted investments for which there might not be any market price – or even any market. The Group may therefore not be able to dispose of such investments for an acceptable price or a specific time.

In addition a portion of the Group's securities portfolio is admitted to trading on AIM and the ISDX Growth Market. The typically smaller market capitalisation of companies admitted on these markets can make the market in their securities very illiquid and/or the Group may accumulate investment positions that represent a significant multiple of the normal trading volumes of an investment which may make it difficult for the Group to sell its investments.

The Board seeks to mitigate these and other perceived risks by setting policies and by undertaking a risk assessment at least annually. Further details can be found in note 21.

For and on behalf of the Board

27 April 2015

Tony Dalwood
Chief Executive Officer

Corporate Governance

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 2012 ("the UK Code"). However the Board recognise 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.

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

The Board

The Board currently comprises three executive and three non-executive directors as described on page 19.

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 communication. 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 dissensions during 2014. 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. Because of the nature of an investing company the Board believes that the contribution and independence of a director is not diminished by long service but that a detailed knowledge of the Company and its activities has a beneficial impact.

The directors retiring in accordance with the Company's Articles of Association are Mr J A V Townsend, Mr A L Dalwood, Mr M C Phillips, Mr D J L Abbot and Mr P G Moon. The Chairman has carefully considered the position of each of the directors and the senior independent director has considered the position of the Chairman. They each respectively consider their contribution to be significant and effective, their commitment to be appropriate and respectively recommend their re-election.

The old board did not undertake a formal evaluation of its performance and committees. Instead, the evaluation was an ongoing process undertaken by the Remuneration Committee. The old board was satisfied that each director had contributed effectively and with commitment.

Corporate Governance – continued

In the short period that the new Board has been in office, following approval of their appointment at the General Meeting held on 31 October 2014, it has not yet introduced a formal evaluation process. In the course of 2015, led by the Chairman, the Board expects to introduce such a process and report to shareholders as part of the corporate governance process in this regard.

Meanwhile, the Board is satisfied that each director contributes effectively and demonstrates commitment to the 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 nineteen board meetings, one meeting 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	– (–)	(–)	– (–)
A L Dalwood	– (–)	–	–
M C Phillips	– (–)	–	–
D J L Abbot	– (–)	–	–
R A Chadwick	18 (19)	1(1)*	1(1)*
P G Moon	– (–)	– (–)	– (–)
A G Ebel	19 (19)	1(1)	1(1)
D Lucie-Smith	2 (7)	–	–
J A C Lorimer	18 (19)	–	–
B J Hallett	19 (19)	–	–
R H Chopin-John	11 (12)	1(1)	1(1)

* Denotes Committee Chair

Figures in brackets indicate the maximum number of meetings in the period which the director was a board or committee member as appropriate.

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 Company's annual and half yearly results, a review of internal and financial controls applicable to the Company, 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 2014.

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:

- Valuation of property investments; and
- Valuation on unlisted securities.

Valuation of property investments: All property investments were valued by Jones Lang LaSalle Limited, Chartered Surveyors, as at 31 December 2014. 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 external auditor and the Audit Committee which is satisfied that the valuations represent fair value based on current 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 (i) (iii).

Corporate Governance – continued

Having reviewed the report received from the external auditor in which they confirm to the Audit Committee that they 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. Any expenditure on non-audit services exceeding £20,000 requires the approval of the Audit Committee in advance of any such work being undertaken. During the year under review the Audit Committee concluded that it was in the best interests of the Company to purchase taxation services from the external auditor on the basis of their greater knowledge of the Company and Group. Details of the fees paid to the auditor for audit services, audit related services and other non- audit services are shown in note 2 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 2015 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 Mr M C Phillips (Strategic Development Director) and 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 per cent of NAV requires the approval of an executive director;
- Investments between 2 per cent and 5 per cent of NAV require a majority approval of the Investment Committee; and
- Investments above 5 per cent of NAV require unanimous approval of the Investment Committee.

Advisory Group

The Company is developing 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.

Corporate Governance – continued

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 2014 and 31 December 2014 there were 5,369,880 and 9,343,390 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 Report of the Directors on page 21. 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 general meeting

Remuneration Report

Remuneration Committee

The Remuneration Committee consists of the three non-executive directors of the Company under the chairmanship of Mr 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 a long-term equity incentive scheme.

No director is permitted to participate in discussions or decisions concerning his 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 2014 are set out below.

	2014	2013
J A V Townsend	34,855	–
A L Dalwood	209,133	–
M C Phillips	87,138	–
D J L Abbot	87,138	–
P G Moon	34,855	–
A G Ebel	24,550	24,550
D Lucie-Smith	–	77,537
R H Chopin-John	5,000	5,000
B J Hallett	127,810	127,810
J A C Lorimer	97,537	97,537

In addition the following directors have subscribed for supporter warrants at a price of 7.5p per supporter warrant. 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.

	2014	2013
J A V Townsend	34,000	–
A L Dalwood	212,500	–
D J L Abbot	93,500	–
M C Phillips	187,000	–
P G Moon	29,750	–

The holdings of directors who served during the year in the shareholder warrants, issued on 1 December 2014, as at 31 December 2014 were as follows:-

	2014	2013
A G Ebel	4,910	–
R H Chopin-John	1,000	–
B J Hallett	25,562	–
J A C Lorimer	19,507	–

Each shareholder warrant entitles the holder to subscribe for one ordinary share at an exercise price of 323.27p per share exercisable at any time between 1 January 2015 and 31 December 2019.

Further details of both the supporter warrants and the shareholder warrants can be found in note 17 to these financial statements.

Remuneration Report – continued

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 both Mr Phillips and Mr Abbot and three months for both Mr Townsend and Mr Moon;
- (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) The Company does not currently operate any bonus scheme. However it is envisaged that a discretionary bonus scheme will be introduced by the Company in due course and that all executive directors will be eligible to participate in such a scheme.

Pensions

The Company contributed to a personal pension scheme for the benefit of Mr Hallett who resigned on 1 December 2014. For the year ended 31 December 2014 contributions amounted to £4,900 (2013: £8,400). 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 the executive directors and appropriate arrangements will be introduced in the course of 2015.

Share option schemes

No such schemes are currently in place but it is the intention of the Committee to establish suitable long-term incentive schemes linked to the Company's performance. Such a scheme would only be created with shareholder approval and with due regard to appropriate corporate governance guidelines.

Directors' emoluments

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

Year ended 31 December 2014	Basic Salary £'000	Fees £'000	Benefits (ii) £'000	Pensions £'000	Other Compensation £'000	Share Based Payments £'000	2014 £'000
Executive:							
A L Dalwood	13	–	–	–	–	64	77
M C Phillips	6	–	–	–	–	56	62
D J L Abbot	10	–	–	–	–	28	38
D Lucie-Smith (i) (iii)	45	48	–	–	–	–	93
J A C Lorimer (i) (v)	80	41	–	–	–	–	121
B J Hallett (i) (v)	75	53	3	5	14	–	150
Non-executive:							
J A V Townsend	4	–	–	–	–	10	14
P G Moon	2	–	–	–	–	9	11
R A Chadwick	–	21	–	–	–	–	21
A G Ebel (Chairman)(i) (v)	15	29	4	–	–	–	48
R H Chopin-John (iv)	–	12	–	–	–	–	12
Total	250	204	7	5	14	167	647

Remuneration Report – continued

Year ended 31 December 2013	Basic Salary £'000	Fees £'000	Benefits (ii) £'000	Pensions £'000	2013 £'000
Executive:					
D Lucie-Smith (i) (iii)	172	–	–	–	172
J A C Lorimer (i) (v)	138	–	–	–	138
B J Hallett (v)	129	–	2	8	139
Non-executive:					
A G Ebel (Chairman)(i) (v)	25	25	5	–	55
R A Chadwick	–	20	–	–	20
R H Chopin-John (iv)	–	20	–	–	20
Total	<u>464</u>	<u>65</u>	<u>7</u>	<u>8</u>	<u>544</u>

(i) Salary due to Messrs Lucie-Smith and Lorimer and fees due to Mr Ebel have been paid to businesses in which they have a material interest. Since 1 August 2014 Messrs Ebel, Lorimer and Hallett have provided consultancy services to the Company through businesses in which they have a material interest.

(ii) Benefits relate to payments made for health insurance premiums.

(iii) Resigned 25 April 2014

(iv) Resigned 31 July 2014

(v) Resigned 1 December 2014

On behalf of the Board,

27 April 2015

J A V Townsend,
Chairman, Remuneration Committee

Board of Directors

Anthony Townsend (aged 67) – 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 VCT3 plc, British & American Investment Trust plc, F&C Global Smaller Companies plc, Finsbury Growth & Income Trust plc and Miton Worldwide Growth Investment 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 Ltd 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 44) – 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) 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 (PDFM) and the board of Schroders Private Equity Plans.

He is currently on the investment committee and board of the London Pensions Fund Authority, a director of J.P. Morgan Private Equity Limited and a director of Branton Capital Limited.

Michael Phillips (aged 53) – Strategic development director

Michael is an experienced business manager with a history of founding and building businesses in fund management. Michael has served as a director of Strategic Equity Capital plc for the last seven years, founded iimia Investment Group plc (now Miton Group plc), Christows Limited (now part of Investec's retail operations), and more recently REDS Investments Limited.

Michael is a Fellow of the Chartered Institute for Securities and Investments and is a non-executive director of Miton Worldwide Growth Investment Trust.

Duncan Abbot (aged 59) – Finance director

Duncan oversees the finance function and looks after compliance and operational matters. Duncan is an experienced manager and investor in smaller companies. He has sat on many boards of both quoted and unquoted companies. He has worked with Michael Phillips for twenty years. He was chairman of Christows Group Limited and co-founded iimia Investments with Michael. He is a chartered accountant and Fellow of the Chartered Institute for Securities and Investments.

Peter Moon (aged 65) – 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 chairman of Arden Partners plc, a UK stockbroker and Bell Potter Securities Limited, the UK branch of an Australian stockbroker. Peter is currently chairman of the Audit Committee and a member of the Remuneration Committee.

Richard Chadwick (aged 63) – 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. He is also a non-executive director of SpaceandPeople plc, a company in which the Company has an interest. Richard is presently a member of both the Audit and Remuneration Committees.

Details of directors' emoluments together with the directors' interests in shares are provided in the Remuneration Report. Contracts of significance in which the directors had a material interest are disclosed in note 23.

Report of the Directors

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2014.

Results and dividends

The Group Statement of Comprehensive Income is set out on page 24 and shows the results for the year ended 31 December 2014.

The Directors recommend that no final dividend for the year ended 31 December 2014 be paid as a result of the losses incurred by the Company during the year.

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 5.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group are explained in the Strategic Report on pages 9 to 11.

Directors

The present directors are listed on page 19 together with brief biographical details. The Directors who served during the period under review were:-

J A V Townsend.	Non-executive Chairman	(appointed 1 December 2014)
A L Dalwood	Chief Executive	(appointed 1 December 2014)
M C Phillips	Strategic Development	(appointed 1 December 2014)
D J L Abbot	Finance	(appointed 1 December 2014)
R A Chadwick	Non-executive	
P G Moon.	Non-executive	(appointed 1 December 2014)
A G Ebel	Non-executive chairman	(resigned 1 December 2014)
R Chopin-John	Non-executive	(resigned 31 July 2014)
B J Hallett	Finance	(resigned 1 December 2014)
J A C Lorimer	Property	(resigned 1 December 2014)
D Lucie-Smith	Chief executive	(resigned 25 April 2014)

In accordance with the Company's articles of association Messrs Townsend, Dalwood, Phillips, Abbot 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.

Report of the Directors – continued

Substantial interests

At the date of this report the following substantial interests representing three per cent 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
Revcap Estates 24 Ltd	1,170,452	12.53	21.80
Helium Rising Stars Fund	750,330	8.03	–
Majedie Assets Management Ltd	697,107	7.46	–
River & Mercantile Asset Management LLP	697,107	7.46	–
The Trustees of the Rowe Trust	644,209	6.89	12.00
A P Stirling	468,436	5.01	8.72
Rathbone Investment Management Ltd	285,765	3.06	–

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 16 and 17. 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 21 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.

Report of the Directors – continued

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.

The directors are responsible for ensuring the annual report and 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 which 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.

Status

H M Revenue & Customs accepted the Company's application for approval as an investment trust for accounting periods commencing on or after 1 January 2013 but as a result of the Proposals which took place on 1 December 2014 the Company no longer qualifies for such status.

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 16 to the financial statements.

By Order of the Board,
D J L Abbot,
Secretary

27 April 2015

5 New Street Square
London EC4A 3TW

Report of the Independent Auditor

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 2014 which comprise the group statement of comprehensive income, the group and company statements of financial position, the group statement of changes in equity, the group and company statements of cash flow statement and 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 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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.

Thomas Edward Goodworth (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

27 April 2015

Group Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £'000	2013 Restated* £'000
Income:	1		
Rental income		858	999
Dividend and interest income		248	268
Other operating income		66	76
Total Income		<u>1,172</u>	<u>1,343</u>
Operating costs:	2		
Property outgoings		(516)	(1,243)
Administrative overheads		(1,062)	(846)
Finance costs	4	(209)	(757)
Net trading loss		<u>(615)</u>	<u>(1,503)</u>
Exceptional items	**	(678)	–
Net loss after exceptional items		<u>(1,293)</u>	<u>(1,503)</u>
Gains & losses on investments:			
Revaluation deficit on investment property	9	(523)	(1,612)
Fair value movement of investments	8	(2,188)	(468)
Profit on disposal of investment properties	9	–	173
Profit/(loss) on disposal of investments	8	3	(36)
Group operating loss before taxation		<u>(4,001)</u>	<u>(3,446)</u>
Taxation	5	–	–
Loss and total comprehensive income		<u><u>(4,001)</u></u>	<u><u>(3,446)</u></u>
Attributable to:			
Equity holders of the parent		(4,753)	(3,497)
Non-controlling interest		752	51
		<u><u>(4,001)</u></u>	<u><u>(3,446)</u></u>
Basic and diluted loss per ordinary share (pence)	6	<u><u>(83.3)</u></u>	<u><u>(65.1)</u></u>

* See Principal Accounting Policies note (r)

** Exceptional items relate to professional fees incurred in respect of the Proposals which took effect from 1 December 2014

Statements of Changes in Equity

Group

YEAR ENDED 31 DECEMBER 2014

	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 as at 31 December 2013		1,342	2,302	–	16,680	20,324	–	20,324
Loss for the period being total comprehensive income for the year		–	–	–	(4,753)	(4,753)	752	(4,001)
Transfer of non-controlling interest deficit		–	–	–	752	752	(752)	–
Issue of shares	16	994	10,206	–	–	11,200	–	11,200
Share based payments	17	–	–	–	255	255	–	255
Share warrants issued	17	–	–	64	–	64	–	64
Balance at 31 December 2014		<u>2,336</u>	<u>12,508</u>	<u>64</u>	<u>12,934</u>	<u>27,842</u>	<u>–</u>	<u>27,842</u>

YEAR ENDED 31 DECEMBER 2013 (Restated)*

	Notes	Ordinary share capital £'000	Share premium £'000	Retained reserves £'000	Equity attributable to equity share- holders £'000	Non- controlling interest £'000	Total equity £'000
Balance as at 31 December 2012		1,342	2,302	20,260	23,904	–	23,904
Loss for the period being total comprehensive income for the year		–	–	(3,497)	(3,497)	51	(3,446)
Transfer of non-controlling interest deficit		–	–	51	51	(51)	–
Ordinary dividends paid	7	–	–	(134)	(134)	–	(134)
Balance at 31 December 2013		<u>1,342</u>	<u>2,302</u>	<u>16,680</u>	<u>20,324</u>	<u>–</u>	<u>20,324</u>

* See Principal Accounting Policies note (r)

Statements of Changes in Equity – continued

Company

YEAR ENDED 31 DECEMBER 2014

	Notes	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	Total £'000
Balance as at 31 December 2013		1,342	2,302	–	10,377	14,021
Loss for the period being total comprehensive income for the year		–	–	–	(3,686)	(3,686)
Issue of shares	16	994	10,206	–	–	11,200
Share based payments	17	–	–	–	255	255
Share warrants issued	17	–	–	64	–	64
Balance at 31 December 2014		<u>2,336</u>	<u>12,508</u>	<u>64</u>	<u>6,946</u>	<u>21,854</u>

YEAR ENDED 31 DECEMBER 2013 (Restated)*

	Notes	Ordinary share capital £'000	Share premium £'000	Retained reserves £'000	Total £'000
Balance as at 31 December 2012		1,342	2,302	12,111	15,755
Loss for the period being total comprehensive income for the year		–	–	(1,600)	(1,600)
Ordinary dividends paid	7	–	–	(134)	(134)
Balance at 31 December 2013		<u>1,342</u>	<u>2,302</u>	<u>10,377</u>	<u>14,021</u>

* See Principal Accounting Policies note (r)

Statements of Financial Position

AS AT 31 DECEMBER 2014

	Notes	Group		Company	
		2014 £'000	2013 Restated* £'000	2014 £'000	2013 Restated* £'000
Assets					
Non current assets					
Investments – securities	8	2,955	5,159	2,955	5,159
Property investments	9	9,865	9,270	–	–
Other investments	10	–	–	322	322
		<u>12,820</u>	<u>14,429</u>	<u>3,277</u>	<u>5,481</u>
Current assets					
Trade and other receivables	11	84	358	–	–
Accrued income and prepaid expenses		913	639	519	370
Other current assets	12	–	415	7,245	7,754
Cash and cash equivalents		11,209	1,625	10,883	631
Non-current assets held for sale					
Property investments	9	<u>6,810</u>	<u>7,430</u>	<u>–</u>	<u>–</u>
Total current assets and non-current assets held for sale		<u>19,016</u>	<u>10,467</u>	<u>18,647</u>	<u>8,755</u>
Total assets		<u>31,836</u>	<u>24,896</u>	<u>21,924</u>	<u>14,236</u>
Current liabilities					
Trade and other payables	13	716	826	70	67
Short term borrowings	14	3,278	3,746	–	148
		<u>3,994</u>	<u>4,572</u>	<u>70</u>	<u>215</u>
Total assets less current liabilities		<u>27,842</u>	<u>20,324</u>	<u>21,854</u>	<u>14,021</u>
Non-current liabilities					
Deferred taxation	15	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net assets		<u>27,842</u>	<u>20,324</u>	<u>21,854</u>	<u>14,021</u>
Capital and reserves					
Ordinary share capital	16	2,336	1,342	2,336	1,342
Share premium	18	12,508	2,302	12,508	2,302
Share warrant reserve	18	64	–	64	–
Retained reserves	18	12,934	16,680	6,946	10,377
Equity attributable to equity shareholders		<u>27,842</u>	<u>20,324</u>	<u>21,854</u>	<u>14,021</u>
Non-controlling interest	18	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total equity		<u>27,842</u>	<u>20,324</u>	<u>21,854</u>	<u>14,021</u>
Basic and diluted net asset value per ordinary share (pence)	19	<u>298.0</u>	<u>378.5</u>	<u>233.9</u>	<u>261.1</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 27 April 2015

A L Dalwood

* See Principal Accounting Policies note (r)

Group Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Cash flow from operating activities					
Dividend income received		92		88	
Interest received		7		108	
Rental income received		762		1,037	
Other cash payments		(1,929)		(2,118)	
		<u> </u>		<u> </u>	
Net cash utilised in operations	20		(1,068)		(885)
Interest paid on property loans		(146)		(600)	
		<u> </u>	(146)	<u> </u>	(600)
Net cash flow from operating activities			(1,214)		(1,485)
Cash flow from investing activities					
Purchase of investments		(10)		(89)	
Sale of investments		29		1,480	
Sale of investment properties		148		11,466	
Expenditure on investment properties		(515)		(1,227)	
Purchase of developments in hand		(67)		(22)	
Sale of development in hand		417		–	
		<u> </u>		<u> </u>	
			2		11,608
Cash flow from financing activities					
Repayment of loans		(468)		(16,937)	
Receipt of loans		–		225	
Equity dividends paid		–		(134)	
Share issue proceeds		11,400		–	
Share issue costs		(200)		–	
Supporter warrants issued		64		–	
		<u> </u>		<u> </u>	
			10,796		(16,846)
Increase/(decrease) in cash and cash equivalents			9,584		(6,723)
Cash and cash equivalents at start of year			1,625		8,348
			<u> </u>		<u> </u>
Cash and cash equivalents at end of year			<u>11,209</u>		<u>1,625</u>

Company Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Cash flow from operating activities					
Investment income received		92		88	
Interest received		7		106	
Other cash payments		(807)		(85)	
Net cash flow from operating activities	20		(708)		109
Cash flow from investing activities					
Purchase of investments		(10)		(89)	
Sale of investments		29		1,480	
Advanced to Group undertakings		(1,857)		(8,500)	
Repaid by Group undertakings		1,184		–	
Purchase of development in hand		(67)		(22)	
Sale of development in hand		417		–	
			(304)		(7,131)
Cash flow from financing activities					
Receipt of loans		–		170	
Repayment of loans		–		(494)	
Equity dividends paid		–		(134)	
Share issue proceeds		11,400		–	
Share issue costs		(200)		–	
Supporter warrants issued		64		–	
			11,264		(458)
Increase/(decrease) in cash and cash equivalents			10,252		(7,480)
Cash and cash equivalents at start of year			631		8,111
Cash and cash equivalents at end of year			<u>10,883</u>		<u>631</u>

Principal Accounting Policies

The Group's principal accounting policies are as follows:

(a) Basis of preparation

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

The following standards and interpretations have been adopted in 2014 as they are mandatory for the year ended 31 December 2014:

- (i) IFRS 10 Consolidated Financial Statements
- (ii) IFRS 11 Joint Arrangements
- (iii) IFRS 12 Disclosure of Interests in Other Entities
- (iv) IFRS 13 Fair Value Measurement
- (v) IAS27 Separate Financial Statements
- (vi) IAS28 Investment in Associates and Joint Ventures

Other standards and interpretations have been issued which will be effective for future reporting periods but have not been adopted in these financial statements as set out in note r.

The principal accounting policies adopted are set out below.

(b) Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls and 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.

(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 18, the loss for the year being £3,686,000 (2013: £1,600,000).

(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 Investment in Securities and Property Investment.

(e) Income

(i) 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.

(ii) Dividend and interest income

Income from listed securities is recognised when the right to receive the dividend has been established. Interest receivable is recognised on an accruals basis.

(f) Expenses

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

Principal Accounting Policies – continued

(g) 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 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.

(h) Operating leases

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.

(i) Investments

Financial assets designated as at fair value through profit or loss 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 are classified as held at fair value through profit or 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 IFRS 5.

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

Principal Accounting Policies – continued

(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) *Loan Stock*

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.

(j) *Trade and other receivables*

Other receivables are short term in nature and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts as any discounting of expected cash flows is considered to be immaterial.

(k) *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.

(l) *Dividends payable*

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

(m) *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 property loans attributable to property investments are charged to the Statement of Comprehensive Income as incurred.

(n) *Trade and other payables*

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.

(o) *Pensions*

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

(p) *Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group*

Principal Accounting Policies – continued

The following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective at year end. They are deemed to be not relevant to the Group or to have no material impact on the financial statements of the Group when they come into effect:

- (i) IAS 19 Employee Benefits
 - (ii) IAS 12 (amended) Deferred Tax: Recovery of Underlying Assets
 - (iii) IFRS 7 (amended) Disclosures – Offsetting Financial Assets and Financial Liabilities
 - (iv) IAS 32 (amended) Offsetting Financial Assets and Financial Liabilities
 - (v) IAS 36 (amended) Recoverable Amounts Disclosures for Non-Financial Assets
 - (vi) IAS 39 (amended) Novation of Derivatives and Continuation of Hedge Accounting
- (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) the value of investments at fair value through profit or loss, (ii) any impairment in the value of loans and (iii) the value of property investments.
- (i) The value of investments at fair value through profit or loss is determined by using valuation techniques. As explained above, the Company uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions at each Statement of Financial Position date;
 - (ii) Loans are measured at amortised cost and provision is made for impairment as necessary based on the available latest information; and
 - (iii) The value of property 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 transactions and 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.
- (r) Restatement of prior year figures
- As a result of the proposals which came into effect on 1 December 2014 including the delisting of the Company from the Official List and admission to AIM, the adoption of a new Investing Policy and the subsequent loss of investment trust status, the comparative figures for 2013 have been restated as it is no longer appropriate to reflect the presentational guidance set out in the Statement of Recommended Practice for Investment Trusts issued by the Association of Investment Companies. This restatement relates purely to the presentation of the primary statements and has not affected the net asset position or results of the Group as previously reported.

Notes to the Accounts

1 INCOME

	2014 £'000	2013 £'000
Income from investments		
Rental income	858	999
Dividend income – Listed UK	92	88
Interest receivable: Bank and brokers	7	46
Other	149	134
	<u>1,106</u>	<u>1,267</u>
Other operating income		
Dealing profits and losses	1	1
Management fees receivable	65	75
	<u>66</u>	<u>76</u>
Total income	<u><u>1,172</u></u>	<u><u>1,343</u></u>
Total income comprises:		
Rental income	858	999
Dividends	92	88
Interest	156	180
Other operating income	66	76
	<u><u>1,172</u></u>	<u><u>1,343</u></u>

2 OPERATING COSTS

Operating costs comprise the following:

	2014 £'000	2013 £'000
a) Property outgoings:		
Directors' emoluments (excluding benefits in kind)	121	138
Wages and salaries	64	53
Other operating costs (net of service charges recoverable from tenants of £486,000 (2013: £687,000))	331	1,052
	<u>516</u>	<u>1,243</u>
b) Administrative overheads:		
Directors' emoluments (excluding benefits in kind)	352	399
Auditor's remuneration *	131	75
Wages and salaries	44	85
Redundancy costs	19	3
Social security costs	22	33
Operating lease rentals – land and buildings	24	39
Share based payments	255	–
Other operating costs	215	212
	<u>1,062</u>	<u>846</u>
Staff costs (including directors' emoluments) were:		
Wages, salaries and fees	555	667
Redundancy costs	33	3
Social security costs	29	33
Pension costs	5	8
	<u><u>622</u></u>	<u><u>711</u></u>

Notes to the Accounts – continued

2 OPERATING COSTS – continued

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

	2014 £'000	2013 £'000
Audit fees	23	23
Auditor's other fees – category 1 (the auditing of accounts of subsidiaries of the Company pursuant to legislation)	39	41
Auditor's other fees – category 3 (other services relating to taxation)	6	8
Auditor's other fees – category 10 (other services)	63	3
	<u>131</u>	<u>75</u>

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

The average number of persons employed by the Group, including the executive directors, was 5 (2013: 6).

The Group has the following commitments under operating leases:

	2014 £'000	2013 £'000
Within 1 year	–	16
1-2 years	–	–
	<u>–</u>	<u>16</u>

3 DIRECTORS EMOLUMENTS

The emoluments of the directors are disclosed in the Remuneration Report on pages 17 and 18.

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 £16,000 (2013: £22,000).

4 FINANCE COSTS

	2014 £'000	2013 £'000
Interest payable on loans and overdrafts	146	504
Finance fees	63	253
	<u>209</u>	<u>757</u>

Notes to the Accounts – continued

5 TAXATION

	2014 £'000	2013 £'000
(a) Analysis of charge in period:		
UK Corporation tax at 21.5% (2013: 23.25%)	–	–
Total tax charge	<u>–</u>	<u>–</u>
(b) Factors affecting tax charge for period:		
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	(860)	(801)
Tax effect of:		
Investment losses not taxable	470	117
Dividend income not taxable	(20)	(21)
Expenses disallowed	1	14
Losses utilised in current year	–	(266)
Movement in losses carried forward	409	957
Actual tax charge	<u>–</u>	<u>–</u>

The Group has unutilised tax losses of approximately £12.8 million (2013: £12.2 million) available against future corporation tax liabilities. The potential deferred taxation asset of £2.8 million (2013: £2.8 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.

6 LOSS PER SHARE

Basic and diluted loss per share

The basic and diluted loss per share figure is based on the net loss for the year attributable to the equity shareholders of £4,753,000 (2013: £3,497,000) and on 5,707,356 (2013: 5,369,880) ordinary shares, being the weighted average number of ordinary shares in issue during the period. No shares were deemed to have been issued at nil consideration as a result of the shareholder and supporter warrants granted.

The shareholder and supporter 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.

7 DIVIDENDS

	2014 £'000	2013 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2013 of nil (2012: 2.5p) per share	–	134
	<u>–</u>	<u>134</u>
Set out below is the total dividend payable in respect of the financial year.		
Proposed final dividend for the year ended 31 December 2014 of nil (2013: nil) per share	–	–
	<u>–</u>	<u>–</u>

Notes to the Accounts – continued

8 INVESTMENTS – SECURITIES

An analysis of total investments is as follows:

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Listed securities – on the London Stock Exchange	106	93	106	93
Securities dealt in under AIM	928	2,805	928	2,805
Securities dealt in under ISDX	69	76	69	76
Unlisted securities	1,852	2,185	1,852	2,185
Carrying value at 31 December	<u>2,955</u>	<u>5,159</u>	<u>2,955</u>	<u>5,159</u>
Investments valued at fair value through profit or loss	1,544	3,743	1,544	3,743
Loans and receivables valued at amortised cost	1,411	1,416	1,411	1,416
	<u>2,955</u>	<u>5,159</u>	<u>2,955</u>	<u>5,159</u>

The movement in the investment portfolio can be analysed as follows:

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Opening cost	6,316	7,743	6,558	7,985
Opening net unrealised losses	(1,157)	(689)	(1,399)	(931)
Opening value	5,159	7,054	5,159	7,054
Movements in the year:				
Purchases at cost	10	89	10	89
Sales – proceeds	(29)	(1,480)	(29)	(1,480)
Sales – realised gains & (losses) on sales	3	(36)	3	(36)
Net unrealised losses	(2,188)	(468)	(2,188)	(468)
Closing value	<u>2,955</u>	<u>5,159</u>	<u>2,955</u>	<u>5,159</u>
Closing cost	6,300	6,316	6,542	6,558
Closing net unrealised losses	(3,345)	(1,157)	(3,587)	(1,399)
Closing value	<u>2,955</u>	<u>5,159</u>	<u>2,955</u>	<u>5,159</u>

The cost of the investments held by the Company is different to that of the Group as a result of unrealised gains on intra-group transfers being eliminated on consolidation.

Gains and losses on investments held at fair value

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Realised gains & (losses) on sales	3	(36)	3	(36)
Net unrealised losses	(2,188)	(468)	(2,188)	(468)
Net losses on investments	<u>(2,185)</u>	<u>(504)</u>	<u>(2,185)</u>	<u>(504)</u>

An analysis of investments is as follows:

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Equity investments	1,438	3,639	1,438	3,639
Fixed income securities	106	104	106	104
Unquoted loanstock	1,411	1,416	1,411	1,416
	<u>2,955</u>	<u>5,159</u>	<u>2,955</u>	<u>5,159</u>

Further information on the measurement of fair value can be found in note 22.

Notes to the Accounts – continued

9 PROPERTY INVESTMENTS

Property investments have been classified as follows:

	Group	
	2014 £'000	2013 £'000
Non current assets	9,865	9,270
Non-current assets held for sale	6,810	7,430
	<u>16,675</u>	<u>16,700</u>

A further analysis of total property investments is as follows:

	Group	
	2014 £'000	2013 £'000
Net book value and valuation		
At 1 January	16,700	28,896
Additions during the year – expenditure on existing properties	498	942
Disposals during the year	–	(11,699)
Movement in fair value during the year	(523)	(1,439)
At 31 December	<u>16,675</u>	<u>16,700</u>

Property investments 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 property investments were valued by Jones Lang LaSalle Limited, Chartered Surveyors, as at 31 December 2014 at a combined total of £16,675,000. 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.

Operating leases

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

	2014 £'000	2013 £'000
Not later than one year	561	654
Between 2 and 5 years	1,349	583
Over 5 years	872	34
	<u>2,782</u>	<u>1,271</u>

Rental income recognised in the Statement of Comprehensive Income amounted to £858,000 (2013: £999,000).

The commercial leases vary with their location within the United Kingdom, however wherever the market allows they are being standardised where possible across the property portfolio. 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.

The cost of the above properties as at 31 December 2014 is as follows:

	Group £'000
Brought forward	17,315
Additions during the year	498
Disposals during the year	–
	<u>17,813</u>

Notes to the Accounts – continued

9 PROPERTY INVESTMENTS – continued

Capital commitments

Capital expenditure contracted for but not provided for in the financial statements for the Group was £248,000 (2013: £338,000) and for the Company was £nil (2013: £nil).

Movement in fair value of property investments

	Group	
	2014 £'000	2013 £'000
Realised losses on disposal of property	–	173
Decrease in fair value	(523)	(1,612)
Movement in fair value of property investments	<u>(523)</u>	<u>(1,439)</u>

Further information on the measurement of fair value can be found in note 22.

10 OTHER INVESTMENTS

	Company	
	2014 £'000	2013 £'000
Subsidiary undertakings	£'000	£'000
Shares – at cost	322	322
Less provision	–	–
	<u>322</u>	<u>322</u>

The principal subsidiary undertakings of Gresham House plc, all of which principally trade and are registered in England, are as follows:

	Held by Parent %	Held by other Group companies %
Deacon Commercial Development and Finance Limited – property investment	75	25
New Capital Developments Limited – property investment	–	75
Newton Estate Limited – property investment	–	100
Security Change Limited – finance and share dealing	100	–

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Amounts receivable within one year:				
Trade receivables	88	358	–	–
Less allowance for credit losses	(4)	–	–	–
	<u>84</u>	<u>358</u>	<u>–</u>	<u>–</u>
Allowances for credit losses on trade receivables:				
Allowances as at 1 January	–	61	–	–
Changes during the year charged/(released) to Statement of Comprehensive Income:				
– allowances reversed	–	(61)	–	–
– additional allowances	4	–	–	–
Allowances as at 31 December	<u>4</u>	<u>–</u>	<u>–</u>	<u>–</u>

Notes to the Accounts – continued

11 TRADE AND OTHER RECEIVABLES – continued

Trade and other receivables are assessed for impairment when older than 90 days. As at 31 December 2014, trade receivables of £15,000 (2013: £14,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
1-3 months	9	13	–	–
3-6 months	6	1	–	–
More than 6 months	–	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

As at 31 December 2014 trade receivables of £4,000 (2013: £nil) were impaired and provided for. The ageing of these receivables is as follows:

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
1-3 months	–	–	–	–
3-6 months	–	–	–	–
6-12 months	1	–	–	–
More than 12 months	3	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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.

12 OTHER CURRENT ASSETS

Notes	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Listed and other securities held	–	–	–	–
Amounts owed by Group undertakings	–	–	7,245	7,339
Developments in hand (a)	–	415	–	415
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(a) Developments in hand consisted of one property development site which was disposed of during the year.

13 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade creditors	120	191	–	–
Other creditors	119	193	70	67
Accruals	477	442	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

14 CURRENT LIABILITIES – SHORT TERM BORROWINGS

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Bank overdrafts and short-term loans (secured)				
– property loans – within current liabilities	3,278	3,746	–	–
– other	–	–	–	148
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes to the Accounts – continued

14 CURRENT LIABILITIES – SHORT TERM BORROWINGS – continued

Property loans include £3.3 million from the Cooperative Bank (“Co-op”). The loan was informally extended by the Co-op as at 31 December 2014. Loans at 31 December 2014 amounted to £3,278,000 against £3,746,000 at 31 December 2013. The loan is from the Co-op and is secured against the property portfolio. This represents a loan to value of 20% against the overall property investments. The Co-op loan was informally extended by the bank until 31 March 2015. The Group has reached an agreement with the Co-operative Bank to extend the group’s existing £3.278m loan facility on unchanged terms. The Co-op has also agreed to advance a further £0.372m that will be applied to finance capital expenditure to enhance the property at Southern Gateway, Speke, Liverpool. The enlarged facility will run for two years from drawdown.

The current and extended loan relates to the property investment held in New Capital Developments Limited. The loan carries an interest rate of 3.5% over 3 month LIBOR and is secured by way of a legal mortgage over the investment property concerned, which has a total carrying value of £7.25m, and a floating charge over the assets of that company. In addition there is a cross guarantee in place with fellow subsidiary undertakings and an interest guarantee by the parent.

15 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 2014 (2013: £nil) due to the availability of losses and indexation allowances.

16 SHARE CAPITAL

	2014 £'000	2013 £'000
Share Capital		
Allotted: Ordinary – 9,343,390 (2013: 5,369,880) fully paid shares of 25p each	<u>2,336</u>	<u>1,342</u>

On 1 December 2014 the Company issued 3,973,510 new ordinary shares at a price of 286.9p per share by way of a placing.

17 SHAREHOLDER AND SUPPORTER WARRANTS

On 1 December 2014 the Company issued:-

- (i) 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; and
- (ii) 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.

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 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.

Notes to the Accounts – continued

18 RESERVES

Group	2014			2013 (Restated)		
	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	2,302	–	16,680	2,302	–	20,260
Loss and total comprehensive income	–	–	(4,753)	–	–	(3,497)
Transfer of non-controlling interest deficit	–	–	752	–	–	51
Issue of shares and warrants	10,206	64	–	–	–	–
Share based payments	–	–	255	–	–	–
Dividends paid	–	–	–	–	–	(134)
As at 31 December	<u>12,508</u>	<u>64</u>	<u>12,934</u>	<u>2,302</u>	<u>–</u>	<u>16,680</u>

Company	2014			2013 (Restated)		
	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	2,302	–	10,377	2,302	–	12,111
Loss and total comprehensive income	–	–	(3,686)	–	–	(1,600)
Issue of shares and warrants	10,206	64	–	–	–	–
Share based payments	–	–	255	–	–	–
Dividends paid	–	–	–	–	–	(134)
As at 31 December	<u>12,508</u>	<u>64</u>	<u>6,946</u>	<u>2,302</u>	<u>–</u>	<u>10,377</u>

Non-controlling interest:	2014 £'000	2013 £'000
Balance as at 1 January	–	–
Interest in trading result for the year	307	(222)
Interest in movement in investment property for the year	445	273
Transfer deficit balance	(752)	(51)
	<u>–</u>	<u>–</u>

19 NET ASSET VALUE PER SHARE

Basic and diluted

Basic and diluted net asset value per ordinary share is based on equity attributable to equity shareholders at the year end and on 9,343,390 (2013: 5,369,880) ordinary shares being the number of ordinary shares in issue at the year end. No shares were deemed to have been issued at nil consideration as a result of shareholder and supporter warrants granted.

The shareholder and supporter 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 2014	20,324
Total recognised losses for the year	(4,001)
Issue of shares	11,200
Share warrants issued	64
Share based payments	255
Total net assets attributable at 31 December 2014	<u>27,842</u>

Notes to the Accounts – continued

20 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Net loss after exceptional items	(1,293)	(1,503)	(882)	(255)
Interest payable	146	504	–	–
Share based payments	255	–	255	–
	<u>(892)</u>	<u>(999)</u>	<u>(627)</u>	<u>(255)</u>
(Increase)/decrease in current assets	(136)	484	(137)	363
(Decrease)/increase in current liabilities	(40)	(370)	56	1
	<u><u>(1,068)</u></u>	<u><u>(885)</u></u>	<u><u>(708)</u></u>	<u><u>109</u></u>

21 FINANCIAL INSTRUMENTS

The Group consists of the Company and subsidiary undertakings whose principal activities are property investment/development and financial services.

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

- (i) securities consisting of listed and unlisted equity shares;
- (ii) a secondary portfolio of listed and unlisted fixed income securities;
- (iii) cash, liquid resources and short term debtors and creditors that arise directly from its operational activities;
- (iv) short term and long-term borrowings.

As at 31 December 2014 the following categories of financial instruments were held by:-

Group:

	2014		2013	
	Loans and receivables £'000	Assets at fair value through profit or loss £'000	Loans and receivables £'000	Assets at fair value through profit or loss £'000
Financial assets per Statement of Financial Position				
Investments – securities	1,411	1,544	1,416	3,743
Trade and other receivables	84	–	358	–
Accrued income	638	–	510	–
Cash and cash equivalents	11,209	–	1,625	–
	<u>13,342</u>	<u>1,544</u>	<u>3,909</u>	<u>3,743</u>
		2014 Other financial liabilities £'000		2013 Other financial liabilities £'000
Financial liabilities per Statement of Financial Position				
Trade, other creditors and accruals		716		826
Property loans – short term		3,278		3,746
		<u>3,994</u>		<u>4,572</u>

Notes to the Accounts – continued

21 FINANCIAL INSTRUMENTS – continued

Company:

	2014		2013	
	Loans and receivables £'000	Assets at fair value through profit or loss £'000	Loans and receivables £'000	Assets at fair value through profit or loss £'000
Financial assets per Statement of Financial Position				
Investments – securities	1,411	1,544	1,416	3,743
Accrued income	519	–	370	–
Amounts owed by Group undertakings	7,245	–	7,754	–
Cash and cash equivalents	10,883	–	631	–
	<u>20,058</u>	<u>1,544</u>	<u>10,171</u>	<u>3,743</u>
Financial liabilities per Statement of Financial Position				
Trade, other creditors and accruals		70		67
Other loans		–		148
		<u>70</u>		<u>215</u>

The carrying value of loans and receivables and other financial liabilities are not materially different to their fair values. The Group's investing 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 arises from uncertainty about the future prices of financial instruments held within the Company's portfolio. It represents the potential loss that the Company 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.

The Board's strategy in managing the market price risk inherent in the Company's portfolio of equity investments is determined by the requirement to meet the Company's investment objective as discussed on page 6. The executive directors manage these risks by regular reviews of the portfolio within the context of current market conditions.

Unquoted investments are valued as per accounting policy (i) 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.

Notes to the Accounts – continued

21 FINANCIAL INSTRUMENTS – continued

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:

	2014 £'000	2013 £'000
Financial assets at fair value through profit or loss	1,544	3,743
Loan stock investments held at amortised cost	1,411	1,416
Trade and other receivables	84	358
Accrued income	638	510
Cash and cash equivalents	11,209	1,625
	<u>14,886</u>	<u>7,652</u>

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, and in respect of trade and other receivables, details of which can be found in note 11 to these financial statements. 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 £21,602,000 (2013: £13,499,000).

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:

	2014 £'000	2013 £'000
(a) Loan stock investments		
Repayable within:- 1 year	–	15
1-2 years	–	935
2-3 years	1,411	–
3-4 years	–	466
4-5 years	–	–
	<u>1,411</u>	<u>1,416</u>

As at 31 December 2014 Loan Stock investments totalling £423,000 (2013: £423,000) were impaired and provided for.

As at 31 December 2014 other loans totalling £196,000 (2013: £196,000) were impaired and provided for.

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 rate interest 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.

Notes to the Accounts – continued

21 FINANCIAL INSTRUMENTS – continued

The interest rate exposure profile of the Group's financial assets and liabilities as at 31 December 2014 and 2013 were:

Group

	Nil rate assets £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liability loans £'000	Floating rate liability loans £'000	Net total £'000
As at 31 December 2014						
Portfolio	1,438	1,517	–	–	–	2,955
Cash	–	–	11,209	–	–	11,209
Trade and other receivables	84	–	–	–	–	84
Accrued income	638	–	–	–	–	638
Creditors						
– falling due within 1 year	(716)	–	–	–	(3,278)	(3,994)
	<u>1,444</u>	<u>1,517</u>	<u>11,209</u>	<u>–</u>	<u>(3,278)</u>	<u>10,892</u>
As at 31 December 2013						
Portfolio	3,639	1,520	–	–	–	5,159
Dealing securities	–	–	–	–	–	–
Cash	–	–	1,625	–	–	1,625
Trade and other receivables	358	–	–	–	–	358
Accrued income	510	–	–	–	–	510
Creditors						
– falling due within 1 year	(826)	–	–	–	(3,746)	(4,572)
	<u>3,681</u>	<u>1,520</u>	<u>1,625</u>	<u>–</u>	<u>(3,746)</u>	<u>3,080</u>

Nil rate 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 9.9% (2013: 9.9%).

Floating rate assets and floating rate liability loans are subject to interest rates which are based on LIBOR and bank base rates.

The Group is not materially exposed to currency risk as its assets and liabilities are substantially denominated in sterling.

Notes to the Accounts – continued

21 FINANCIAL INSTRUMENTS – continued

The interest rate exposure profile of the Company's financial assets and liabilities as at 31 December 2014 and 2013 were:

Company:

	Nil rate assets £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liability loans £'000	Floating rate liability loans £'000	Net total £'000
As at 31 December 2014						
Portfolio	1,438	1,517	–	–	–	2,955
Cash	–	–	10,883	–	–	10,883
Accrued income	519	–	–	–	–	519
Owed by Group undertakings	9,025	–	–	–	–	9,025
Creditors						
– falling due within 1 year	(70)	–	–	–	–	(70)
	<u>10,912</u>	<u>1,517</u>	<u>10,883</u>	<u>–</u>	<u>–</u>	<u>23,312</u>
As at 31 December 2013						
Portfolio	3,639	1,520	–	–	–	5,159
Cash	–	–	631	–	–	631
Accrued income	370	–	–	–	–	370
Owed by Group undertakings	8,500	–	–	–	–	8,500
Creditors						
– falling due within 1 year	(215)	–	–	–	–	(215)
	<u>12,294</u>	<u>1,520</u>	<u>631</u>	<u>–</u>	<u>–</u>	<u>14,445</u>

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:

	2014 Profit and net assets	2013 Profit and net assets
If interest rates were 0.5% lower with all other variables constant – increase (£'000)	16	19
Increase in earnings and net asset value per ordinary share (pence)	0.18	0.35
If interest rates were 0.5% higher with all other variables constant – decrease (£'000)	(16)	(19)
Decrease in earnings and net asset value per ordinary share (pence)	<u>(0.18)</u>	<u>(0.35)</u>

Liquidity risk

The investments in equity investments in AIM and ISDX 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.

Notes to the Accounts – continued

21 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.

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
As at 31 December 2014			
Bank borrowings	3,322	–	–
Trade payables	120	–	–
Other creditors	119	–	–
	<u>3,561</u>	<u>–</u>	<u>–</u>
	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
As at 31 December 2013			
Bank borrowings	3,841	–	–
Trade payables	191	–	–
Other creditors	193	–	–
	<u>4,225</u>	<u>–</u>	<u>–</u>

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 term borrowings as disclosed in note 14, 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 16 to 18. 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	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Debt	(3,278)	(3,746)	–	(148)
Cash and cash equivalents	11,209	1,625	10,883	631
Net cash/(debt)	7,931	(2,121)	10,883	483
Net cash/(debt) as a % of net assets	<u>28.5%</u>	<u>(10.4%)</u>	<u>49.8%</u>	<u>3.4%</u>

22 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.

Notes to the Accounts – continued

22 FAIR VALUE MEASUREMENTS – continued

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. Fair values of derivative financial assets and liabilities are estimated by discounting expected future contractual cash flows using prevailing interest rate curves.

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 2014 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.

The valuation techniques used by the Company for level 3 financial assets can be found in accounting policy (i) (iii) and (iv).

Further details of the securities portfolio can be found in note 8 and of the property portfolio in note 9 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:

	31 December 2014 £'000	Level 1 £'000	Level 3 £'000
Financial assets at fair value through profit or loss:			
Property investments	16,675	–	16,675
Investments – securities			
– Equities	1,438	997	441
– Fixed income	106	106	–
	<u>18,219</u>	<u>1,103</u>	<u>17,116</u>
	31 December 2013 £'000	Level 1 £'000	Level 3 £'000
Financial assets at fair value through profit or loss:			
Property investments	16,700	–	16,700
Investments – securities			
– Equities	3,639	2,881	758
– Fixed income	104	104	–
	<u>20,443</u>	<u>2,985</u>	<u>17,458</u>

Notes to the Accounts – continued

22 FAIR VALUE MEASUREMENTS – continued

Company:

	31 December 2014 £'000	Level 1 £'000	Level 3 £'000
Financial assets at fair value through profit or loss:			
Investments – securities			
– Equities	1,438	997	441
– Fixed income	106	106	–
	<u>1,544</u>	<u>1,103</u>	<u>441</u>

	31 December 2013 £'000	Level 1 £'000	Level 3 £'000
Financial assets at fair value through profit or loss:			
Investments – securities			
– Equities	3,639	2,881	758
– Fixed income	104	104	–
	<u>3,743</u>	<u>2,985</u>	<u>758</u>

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

Group:

	Property investments £'000	Investments – securities £'000	Trading securities £'000	Total £'000
31 December 2014				
Opening balance	16,700	758	–	17,458
Total gains or losses:				
In profit or loss	(523)	(317)	–	(840)
Purchases	498	–	–	498
Sales	–	–	–	–
Closing balance	<u>16,675</u>	<u>441</u>	<u>–</u>	<u>17,116</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>(523)</u>	<u>(317)</u>	<u>–</u>	<u>(840)</u>

	Property investments £'000	Investments – securities £'000	Trading securities £'000	Total £'000
31 December 2013				
Opening balance	28,896	2,697	–	31,593
Total gains or losses:				
In profit or loss	(1,439)	(1,898)	2	(3,335)
Purchases	942	–	–	942
Sales	(11,699)	(41)	(2)	(11,742)
Closing balance	<u>16,700</u>	<u>758</u>	<u>–</u>	<u>17,458</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>(2,446)</u>	<u>(1,904)</u>	<u>2</u>	<u>(4,348)</u>

Notes to the Accounts – continued

22 FAIR VALUE MEASUREMENTS – continued

Company:

	Investments – securities £'000	Trading securities £'000	Total £'000
31 December 2014			
Opening balance	758	–	758
Total gains or losses:			
In profit or loss	(317)	–	(317)
Purchases	–	–	–
Sales	–	–	–
Closing balance	<u>441</u>	<u>–</u>	<u>441</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>(317)</u>	<u>–</u>	<u>(317)</u>
31 December 2013			
Opening balance	2,697	–	2,697
Total gains or losses:			
In profit or loss	(1,898)	–	(1,898)
Purchases	–	–	–
Sales	(41)	–	(41)
Closing balance	<u>758</u>	<u>–</u>	<u>758</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>(1,904)</u>	<u>–</u>	<u>(1,904)</u>

23 RELATED PARTY TRANSACTIONS

Group

During the year, as reported in the Remuneration Report, the Group was invoiced £29,419 (2013: £25,000) for consultancy services supplied by Microdisc Limited, a company in which Mr A G Ebel has an interest.

Mr D Lucie-Smith has an interest in Prince's Place LLP and ES2 Developments LLP which, as reported in the Remuneration Report, invoiced the Group a sum of £93,445 (2013: £174,152) during the year in respect of his services and associated office costs. At the year-end there was a balance outstanding of £3,558 (2013: £1,644).

Conversely, during the year, the Group invoiced ES2 Developments Limited £nil (2013: £14,971), LSS Developments LLP £5,058 (2013: £5,584) and Prince's Place LLP £536 (2013: £1,589) for rent and rates. Mr D Lucie-Smith has an interest in these companies. At the year-end there were balances outstanding of £nil (2013: £3,655) from ES2 Developments LLP, £354 (2013: £nil) by Prince's Place LLP and £3,702 (2013: £6,701) from LSS Developments LLP.

Rent and rates totalling £nil (2013: £1,548) were invoiced to Kemnal Park Limited during the year, a company in which Mr D Lucie-Smith was a director. There were no balances outstanding at either year end.

Mr J A C Lorimer has an interest in New Park Lane Limited and Parkwood Asset Management Limited which the former invoiced the Group a sum of £127,086 (2013: £137,505) in respect of his services during the year. Conversely the Group invoiced Parkwood Asset Management Limited £409 (2013: £1,592). At the year-end there was a balance outstanding of £89 (2013: £803) from Parkwood Asset Management Limited.

Mr B J Hallett has an interest in Spirotec Limited which invoiced the Group a sum of £59,409 (2013: nil) in respect of his services as from 1 August 2014 to 31 December 2014.

Notes to the Accounts – continued

23 RELATED PARTY TRANSACTIONS – continued

Management fees of £852 (2013: £nil) were invoiced to Abshot Finance Company Limited during the year, a company in which the Group has a 50% interest and of which Mr B J Hallett is a director. The total holding of loan stock amounted to £147,600 (2013: £149,000) at year end against which a provision of £147,600 (2013: £149,000) has been made. No interest was charged during the year (2013: £nil).

The amount of loan made to Lancashire Tea Limited (in liquidation), in which the Group has a 49% interest and in which Mr D Lucie-Smith and Mr B J Hallett were directors, amounted to £255,000 (2013: £270,000) at the year-end against which a provision of £255,000 (2013: £255,000) has been made. Additionally, management fees of £nil (2013: £3,624) were invoiced to Lancashire Tea Limited. No interest was charged during the year (2013: £nil).

The Rowe Trust holds an interest of 644,209 (2013: 644,209) ordinary shares in the Company. Mrs R H Chopin-John is a trustee of the Rowe Trust but has no beneficial interest.

Company

During the year Gresham House plc advanced loans totalling £672,149 (2013: £324,867) to Security Change Limited. At the year-end £524,621 was owed by (2013: £147,529 owed to) Security Change Limited.

During the year Gresham House plc advanced £nil (2013: £8,500,000) to Watlington Investments Limited. At the year-end £8,500,000 (2013: £8,500,000) was owed by Watlington Investments Limited, against which a provision of £1,607,000 (2013 £1,161,000) has been made. No interest was charged during the year (2013: £nil).

Gresham House plc has given an interest shortfall guarantee over bank loans held by subsidiary undertakings. In addition the Company has £104,000 of cash held in interest deposit accounts to satisfy bank loan covenants.

24 POST BALANCE SHEET EVENT

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 £12,508,206.76 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 has no effect on the overall net asset position of the Company.

The Cancellation proposals were contained in the Company's shareholder circular and AIM Admission Document, each dated 8 October 2014, and approved by shareholders at the Company's General Meeting on 31 October 2014.

Notes to the Accounts – continued

25 SEGMENTAL REPORTING

	Investment		Property Investment		Elimination		Consolidated	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Revenue								
External income	301	310	864	987	–	–	1,165	1,297
Inter – segment income	128	637	–	–	(128)	(637)	–	–
Total revenue	<u>429</u>	<u>947</u>	<u>864</u>	<u>987</u>	<u>(128)</u>	<u>(637)</u>	<u>1,165</u>	<u>1,297</u>
Gains and losses on investments at fair value	(2,185)	(504)	–	–	–	–	(2,185)	(504)
Movement on property investments at fair value	–	–	(523)	(1,439)	–	–	(523)	(1,439)
Total income and gains	<u>(1,756)</u>	<u>443</u>	<u>341</u>	<u>(452)</u>	<u>(128)</u>	<u>(637)</u>	<u>(1,543)</u>	<u>(646)</u>
Segment expenses	–	–	(516)	(1,243)	–	–	(516)	(1,243)
Inter – segment expense	–	–	(128)	(637)	128	637	–	–
Finance costs	–	(106)	(209)	(651)	–	–	(209)	(757)
Segment (loss)/profit	<u>(1,756)</u>	<u>337</u>	<u>(512)</u>	<u>(2,983)</u>	<u>–</u>	<u>–</u>	<u>(2,268)</u>	<u>(2,646)</u>
Unallocated corporate expenses							(1,740)	(846)
Operating loss							(4,008)	(3,492)
Interest income							7	46
Loss before taxation							<u>(4,001)</u>	<u>(3,446)</u>

For the year ended 31 December 2014 the Group's policy was to invest in both securities and commercial properties. The future policy of the Group can be found in the Strategic Report. Accordingly management reporting for the year ended 31 December 2014 is split on this basis under the headings "Investment" and "Property Investment" respectively. Inter-segment income consists of management fees and interest on inter-company loans. Unallocated corporate expenses relate to those costs which cannot be readily identified to either segment.

All activity and revenue is derived from operations within the United Kingdom. Four customers accounted for £313,000, £141,000, £100,000 and £93,000 respectively of the external income for the Property Investment segment. Property operating expenses relating to property investments that did not generate any rental income were £9,000 (2013: £18,000).

Other Information	Investment		Property Investment		Unallocated		Consolidated	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Segment assets	14,622	6,658	17,214	18,238	–	–	31,836	24,896
Segment liabilities	(287)	(194)	(3,707)	(4,378)	–	–	(3,994)	(4,572)
	<u>14,335</u>	<u>6,464</u>	<u>13,507</u>	<u>13,860</u>	<u>–</u>	<u>–</u>	<u>27,842</u>	<u>20,324</u>
Capital expenditure	10	89	498	942	–	–	508	1,031
Depreciation	–	–	–	–	–	–	–	–
Non-cash expenses other than depreciation	–	–	–	–	255	–	255	–

All non-current assets are located within the United Kingdom. Details of the exchanges on which the non-current assets contained within the Investment segment are traded can be found in note 8 of these financial statements.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "Meeting") of Gresham House plc (the "Company") will be held at the offices of Taylor Wessing LLP, 5 New Street Square, London EC4A 3TW on 25 June 2015 at 11.00 am for the purpose of considering and (if thought fit) passing the Resolutions set out below of which Resolutions 1 to 8 will be proposed as ordinary resolutions and Resolutions 9 and 10 will be proposed as special resolutions.

ORDINARY RESOLUTIONS

1. To receive and adopt the accounts for the year ended 31 December 2014 together with the directors' report and the report of the auditor;
2. To re-elect as a director Mr J A V Townsend 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 A L Dalwood who retires in accordance with the Company's articles of association and offers himself for re-election;
4. To re-elect as a director Mr M C Phillips who retires in accordance with the Company's articles of association and offers himself for re-election;
5. To re-elect as a director Mr D J L Abbot who retires in accordance with the Company's articles of association and offers himself for re-election;
6. To re-elect as a director Mr P G Moon who retires in accordance with the Company's articles of association and offers himself for re-election and
7. To appoint BDO LLP as the Company's auditor in accordance with Section 489 of the Companies Act 2006, to hold office from the conclusion of the Meeting until the conclusion of the next annual general meeting of the Company and to authorise the directors to fix their remuneration.
8. That the directors be generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to:
 - (a) allot shares in the Company and grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £778,616; and
 - (b) allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £778,616 (such amount to be reduced by the nominal amount of any shares allotted or rights granted under paragraph (a) of this resolution 8) in connection with an offer by way of a rights issue to:
 - (i) the holders of ordinary shares in the Company in proportion (as nearly as may be 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 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 other matter.

These authorities shall apply in substitution for all previous authorities (but without prejudice to the validity of any allotment pursuant to such previous authority) and shall expire at the end of the next annual general meeting of the Company or, if earlier, 15 months after the date of this resolution, save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or rights granted to subscribe for or convert any security into shares after such expiry and the directors may allot shares or grant such rights in pursuance of any such offer or agreement as if the power and authority conferred by this resolution had not expired.

Notice of Meeting – continued

SPECIAL RESOLUTIONS

9 That, subject to the passing of resolution 8 above, the directors be generally and unconditionally empowered for the purposes of section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash:

- (a) pursuant to the authority conferred by resolution 8 above; or
- (b) where the allotment constitutes an allotment by virtue of section 560(2)(b) of the Act,

in each case as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:

- (i) the allotment of equity securities in connection with an offer of equity securities (but in the case of an allotment pursuant to the authority granted under paragraph (b) of resolution 8, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only) to:
 - (A) the holders of ordinary shares in the Company in proportion (as nearly as may be practicable) to the respective numbers of ordinary shares held by them; and
 - (B) 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 the directors of the Company may impose any limits or restrictions and make any arrangements which it considers 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 other matter; and

- (iii) the allotment of equity securities, other than pursuant to paragraph (i) above of this resolution, up to an aggregate nominal amount of £116,792.50.

This power shall (unless previously renewed, varied or revoked by the Company in general meeting) expire at the conclusion of the next annual general meeting of the Company following the passing of this resolution or, if earlier, on the date 15 months after the passing of such resolution, save that the Company may before the expiry of this power make any offer or enter into any agreement which would or might require equity securities to be allotted, or treasury shares sold, after such expiry and the directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired.

10 That the Company be 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 of £0.25 each in the capital of the Company ("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 934,339;
- (b) the minimum purchase price which may be paid for any Ordinary Share is 25 pence (exclusive of expenses);
- (c) the maximum purchase price which may be paid for any Ordinary Share shall not be more than the higher of (in each case exclusive of expenses):
 - (i) 5% 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

Notice of Meeting – continued

- (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 conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, 15 months after the date of passing of this resolution, save in relation to purchases of Ordinary Shares the contract for which was 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,
D J L Abbot, *Secretary*
27 April 2015

5 New Street Square
London EC4A 3TW

Notice of Meeting – continued

Entitlement to attend and vote

1. Pursuant to section 360B of the Companies Act 2006 (the "Act") and 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:
 - 6.00pm on 23 June 2015; or,
 - if this Meeting is adjourned, at 6.00pm 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 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 11.00 am 23 June 2015.

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.

Notice of Meeting – continued

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 11.00 am 23 June 2015. 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 8.30 am – 5.30 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 11.00 am 23 June 2015.

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.

Notice of Meeting – continued

Availability of documents

11. Copies of the terms and conditions of appointment of the non-executive directors are available for inspection at the registered office 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 24 April 2015, being the last business day prior to the publication of this notice, the Company's issued share capital comprised 9,343,439 ordinary shares of 25 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company on 25 June 2015 will be 9,343,439.

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 8.30 am – 5.30 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.

