



Since 1857

Gresham House

Specialist asset management

Gresham House plc Interim Results

For the six months ended 30 June 2017

Gresham House plc

Interim Results 2017

Incorporated in 1857, Gresham House Plc (GHE:LN) is an AIM listed alternative asset manager providing funds, direct investments and tailored investment solutions including co-investment across a range of highly differentiated investment strategies, which include strategic public and private equity, timber, renewable energy, housing and infrastructure. We are active investors with a value based investment philosophy. Our investment approach is focused on capturing market inefficiencies over the long-term from investment in both public and private assets to generate superior risk-adjusted returns. The team encourages strong corporate engagement and governance.

We are committed to building long-term partnerships with our clients to help them achieve their long-term financial goals and to deliver consistent and sustainable investment returns.

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Highlights

50% increase in Assets Under Management results in acceleration of profitability expectations



Performance in the period

AUM up c. 50%

Continued momentum in organic growth of the business with AUM up c. 50% since the beginning of the year to £532 million

Asset management revenue increased by 100% to £2.4 million

(H1 2016: £1.2 million)

Adjusted operating loss* reduced to £0.8 million

(H1 2016: £1.2 million)

On track to surpass management's trading profitability expectations

since this management team came together in 2014. Asset management trading profitability expected on a run-rate basis by the end of 2017

Launch of British Strategic Investment Fund the Long-Term Investment Solutions platform (the 4th Gresham House platform) with a 12-year life and achieving first close of fund at £150 million

Investment in client portal, co-investment platform, talented asset management and support individuals

Successful integration of LMS and the forestry division

achieving acquisition return hurdles



Significant progress since 30 June 2017

Southern Gateway

Sale of inherited legacy property asset, Southern Gateway, for gross proceeds of £7.25 million

Hazel Capital LLP

Proposed acquisition of Hazel Capital LLP, the renewable and infrastructure group, which manages or advises over £100 million of assets, including VCTs with net assets of £50 million, plus additional EIS and energy storage systems asset management vehicles, is in the final stages of due diligence

Strong balance sheet

Borrowing facility of £4.4 million repaid. Tangible and realisable assets of £27.4 million after the sale of Southern Gateway and the repayment of the borrowing facility (H1 2017: £27.4 million, including borrowing facility)

*Adjusted operating loss/profit has been restated per note 8

Chairman's Statement

It has been another strong six months for Gresham House



Anthony Townsend

Chairman

I am excited about the pipeline of opportunities that we are currently reviewing to deliver value to clients and shareholders.

Activity in the period

It has been another strong six months for Gresham House. Assets Under Management ("AUM") have passed the £500 million mark, accelerating the Group's path to profitability, which we anticipate in 2018. The investment team is delivering high-quality asset management expertise for our clients and we are focused on growing value for shareholders.

The launch of the Long-Term Investment Solutions platform as the Group's fourth division has contributed to organic AUM growth of c.50% in the period. The first fund on the platform, the Gresham House British Strategic Investment Fund ("BSIF"), held a first close of £150 million in June 2017, demonstrating the appetite from local government pension schemes ("LGPS") and other institutional investors to access long-term opportunities in UK housing and infrastructure related assets. BSIF will focus on areas where an identified gap exists in capital provision (sub £50 million transactions) and will work in partnership with LGPS and local authorities. This provides further evidence of our management team identifying alternative asset management products to satisfy clear areas of demand.

Results

The results for the first half of 2017 show an improvement in the Group's adjusted operating loss* to £0.8 million, compared to the first half of 2016, which was a loss of £1.2 million. We are now benefitting from the management fees earned from

the specialist asset management business as well as the investment in people and processes, two key pillars we identified at the start of the transformation process.

Shareholders

We are pleased that the strong relationships between shareholders and the Company continue to develop and welcome the positive strategic opportunities this potentially generates. I was also pleased to meet more shareholders at the AGM in May and we look forward to increasing engagement with them as we continue to grow the business and deliver the strategic plan we set out at the start of our journey.

Outlook

Gresham House is now well positioned to benefit from the on going shift to investment in alternative assets, particularly amongst LGPS, other institutional investors, charities, endowments and family offices. We have built robust investment processes around a strong team and a solid platform to continue our growth. I am excited about the pipeline of opportunities that we are currently reviewing to deliver value to clients and shareholders.

Anthony Townsend
Chairman

14 September 2017

* Adjusted operating loss/profit has been restated per note 8

Chief Executive's Report

Driving run-rate profitability by the end of the year



Anthony Dalwood

Chief Executive Officer

I'm pleased to say that we have continued to grow the business in the first half of 2017 and our current AUM is now £532 million, an increase of c. 50% since the beginning of the year.

We started 2017 with the aim of scaling Gresham House as a specialist asset manager, focused on alternatives and illiquid assets. I'm pleased to say that we have continued to grow the business in the first half of 2017 and our current AUM is now £532 million, an increase of c. 50% since the beginning of the year. We are today significantly exceeding management's expectations from when we first came together in December 2014 with a vision of building a specialist asset manager. A notable milestone for the period was the launch of the Long-Term Investment Solutions platform, and the subsequent first close of the BSIF at £150 million.

Our second objective was to have made good progress on our asset management operating profitability and I am pleased that we expect to be run-rate profitable within the second half of 2017. Our adjusted operating loss* for the six months to 30 June 2017 reduced to £0.8 million from a £1.2 million loss in the same period last year, primarily driven by asset management revenues doubling to £2.4 million (H1 2016: £1.2 million).

Investment in new talent and infrastructure is already benefitting the Group. From the start, we aimed to put technology at the core of the client proposition and over the past six months significant progress has been made in establishing our digital platform and client portal. Over the period, we were joined by Andy Hampshire as Chief Technology Officer and Michael Hart as Head of Distribution.

As I set out later, we are pleased that we have achieved strong performance through our existing funds across our investment products in real assets, strategic public equity and private equity.

The Group's acquisitions executed to date have passed our return hurdles, plus balance sheet investments are generating strong returns, even at this early stage of deployment.

Events since 30 June 2017

While the reporting period ended on 30 June 2017, several developments have occurred that give a fuller picture of our activity throughout the period.

We recently announced the sale of our legacy property asset, Southern Gateway, Speke for a gross price of £7.25 million. This was the most material legacy property asset inherited by the management team

and only leaves the site at Newton-le-Willows which is held on our balance sheet at a book value of £2.25 million, as the remaining significant inherited legacy property asset still held by the Group. Since the management team took over in December 2014, we have realised £16 million from the legacy portfolio, which exceeds the market value of the Group at that time.

The proceeds from the Southern Gateway sale have been used to repay the Kleinwort Hambros (formerly Kleinwort Benson) loan facility of £4.4million, and deleverage the balance sheet. The remaining cash is being used to develop the asset management business.

We continue to work on a number of organic and acquisition initiatives, and on 19 May 2017 announced that we were in discussions to acquire Hazel Capital LLP ("Hazel Capital"), the renewables and infrastructure group. The proposed acquisition is in the final stages of due diligence. Hazel Capital manages two VCTs with a combined AUM of £50 million. In addition, various EIS and energy storage systems asset management vehicles are expected to be part of the transaction. Completion of the transaction is expected in Q4 2017 and is expected to include cash and share consideration, within our existing permissions, and with shares to be issued at a premium to the current share price.

Since the new management team became involved in Gresham House we have invested across our key three pillars of Platform, Process and People. Our standard capital allocation process has been successfully in place since then, and has overseen acquisitions and capital investment in people.

As we continue to build a scalable, quality business we manage our progress by focusing on these areas of growth.

* Adjusted operating loss/profit has been restated per note 8

The Gresham House Platform

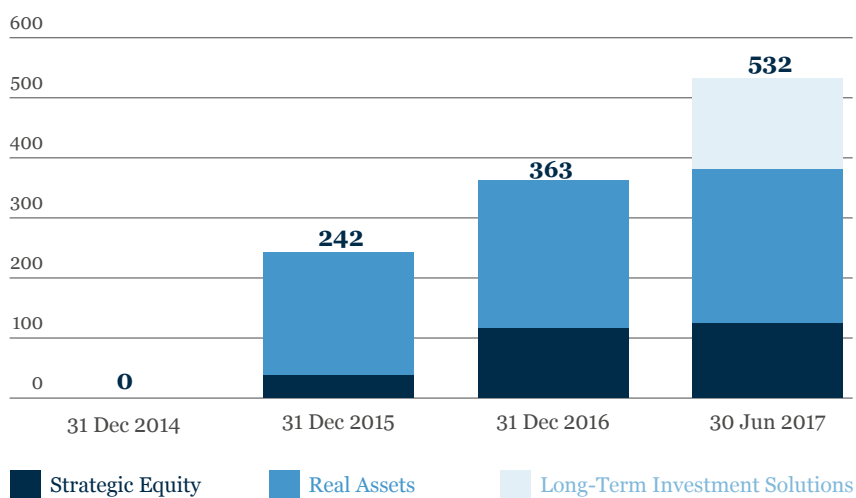
AUM now stands at £532 million (2016: £363 million), an increase of c. 50% having been achieved through organic growth since the beginning of the year. The chart adjacent shows the growth in AUM since the management team started the transformation of the Group to a specialist asset manager in December 2014.

The launch of the Long-Term Investment Solutions platform, and the first close of BSIF on 16 June 2017 at £150 million, was a milestone for the Group. In a relatively short period of time this demonstrated the team's ability to provide an investment solution in the UK housing and infrastructure related sectors and connect with institutional investors, including pension schemes, endowments and family offices.

Organic growth across the existing platforms was also evident with the forestry business increasing AUM by 5% to £258 million (2016: £247 million) through the increasing value of the underlying forests and acquisitions in the period. The Gresham House Forestry Fund LP continues to fund raise and is working towards a final close at the end of 2017.

The AUM of our Strategic Equity division grew by 6% in the period. Gresham House Strategic plc ("GHS") grew its Net Asset Value ("NAV") by 11% to £42 million in the period and has continued to outperform the FTSE-Small Cap excluding Investment Trusts Index by 1.9% since Gresham House Asset Management's ("GHAM") appointment in August 2015. The Gresham House Strategic Public Equity LP fund maintained its committed and co-investment capital at £24 million as at 30 June 2017.

Assets Under Management, £m



LMS Capital plc ("LMS"), our private equity investment trust, grew NAV by 5% in the period to £72 million on the back of a strong realisation programme. The proceeds received have allowed LMS to fulfil its commitment to shareholders by returning a further £11 million by way of tender offer, which completed in August 2017. In the 12 months since GHAM was appointed investment manager, LMS has now returned the full £17 million promised to shareholders, partially changed its shareholder base and is now in a position to begin investing again.

The proposed Hazel Capital acquisition is a good example of adding strategic expertise in a specialist asset management area and is highly complementary to the Group's existing Real Assets division and the objectives of BSIF, which has already demonstrated the substantial appetite for infrastructure related assets. On completion in the latter part of the year, Hazel Capital is expected to become a further part of the Gresham House platform and add to the Group's AUM, alongside

providing future asset management expertise.

The development of our specialist asset management platform has also been recognised with the Group being nominated as a finalist in the Investment Week Specialist Investment Awards 2017, Specialist Management Group of the Year.

The Gresham House Process

Gresham House's ability to integrate businesses and add value through synergies is evident in the two existing acquisitions of Gresham House Forestry Limited and the LMS management contract. We have always stated that our acquisition strategy needs to deliver the long-term return hurdle of 15% per annum to add value to the Group. Both the Gresham House Forestry Limited acquisition and the LMS management contract continue to deliver ahead of these returns, demonstrating our ability to add value and ensure synergies as part of our acquisition plan.

We have been able to integrate both of these businesses within the Gresham House family, which has helped deliver the long-term returns to shareholders. In the case of LMS this has been achieved more quickly than originally planned and, having completed the first two phases of our integration, the team can now focus on developing the LMS business.

As previously mentioned, we continue to invest in our digital platform and our Chief Technology Officer, Andy Hampshire, has made good progress to date. Working closely with trusted advisors and industry experts he is developing a best in class client portal, which will provide high quality reporting to investors as well as facilitate co-investment opportunities in a clear and simple manner. We are aiming for this to go live in the last quarter of 2017.

The client portal is only one part of our overall digital platform. Engagement with clients, as well as potential investors, is key to developing the Gresham House brand and raising awareness of the products we offer. We have increased our digital engagement through the use of marketing campaigns and the efficient use of our systems.

Gresham House People

Gresham House is a people business and to operate successfully and grow we need high quality professionals who are experts in their fields. John-Paul Preston and Andy Hampshire are both examples of talented members of the team, who recently won The M&A Advisor's Emerging Leaders Awards – EMEA in their respective fields and are to be congratulated.

One of the critical elements to growing the business is distribution and I'm pleased that Michael Hart joined Gresham House as the Head of Distribution in June 2017. Michael joined us from Amundi and has a wealth of experience across a wide range of institutional investors. He is already proving to be a great asset to the team as we continue to fund raise for BSIF.

We are also building the investment management team for BSIF, with Joe Thomas joining as an Investment Manager from Lloyds Banking Group. We continue to build the BSIF Investment team.

Outlook

It has been another busy period for the Company, with the close of BSIF at £150 million and the addition of the Royal County of Berkshire Pension Fund to the share register as well as managing the existing business to achieve strong returns

for clients. We have taken further steps to scale the business and accelerate the path to profitability, with profits on a run-rate basis expected by the end of 2017.

We are assessing a number of organic and acquisition growth opportunities to grow the Group and add further value for shareholders.

The alternative asset market benefits from diversification, yield and acting as a partial inflation hedge. Our focus remains on areas that represent good value, where operational performance can be improved and cash flows exist to provide investment opportunities for clients. The demand for alternative asset management continues to grow, with some of the largest institutional asset managers recently executing acquisitions in this area.

We believe we are well placed to capitalise on this demand and with our platform offering, we are able to service clients' needs in this area and ultimately deliver value to shareholders. We continue to work hard on building the business and driving profit growth into 2018.

Anthony Dalwood
Chief Executive

14 September 2017

Another six months of improvement in profitability



Kevin Acton

Finance Director

The adjusted operating loss has reduced to £0.8 million (H1 2016: £1.2 million), with management fee income doubling to £2.4 million (H1 2016: £1.2 million)

We continue to focus on profitability and are pleased to say that we have made further progress as a specialist asset manager with increasing AUM and the recently announced sale of the legacy property asset, Southern Gateway.

With Gresham House becoming an established specialist asset manager and moving away from its legacy property asset portfolio, we have reclassified the Group's legacy property business unit as a discontinued operation within these results. As such, we have also revisited the definition of adjusted operating profit/loss, the non-GAAP measure, to clearly disclose the trading performance of the Group as an asset manager.

The adjusted operating profit/loss definition has been simplified to use the Group's net trading loss and deduct amortisation and depreciation of intangible and tangible assets. This now represents the management fee income earned from the asset management business, less the administrative overheads associated with delivering the asset management services.

Adjusted operating profit/loss

The adjusted operating loss has reduced to £0.8 million (H1 2016: £1.2 million), with management fee income doubling to £2.4 million (H1 2016: £1.2 million) in the period due to new funds raised and the continued performance of the existing portfolio. The BSIF fund held its first close on 16 June 2017, so we expect this fund to impact management fee income more meaningfully in the second half of 2017.

Administrative expenses (excluding amortisation and depreciation) have increased to £3.1 million in the period (H1 2016: £2.3 million), which represents the investment primarily in the team, but also the infrastructure of the business as we grow to successfully manage the increasing AUM of the business.

Gains/losses on investments

Net gains on investments in the period totalled £236k (H1 2016: £89k gain) and are driven by the Group's investment in the funds that it manages. The co-investment in the Gresham House Strategic Public Equity LP Fund delivered unrealised gains of £177k (H1 2016: £nil). This was mainly driven by the holding in IMI Mobile, which increased its share price by 37% in the period.

The Group's 20% holding in GHS means that we account for this investment as an associate and the Group's share of reported losses in the period are £72k (H1 2016: £18k profits).

The other movement of note in gains/losses on investments was the fair value movement in the deferred consideration receivable from Persimmon Homes Limited for the purchase of the Newton-le-Willows site in 2015.

Discontinued operations

Discontinued operations represent the impact of the legacy property portfolio on the Group. With the sale of the Southern Gateway site completing after the period end, the fair value reflected in the balance sheet as at 30 June 2017 represents the commercial value of the sale, a gross value of £7.25 million (2016: £7.75 million). Alongside rental income and other expenses the legacy property portfolio has created a loss of £1.0 million in the period (H1 2016: £69k profit). This is primarily the result of difficult property market conditions for a bespoke property with a limited number of potential purchasers. The loss includes fees and guarantees relating to the sale process of £617k.

The sale of Southern Gateway means that management can now fully focus on continuing to build the specialist asset management business with the resulting cash from a position of increased strength.

Total comprehensive income

The above activity has resulted in a total comprehensive loss of £2.1 million for the period (H1 2016: £1.7 million loss), with the performance of the legacy property portfolio having the biggest impact. The continuing asset management business is expected to be profitable on a run-rate basis by the end of 2017 as the Group realises the inherited legacy property portfolio and grows the specialist asset management business.

Financial position

The increase in net asset value in the period was primarily due to the issue of new shares to the Royal County of Berkshire Pension Fund for £7.3 million for a 20% holding in the Company. As a result, the Group's cash position increased to £8.1 million at the end of the period (2016: £2.8 million).

On 26 April 2017, Persimmon Homes Limited repaid £1.5 million of the deferred consideration for the Newton-le-Willows site, which was originally sold in September 2015. In line with the loan agreement with Kleinwort Hambros, these proceeds were used to partially repay the loan facility, which was £4.4 million as at the end of the period (2016: £5.9 million).

The working capital loan to Hazel Capital is included within investments and at the period end £1.5 million of the £4.5 million facility had been drawn. Interest and arrangement fees totalled £34k in the period.

We will continue to use our strong balance sheet to scale the specialist asset management business.

Kevin Acton
Finance Director

14 September 2017

Unaudited Condensed Group Statement of Comprehensive Income

For the six months ended 30 June 2017

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Interim Results 2017

Gresham House plc

	Notes	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited)* £'000	Year ended 31 December 2016 (audited)* £'000
Income:				
Asset management income		2,409	1,179	3,202
Dividend and interest income		24	52	249
Other operating income		68	19	45
Total income	5	2,501	1,250	3,496
Operating costs:				
Administrative overheads		(3,638)	(2,911)	(6,892)
Net operating loss		(1,137)	(1,661)	(3,396)
Finance costs	6	(220)	(155)	(442)
Net trading loss		(1,357)	(1,816)	(3,838)
Gains and losses on investments:				
Share of associate's (losses)/profits		(72)	18	628
Gains and (losses) on investments held at fair value		172	(15)	(147)
Movement in fair value of contingent consideration		16	-	(253)
Movement in fair value of deferred receivable		120	86	202
Operating loss before taxation		(1,121)	(1,727)	(3,408)
Taxation		-	-	33
Operating loss from continuing operations		(1,121)	(1,727)	(3,375)
(Loss)/profit from discontinued operations	7	(1,021)	69	339
Total comprehensive income		(2,142)	(1,658)	(3,036)
Attributable to:				
Equity holders of the parent		(1,892)	(1,664)	(3,027)
Non-controlling interest		(250)	6	(9)
		(2,142)	(1,658)	(3,036)
Basic and diluted loss per ordinary share (pence)	8	(15.7)	(16.9)	(30.3)

* Comparatives for the period ended 30 June 2016 and the year ended 31 December 2016 have been restated to reflect the classification of the Group's legacy property activities as discontinued operations (see note 7).

Unaudited Condensed Group Statements of Changes in Equity

Six months ended 30 June 2017 (unaudited)

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

Six months ended 30 June 2016 (unaudited)

	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	Equity attributable to equity share- holders £'000	Non- controlling interest £'000	Total equity £'000
Balance at 31 December 2015	2,463	1,688	64	21,611	25,826	-	25,826
Comprehensive income for the period							
Loss for the period	-	-	-	(1,664)	(1,664)	6	(1,658)
Total comprehensive income for the period	-	-	-	(1,664)	(1,664)	6	(1,658)
Contributions by and distributions to owners							
Transfer of non-controlling interest gain	-	-	-	6	6	(6)	-
Issue of shares	-	6	-	-	6	-	6
Total contributions by and distributions to owners	-	6	-	6	12	(6)	6
Balance at 30 June 2016	2,463	1,694	64	19,953	24,174	-	24,174

Unaudited Condensed Group Statements of Changes in Equity

Year ended 31 December 2016 (audited)

	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	Equity attributable to equity share- holders £'000	Non- controlling interest £'000	Total equity £'000
Balance at 31 December 2015	2,463	1,688	64	21,611	25,826	-	25,826
Comprehensive income for the period							
Loss for the period	-	-	-	(3,027)	(3,027)	(9)	(3,036)
Total comprehensive income for the period	-	-	-	(3,027)	(3,027)	(9)	(3,036)
Contributions by and distributions to owners							
Non-controlling interest in Gresham House Friends & Family Fund LP	-	-	-	-	-	500	500
Share warrants issued	-	-	255	-	255	-	255
Share based payments	-	-	-	73	73	-	73
Issue of shares	83	923	-	-	1,006	-	1,006
Total contributions by and distributions to owners	83	923	255	73	1,334	500	1,834
Balance at 31 December 2016	2,546	2,611	319	18,657	24,133	491	24,624

Unaudited Condensed Group Statement of Financial Position

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For the six months ended 30 June 2017

	Notes	30 June 2017 (unaudited) £'000	30 June 2016 (unaudited) £'000	31 December 2016 (audited) £'000
Assets				
Non-current assets				
Investments – securities	10	4,580	895	2,834
Investment property		-	9,509	-
Tangible fixed assets		215	213	179
Investment in associate		6,457	5,920	6,530
Intangible assets		6,127	5,994	6,630
Long-term receivables		1,661	3,947	4,095
Total non-current assets		19,040	26,478	20,268
Current assets				
Trade receivables		957	667	1,259
Accrued income and prepaid expenses		937	1,127	917
Deferred receivable		2,059	2,054	1,139
Cash and cash equivalents		8,100	4,797	2,802
Non-current assets held for sale				
Investment property		8,516	-	9,628
Total current assets and non-current assets held for sale		20,569	8,645	15,745
Total assets		39,609	35,123	36,013
Current liabilities				
Trade and other payables		1,866	1,473	2,229
Contingent consideration		2,962	-	-
Short term borrowings		2,025	-	1,015
		6,853	1,473	3,244
Total assets less current liabilities		32,756	33,650	32,769
Non-current liabilities				
Long term borrowings		2,324	6,715	4,881
Other creditors		273	2,761	3,264
		2,597	9,476	8,145
Net assets		30,159	24,174	24,624
Capital and reserves				
Ordinary share capital	11	3,134	2,463	2,546
Share premium		9,649	1,694	2,611
Share warrant reserve		319	64	319
Retained reserves		16,571	19,953	18,657
Equity attributable to equity shareholders		29,673	24,174	24,133
Non-controlling interest		486	-	491
Total equity		30,159	24,174	24,624
Basic and diluted net asset value per ordinary share	13	236.7p	245.4p	236.9p

Unaudited Condensed Group Statement of Cash Flows

For the six months ended 30 June 2017

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Interim Results 2017

Gresham House plc

	Notes	Six months ended 30 June 2017 (unaudited) £'000	Six months ended 30 June 2016 (unaudited) £'000	Year ended 31 December 2016 (audited) £'000
Cash flows from operating activities				
Dividend income received		-	3	7
Interest received		1	2	470
Rental income received		350	303	728
Other cash payments		(835)	(3,324)	(4,542)
Net cash utilised from operations	14	(484)	(3,016)	(3,337)
Interest paid on loans		(145)	(59)	(226)
Corporation tax received/(paid)		33	(204)	(204)
Net cash flows in operating activities		(596)	(3,279)	(3,767)
Cash flows from investing activities				
Purchase of investments		(1,574)	-	(1,831)
Sale of investments		-	658	918
Deferred proceeds received on sale of investment properties		1,634	-	1,041
Expenditure on investment properties		(123)	(104)	(353)
Purchase of fixed assets		(99)	(110)	(125)
Sale of fixed assets		16	38	37
Purchase of intangible assets		(39)	-	(148)
		(185)	482	(461)
Cash flows from financing activities				
Repayment of loans		(1,547)	(3,517)	(4,454)
Receipt of loans		-	6,715	6,833
LMS warrants issues		-	-	255
Share issue proceeds		7,626	6	6
		6,079	3,204	2,640
Increase / (decrease) in cash and cash equivalents		5,298	407	(1,588)
Cash and cash equivalents at start of period		2,802	4,390	4,390
Cash and cash equivalents at end of period		8,100	4,797	2,802

Notes to the Accounts

For the six months ended 30 June 2017

1. Reporting entity

Gresham House plc (“the Company”) is a company incorporated in England. The unaudited condensed group interim financial statements of the Company as at and for the six months ended 30 June 2017 comprise the Company and its subsidiary undertakings (together referred to as the “Group”). All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2. Statement of compliance

The financial information presented in these interim results has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted by the European Union. The principal accounting policies adopted in the preparation of the financial information in these Interim Results are unchanged from those used in the Company’s financial statements for the year ended 31 December 2016 and are consistent with those that the Company expects to apply in its financial statements for the year ended 31 December 2017.

The financial information for the year ended 31 December 2016 presented in this Interim Report does not constitute the Company’s statutory accounts for that period but has been derived from them. The Report and Accounts for the year ended 31 December 2016 were audited and have been filed with the Registrar of Companies. The Independent Auditors’ Report on the Report and Accounts for the year ended 31 December 2016 was unqualified and did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006. The financial information for the periods ended 30 June 2016 and 30 June 2017 are unaudited and have not been reviewed by the Company’s auditors.

3. Estimates

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

In preparing these unaudited condensed group interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation were the same as those that applied to the group financial statements as at and for the year ended 31 December 2016.

4. Financial risk management

The Group’s financial risk management objectives and policy are consistent with those disclosed in the group financial statements as at and for the year ended 31 December 2016.

Notes to the Accounts

For the six months ended 30 June 2017

5. Income

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000	Year ended 31 December 2016 £'000
Asset management income			
Fund management income	1,097	251	1,082
Forestry management income	1,312	928	2,120
	2,409	1,179	3,202
Income from investments			
Dividend income – Listed UK	-	3	7
Interest receivable – Bank & brokers	1	3	4
– Other	23	46	238
	24	52	249
Other operating income			
Reversal of provision against loans	5	1	5
Other fees receivable	63	18	40
	68	19	45
Total income	2,501	1,250	3,496

6. Finance costs

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000	Year ended 31 December 2016 £'000
Interest payable on loans and overdrafts	125	125	293
Finance fees	95	30	149
	220	155	442

7. Discontinued operations

Discontinued operations represent the legacy property portfolio of the Group, with the sale of the Southern Gateway site completing after the period end, and the remaining land at Newton-le-Willows being actively marketed for sale.

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

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000	Year ended 31 December 2016 £'000
Rental income	376	370	741
Other operating income	-	-	27
Property outgoing	(162)	(147)	(290)
Movement in fair value of investment property	(1,235)	(154)	(139)
Net (loss)/profit from discontinued operations	(1,021)	69	339

Notes to the Accounts

For the six months ended 30 June 2017

8. Loss per share

Basic and diluted loss per share

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Total net loss attributable to equity holders of the parent (£'000)	(1,892)	(1,664)	(3,027)
Weighted average number of ordinary shares in issue during the period	12,073,106	9,852,060	9,976,412
Basic and diluted loss per share to equity holders of the parent (pence)	(15.7)	(16.9)	(30.3)

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

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

Adjusted earnings per share

Adjusted earnings per share is based on adjusted operating loss, which is stated after charging interest but before depreciation, amortisation and profit on disposal of tangible fixed assets. This has been restated compared to prior periods to reflect the classification of the legacy property portfolio as discontinued operations and simplify the non-GAAP measure of the performance as an asset manager.

Adjusted loss for calculating adjusted earnings per share:

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000	Year ended 31 December 2016 £'000
Net trading loss	(1,357)	(1,816)	(3,838)
Add back:			
Depreciation and amortisation	584	631	1,441
Profit on disposal of tangible fixed assets	(12)	(8)	(8)
Adjusted operating loss	(785)	(1,193)	(2,405)
Adjusted loss per share (pence)	(6.5)	(12.1)	(24.1)

9. Dividends

No final or interim dividends were proposed or paid for the periods ending 30 June 2017, 31 December 2016 and 30 June 2016.

10. Investments – Securities

An analysis of total investments is as follows:

	30 June 2017 £'000	30 June 2016 £'000	31 December 2016 £'000
Listed securities – on the London Stock Exchange	-	102	-
Securities dealt in under AIM	672	-	468
Securities dealt in under NEX Exchange	42	25	31
Unlisted securities	3,866	768	2,335
Carrying value	4,580	895	2,834
Investments valued at fair value through profit or loss	2,417	127	2,217
Loans and receivables valued at amortised cost	2,163	768	617
	4,580	895	2,834

Notes to the Accounts

For the six months ended 30 June 2017

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11. Share capital

	30 June 2017 £'000	30 June 2016 £'000	31 December 2016 £'000
Allotted: Ordinary – 12,536,957 (30 June 2016: 9,852,461; 31 December 2016: 10,185,487) fully paid shares of 25p each	3,134	2,463	2,546

12. Share warrants

	Shareholder warrants	Supporter warrants	LMS warrants	Total warrants
Balance at 1 January 2016	1,073,775	850,000	-	1,923,775
Warrants exercised during the period	(1,420)	-	-	(1,420)
Balance at 30 June 2016	1,072,355	850,000	-	1,922,355
Warrants granted during the period	-	-	909,908	909,908
Warrants exercised during the period	(542)	-	-	(542)
Balance at 31 December 2016	1,071,813	850,000	909,908	2,831,721
Warrants exercised during the period	(1)	-	-	(1)
Balance at 30 June 2017	1,071,812	850,000	909,908	2,831,720

Shareholder warrants

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

Supporter warrants

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

LMS warrants

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

During the period 1 shareholder warrant was converted into ordinary shares resulting in the issue of 1 new ordinary share (30 June 2016: 1,420; 31 December 2016: 1,962).

Notes to the Accounts

For the six months ended 30 June 2017

13. Net asset value per share

Basic and diluted

	30 June 2017	30 June 2016	31 December 2016
Equity attributable to holders of the parent (£'000)	29,673	24,174	24,133
Number of ordinary shares in issue at the end of the period	12,536,957	9,852,461	10,185,487
Basic and diluted net asset value (pence)	236.7	245.4	236.9

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

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

14. Reconciliation of net trading loss to operating cash flows

	30 June 2017 £'000	30 June 2016 £'000	31 December 2016 £'000
Net trading loss	(1,357)	(1,816)	(3,838)
(Loss)/profit from discontinued operations	(1,021)	69	339
Movement in fair value of investment property	1,235	154	139
Interest payable	125	125	293
Depreciation	42	37	77
Profit on disposal of tangible fixed assets	(12)	(8)	(8)
Amortisation	542	594	1,364
Share based payments	51	-	72
	(395)	(845)	(1,562)
Increase in long term receivables	-	-	(54)
Decrease/(increase) in current assets	282	(133)	(430)
Decrease in current liabilities	(371)	(2,038)	(1,291)
Net cash utilised from operations	(484)	(3,016)	(3,337)

15. Post balance sheet events

Since the period end the Group has disposed of the legacy property Southern Gateway in Speke, Liverpool. The gross price received was £7.25 million and is in line with the valuation of the property as at 30 June 2017. The proceeds from the sale were used to repay the Kleinwort Hambros (formerly Kleinwort Benson) loan facility, which had an outstanding balance of £4.4 million as at 30 June 2017.

Gresham House plc

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