Since 1857

Gresham House

Gresham House plc

Report and Accounts
For the year ended 31 December 2015

Registered in England with number 871

Corporate Information

Company Number	871 incorporated in England	
Directors	J A V Townsend	*Non–executive Chairman*
	A L Dalwood	*Chief Executive*
	M C Phillips	*Strategic Development*
	R A Chadwick	*Non-executive*
	P G Moon	*Non-executive*
Secretary	B J Hallett	
Registered Office	5 New Street Square London EC4A 3TW	
Auditor	BDO LLP 55 Baker Street London W1U 7EU	
Nominated Adviser & Brokers	Liberum Capital Limited Ropemaker Place London EC2Y 9LY	
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA	
Solicitors	Travers Smith 10 Snow Hill London EC1A 2AL	

Chairman's Statement

2015 was a year of great change for Gresham House.

Phase one of the ambitious development plan put in place by the new management team in December 2014 is complete. At 31 December 2015, from a standing start, Gresham House is a fully established specialist asset management business with approaching £0.24 billion of third party assets under management.

The new Board outlined the objectives for 2015 in the last annual report and accounts and I am pleased to be able to tell shareholders that the management team has made great progress in achieving these both organically and through acquisition. The management team has also made substantial progress in the successful disposal and stewardship of Gresham House's legacy property assets. This continues to ensure the Group has a strong asset-backed balance sheet to support opportunistic deployment of capital.

2016 started with concerns over weakening global economic growth causing stock market volatility. Fortunately, we have limited exposure to emerging markets, foreign currency fluctuations or depressed commodity prices. The looming uncertainty caused by Brexit may influence the financial markets in the very short term, however we are building the group for the long term and we are confident that the long-term value creation opportunity will not be affected. Nonetheless, we will undoubtedly feel the effect of the broader economic influences of these global events. The Board aims to ensure that the business is run in a way that builds long-term value regardless of the wider backdrop.

I would like to take this opportunity to thank all the management and staff for their commitment and contribution to the transformation of Gresham House. As you read on, you will see that 2015 has been an exciting time and as the Group grows, it behoves me to welcome new members. In particular, it has been a pleasure to bring under the Gresham House umbrella Aitchesse Limited, our specialist forestry management business based in Perth, Scotland. As the cornerstone of the Gresham House Real Asset division, I am sure that Aitchesse will make an invaluable contribution to the development of the Group going forward.

Duncan Abbot, our finance director and company secretary stepped down from the Board of the Company and resigned as company secretary with effect from 31 December 2015. Duncan has however continued to oversee the Company's finance and compliance function, including the preparation of the 2015 accounts. I would like to take this opportunity, on behalf of everyone at Gresham House, to pay special thanks to Duncan for his hard work over the last year. As Gresham House moves into the next phase of its development, I am pleased to welcome Kevin Acton who will join the group, subject to the usual regulatory approvals, as our new finance director with effect from 6 June 2016. Kevin joins us from Oaktree Capital Management (UK) LLP.

Our next interim statement will be a significant one for the Company. For the first time, we will be able to report on our business where, for the whole of the reporting period, we will have results from both established divisions within our specialist asset management business: Gresham House Strategic Equity and Gresham House Real Assets.

With solid foundations developed in 2015 and with good momentum, particularly from the second half of the year, the Group is well positioned for another year of organic and acquisitive growth.

18 April 2016

Anthony Townsend
Chairman

Chief Executive's Report

The first full year under the new management team has been a transformational period.

The business has been converted from an investment trust with legacy property and direct equity assets and a complex web of subsidiaries into a specialist asset manager addressing the increasing demand for long-term alternative investment strategies and illiquid asset classes.

The new team has established an asset management platform that will now be scaled and from a standing start has grown third party assets under management ("AUM") to £0.24 billion, organically and through acquisition.

The results for the year ended 31 December 2015 are in line with management expectations and I am pleased to report significant progress on the journey we embarked upon in December 2014.

We set out to put in place three key pillars necessary to successfully and sustainably develop Gresham House into a specialist asset manager: a scalable investment platform, a disciplined investment philosophy, and highly capable team of individuals. It has been a productive year for the team and we have made substantial strides towards our plan to create a specialist asset manager focused on alternative and differentiated investment products:

- We established Gresham House Asset Management Limited ("GHAM") and in November gained authorisation from the Financial Conduct Authority ("FCA") to conduct designated investment business in the UK
- Under GHAM we have established two divisions: The first, Strategic Equity, includes Strategic Public Equity (SPE), and was established in July with the award of the investment mandate for AIM-traded investment company SPARK Ventures plc (since rebranded in October 2015 Gresham House Strategic plc (AIM: GHS) ("GHS"). Secondly, our acquisition of Aitchesse Limited, one of the UK's leading managers of commercial forestry, marked the launch of the Gresham House Real Assets division
- We have appointed new brokers, moved offices and recruited new and experienced members to our team

The results to 31 December 2015 are detailed fully in the Strategic Report and reflect the investment we have made in the platform and people throughout this transformational year. AUM growth was achieved during the second half of the year. Therefore, the material revenues relating to the development of AUM to £0.24 billion reflect five months' fee contribution from GHAM in respect of the management of GHS and only six weeks' contribution from Aitchesse. In line with expectations, the Group operating loss widened from £406,000 in 2014 to £1,685,000 for the year as the management team invested in the platform.

Since our initial working capital fund raise of £10.6 million (net of expenses) in December 2014, the new management team has continued to invest in growing Gresham House.

We are also making significant headway in turning legacy property assets into cash to reinvest into the business. Our asset backed balance sheet and merchant banking-style approach to aligning interests with shareholders has been a driving force throughout this transitional year. A new £7 million bank facility, as detailed below, will ensure we have available capital to develop further the Strategic Equity and Real Assets businesses.

Strategic Equity

The award of our first investment advisory mandate by SPARK (now GHS) was an important milestone for Gresham House because it marked the launch of our first division, Gresham House Strategic Equity. It was a significant management contract to be awarded to GHAM, with a management fee income of 1.5% per year of the net asset value of the GHS portfolio plus performance fee potential.

In line with our approach to alignment of interests, Gresham House invested in GHS in two ways: we invested £5 million in new ordinary shares and we exchanged our 10.6% holding in SpaceandPeople plc for new ordinary shares in GHS. As a result of the asset swap, Gresham House invested a total of £6.4 million in GHS shares and now holds 19.2% of the issued share capital of that company. We had considerable support from our major shareholders during this process, which saw a restructuring of the investment company that is now our quoted vehicle that enables investors to access the SPE investment strategy.

Chief Executive's Report – continued

Based on the net asset value released on 18 April 2016, since GHAM took on the management contract and the investment policy changed, the discount to net asset value at which GHS traded has more than halved to 22.5% from a previous average of 54%. We are working actively to further close the discount and investment performance is an important component of that; we are pleased that, whilst it is still only short term, the NAV performance has marginally outperformed its benchmark at these early stages.

The fund managers made an active decision to hold a significant weighting in cash in the second half of 2015 within GHS. This cash is increasingly being deployed where opportunities have arisen as a result of reduced valuations or where a company's access to capital maybe constrained; these investments include BeHeard Group plc and Quarto Group plc. Taking into account the current discount to NAV, GHS is currently priced below 5x forecast EBITDA (as a weighted average, Dec 2016) with in excess of 10% forecast EBITDA growth (calculations exclude cash and Be Heard, for which there are no current forecasts). This compares to 9x for the FTSE Allshare with average forecast growth of 6%. We are particularly excited by the potential returns that may be generated by looking at the 'value' areas of the quoted companies universe, which are relatively lowly valued as markets and investors choose to focus on 'quality' and 'growth' at any price. We believe 2016 could be the year when we see value investment strategies and stocks return to favour and begin to generate the long-term returns that historical data has shown to outperform other investment strategies. We continue to see good opportunities for value investments which fit our criteria for illiquid asset management and, due to their limited access to growth capital, are being overlooked by the wider market.

We have progressed plans to launch a new Limited Partnership that will enable us to broaden the investor base in the SPE strategy and grow AUM. In addition, we have established a partnership with a respected third party distributor to address the wholesale/retail client channel.

Real Assets

Our acquisition of Aitchesse, one of the UK's leading commercial forestry managers, in November 2015 marked the launch of the Gresham House Real Assets division. The £7.0 million maximum consideration was funded from a combination of cash, loan notes and Gresham House shares. The transaction has been divided into an initial consideration stage plus an earn-out through to 2018.

Since 2007 Aitchesse's experienced and capable team has increased AUM by around 400 % and the strategy has outperformed the equity markets over the last 10 years by over 16% per annum. The team now manages around 30,000 hectares of forestry valued at over £200 million for a small client base of endowments, institutions, and high net worth families.

We are excited by the prospective returns and the opportunity to widen Aitchesse's client base whilst increasing the AUM. We are working closely with the Aitchesse team to launch new forestry investment products and, in February 2016, we announced our intention to launch the Gresham House Forestry Fund LP, which will target unleveraged net returns of 10%. We have started to market the fund to potential investors.

The cornerstone investment for the fund will be a portfolio of forests in the West of Scotland. We have entered into conditional contracts to acquire the assets on behalf of the fund for a total consideration of £12.1 million.

We continue to review opportunities presented to us for similar acquisitions.

In due course, Aitchesse will be rebranded Gresham House Forestry and will form a core component of our Real Assets business.

People

One of our three pillars for growth is developing a team of capable investment and business managers. In the course of the year, we have recruited a number of people who will build on our business offering. As a result, we have moved to flexible office space at 107 Cheapside, London EC2V 6DN.

Graham Bird, with whom I worked at SVG Advisers, has joined Gresham House to lead our SPE team. Graham is also fund manager alongside me on the GHS investment mandate.

Rupert Robinson, former chief executive of Schroders Private Bank, has joined us as managing director of our newly formed subsidiary, Gresham House Asset Management Limited.

Chief Executive's Report – continued

Since the year-end, we are very pleased to have Richard Davidson join the Aitchesse team (Gresham House Forestry) as chair of the investment committee and lead fund manager. Richard is an experienced forestry investor and was previously a fund manager at Lansdowne Partners and Chief European Equity Strategist at Morgan Stanley.

I would like to thank Duncan Abbot, who was integral to the initial development of the new Gresham House strategy and I wish him all the best for the future. Going forward we welcome Kevin Acton who joins us from Oaktree Capital Management in June 2016 as Finance Director.

I indicated that we would establish an Advisory Group to support the development of Gresham House through business insight, network expansion, deal flow and investment appraisal. As such, I welcome Gareth Davis, Alan Mackay and Sir Roy Gardner, all of whom have superb attributes to support the team on the continuing journey toward further shareholder value growth.

We have a dynamic team now in place and are fortunate to be supported by a strong long-term shareholder base.

Legacy assets

With respect to our legacy assets, we have continued to maximise value through a realisation process and reinvestment in the specialist asset management business. The share exchange between SpaceandPeople and GHS was part of a wider process that other GHS investors were able to participate in and is an example of the way in which Gresham House is seeking to be innovative in product development.

On 22 September 2015, we completed the sale of 25.8 acres of land at Newton-le-Willows to FTSE 100 housebuilder Persimmon Homes Ltd ("Persimmon"). The transaction will realise a total consideration of £7.25 million net. A deposit and initial payment of £944,610 has been received and the balance will be receivable in three tranches in March 2017, 2018 and 2019. In addition, Gresham House is entitled to an overage payment in the event that Persimmon achieves a selling price in excess of an agreed amount per square foot. Gresham House still retains a five acre site with retail planning permission bordering the residential site so there is scope for additional property value realisation.

At our Southern Gateway site in Speke, we have made considerable progress in lettings. The newer tenants offer the potential of stronger and more valuable relationships. The current book value of £7.65 million is an uplift since the new management team took over the Group, and whilst Brexit appears to have increased the risk aversion of property investors, Gresham House will seek to maximise and realise shareholder value from this asset in 2016.

We have provided £440,000 against our investment in Memorial Holdings Limited as at 31 December 2015. We were aware at the time of the December 2014 transaction that the equity of that company was under pressure due to its debt burden and after the year-end, we sold our shares for a nominal amount to the main financier of the company thereby crystallising the provision created at 31 December 2015. We also hold an investment in the mezzanine debt of Memorial through our stake in Kemnal Investments Limited. Kemnal has agreed with Memorial to extend the mezzanine term for a further two years. We believe that the current trading forecasts and strategy of Memorial supports the repayment of our share of the mezzanine debt of £466,000, together with accrued interest to date of £153,000.

Banking facility

To fund the planned growth of Gresham House, and after the year-end, we recently concluded a new banking facility with Kleinwort Benson Bank Limited to borrow £7 million. The borrowing is secured against our property assets and the deferred proceeds of the sale of the Newton-le-Willows site. The facility will be repayable in three tranches to match the deferred proceeds due from Persimmon. Part of the funding has been used to repay the existing Co-op facility of £2.85 million and pay down the £0.67m short-term loan notes issued in connection with the acquisition of Aitchesse Limited. The balance of the proceeds will be available for general working capital and further investment opportunities.

Chief Executive's Report – continued

Outlook

The growth in alternative asset management continues as institutions, ultra high net worths and family offices seek superior investment returns in this low return world, and we believe we are well positioned to capitalise on this trend.

The macroeconomic environment continues to be challenging and 2015 saw near zero UK equity and bond returns. Global growth appears to be slowing with recent downward revisions and earnings growth expectations having been reduced in the developed world with forecast growth now around 35% lower than expected at the start of the year. As we are close to the end of the current economic cycle, alongside the peaking of corporate profit margins and relatively high valuations in the equity markets, it should therefore not be a surprise that financial market volatility has been evident. This is likely to continue whilst these ingredients plus an overvalued bond market remain. The pressures on dividends over the next couple of years will be significant and long-term returns from the equity markets are likely to be below the 7-8% plus per annum that investors aspire to. Seeking out areas and asset classes where superior returns can potentially be generated will become a more valuable business model.

As such, I look towards the next development stage of Gresham House with optimism and enthusiasm. To say that the business has been transformed may seem a decisive statement, but Gresham House is very different today compared to when I took on the role as CEO. Our Company now has a scalable platform for growth. The progress made in transitioning to a specialist asset manager with a strong balance sheet and a developing brand is being recognised. This momentum is starting to generate a regular flow of ideas across all our Group businesses and we are currently appraising organic growth and acquisition opportunities.

We have an ambitious business plan, and feel that we are now at stage two of our journey. With £0.24 billion of AUM, the Board and the executive team is focused on growing profitability, management and performance fees whilst increasing assets under management, both organically and by acquisition.

18 April 2016

Anthony Dalwood
Chief Executive Officer

Strategic Report

This report has been prepared by the Directors in accordance with the requirements under section 414 of the Companies Act 2006. The purpose of this report is to inform shareholders about how the Company fared during the year ended 31 December 2015.

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

Strategic objective

The Directors intend to develop the Company as a quoted platform principally for the investment in, and the investment management of, 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.

Recent Developments

On 8 October 2014, the Company announced the final terms of a new strategic direction including the appointment of new directors.

Since 1 December 2014, the Directors have been pursuing a strategy to:

- develop the Company as a quoted platform principally for investment in, and the investment management of, differentiated, specialist or illiquid assets in order to generate superior risk adjusted returns for shareholders of the Company over the longer term;
- develop an asset management business organically or through one or more acquisitions; and
- manage and develop an appropriate strategy for each of the Company's legacy assets (including its property assets) so as to maximise the value of the assets over the medium term in order to recycle the capital into areas the Directors believe will generate superior returns.

In continuance of the strategy described above, the Company has begun to focus on investment management of relatively differentiated, specialist or illiquid assets, through the asset management mandate with GHS and the acquisition of Aitchesse and we will continue to seek out new investment fund opportunities.

In line with the Directors' strategy to develop the Company as a quoted platform for investment in, and the investment management of, differentiated, specialist or illiquid assets, the Company established its Strategic Public Equity ("SPE") investment team. The team is led by Graham Bird and Tony Dalwood, and has a mandate to target superior long-term investment returns through applying private equity techniques to investing in public markets.

On 21 July 2015, GHAM (a subsidiary of Gresham House) entered into its first asset management mandate with SPARK Ventures plc ("SPARK") to be led by the SPE investment team and, at the same time, Gresham House agreed to invest £5 million in SPARK and exchanged its entire 10.6% shareholding in SpaceandPeople plc for new shares in SPARK. The appointment and associated fundraising by SPARK was approved by its shareholders on 6 August 2015. On 28 October 2015, SPARK'S name was changed to Gresham House Strategic plc.

GHAM applied to be authorised by the Financial Conduct Authority so that GHAM can act as the investment management vehicle for the Group's operations. GHAM received authorisation from the FCA on 6 November 2015.

On 4 November 2015, the Company announced that, in line with its strategy to develop an asset management business, we had agreed to acquire the entire issued share capital of Aitchesse, an asset management business based in Scotland that focuses on managing forestry and timber assets.

The acquisition of Aitchesse, effective from 23 November 2015, resulted in Gresham House becoming an operating company instead of an investing company. The Company ceased to be subject to the AIM Rules that relate to investing companies and therefore is no longer required to have an investing policy. Instead, the Directors intend to pursue a strategy to develop an asset management business focusing on the management of relatively differentiated, specialist or illiquid assets.

Since 1 December 2014, the Directors have developed a strategy for each of the Group's material legacy assets.

Strategic Report – continued

On 22 September 2015, the sale of 25.8 acres of the site at Newton-le-Willows to Persimmon was completed in accordance with the sale and purchase contract that was exchanged in April 2014, for a total consideration of £7.25 million (excluding overage payments). The Directors are now considering the sale of the remaining five acres of the site; and the property at Speke (as described in further detail below) is now virtually fully let and the Directors have very recently started working with Jones Lang LaSalle to sell this legacy asset.

Our strategy has been to focus on Strategic Equity, Real Asset management and the continued realisation of the Group's legacy assets.

Strategic Equity

The strategic equity investment strategy includes applying a private equity approach to making influential "block" stake investments in smaller quoted companies. Central to this strategy is constructive engagement with management and shareholders of investee companies in support of a clear equity value creation plan, which combined with the adoption of private equity techniques, including an investment committee and advisory group, aims for a significant de-risking of an investment.

The Directors believe the private equity approach described above can lead to superior investment returns as it targets inefficiencies in certain segments of the public markets. There are over 1,200 companies in the FTSE Small Cap index and on AIM: the Directors believe that these companies typically have limited research coverage and may often have limited access to growth capital often leading to valuation opportunities being overlooked by the wider market.

In line with its plans for this core element of the business, on 21 July 2015 GHAM was awarded its first investment advisory mandate to manage GHS using the strategic equity investment strategy. As at 31 December 2015, GHS had assets under management of approximately £36. 5 million (£36. 4 million at 8th April 2016 (being the latest available weekly net asset value update released by GHS prior to the publication of this document).

As at 31 December 2015, GHS held six investments, which together represent 58.1% of its AUM. The largest investment is its holding in AIM-quoted IMImobile plc, which was valued at approximately £15.6 million as at 31 December 2015 (£15. 6 million at 8th April 2016).

GHS will focus mainly on cash generative companies where there is scope through management engagement to identify opportunities to implement either strategic, management or operational changes to create shareholder value in the business and to generate improved equity returns.

Under the GHS Investment Management Agreement, GHAM was appointed as investment adviser to GHS, for which GHAM receives a fee of 0.125% per month of the net asset value of the GHS portfolio. In addition, GHAM is entitled to a performance fee of 15% of the increase in net asset value per share of GHS over a 7% hurdle. Upon receipt of FCA authorisation, GHAM became Investment Manager of GHS.

As part of the transaction, the Company made an investment of £5 million in GHS and exchanged its entire 10.6% shareholding in SpaceandPeople plc for new shares in GHS. From 21 July 2015 to 23 November 2015, as an investing company, the holding in GHS was classified as an investment and held at fair value through profit and loss. During that period, the Group incurred a fair value loss of £459,000.

The Group holds 19.2% of the issued share capital of GHS. Due to the close relationship, between the Group and the company, it has been decided that Gresham House plc will account for its 19.2% stake in GHS as an associate. This is because of the significant influence it is perceived we have over the affairs of GHS through GHAM's investment management mandate even though our shareholding is below 20% and we do not have an appointed director on the Board of that company. There has been no reporting of results for GHS from the date of its recognition as an associate at 31 December 2015. As such, no profit or loss has been recognised on the associate for that period. GHS has a year-end of 31 March 2016 and therefore the results of GHS will be incorporated into the Group up to the latest published annual information.

The Company intends to grow its Strategic Equity division and will continue to seek out new mandates to achieve this goal. GHAM intends launching a limited partnership for those investors who prefer to invest alongside GHS in a limited partnership vehicle. The Directors believe there to be a demand for this from ultra high net worth individuals, family offices and smaller institutional investors.

Strategic Report – continued

Real Asset management

The Directors believe that there is an increasing demand for long-term superior returns from illiquid and alternative asset management strategies. Institutions, family offices and ultra-high net worth individuals are increasing allocation to alternative strategies and private equity. Real assets can offer attractive benefits to investors, including superior investment returns, which are typically uncorrelated to equities, funds and UK commercial property. The increase in asset allocation towards this area has been significant over the last 20 years and is ongoing, reflected by the fact that pension funds, who had a zero percentage allocation on average to "alternatives" (ex-property) in 1995, are now allocating approximately 9% of their assets under management to this asset class.

The Company intends to build on its specialist asset management group, which will incorporate various illiquid or differentiated asset strategies. Our first step was the acquisition of Aitchesse (described more fully in note 4 to the accounts) a specialist asset manager of forests and timber. It has a strong financial record and the Directors believe the business to be a successful model on which it can build. The specialist knowledge of the management team at Aitchesse and the experience of the Company should be a successful combination: Aitchesse will be able to provide the expert forest management skills required to manage the commercial forest element of the assets. The Company's experience will assist in the growth and institutionalisation of Aitchesse's business and the Group will use its network of contacts to introduce potential investors in forestry assets to Aitchesse.

The Company will also seek to grow this business unit organically and, should further opportunities arise, through the acquisition of differentiated specialist asset managers. Specialisms may include infrastructure, renewables, forestry and real estate, amongst others. The common theme tying the specialisms together is that they involve the acquisition of tangible assets and should create long-term, intrinsic value growth. The team is focused on creating shareholder value through assets under management and resultant earnings growth, including carried interest and performance fees from third party assets under management.

Legacy assets

The Board has been pursuing an orderly realisation of the Group's assets and property to redeploy the sale proceeds in pursuit of its plans for the Strategic Equity division and Real Asset division (as described above).

On 29 April 2014, contracts were exchanged with Persimmon for the sale of 25.8 acres gross of the site at Newton-le-Willows, with the sale completing on 22 September 2015. The Board is holding the remaining five acres of the site for future review when Persimmon's building programme on the adjacent site is well progressed.

On 7 August 2015, the Company exchanged its entire 10.6% shareholding in SpaceandPeople plc (a public company whose shares are traded on AIM) for new shares in GHS.

The property at Speke (as described in further detail below) is now virtually fully let. The Company is currently considering the sale of the property and has instructed Jones Lang La Salle to advise.

The Company will continue to appraise its assets and any opportunities for sale or realisation in furtherance of its development (as was the case with the exchange of its SpaceandPeople holding).

The proceeds from the sale of legacy assets will be utilised by the Group to implement its strategy of building a specialist asset management business, through additional acquisitions of asset management businesses, through the seeding of new funds which the Company may wish to promote, direct co-investments alongside clients or the recruitment of talented individuals with asset management experience.

Investing policy

Until 23 November 2015, Gresham House was an investing company and had the investing policy set out below.

Strategic Report – continued

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%;*
- *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).*

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% 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.

Strategic Report – continued

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

Whilst the Company operated as an investing company, it was the intention of the Directors to develop an asset management business, either organically or through one or more acquisitions. The development of such an asset management business, through the acquisition of Aitchesse on 23 November 2015 led to the Company ceasing to be an investing company (as defined in the AIM Rules for Companies) and instead becoming a trading company (i.e. a company which operates an asset management business with some direct and indirect investments). The key consequences of such a development are as follows:

- *NAV per share ceased to be an appropriate performance indicator with focus becoming profitability and AUM growth;*
- *the Company may now 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 the Company 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 investing policy previously adopted ceases 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 development of an asset management business.

Performance during the year

The Group operating result for the year ended 31 December 2015 was a net operating loss of £1,685,000 against a loss of £406,000 in 2014. The comparison between both years is as follows:

	2015 £'000	2014 £'000
Rental income	746	858
Fund management fee income	127	–
Forestry management fee income	206	–
Dividend and investment income	228	248
Other income	51	66
Property outgoings	(339)	(516)
Administration overheads	(2,704)	(1,062)
Net operating loss	(1,685)	(406)

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

We have the initial revenues from our asset management businesses, although the contribution from GHAM is for only five months and the Aitchesse contribution reflect six weeks ownership.

Rental income increased at Southern Gateway during 2015 but the comparative includes rental income from premises subsequently vacated at Newton-le-Willows and overall rental income accordingly has decreased.

The significant reduction in property outgoings of £177,000 over the year ended 31 December 2015 was due to increased occupancy enabling the service charges to be recovered from tenants and not being an unrecoverable expense, and no directors' remuneration chargeable in 2015 (2014: £121,000).

Our administrative overheads were significantly increased as we invested in people and the platform without the benefits yet of the revenues from this expenditure flowing through.

Strategic Report – continued

Property portfolio

The property portfolio consists of the property in Speke, Liverpool, known as Southern Gateway and a residual 5 acres at Newton-le-Willows. The bulk of the site at Newton-le-Willows was sold to Persimmon on 22 September 2015 for a total of £7.25 million net. As part of the negotiations with the local authority, Persimmon was obliged to change its plan to secure planning permission for the site. This resulted in a reduction in the number of plots available for development, which in turn resulted in an adjustment in the previously announced selling price of £150,000. A deposit and initial payment of £944,610 has been received and the balance will be receivable in three tranches over the next three years. The asset was being carried in the balance sheet at 31 December 2014 at a discounted value of £6.82 million. Following the sale, the remaining consideration is carried in the balance sheet as a non-current asset at a discounted value of £5.92 million. In addition, Gresham House will be entitled to an overage payment in the event that Persimmon achieves a selling price in excess of an agreed amount per square foot. This has not been recognised in the year-end balance sheet as the outcome depends on the selling price of houses on the site in 2018 and beyond and is uncertain.

Gresham House retains a five acre site with retail planning permission contiguous to the site sold and will explore options for this site now the sale of the main residential site has been completed. We have suffered a reduction in the valuation of this site that arises from the change in sentiment towards food retailing.

At Speke, we continue with our strategy to maximise income over the short term with a view to selling the property. The value of the site has increased during the year from £7.25m to £7.65 m at 31 December 2015 as a result of increased lettings.

Securities portfolio

At 31 December 2015, the value of the investment portfolio decreased by £1.39 m primarily as a result of the disposal of the investment in SpaceandPeople (£0.89 m) and the additional provision made against Memorial Holdings Limited (£0.44 m) both of which are discussed below.

In August 2015, we exchanged our shareholding in SpaceandPeople for shares in GHS. This resulted in us realising a gain of £433,000 as a result of the exchange.

On 23 November 2015, as a consequence of the change in our status from an investing company to a trading company we have accounted for GHS as an associate. The subsequent share price decrease of GHS has required us, on a mark to market basis, to make a fair value adjustment against the carrying value of the holding in GHS as the share price has fallen below the price at which the exchange was done in August 2015. This has required us to provide a fair value adjustment of £459,000.

We have taken a further provision of £440,000 against our holding in Memorial Holdings Limited, the cemetery business in Kent. After the year-end, we sold our ordinary shares in MHL to the majority shareholder at 1p per share, crystallising the loss recognised in the provision. This followed an appraisal by the directors of MHL of the prospects for the business. The Company has an ancillary investment in Kemnal Investments Limited, which holds mezzanine debt in MHL. As a result of the review of the business activities of MHL, the facility has been extended for an additional two years. We believe we will be able to recover both the principal of £466,000 and the interest that has accrued to date of £153,000 on the loan.

We are pleased to report that Attila (BR) Limited, a company in which we hold a loan stock investment completed the sale of its property site in Edinburgh to CALA Management Limited. The consideration from the purchaser will enable Attila to redeem its loan notes and pay Gresham House the rolled-up interest on the loan stock that we have accrued. We are anticipating receipts in June and December of 2016 from Attila, having received initial payments in June and July 2015 totalling £277,000.

Strategic Report – continued

Borrowings and cash at bank

Loans at 31 December 2015 amounted to £2,850,000 against £3,278,000 at 31 December 2014. The loan is from the Co-operative Bank and is secured against the property portfolio. This represented a loan to value of 30% against the overall property investments.

Cash in hand at 31 December 2015 was £4.4 m (£11.2 m at 31 December 2014). This reduction in cash reflects a number of items of expenditure during the year. £5m was invested in shares of GHS, the sum of £1,841,000 was paid as the initial cash consideration for Aitchesse and £710,000 was paid in professional fees in connection with the acquisition of Aitchesse. Following the completion of the sale of the Newton-le-Willows site, we agreed with the Co-op Bank that the facility be reset at £2.85 million after £428,000 of the initial proceeds from the sale were applied in reducing the amount outstanding. This replaced a previous agreement with the Co-op Bank wherein the existing facility with the bank of £3.28 million as at 31 December 2014 was to be extended by £372,000 to fund capital expenditure at Southern Gateway, Speke.

After the year end, we entered into a new facility with Kleinwort Benson Bank Limited. Under this new arrangement, entered into on 12 April 2016, we have borrowed a total of £7m. The borrowing is secured against our property assets and the deferred proceeds of the sale of Newton-le-Willows site to Persimmon announced in September 2015.

The facility will be repayable in three tranches to match the deferred proceeds due from Persimmon, in March 2017, March 2018 and March 2019.

Part of the funding has been used to repay the existing Co-op facility of £2.85m and pay down the £0.67m short-term loan notes issued in connection with the acquisition of Aitchesse. The balance of the proceeds is available for general working capital and investment purposes.

Key Performance Indicators

Prior to the new team and corporate strategy being initiated in December 2014, the Board have historically considered the main performance indicator to be net asset value per share ("NAV").

As flagged in last year's Strategic Report, the KPIs that are relevant to the Company as it develops in to an asset management operating company are as follows; earnings per share and assets under management. As at 31 December 2015 the loss per share was 40.5p (83.3p, 2014). Third party assets under management at 31 December 2015 were approaching £0.24 billion (£nil, 2014), being £36m of equity assets we manage for GHS and £200m of forestry assets.

The number of hectares of forestry under management represents 30,000 hectares as at 31 December 2015 (2014: nil). As the business develops, further KPIs will become relevant.

Capital reduction

On 4 February 2015, the High Court approved the cancellation of the Company's share premium account (the "Cancellation"). As a consequence of the Cancellation, £12,508,000 standing to the credit of the Company's share premium account was cancelled. This will facilitate any share buyback or payment of dividends that the Board of the Company may in the future approve by creating a reserve of an equivalent amount that, subject to certain creditor protection undertakings, will form part of a distributable reserve.

The Cancellation 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.

Principal risks, risk management and regulatory environment

There are a number of risks and uncertainties that face the Group. The Board have established a structured approach to identify, assess and manage these risks.

The following list highlights the principal risks.

Strategic Report – continued

Risks relating to the strategy of the Group

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

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

Dependence on key executives
The Company's development and prospects are dependent upon the service and performance of the Directors and senior management. The loss of the services of any of the Directors or senior management could cause disruption, which could have a material adverse effect on the deliverability of the strategy, the development of the asset management business and the financial prospects of the Company.

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

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

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

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

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

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

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

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

Strategic Report – continued

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

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

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

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

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

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

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

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

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

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

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

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

Strategic Report – continued

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

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

Risks relating to Aitchesse Limited

In November 2015, the Group acquired Aitchesse Limited. There are specific risk relating to that business which are summarised below.

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

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

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

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

Bespoke arrangements
One fund managed by Aitchesse does not have a management agreement in place. This means this fund is not required to give notice to cancel its relationship with Aitchesse, nor are its fee arrangements formalised. Aitchesse is currently working with this client to put arrangements that are more formal in place and it is now expected that the arrangements will be documented during 2016.

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

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

For and on behalf of the Board

18 April 2016

Anthony 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 two executive and three non-executive directors as described on page 25.

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 dissentions during 2015. Procedures are in place to enable individual directors to seek independent advice at the expense of the Company and appropriate cover is in place which insures directors against certain liabilities that they may incur in carrying out their duties on behalf of the Company. All directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring that Board procedures are followed. Both the appointment and removal of the company secretary is a matter for the Board as a whole. Mr P G Moon is the senior independent director.

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

Independence of the directors

The QCA Code requires the Company to have at least two independent non-executive directors. In judging independence the Board takes into account whether or not a director is independent of management and any business or other relationship that could affect or interfere with the exercise of objective judgement by that director, or his/her ability to act in the best interests of the Company and its subsidiaries. Using this criteria the Board considers Messrs Townsend, Moon and Chadwick to be independent.

Tenure

All directors are subject to re-election by shareholders at the first AGM following their appointment and, thereafter, are subject to retirement by rotation and re-election by shareholders in accordance with the Articles of Association whereby one third of the directors retire every year, or where their number is not a multiple of three, then the number constituting at least one third retire from office. Notwithstanding the foregoing, every director shall retire who was not appointed at either of the two previous annual general meetings and who has served for more than two years since his/her appointment or last reappointment. Directors are not appointed for specified terms nor have any automatic right of re-appointment.

The directors retiring in accordance with the Company's Articles of Association are Mr Richard Chadwick and Mr Anthony Dalwood. The Chairman has carefully considered the position of each of the directors and considers their contribution to be significant and effective; accordingly, he recommends their re-election.

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

Corporate Governance – continued

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 eight board meetings, two meetings of the Audit Committee and one meeting of the Remuneration Committee held during the year and the attendance of the directors was as follows:

Director	Board	Remuneration Committee	Audit Committee
J A V Townsend*	8	1	2
A L Dalwood	8	–	–
M C Phillips	8	–	–
D J L Abbot	6	–	2
R A Chadwick	8	1	
P G Moon*	8	1	2

* Denotes Committee Chair

Audit Committee

The Audit Committee, which is chaired by Mr Peter Moon, operates within defined terms of reference and comprises the three non-executive directors of the Company. The specific responsibilities of the Audit Committee include a review of the 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 2015.

The key areas of risk that have been identified and considered by the Audit Committee in relation to the business activities and financial statements of the Company are as follows:

- Accounting for investment in Gresham House Strategic plc
- Accounting for the acquisition of Aitchesse Limited
- Valuation of unlisted investments
- Valuation of investment properties

Accounting for Gresham House Strategic plc
The Board considered carefully the implications of the Group's ownership of a 19.2% stake in GHS. The Board were satisfied that the Group did not exercise control over GHS (which has an independent board with no Company board representations and our stake and investment management agreement does not give rise to control).

Nonetheless, because of the close relationship between GHAM and GHS, the Board has concluded that the Group does exercise significant influence over GHS. As a result of this, it has been decided that it is appropriate to account for our stake in GHS as an associate of the Group. The stake in GHS was acquired in August 2015, however, the requirement to account for GHS as an associate arose with effect from 23 November 2015, the date of the acquisition of Aitchesse Limited the date from which date the Company ceased being an investing company and became an operating company which resulted in a reassessment of the accounting for all such equity investments. The Board concluded that the Company had significant influence over GHS.

Corporate Governance – continued

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

Valuation of property investments
All property investments were valued by Jones Lang LaSalle Limited, Chartered Surveyors, as at 31 December 2015. These external valuations were carried out on the basis of Market Value in accordance with the latest edition of the Valuation Standards published by the Royal Institution of Chartered Surveyors. The assumptions and underlying evidence to support these valuations have been reviewed by the Audit Committee which is satisfied that the valuations represent fair value based on current permitted use.

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

Having 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. 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 2016 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% of NAV requires the approval of an executive director;
- Investments between 2% and 5% of NAV require a majority approval of the Investment Committee; and
- Investments above 5% of NAV require unanimous approval of the Investment Committee.

Corporate Governance – continued

Advisory Group

The Company has developed an Advisory Group of experienced business people to act as advisers, deal introducers and business counsellors. They will be available to provide industry insights for our investment appraisals and support for investee companies working alongside the Investment Committee.

Nomination Committee

The Company has not established a Nomination Committee. Given the small size of the Board, the Board as a whole fulfils the function of the Nomination Committee. Any Board member can propose new members who will be considered by the Board as a whole. No new non-executive director will be appointed without first being interviewed by each existing non-executive director.

Internal controls

The Board is responsible for the Group's system of internal control, including financial, operational and compliance controls and risk management, and for reviewing its effectiveness. The Board has introduced procedures designed to meet the particular needs of the Group in managing the risks to which it is exposed. These procedures include an annual review of the significant risks faced by the Group and an assessment of their potential impact and likelihood of occurrence. The Board takes advice from external advisors where considered necessary including where any significant transaction is being considered. The Board is satisfied with the effectiveness of internal controls but, by their very nature, these procedures can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed the need for an internal audit function and has concluded that, given the nature of the Group's business and assets and the overall size of the Group, the systems and procedures currently employed by the Group provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Group's assets, is in place. An internal audit function is therefore considered unnecessary.

Share capital and voting rights

As at 1 January 2015 and 31 December 2015 there were 9,343,390 and 9,851,041 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 27. 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 2015 are set out below.

	2015	2014
J A V Townsend	34,855	34,855
A L Dalwood	209,133	209,133
M C Phillips	87,138	87,138
D J L Abbot	87,138	87,138
P G Moon	34,855	34,855

In addition the following directors have subscribed for supporter warrants. Each supporter warrant will entitle the holder to subscribe for one ordinary share at an exercise price of 323.27 pence exercisable at any time between 1 December 2015 and 31 December 2019.

	2015	2014
J A V Townsend	34,000	34,000
A L Dalwood	212,500	212,500
D J L Abbot	93,500	93,500
M C Phillips	187,000	187,000
P G Moon	29,750	29,750

Further details of the supporter warrants can be found in note 23 to these financial statements.

Directors' service contracts are governed by the following policies:

(a) The notice period required by either the Company or the director to terminate the contract is 12 months for Mr Dalwood, six months for Mr Phillips 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;

Remuneration Report – continued

(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. A discretionary bonus scheme was introduced by the Company in 2015 and that all executive directors were eligible to participate in such a scheme.

Remuneration Policy

The Remuneration Committee reviews the Company's remuneration philosophy and structure to ensure that the remuneration framework remains effective in supporting the Company's business objectives, in line with best practice, and fairly rewards individuals for the contribution that they make to the business, having regard to the size and complexity of the Group's operations and the need to retain, motivate and attract employees of the highest calibre.

The Committee intends that base salary and total remuneration of executive directors should be in line with the market. Remuneration is benchmarked against rewards available for equivalent roles in a suitable comparator group with the aim of paying neither significantly above nor below the median for each element of remuneration. The Committee also considers general pay and employment conditions of all employees within the Group and is sensitive to those, to prevailing market conditions, and to governance trends when assessing the level of salaries and remuneration packages of executive directors.

The total remuneration package links corporate and individual performance with an appropriate balance between short and long term elements, and fixed and variable components. The policy is designed to incentivise executives to meet the Company's strategic objectives, such that a significant portion of total remuneration is performance related. The current remuneration of executive directors comprises the following five components:

1. Basic salary
2. Pension arrangements (only basic salary is pensionable)
3. Annual bonus
4. Bonus share matching plan
5. Long term incentive plan

Basic Salary

Basic salary represents a value which reflects the Remuneration Committee's assessment of the market rate for relevant positions and the individual director's experience and value to the business.

Pensions

The Company does not currently operate any pension schemes for the benefit of directors or employees. A contribution to pension or equivalent schemes is however an entitlement of the executive directors and appropriate arrangements will be introduced in due course.

Annual Bonus

The Company operates a discretionary bonus scheme for senior executives, which provides for a performance related bonus based on the Group's results and, in certain cases, the result of the relevant businesses for which they may be responsible. The individual targets for the executive directors are established by the Committee with a view to maximising shareholder value and meeting other Group objectives. Subject to the achievement of the targets, the annual performance related bonus can represent up to a maximum of 200% of basic salary.

The Chairman and the non-executive directors are not eligible to participate in this bonus scheme.

Remuneration Report – continued

Bonus Share Matching Plan

The Company proposes to introduce in 2016 a share matching plan linked to the discretionary annual bonus scheme to encourage management to invest in the long-term growth of the Company.

Management entitled to a bonus greater than £50,000 will be permitted (but not required) to defer and reinvest up to 100% of their annual bonus into ordinary shares which will be released to them after three years together with any additional matching shares subject to performance criteria set out below.

In the event that the Company achieves a mid-market closing price equal to 7% per annum compound growth from the date of deferral, the participants will receive 50% of the matching shares benefit. In the event that the Company's share price out-performs the FTSE All Share Index from the date of deferral, the participant will receive 50% of the matching shares.

Shares will be awarded in the ratio one share for each share invested. In the event that this performance condition is not met, the participants will receive only the ordinary shares acquired with the deferred bonus.

In total, the Company proposes that the total ordinary shares issued and issuable in satisfaction of the Incentive Arrangements and pursuant to the exercise of supporter warrants will not exceed 20% of the Company's total issued share capital.

Long Term Incentive Plan

Following approval from shareholders at the General Meeting of the company on 20 November 2015, the directors are implementing a long term incentive plan to incentivise them as well as align their interests with those of shareholders. The grant of incentives has not yet taken place and the scheme will be introduced in 2016 after the publication of this Annual Report.

These arrangements will only reward the participants if shareholder value is created.

For the purposes of the plan, "shareholder value" shall broadly mean the difference between the market capitalisation of the Company at the point in time that any assessment is made and the sum of:

(i) the market capitalisation of the Company a) at 1 December 2014 for first awards made to management who joined the Company before 30 September 2015 and b) at the date of award in all other cases; and

(ii) the aggregate value (at the subscription price) of all ordinary shares issued thereafter and up to the point in time that any assessment is made, in each case adjusted for dividends and capital returns to Shareholders and/or issue of new shares.

The beneficiaries of the plan, will in aggregate be entitled to an amount of up to 20% of shareholder value (as defined above) created, subject to performance criteria set out below. In the calculation of the 20% share of value, the benefit of the supporter warrants has been recognised. Individual participation in the shareholder value created will be determined by the Remuneration Committee in respect of the executive directors.

There will be certain hurdles the Company's share price has to achieve before an award vests.

In the event that the Company achieves an average mid-market closing price equal to compound growth at 7% per annum for a period of 10 consecutive dealing days in the period after 1 December 2016 for first awards to management who joined the Company before 30 September 2015 and from the second anniversary of the date of award in all other cases, 50% of the award will vest.

In the event that the share price of the Company outperforms the FTSE All Share Index in the period after 1 December 2016, and from the second anniversary of the date of the award in all other cases, 50% of the award shall vest.

Each award will require a minimum term of employment of three years and awards will be made to current management and new joiners at the Company's discretion.

The long-term incentive plan will deliver the options tax-efficiently.

Remuneration Report – continued

Directors' emoluments

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

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

(i) Resigned 31 December 2015

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

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)	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

(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 01 December 2014

On behalf of the Board,

18 April 2016

Anthony Townsend
Chairman, Remuneration Committee

Board of Directors

Anthony Townsend (aged 68) – 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 Limited from 1988 to 1998. He was a non-executive director of Worldwide Healthcare Trust plc from 1995 to 2013. Anthony is currently chairman of the Remuneration Committee and a member of the Audit Committee.

Anthony (Tony) Dalwood (aged 45) – 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 Funds.

He is currently the chairman of the investment committee and on the 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 54) – 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.

Peter Moon (aged 66) – 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 64) – Non-executive director

Richard is a chartered accountant who was appointed to the Board of the Company on 17 June 2008 as a non-executive director. Richard spent 27 years within the J Sainsbury plc group of companies where he gained considerable experience of property development and financing, having been director of corporate finance and of business development, and a non-executive director of the group's property development company. Richard is presently a member of both the Audit and Remuneration Committees and a non-executive director of SpaceandPeople plc.

Details of directors' emoluments together with the directors' interests in shares are provided in the Remuneration Report. There were no contracts of significance in which the directors had a material interest.

Report of the Directors

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2015.

Results and dividends

The Group Statement of Comprehensive Income is set out on page 31 and shows the results for the year ended 31 December 2015.

The Directors recommend that no final dividend for the year ended 31 December 2015 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 6.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group are explained in the Strategic Report on pages 13 to 16.

Directors

The present directors are listed on page 25 together with brief biographical details. The directors who served during the period under review were:-

J A V Townsend.	Non–executive Chairman	
A L Dalwood	Chief Executive	
M C Phillips	Strategic Development	
D J L Abbot	Finance	(resigned 31 December 2015)
R A Chadwick	Non-executive	
P G Moon	Non-executive	

In accordance with the Company's articles of association Messrs Chadwick and Dalwood 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 3% or more of the total voting rights of the Company have been notified to the Company:

Shareholder	Number of shares	% of issued share capital	% of shareholder warrants
Revcap Estates 24 Limited	1,170,452	11.88	21.8
Helium Rising Stars Fund	880,330	8.94	–
Majedie Assets Management Limited	697,107	7.08	–
River & Mercantile Asset Management LLP	697,107	7.08	–
The Trustees of the Rowe Trust	644,209	6.54	12.00
The Estate of A P Stirling	468,436	4.75	8.72
D and Mrs RC Guy	426,398	4.33	–

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 22 and 23. 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 27 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;

Report of the Directors – continued

- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

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.

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 22 to the financial statements.

By Order of the Board,
B J Hallett
Secretary

5 New Street Square
London EC4A 3TW

18 April 2016

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 2015 which comprise the group statement of comprehensive income, the group and company statements of financial position, the group and company 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 2015 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.

Michelle Carroll (senior statutory auditor) 18 April 2016
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Group Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Income:	1		
Asset Management Income		333	–
Rental income		746	858
Dividend and interest income		228	248
Other operating income		51	66
Total Income		1,358	1,172
Operating costs:	2		
Property outgoings		(339)	(516)
Administrative overheads		(2,704)	(1,062)
Net operating loss		(1,685)	(406)
Finance costs	5	(144)	(209)
Exceptional items	*	(773)	(678)
Net operating loss after exceptional items		(2,602)	(1,293)
Gains & losses on investments:			
Fair value movement of investment property	11	(586)	(523)
Fair value movement of investments	10	(459)	(2,188)
Loss on disposal of investment properties	11	(158)	–
Loss on disposal of investments	10	(26)	3
Group operating loss before taxation		(3,831)	(4,001)
Taxation	7	–	–
Loss and total comprehensive income		(3,831)	(4,001)
Attributable to:			
Equity holders of the parent		(3,807)	(4,753)
Non-controlling interest		(24)	752
		(3,831)	(4,001)
Basic and diluted loss per ordinary share (pence)	8	(40.5)	(83.3)

* Exceptional items relate to professional fees incurred in respect of the re-admission to AIM and the acquisition of Aitchesse Limited which took place on 23 November 2015 and on the reorganisation of the Group's legacy subsidiaries. (2014: 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 2015

	Notes	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	Equity attributable to equity share-holders £'000	Non-controlling interest £'000	Total equity £'000
Balance at 31 December 2014		2,336	12,508	64	12,934	27,842	–	27,842
Loss for the period being total comprehensive income for the year		–	–	–	(3,807)	(3,807)	(24)	(3,831)
Transfer of non-controlling interest deficit		–	–	–	(24)	(24)	24	–
Issue of shares	22	127	1,688	–	–	1,815	–	1,815
Cancellation of Share Premium	24	–	(12,508)	–	12,508	–	–	–
Balance at 31 December 2015		2,463	1,688	64	21,611	25,826	–	25,826

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 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	22	994	10,206	–	–	11,200	–	11,200
Share based payments	23	–	–	–	255	255	–	255
Share warrants issued	23	–	–	64	–	64	–	64
Balance at 31 December 2014		2,336	12,508	64	12,934	27,842	–	27,842

Statements of Changes in Equity – continued

Company

YEAR ENDED 31 DECEMBER 2015

	Notes	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	Total equity £'000
Balance at 31 December 2014		2,336	12,508	64	6,946	21,854
Loss for the period being total comprehensive income for the year		–	–	–	(2,515)	(2,515)
Issue of shares	22	127	1,688	–	–	1,815
Cancellation of Share Premium	24	–	(12,508)	–	12,508	–
Balance at 31 December 2015		2,463	1,688	64	16,939	21,154

YEAR ENDED 31 DECEMBER 2014

	Notes	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	Total equity £'000
Balance 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	22	994	10,206	–	–	11,200
Share based payments	23	–	–	–	255	255
Share warrants issued	23	–	–	64	–	64
Balance at 31 December 2014		2,336	12,508	64	6,946	21,854

Statements of Financial Position

AS AT 31 DECEMBER 2015

	Notes	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Assets					
Non current assets					
Investments – securities	10	1,568	2,955	1,568	2,955
Property investments	11	9,559	9,865	–	–
Tangible fixed assets	12	154	–	–	–
Other investments	15	–	–	2,822	322
Investment in associate	6	5,902	–	5,902	–
Intangible assets	13	6,588	–	–	
Long-term receivables	14	5,916	–	–	–
		29,687	12,820	10,292	3,277
Current assets					
Trade and other receivables	16	665	84	–	–
Accrued income and prepaid expenses		1,081	913	383	519
Other current assets	17	–	–	11,568	7,245
Cash and cash equivalents		4,390	11,209	372	10,883
Non-current assets held for sale					
Property investments	11	–	6,810	–	–
Total current assets and non-current assets held for sale		6,136	19,016	12,323	18,647
Total assets		35,823	31,836	22,615	21,924
Current liabilities					
Trade and other payables	18	4,390	716	1,435	70
Short term borrowings	19	2,850	3,278	26	–
		7,240	3,994	1,461	70
Total assets less current liabilities		28,583	27,842	21,154	21,854
Non-current liabilities					
Deferred taxation	20	–	–	–	–
Other creditors	21	2,757	–	–	–
		2,757	–	–	–
Net assets		25,826	27,842	21,154	21,854
Capital and reserves					
Ordinary share capital	22	2,463	2,336	2,463	2,336
Share premium	24	1,688	12,508	1,688	12,508
Share warrant reserve	24	64	64	64	64
Retained reserves	24	21,611	12,934	16,939	6,946
Equity attributable to equity shareholders		25,826	27,842	21,154	21,854
Non-controlling interest	24	–	–	–	–
Total equity		25,826	27,842	21,154	21,854
Basic and diluted net asset value per ordinary share (pence)	25	262.2	298.0	214.7	233.9

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 18 April 2015

MC Phillips

Group Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Cash flow from operating activities					
Dividend income received		48		92	
Interest received		317		7	
Rental income received		549		762	
Other cash payments		(2,940)		(1,929)	
Net cash utilised in operations	26		(2,026)		(1,068)
Interest paid on property loans		(175)		(146)	
			(175)		(146)
Net cash flow from operating activities			(2,201)		(1,214)
Cash flow from investing activities					
Acquisition of Aitchesse Limited		(1,074)		–	
Purchase of investments		(5,000)		(10)	
Sale of investments		–		29	
Sale of investment properties		2,222		148	
Expenditure on investment properties		(329)		(515)	
Purchase of fixed assets		(24)		–	
Sale of fixed assets		15		–	
Purchase of developments in hand		–		(67)	
Sale of development in hand		–		417	
			(4,190)		2
Cash flow from financing activities					
Repayment of loans		(428)		(468)	
Share issue proceeds		–		11,400	
Share issue costs		–		(200)	
Supporter warrants issued		–		64	
			(428)		10,796
(Decrease)/increase in cash and cash equivalents			(6,819)		9,584
Cash and cash equivalents at start of year			11,209		1,625
Cash and cash equivalents at end of year			4,390		11,209

Company Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Cash flow from operating activities					
Investment income received		48		92	
Interest received		316		7	
Other cash payments		(1,711)		(807)	
Net cash flow from operating activities	26		(1,347)		(708)
Cash flow from investing activities					
Purchase of investments		(5,000)		(10)	
Sale of investments		–		29	
Investment in subsidiary		(2,500)		–	
Advanced to Group undertakings		(8,621)		(1,857)	
Repaid by Group undertakings		6,957		1,184	
Purchase of development in hand		–		(67)	
Sale of development in hand		–		417	
			(9,164)		(304)
Cash flow from financing activities					
Share issue proceeds		–		11,400	
Share issue costs		–		(200)	
Supporter warrants issued		–		64	
			–		11,264
(Decrease)/increase in cash and cash equivalents			(10,511)		10,252
Cash and cash equivalents at start of year			10,883		631
Cash and cash equivalents at end of year			372		10,883

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.

None of the amendments or updates to the standards have had any impact on the financial statements. 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 (u).

The principal accounting policies adopted are set out below.

(b) Basis of consolidation

Subsidiaries

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings made up to the year-end as if they formed a single entity. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently, associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment will be tested for impairment in the same way as other non-financial assets.

(c) Presentation of Statement of Comprehensive Income

As permitted by section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. Details of the Company's results for the year are set out in note 24, the loss for the year being £2,515,000 (2014: £3,686,000).

(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 Asset Management, Forestry Management, Investment in Securities and Property Investment.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable is stated net of value added tax and is earned within the United Kingdom.

i. Asset management income

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

Principal Accounting Policies – continued

ii. Rental income
Rental income comprises property rental income receivable net of VAT, recognised on a straight line basis over the lease term and excludes service charges recoverable from the tenant.

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

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

(f) Expenses
All expenses and interest payable are accounted for on an accruals basis.

(g) Property, plant and equipment
Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

The carrying amount of property, plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal.

The depreciable amount of all fixed assets are depreciated on a straight line basis over their estimated useful lives to the Group commencing from the time the asset is held ready for use, and are depreciated using rates of between 2% and 25%.

(h) Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is also provided for on revaluation surpluses on investment properties.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(i) Operating leases and hire purchase contracts
Amounts payable under operating leases are charged directly to the Statement of Comprehensive Income on a straight line basis over the period of the lease. The aggregate costs of operating lease incentives provided by the Group are recognised as a reduction in rental income on a straight line basis over the lease term.

Principal Accounting Policies – continued

(j) Investments

Financial assets designated as at fair value through profit and loss (FVTPL) at inception are those that are managed and whose performance is evaluated on a fair value basis, in accordance with the documented investment strategy of the Company. Information about these financial assets is provided internally on a fair value basis to the Group's key management. All equity investments that were previously classified as held at fair value through profit or loss have been reassessed as at the date the Company became a trading company. The equity investments which do not meet the definitions of an associate or subsidiary remain held at fair value through profit 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 IFRS5.

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

(iii) Securities

Purchases and sales of listed investments are recognised on the trade date, the date on which the Group commit to purchase or sell the investment. All investments are designated upon initial recognition as held at fair value, and are measured at subsequent reporting dates at fair value, which is either the market bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Fair values for unquoted investments, or for investments for which there is only an inactive market, are established by taking into account the International Private Equity and Venture Capital Valuation Guidelines as follows:

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

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

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

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

(iv) 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.

Principal Accounting Policies – continued

(k) Exceptional items
The Group presents as exceptional items on the face of the Consolidated Statement of Comprehensive Income those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year so as to facilitate comparison with prior years and to assess better trends in financial performance.

(l) Intangible assets
(i) Goodwill
Goodwill, representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets, liabilities acquired, is capitalised in the balance sheet. Following initial recognition, goodwill is stated at cost less any accumulated impairment losses.

Goodwill will be reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(ii) Management contracts and Client Relationships
Intangible assets, such as management contracts and client relationships acquired as part of a business combination, are capitalised where it is probable that future economic benefits attributable to the assets will flow to the Group and the fair value of the assets can be measured reliably.

They are recorded initially at fair value and then amortised, if appropriate, over their useful lives. The fair value at the date of acquisition is calculated using discounted cash flow methodology and represents the valuation of the net residual income stream arising from the management contracts or distribution agreements in place at the date of acquisition. The contracts are included in the balance sheet as an intangible asset. Intangible assets with a finite life have no residual value and are amortised on a straight-line basis over their expected useful lives as follows:

- Intangible assets relating to customer relationships arising on acquisition — 5 years
- Intangible assets relating to customer contracts arising on acquisition — 1 year

Amortisation methods, useful lives and residual values will be reviewed at each reporting date and adjusted if appropriate.

(m) Trade and other receivables
Receivables are short term in nature .Trade and other receivables are recognised and carried at the lower of their invoiced value and recoverable amount. Provision is made when there is objective evidence that the Group will not be able to recover balances in full.

(n) 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.

(o) Non-Current receivables
Deferred receivables are recognised at the discounted value of those receipts.

(p) Dividends payable
All dividends are recognised in the period in which they are approved by shareholders.

(q) 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.

(r) Trade and other payables
Trade payables are not interest bearing and are stated at their nominal value. Other payables are not interest-bearing and are stated at their nominal value as any discounting of expected cash flows is considered to be immaterial.

Principal Accounting Policies – continued

(s) Deferred consideration
Deferred consideration arises when settlement of all or any part of the cost of a business combination is deferred. It is stated at fair value at the date of acquisition, which is determined by discounting the amount due to present value at that date

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

(u) Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group
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) IFRS 14 Regulatory Deferral Accounts

(ii) IFRS 15 Revenue from contracts with customers

(iii) IFRS 16 Leases

(iv) IFRS 10 (amended) Consolidated financial statements

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

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

(vii) IAS 38 (amended) Intangibles

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

(ix) IFRS 9 Financial Instruments

(v) 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.

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

(i) 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.

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

(iii) The goodwill figure has been derived from determining the difference between the fair value of the consideration paid (as explained above) and that the net assets (including intangible assets) acquired. The critical estimate is based on a discounted cash flow technique.

Notes to the Accounts

1 INCOME

	2015 £'000	2014 £'000
Asset management income		
Fund management income	127	–
Forestry management income	206	–
	333	–
Income from investments		
Rental income	746	858
Dividend income – Listed UK	48	92
Interest receivable: Banks	40	7
Other	140	149
	974	1,106
Other operating income		
Dealing profits and losses	–	1
Management fees receivable	51	65
	51	66
Total income	1,358	1,172
Total income comprises:		
Asset management income	333	–
Rental income	746	858
Dividends	48	92
Interest	180	156
Other operating income	51	66
	1,358	1,172

2 OPERATING COSTS

Operating costs comprise the following:

	2015 £'000	2014 £'000
a) Property outgoings:		
Directors' emoluments (excluding benefits in kind)	–	121
Wages and salaries	50	57
Social security costs	6	7
Other operating costs (net of service charges recoverable from tenants of £724,000 (2014: £486,000))	283	331
	339	516
b) Administrative overheads:		
Directors' emoluments (excluding benefits in kind)	880	352
Auditor's remuneration *	200	131
Depreciation	10	–
Profit on disposal of assets	(6)	–
Wages and salaries	647	44
Redundancy costs	–	19
Social security costs	177	22
Operating lease rentals – land and buildings	24	24
Share based payments	–	255
Other operating costs	772	215
	2,704	1,062
Staff costs (including directors' emoluments) were:		
Wages, salaries and fees	1,577	555
Redundancy costs	–	33
Social security costs	183	29
Pension costs	–	5
	1,760	622

Notes to the Accounts – continued

2 OPERATING COSTS – continued

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

	2015 £'000	2014 £'000
Audit fees	99	62
Auditor's other fees – other services relating to taxation	–	6
Auditor's other fees – other services	101	63
	200	131

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.

£98,000 of costs for other services above are pertaining to the acquisition of Aitchesse, which have been recorded as an exceptional item in the financial statements.

The average number of persons employed by the Group, including the executive directors, was 12 (2014: 5).

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

3 DIRECTORS' EMOLUMENTS

The emoluments of the directors are disclosed in the Remuneration Report on pages 22 and 25.

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 £89,000 (2014: £16,000).

4 BUSINESS COMBINATIONS DURING THE PERIOD

On 20 November 2015, shareholders approved the acquisition of Aitchesse Limited (Aitchesse) in a general meeting. The Group acquired 100% of the issued share capital of Aitchesse, a Scottish company whose principal activity is the management of forestry.

The principal reason for this acquisition is to pursue the Group's objective of becoming a specialist asset manager of illiquid investments. The Group also expects to develop new funds utilising the expertise and contacts of Aitchesse. As a result of the acquisition, the Company moved from being an investing company to an operating company.

Details of the fair value of identifiable assets liabilities acquired, purchase consideration and goodwill are as follows:

	Net Book Value £'000	Adjustments £'000	Fair value £'000
Property, plant and equipment	102	–	102
Client contracts and relationships	–	3,646	3,646
Trade and other receivables	116	–	116
Other current assets	289	–	289
Cash	767	–	767
Trade and other payables	(814)	–	(814)
Goodwill	–	2,942	2,942
Total identifiable net assets	460	6,588	7,048

Notes to the Accounts – continued

4 BUSINESS COMBINATIONS DURING THE PERIOD – continued

Under the terms of the acquisition agreement, the initial consideration paid to the vendors of Aitchesse was:

	£'000
Cash paid	1,841
507,522 Shares in Gresham House plc valued at 357.5p per share	1,814
Short Term Loan Notes	667
Total Initial consideration	4,322
Contingent consideration (at fair value)	2,726
Total consideration	7,048

The consideration shares were admitted to trading on AIM on 23 November 2015.

Contingent Consideration

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

In the event of the target being achieved, the Company is obliged to issue a further 736,074 shares to the vendors. The fair value of the contingent consideration has been based on the mid-market share price on 23 November 2015, the date of the acquisition of Aitchesse, at 357.5p per share. The Directors, having carefully reviewed the future business prospects of Aitchesse, believe that the maximum contingent consideration will be achieved and accordingly no adjustment is made to reflect the likelihood of the target not being achieved.

The additional consideration shall be satisfied by:

- the payment of up to £1,500,055 in cash to the Sellers; and
- the issue of up to 736,074 new Ordinary Shares to the vendors.

Fair value

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

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

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

The minimum contingent consideration is £nil.

Revenue and profits of Aitchesse

Actual revenue and profits

Aitchesse was acquired on 23 November 2015. The Group has recognised the following amounts in respect of Aitchesse for the six week period ended 31 December 2015:

	£'000
Revenue	206
Profit before tax	69

Notes to the Accounts – continued

4 BUSINESS COMBINATIONS DURING THE PERIOD – continued

Gross hypothetical revenue and profits

Prior to acquisition by the Company, Aitchesse had a 30 June year end. The results for the most recent audited reporting period prior to acquisition were to 30 June 2015. Had the Aitchesse been part of the Group for the entire reporting period the following sums would have been consolidated:

	£'000
Revenue	1,912
Profit before tax	560

Acquisition costs of £710,000 arose as a result of the transaction. These have been recognised as part of the exceptional items in the Statement of Comprehensive Income.

Goodwill

Goodwill arises due to the excess of the fair value of the consideration payable over the fair value of the net assets acquired. It is mainly attributable to the skills of the team acquired, the synergies expected to be achieved from the acquisition and the business development potential. Goodwill arising on the Aitchesse acquisition is not deductible for tax purposes.

5 FINANCE COSTS

	2015 £'000	2014 £'000
Interest payable on loans and overdrafts	137	146
Finance fees	7	63
	144	209

6 ACCOUNTING FOR ASSOCIATES

The Group acquired a stake of 706,806 shares in Gresham House Strategic plc ("GHS") on 21 July 2015 by exchanging the Company's entire interest in SpaceandPeople plc and an investment of £5m in cash. The total initial investment was £6,361,000.

From 21 July 2015 to 23 November 2015, as an investing company, the holding in GHS was classified as an investment and held at fair value through profit and loss. During that period, the Company incurred a fair value loss of £459,000. On 23 November 2015, following the acquisition of Aitchesse, the Board reviewed the accounting for all its equity investments as an operating company and has accounted for GHS as an associate after that date.

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

There has been no reporting of results for GHS from the date of its recognition as an associate on 23 November 2015 and 31 December 2015. As such, no profit or loss has been recognised on the associate for that period. GHS has a year end of 31 March 2016 and therefore the results of GHS will be incorporated into the Group up to the latest published financial information.

The latest published financial information of GHS was the unaudited interim results for the six months to 30 September 2015. The assets and liabilities at that date are shown below:

Non Current Assets	£19.3 million
Current Assets	£17.2 million
Current Liabilities	£0.2 million
Net Assets	£36.4 million

Notes to the Accounts – continued

7 TAXATION

	2015 £'000	2014 £'000
(a) Analysis of charge in period:		
UK Corporation tax at 20.25% (2014: 21.5%)	–	–
Total tax charge	–	–
(b) Factors affecting tax charge for period:		
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	(776)	(860)
Tax effect of:		
Investment losses not taxable	98	470
Dividend income not taxable	(10)	(20)
Expenses disallowed	153	1
Movement in losses carried forward	535	409
Actual tax charge	–	–

The Group has unutilised tax losses of approximately £6.0 million (2014: £12.8 million) available against future corporation tax liabilities. The potential deferred taxation asset of £1.2 million (2014: £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.

8 LOSS PER SHARE

(a) 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 £3,807,000 (2014: £4,753,000) and on 9,404,614 (2014: 5,707,350) 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.

(b) Adjusted loss per share

Adjusted earnings per share is based on adjusted loss after tax, where adjusted loss is stated after charging interest but before depreciation, amortisation, exceptional items and items relating to previous years.

Adjusted loss for calculating adjusted earnings per share:

	2015 £'000	2014 £'000
Loss before taxation for the year	(3,831)	(4,001)
Add back:		
Exceptional operating expenses	773	678
Depreciation and amortisation	4	–
Adjusted loss before tax	(3,054)	(3,323)
Taxation	–	–
Adjusted Loss after tax for the calculation of Adjusted earnings per share	(3,054)	(3,323)

Adjusted earnings per share was as follows using the number of shares calculated above:

	2015 pence	2014 pence
Adjusted loss per share	(32.4p)	(58.2p)

Notes to the Accounts – continued

9 DIVIDENDS

No dividends have been paid or proposed in the year (2014: £nil).

10 INVESTMENTS – SECURITIES

An analysis of total investments is as follows:

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Listed securities – on the London Stock Exchange	105	106	105	106
Securities dealt in under AIM	–	928	–	928
Securities dealt in under ISDX	51	69	51	69
Unlisted securities	1,412	1,852	1,412	1,852
Closing value at 31 December	1,568	2,955	1,568	2,955
Investments valued at fair value through profit or loss	157	1,544	157	1,544
Loans and receivables valued at amortised cost	1,411	1,411	1,411	1,411
	1,568	2,955	1,568	2,955

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Opening cost	6,300	6,316	6,542	6,558
Opening net unrealised losses	(3,345)	(1,157)	(3,587)	(1,399)
Opening value	2,955	5,159	2,955	5,159
Movements in the year:				
Purchases at cost	6,361	10	6,361	10
Sales – proceeds	(7,263)	(29)	(7,263)	(29)
Sales – realised gains & (losses) on sales	(26)	3	(268)	3
Net unrealised losses	(459)	(2,188)	(217)	(2,188)
Closing value	1,568	2,955	1,568	2,955
Closing cost	6,094	6,300	6,094	6,542
Closing net unrealised losses	(4,526)	(3,345)	(4,526)	(3,587)
Closing value	1,568	2,955	1,568	2,955

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	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Net realised gains & (losses) on disposal	(26)	3	(268)	3
Net unrealised losses	(459)	(2,188)	(217)	(2,188)
Net losses on investments	(485)	(2,185)	(485)	(2,185)

Notes to the Accounts – continued

10 INVESTMENTS – SECURITIES – continued

An analysis of investments is as follows:

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Equity investments	52	1,438	52	1,438
Fixed income securities	105	106	105	106
Unquoted loanstock	1,411	1,411	1,411	1,411
	1,568	2,955	1,568	2,955

Further information on the measurement of fair value can be found in note 27.

11 PROPERTY INVESTMENTS

Property investments have been classified as follows:

	Group	
	2015 £'000	2014 £'000
Non current assets	9,559	9,865
Non-current assets held for sale	–	6,810
	9,559	16,675

A further analysis of total property investments is as follows:

	Group	
Net book value and valuation	2015 £'000	2014 £'000
At 1 January	16,675	16,700
Additions during the year – expenditure on existing properties	359	498
Disposals during the year	(6,731)	–
Loss on disposal of investment properties	(158)	–
Movement in fair value during the year	(586)	(523)
At 31 December	9,559	16,675

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 2015 at a combined total of £9,900,000. 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.

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

	2015 £'000	2014 £'000
Gross valuation	9,900	16,675
Fixed rental uplift	(341)	–
	9,559	16,675

Notes to the Accounts – continued

11 PROPERTY INVESTMENTS – continued

Operating leases

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

	2015 £'000	2014 £'000
Not later than one year	657	561
Between 2 and 5 years	1,441	1,349
Over 5 years	682	872
	2,780	2,782

Rental income recognised in the Statement of Comprehensive Income amounted to £746,000 (2014: £858,000).

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

The cost of the above properties as at 31 December 2015 is as follows:

	Group £'000
Brought forward	17,813
Additions during the year	359
Disposals during the year	(8,596)
	9,576

Capital commitments

Capital expenditure contracted for but not provided for in the financial statements for the Group was £16,000 (2014: £248,000) and for the Company was £nil (2014: £nil).

Movement in fair value of property investments

	Group	
	2015 £'000	2014 £'000
Realised losses on disposal of property	(158)	–
Decrease in fair value	(586)	(523)
Movement in fair value of property investments	(744)	(523)

Further information on the measurement of fair value can be found in note 27.

Notes to the Accounts – continued

12 TANGIBLE FIXED ASSETS

	Group		
	Motor Vehicles £'000	Leasehold Property £'000	Total £'000
Deemed cost			
As at 1 January 2015	–	–	–
Additions	98	–	98
Additions on acquisition of subsidiary	92	10	102
Disposals during the year	(36)	–	(36)
As at 31 December 2015	154	10	164
Depreciation			
As at 1 January 2015	–	–	–
Charge for the year	10	–	10
Disposals during the year	–	–	–
As at 31 December 2015	10	–	10
Net book value as at 31 December 2015	144	10	154
Net book value as at 31 December 2014	–	–	–

13 INTANGIBLE ASSETS

	Group			
	Goodwill £'000	Customer relationships £'000	Contracts £'000	Total £'000
Deemed cost				
As at 1 January 2015	–	–	–	–
Additions	2,942	3,072	574	6,588
As at 31 December 2015	2,942	3,072	574	6,588
Amortisation				
As at 1 January 2015	–	–	–	–
Charge for the year	–	–	–	–
As at 31 December 2015	–	–	–	–
Net book value as at 31 December 2015	2,942	3,072	574	6,588
Net book value as at 31 December 2014	–	–	–	–

All intangible assets relate to the acquisition of Aitchesse Limited on 23 November 2015. No amortisation has been provided for the period from 21 November 2015 to 31 December 2015 on the grounds that any charge will be immaterial.

14 NON CURRENT ASSETS – LONG TERM RECEIVABLES

On 22 September 2015, the sale of 25.8 acres gross of the site at Newton-le-Willows to Persimmon was completed. An initial payment of £944,610 was received and the balance of the consideration, at fair value, will be receivable in three tranches as follows:

	£'000
On 22 March 2017	2,012
On 22 March 2018	1,955
On 22 March 2019	1,949
	5,916

Notes to the Accounts – continued

14 NON CURRENT ASSETS – LONG TERM RECEIVABLES – continued

The total cash value of the deferred receipts is £6,305,000.

The discount rate applied was 2.77% being the average rate of borrowing on Persimmon's debt facilities.

15 OTHER INVESTMENTS

	Company	
Subsidiary undertakings	2015 £'000	2014 £'000
At 1 January	322	322
Additions	2,500	–
At 31 December	2,822	322

The subsidiary undertakings of Gresham House plc, all of which are registered in England, with the exception of Aitchesse Limited and PFP General Partner Limited which are registered in Scotland, are as follows:

	Held by Parent %	Held by other Group companies %
Aitchesse Limited	–	100
Chartermet Limited	–	75
Deacon Commercial Development and Finance Limited	75	25
Deacon Industrial Projects Limited	–	75
Deacon Knowsley Limited	–	75
Gresham House Asset Management Limited	100	–
Gresham House Capital Partners Limited	–	100
Gresham House EIS Limited	–	100
Gresham House Finance Limited	100	–
Gresham House Forestry Limited	–	100
Gresham House Holdings Limited	100	–
Gresham House Investment Management Limited	–	100
Gresham House Investors Limited	–	100
Gresham House Private Equity Limited	–	100
Gresham House Real Assets Limited	–	100
Gresham House Services Limited	–	100
Gresham House Smaller Companies Limited	–	100
Gresham House SPE Limited	–	100
Gresham House Special Situations Limited	–	100
Gresham House Value Limited	–	100
Gresham House VCT Limited	–	100
Knowsley industrial Property Limited	–	100
New Capital Developments Limited	–	75
New Capital Holdings Limited	–	75
Newton Estate Limited	–	100
PFP General Partners Limited	–	100
Security Change Limited	100	–
Watlington Investments Limited	100	–
Wolden Estates Limited	–	100

Notes to the Accounts – continued

16 TRADE AND OTHER RECEIVABLES

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Amounts receivable within one year:				
Trade receivables	665	88	–	–
Less allowance for credit losses	–	(4)	–	–
	665	84	–	–
Allowances for credit losses on trade receivables:				
Allowances as at 1 January	4	–	–	–
Changes during the year charged/(released) to Statement of Comprehensive Income:				
– allowances reversed	(4)	–	–	–
– additional allowances	–	4	–	–
Allowances as at 31 December	–	4	–	–

Trade and other receivables are assessed for impairment when older than 90 days. As at 31 December 2015, trade receivables of £73,000 (2014: £15,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
1-3 months	69	9	–	–
3-6 months	1	6	–	–
More than 6 months	3	–	–	–

As at 31 December 2015 trade receivables of £nil (2014: £4,000) were impaired and provided for. The ageing of these receivables is as follows:

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
1-3 months	–	–	–	–
3-6 months	–	–	–	–
6-12 months	–	1	–	–
More than 12 months	–	3	–	–

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.

17 OTHER CURRENT ASSETS

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Amounts owed by Group undertakings	–	–	11,568	7,245
	–	–	11,568	7,245

Notes to the Accounts – continued

18 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade creditors	265	120	–	–
Other creditors	1,913	119	53	70
Short term loan notes	667	–	667	–
Accruals	1,545	477	715	–
	4,390	716	1,435	70

19 CURRENT LIABILITIES – SHORT TERM BORROWINGS

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Bank overdrafts and short-term loans (secured)				
– property loans – within current liabilities	2,850	3,278	–	–
– other	–	–	26	–
	2,850	3,278	26	–

Property loans at 31 December 2015 amounted to £2,850,000 (2014: £3,278,000). The loan is from the Co-operative Bank and is secured against the property portfolio. This represents a loan to value of 30% against the overall property investments. Since the year end the loan has been refinanced, further details can be found in note 31.

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 of the Group, the deferred Persimmon proceeds and a floating charge over the assets of New Capital Developments Limited. In addition there is a cross guarantee in place with fellow subsidiary undertakings and an interest guarantee by the Company.

20 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 2015 (2014: £nil) due to the availability of losses and indexation allowances. The potential deferred taxation asset of £1.2 million (2014: £2.8 million) has not been recognised in these financial statements.

21 NON-CURRENT LIABILITIES – OTHER CREDITORS

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Deferred consideration (note 4)	2,726	–	–	–
Other creditors	31	–	–	–
	2,757	–	–	–

22 SHARE CAPITAL

Share Capital	2015 £'000	2014 £'000
Allotted: Ordinary – 9,851,041 (2014: 9,343,390) fully paid shares of 25p each	2,463	2,336

On 20 November 2015 the Company issued 507,522 new ordinary shares at a price of 357.5p per share as part of the acquisition consideration for Aitchesse Limited. Additionally, 129 shareholder warrants were exercised during the year at a price of 323.27p

Notes to the Accounts – continued

23 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.

There were no share based payments in the year (2014: £255,000).

There were no warrants issued in the year (2014: £64,000). During the year, 129 shareholder warrants were converted into ordinary shares resulting in the issue of 129 new ordinary shares (2014: nil).

24 RESERVES

	2015			2014		
Group	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	12,508	64	12,934	2,302	–	16,680
Loss and total comprehensive income	–	–	(3,807)	–	–	(4,753)
Transfer of non-controlling interest deficit	–	–	(24)	–	–	752
Issue of shares	1,688	–	–	10,206	64	–
Cancellation of share premium	(12,508)	–	12,508	–	–	255
As at 31 December	1,688	64	21,611	12,508	64	12,934

	2015			2014		
Company	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	12,508	64	6,946	2,302	–	10,377
Loss and total comprehensive income	–	–	(2,515)	–	–	(3,686)
Issue of shares	1,688	–	–	10,206	64	–
Cancellation of share premium	(12,508)	–	12,508	–	–	255
As at 31 December	1,688	64	16,939	12,508	64	6,946

Non-controlling interest:	2015 £'000	2014 £'000
Balance as at 1 January	–	–
Interest in trading result for the year	51	307
Interest in movement in investment property for the year	(75)	445
Transfer deficit balance	24	(752)
	–	–

Notes to the Accounts – continued

24 RESERVES – continued

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

25 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 9,851,041 (2014: 9,343,390) 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.

	£'000
The movement during the year of the assets attributable to ordinary shares were as follows:	
Total net assets attributable at 1 January 2015	27,842
Total recognised losses for the year	(3,831)
Issue of shares	1,815
Total net assets attributable at 31 December 2015	25,826

26 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Net loss after exceptional items	(2,602)	(1,293)	(2,181)	(882)
Interest payable	137	146	–	–
Depreciation	10	–	–	–
Profit on disposal of tangible fixed assets	(6)	–	–	–
Share based payments	–	255	–	255
	(2,461)	(892)	(2,181)	(627)
(Increase)/decrease in current assets	(343)	(136)	136	(137)
Increase/(decrease) in current liabilities	778	(40)	698	56
	(2,026)	(1,068)	(1,347)	(708)

27 FINANCIAL INSTRUMENTS

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

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

(i) securities consisting of listed and unlisted equity shares;

(ii) a secondary portfolio of listed and unlisted fixed income securities;

(iii) cash, liquid resources and short term debtors and creditors that arise directly from its operational activities;

(iv) short term and long-term borrowings.

Notes to the Accounts – continued

27 FINANCIAL INSTRUMENTS – continued

As at 31 December 2015 the following categories of financial instruments were held by:-

Group:

	2015		2014	
Financial assets per Statement of Financial Position	Loans and receivables £'000	Assets at fair value through comprehensive income £'000	Loans and receivables £'000	Assets at fair value through comprehensive income £'000
Investments – securities	1,411	157	1,411	1,544
Trade and other receivables – current and non current	665	5,916	84	–
Accrued income	454	–	638	–
Cash and cash equivalents	4,390	–	11,209	–
	6,920	6,073	13,342	1,544

	2015		2014	
Financial liabilities per Statement of Financial Position	Other financial liabilities £'000	Liabilities at fair value through comprehensive income £'000	Other financial liabilities £'000	Liabilities at fair value through comprehensive income £'000
Trade and other payables – short term*	4,390	–	716	716
Property loans – short term	2,850	–	3,278	3,278
Other creditors – long term	31	2,726	–	–
	7,271	2,726	3,994	3,994

* £1,765,000 (2014: £18,000) of corporation tax, PAYE and VAT payable is included within trade and other payables.

Company:

	2015		2014	
Financial assets per Statement of Financial Position	Loans and receivables £'000	Assets at fair value through comprehensive income £'000	Loans and receivables £'000	Assets at fair value through comprehensive income £'000
Investments – securities	1,411	157	1,411	1,544
Accrued income	383	–	519	–
Amounts owed by Group undertakings	11,568	–	7,245	–
Cash and cash equivalents	372	–	10,883	–
	13,734	157	20,058	1,544

	2015		2014	
Financial liabilities per Statement of Financial Position	Other financial liabilities £'000	Liabilities at fair value through comprehensive income £'000	Other financial liabilities £'000	Liabilities at fair value through comprehensive income £'000
Trade and other payables – short term	1,435	–	70	70
Other loans – short term	26	–	–	–
Other creditors – long term	–	2,726	–	–
	1,461	2,726	70	70

Notes to the Accounts – continued

27 FINANCIAL INSTRUMENTS – continued

The carrying value of loans and receivables and other financial liabilities are not materially different to their fair values. The Group's activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The main risks to which the Group is exposed are market price risk, credit risk, interest rate risk and liquidity risk. The nature and extent of the financial instruments outstanding at the Statement of Financial Position date and the risk management policies employed by the Group are summarised below.

Market price risk
Market price risk is the risk that changes in market prices will adversely affect the Group's income due to a decline in the underlying value of assets under management, resulting in lower fees.

The objective of market price risk management is to manage and control market price exposure, while optimising the return on risk. The Group manages a single strategy equity fund. Forestry assets management fees are not linked directly to market prices.

At 31 December 2015 UK equities represented 58%% (2014: nil) of the Group's equity assets under management. Approximately 41.2% (2014: nil) related to cash and other assets. The remainder was invested in property, alternative investments and resources. If the value of the equity component of the holdings was to reduce by 10% in value, the impact on net revenue over 12 months would be a reduction of £32,000 (2014: £nil).

Market price risk arises from uncertainty about the future prices of financial instruments held within the Group's portfolio. It represents the potential loss that the Group might suffer through holding market positions in the face of market movements. The investments in equity and fixed interest stocks of unquoted companies are not traded and as such the prices are more uncertain than those of more widely traded securities.

Unquoted investments are valued as per accounting policy (j) in these financial statements. Regular reviews of the financial results, combined with close contact with the management of these investments, provides sufficient information to support these valuations.

Credit risk
Credit risk is the risk that the counterparty will fail to discharge an obligation or commitment that it has entered into with the Group.

The Group's maximum exposure to credit risk is:

	2015 £'000	2014 £'000
Loan stock investments	1,411	1,411
Trade and other receivables – long term	5,916	–
Trade and other receivables – short term	665	84
Accrued income	454	638
Cash and cash equivalents	4,390	11,209
	12,836	13,342

The Group has an exposure to credit risk in respect of both loan stock investments and other loans, most of which have no security attached to them, or where they do, such security will rank after any bank debt. The Company's exposure to credit risk is restricted to investments, cash and cash equivalents, other loans, amounts owed by Group undertakings and accrued income totalling £13,734,000 (2014: £21,602,000).

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.

Notes to the Accounts – continued

27 FINANCIAL INSTRUMENTS – continued

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

		2015 £'000	2014 £'000
(a) Loan stock investments			
Repayable within:-	1 year	–	–
	1-2 years	945	–
	2-3 years	–	1,411
	3-4 years	466	–
	4-5 years	–	–
		1,411	1,411

As at 31 December 2015 Loan Stock investments totalling £423,000 (2014: £423,000) were impaired and provided for.

As at 31 December 2015 other loans totalling £196,000 (2014: £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.

The interest rate exposure profile of the Group's financial assets and liabilities as at 31 December 2015 and 2014 were:

Group:

As at 31 December 2015	Non interest bearing assets/ liabilities £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liability loans £'000	Floating rate liability loans £'000	Net total £'000
Investments - securities	52	1,516	–	–	–	1,568
Cash	–	–	4,390	–	–	4,390
Trade and other receivables	665	–	–	–	–	665
Accrued income	454	–	–	–	–	454
Creditors						
– falling due within 1 year	(3,723)	–	–	(667)	(2,850)	(7,240)
– falling due after 1 year	(2,726)	–	–	(31)	–	(2,757)
	(5,278)	1,516	4,390	(698)	(2,850)	(2,920)

Notes to the Accounts – continued

27 FINANCIAL INSTRUMENTS – continued

As at 31 December 2014	Non interest bearing assets/ liabilities £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liability loans £'000	Floating rate liability loans £'000	Net total £'000
Investments - securities	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)
	1,444	1,517	11,209	–	(3,278)	10,892

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% (2014: 9.9%).

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

Fixed rate liabilities include hire purchase contracts and short term loan notes.

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

The interest rate exposure profile of the Company's financial assets and liabilities as at 31 December 2015 and 2014 were:

Company:

As at 31 December 2015	Non interest bearing assets/ liabilities £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liability loans £'000	Floating rate liability loans £'000	Net total £'000
Investments - securities	52	1,516	–	–	–	1,568
Cash	–	–	372	–	–	372
Accrued income	383	–	–	–	–	383
Owed by Group undertakings	11,568	–	–	–	–	11,568
Creditors						
– falling due within 1 year	(768)	–	–	(667)	–	(1,435)
– falling due after 1 year	(2,726)	–	–	–	–	(2,726)
	8,509	1,516	372	(667)	–	9,730

As at 31 December 2014	Non interest bearing assets/ liabilities £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liability loans £'000	Floating rate liability loans £'000	Net total £'000
Investments - securities	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)
	10,912	1,517	10,883	–	–	23,312

Notes to the Accounts – continued

27 FINANCIAL INSTRUMENTS – continued

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:

	2015 Profit and net assets	2014 Profit and net assets
If interest rates were 0.5% lower with all other variables constant – increase (£'000)	14	16
Increase in earnings and net asset value per ordinary share (pence)	0.14	0.18
If interest rates were 0.5% higher with all other variables constant – decrease (£'000)	(14)	(16)
Decrease in earnings and net asset value per ordinary share (pence)	(0.14)	(0.18)

Liquidity risk

The investments in equity investments in 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.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2015	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Bank borrowings	2,890	–	–
Trade payables	265	–	–
Accruals	1,545		
Contingent consideration	–	–	2,726
Short term loan notes	667		
Other creditors	1,944		
	7,311	–	2,726

As at 31 December 2014	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Bank borrowings	3,322	–	–
Trade payables	120	–	–
Accruals	477		
Other creditors	119	–	–
	4,038	–	–

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.

Notes to the Accounts – continued

27 FINANCIAL INSTRUMENTS – continued

The capital structure of the Group and Company consist of short term borrowings as disclosed in note 19, 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 22 to 24. 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	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Debt	(2,850)	(3,278)	–	–
Cash and cash equivalents	4,390	11,209	372	10,883
Net cash	1,540	7,931	372	10,883
Net cash as a % of net assets	6.0%	28.5%	1.8%	49.8%

Valuation inputs

IFRS 13 – Fair value measurement - requires an entity to classify its financial assets and liabilities held at fair value according to a hierarchy that reflects the significance of observable market inputs. The classification of these assets and liabilities is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined below.

Quoted market prices – Level 1
Financial instruments, the valuation of which are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs – Level 2
Financial instruments that have been valued using inputs other than quoted prices as described for level 1 but which are observable for the asset or liability, either directly or indirectly.

Valuation technique using significant unobservable inputs – Level 3
Financial instruments, the valuation of which incorporate significant inputs for the asset or liability that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or analytical techniques.

For investment properties the significant unobservable inputs used in the valuation at 31 December 2015 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 (j) (iii) and (iv).

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

Notes to the Accounts – continued

28 FAIR VALUE MEASUREMENTS

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

Group:

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

	31 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	–
	18,219	1,103	17,116

Company:

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

	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	–
	1,544	1,103	441

Notes to the Accounts – continued

28 FAIR VALUE MEASUREMENTS – continued

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

Group:

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

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

Company:

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

Notes to the Accounts – continued

28 FAIR VALUE MEASUREMENTS – continued

31 December 2014	Investments – securities £'000	Trading securities £'000	Total £'000
Opening balance	758	–	758
Total gains or losses:			
In statement of comprehensive income	(317)	–	(317)
Purchases	–	–	–
Sales	–	–	–
Closing balance	441	–	441
Total gains or losses for the period included in statement of comprehensive income for assets held at the end of the reporting period	(317)	-	(317)

The only financial liability held at fair value relates to the deferred consideration on the acquisition of Aitchesse amounting to £2,726,000. This is measured using level 3 valuation techniques. There are no such financial liabilities held at fair value within the Company.

Price risk sensitivity

Based on values as at 31 December 2015 a 10% movement in the fair values of the Group's equity and direct property investments would be equivalent to a movement of £972,000 in both comprehensive income and net assets.

29 RELATED PARTY TRANSACTIONS

Group

During the year management fees totalling £126,596 (2014: £nil) were invoiced to Gresham House Strategic plc ("GHS"), a company in which the Group has a 19.2% interest. At the year-end £151,916 (2014: £nil) was due from GHS.

Company

During the year, Security Change Limited advanced loans totalling £550,736 (2014: £672,149) to Gresham House plc. At the year-end £26,115 was owed to (2014: £524,621 owed by) Security Change Limited.

During the year Gresham House plc advanced £nil (2014: £nil) to Watlington Investments Limited. At the year-end £8,500,000 (2014: £8,500,000) was owed by Watlington Investments Limited, against which a provision of £1,629,000 (2014 £1,780,000) has been made. No interest was charged during the year (2014: £nil).

During the year Gresham House plc advanced loans totalling £4,321,977 (2014: £nil) to Gresham House Holdings Limited. At the year-end £4,321,977 (2014: £nil) was owed by Gresham House Holdings Limited.

During the year the Company charged management fees totalling £397,020 (2014: £nil) to Gresham House Asset Management Limited. At the year end £375,406 (2014: £nil) was owed by Gresham House Asset Management Limited.

Gresham House plc has given an interest shortfall guarantee over the bank loan held by a subsidiary undertaking. In addition the Company has £105,000 of cash held in interest deposit accounts to satisfy bank loan covenants.

30 SEGMENTAL REPORTING

For the year ended 31 December 2014 the Group's policy was to invest in both securities and commercial properties.

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

Notes to the Accounts – continued

30 SEGMENTAL REPORTING – continued

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

Accordingly management reporting for the year ended 31 December 2015 is split on this basis under the headings "investment", "property", "asset management" and "forestry". 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.

31 December 2015

	Investment £'000	Property Investment £'000	Asset Management £'000	Forestry £'000	Elimination £'000	Consolidated £'000
Revenue						
External income	215	773	126	206	–	1,320
Inter – segment income	517	–	–	–	(517)	–
Total revenue	732	773	126	206	(517)	1,320
Gains and losses on investments at fair value	(485)	–	–	–	–	(485)
Movement on property investments at fair value	–	(744)	–	–	–	(744)
Total income and gains	247	29	126	206	(517)	91
Segment expenses	–	(339)	(134)	(138)	–	(611)
Inter – segment expense	–	(120)	(397)	–	517	–
Finance costs	–	(144)	–	–	–	(144)
Segment (loss)/profit	247	(574)	(405)	68	–	(664)
Unallocated corporate expenses						(3,205)
Operating loss						(3,869)
Interest income						38
Loss before taxation						(3,831)

Notes to the Accounts – continued

30 SEGMENTAL REPORTING – continued

31 December 2014

	Investment £'000	Property Investment £'000	Elimination £'000	Consolidated £'000
Revenue				
External income	301	864	–	1,165
Inter – segment income	128	–	(128)	–
Total revenue	429	864	(128)	1,165
Gains and losses on investments at fair value	(2,185)	–	–	(2,185)
Movement on property investments at fair value	–	(523)	–	(523)
Total income and gains	(1,756)	341	(128)	(1,543)
Segment expenses	–	(516)	–	(516)
Inter – segment expense	–	(128)	128	–
Finance costs	–	(209)	–	(209)
Segment (loss)/profit	(1,756)	(512)	–	(2,268)
Unallocated corporate expenses				(1,740)
Operating loss				(4,008)
Interest income				7
Loss before taxation				(4,001)

Other information

31 December 2015

	Investment £'000	Property Investment £'000	Asset Management £'000	Forestry £'000	Unallocated £'000	Consolidated £'000
Segment assets	15,101	17,157	2,477	1,154	–	35,889
Segment liabilities	(4,717)	(4,733)	(7)	(606)	–	(10,063)
	10,384	12,424	2,470	548	–	25,826
Capital expenditure	6,361	359	–	53	–	6,773
Depreciation	–	3	–	1	–	4
Non-cash expenses other than depreciation	–	–	–	–	–	–

31 December 2014

	Investment £'000	Property Investment £'000	Unallocated £'000	Consolidated £'000
Segment assets	14,622	17,214	–	31,836
Segment liabilities	(287)	(3,707)	–	(3,994)
	14,335	13,507	–	27,842
Capital expenditure	10	498	–	508
Depreciation	–	–	–	–
Non-cash expenses other than depreciation	–	–	255	–

All non-current assets are located within the United Kingdom.

Notes to the Accounts – continued

31 POST BALANCE SHEET EVENTS

The following key events happened after the year-end:

Group reorganisation

The Group put in place a reorganisation of its subsidiaries.

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

As a part of the reorganisation, intercompany balances within the Group were rationalised. The effects of the transactions underlying the reorganisation will be reported in the 2016 statutory accounts of the subsidiaries concerned.

GHHL will be the vehicle through which the Group's long-term incentive plan is organised.

Debt facility

On 12 April 2016, the Group signed a new £7 million banking facility with Kleinwort Benson Bank Limited. The borrowing is secured against the Group's property assets and the deferred proceeds of the sale of the Newton-le-Willows site to Persimmon Homes Limited ("Persimmon") announced last September.

The facility will be repayable in three tranches to match the deferred proceeds due from Persimmon, over the next three years.

Part of the funding was used to repay the Co-operative Bank facility of £2.85 million and pay down the £0.67 million short-term loan notes issued in connection with the acquisition of Aitchesse Limited. The balance of the proceeds, consistent with supporting the growth strategy, will be available for general working capital and investment purposes.

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 Travers Smith LLP, 10 Snow Hill, London EC1A 2AL on 15 June 2016 at 11.00 am for the purpose of considering and (if thought fit) passing the Resolutions set out below of which Resolutions 1 to 6 will be proposed as ordinary resolutions and Resolutions 7 and 8 will be proposed as special resolutions.

ORDINARY RESOLUTIONS

1. To receive and adopt the accounts for the year ended 31 December 2015 together with the directors' report and the report of the auditor;

2. To re-elect as a director Mr Chadwick 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 Dalwood who retires in accordance with the Company's articles of association and offers himself for re-election;

4. To appoint BDO LLP as the Company's auditor in accordance with Section 489 of the Companies Act 2006 (the "Act"), to hold office from the conclusion of the Meeting until the conclusion of the next annual general meeting;

5. To authorise the directors to fix the remuneration of the auditors;

6. That the directors be generally and unconditionally authorised for the purposes of section 551 of 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 £821,014.33; and

   (b) allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £1,642,028.66 (such amount to be reduced by the nominal amount of any shares allotted or rights granted under paragraph (a) of this resolution 6) in connection with an offer by way of a rights issue 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 or any agreement to allot shares entered into pursuant to such previous authorities) 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.

SPECIAL RESOLUTIONS

7. That, subject to the passing of resolution 6 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 6 above; or

   (b) where the allotment constitutes an allotment by virtue of section 560(2)(b) of the Act,

Notice of Meeting – continued

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 6, 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;

(ii) the allotment of equity securities, other than pursuant to paragraph (i) above of this resolution, up to an aggregate nominal amount of £123,152; and

(iii) the allotment of equity securities, other than pursuant to paragraph (i) above of this resolution, up to an aggregate nominal amount of £123,152 (in addition to the amount of £123,152 pursuant to sub-paragraph (ii)) in connection with an acquisition or specified capital investment.

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.

8. 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 985,217;

(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,
B J Hallett *Secretary*
18 April 2016

5 New Street Square
London EC4A 3TW

Notice of Annual General Meeting – Explanatory Notes

The following notes give an explanation of the proposed resolutions.

Resolution 1 to 6 (inclusive) are proposed as Ordinary Resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 7 and 8 are proposed as Special Resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

The directors consider the passing of all of the resolutions to be in the best interests of the Company and its shareholders and accordingly recommend that you vote in favour of these resolutions as they intend to do so in respect of their own shareholdings.

Resolution 1 – Receiving the Account and Reports

At the Meeting, the directors will present to the shareholders the annual accounts, together with the directors' reports and auditors' reports on the accounts, for the financial year ended 31 December 2015.

Resolutions 2 and 3 - Re-election of Directors

The articles of association of the Company require certain of the directors to retire by rotation at each Annual General Meeting. At the Meeting, Richard Chadwick and Anthony (Tony) Dalwood will retire. Each of Richard and Tony is offering himself for re-election and resolutions 2 and 3 propose their re-election as directors.

Brief biographies of the directors are set out on page 25 of the Annual Report and Accounts.

Resolution 4 – Re-appointment of Auditors

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

Resolution 5 – Auditors' Remuneration

This resolution authorises the directors to fix the auditors' remuneration.

Resolution 6 – Authority to allot shares or grant subscription or conversion rights

The resolution asks shareholders to grant the directors authority under section 551 Companies Act 2006 to allot shares or grant such subscription or conversion rights as are contemplated by sections 551(1)(a) and (b) respectively of the Companies Act 2006 up to a maximum aggregate nominal value of £1,642,028.66, being approximately two thirds of the nominal value of the issued ordinary share capital of the Company as at 18 April 2016. As at 18 April 2016, the Company held no treasury shares.

£821,014.33 of this authority is reserved for a fully pre-emptive rights issue. This is the maximum permitted amount under best practice corporate governance guidelines. The authority will expire at the next Annual General Meeting or the date falling 15 months from the passing of the resolution, whichever is earlier. The directors consider it important to have the maximum ability and flexibility commensurate with good corporate governance guidelines to raise finance to enable the Company to respond to market development and conditions. Any allotment of any agreement to allot shares entered into pursuant to previous authorities remains valid. The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 25 June 2015.

The directors have no present intention of exercising such authority.

Resolution 7 – Disapplication of pre-emption rights

If the directors wish to allot new shares or other equity securities for cash, the Companies Act 2006 requires that such shares or other equity securities are offered first to existing shareholders in proportion to their existing holding. The allotment of equity securities as referred to in this resolution includes the sale of any shares which the Company holds in treasury following a purchase of its own shares.

Resolution 7 asks shareholders to grant the directors (i) a general authority to allot equity securities for cash up to an aggregate nominal value of £123,152 (being 5% of the Company's issued ordinary share capital as at 18 April 2016) without first offering the securities to existing shareholders (the "General Authority").

Notice of Annual General Meeting – Explanatory Notes – continued

There are currently no treasury shares in existence.

The Board intends to adhere to the provisions in the Pre-Emption Group's Statement of Principles, as updated in March 2015 (the "Statement of Principles"), and not to allot shares for cash on a non-pre-emptive basis pursuant to the General Authority:

(i) in excess of an amount equal to 5 per cent of the total issued ordinary share capital of the Company excluding treasury shares; or

(ii) in excess of an amount equal to 7.5 per cent of the total issued ordinary share capital of the Company excluding treasury shares within a rolling three-year period, without prior consultation with shareholders.

In addition to the renewal of the General Authority which was previously granted at the Annual General Meeting held on 25 June 2015, Resolution 7 also seeks a further authority to grant the directors authority to allot equity securities for cash up to an aggregate nominal value of £123,152 (being 5% of the Company's issued ordinary share capital as at 18 April 2016) without first offering the securities to existing shareholders in relation to an acquisition or specified capital investment (the "Acquisition Authority"). This further authority is consistent with the Statement of Principles. It is the Company's intention that such authority would only be used in connection with an acquisition or a specified capital investment which the Company would announce at the same time as it announces the issue of shares in reliance on such authority.

The resolution also disapplies the statutory pre-emption provisions in connection with a rights issue only in relation to the amount permitted under Resolution 6 allowing the directors to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems which might arise.

The authority will expire at the next Annual General Meeting or the date falling 15 months from the passing of the resolution, whichever is earlier. The resolution replaces a similar resolution passed at the Annual General Meeting of the Company held on 25 June 2015.

Resolution 8 - Purchases of own shares by the Company

Resolution 8 seeks authority from shareholders for the Company to make market purchases of its own ordinary shares, such authority being limited to the purchase of 10% of the ordinary shares in issue as at 18 April 2016. The maximum and minimum prices payable are also limited in the resolution. The authority will only be exercised if the directors consider that there is likely to be a beneficial impact on earnings per ordinary share and that it is in the best interests of the Company at the time. The resolution renews a similar resolution passed at the Annual General Meeting of the Company held on 25 June 2015. The Company will be able to hold the ordinary shares which have been repurchased as treasury shares and re-sell them for cash, cancel them or use them for the purposes of its employee share schemes.

Notes to the Notice of Meeting

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001(as amended), the Company specifies that only those members registered on the Company's register of members at:

   - 6.00pm on 13 June 2016; 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 Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person").

4. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.

5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:

   - completed and signed;
   - sent or delivered to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA; and
   - received by Neville Registrars no later than 11.00 am 13 June 2016.

   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.

Notes to the Notice of Meeting – continued

Appointment of proxies through CREST

7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's "(EUI)" specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent Neville Registrars (ID 7RA11) by 11.00 am 13 June 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

Changing proxy instructions

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. Telephone 0121 585 1131 (lines are open Mon-Fri 9.00 am – 5.00 pm) or from overseas +44 121 585 1131.

   If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

9. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by a director or duly authorised officer or attorney. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

   The revocation notice must be received by Neville Registrars no later than 11.00 am 13 June 2016.

   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.

Notes to the Notice of Meeting – continued

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Joint holders of shares

10. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

Availability of documents

11. Copies of the terms and conditions of appointment of the non-executive directors are available for inspection at the registered 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 18 April 2016, being the last business day prior to the publication of this notice, the Company's issued share capital comprised 9,852,172 ordinary shares of 25 pence, carrying one vote each. Therefore, the Company's total voting rights as at 18 April 2016 are 9,852,172.

Communication

13. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):

    - calling our shareholder helpline on 0121 585 1131, (lines are open Mon-Fri 9.00 am – 5.00 pm) or from overseas +44 121 585 1131.

    You may not use any electronic address provided either:

    - in this notice of Meeting; or
    - any related documents (including the Chairman's letter and proxy form),

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

Information to be published

14. The information required to be published by section 311(A) of the Act (information about the contents of this notice and numbers of shares in the Company and voting rights exercisable at the Meeting and details of any members' statements, members' resolutions and members' items of business received after the date of this notice) may be found at www.greshamhouse.com.

15. Members representing 5% or more of the total voting rights of all the members or at least 100 persons (being either members who have a right to vote at the Meeting and hold shares on which there has been paid up an average sum, per member, of £100 or persons satisfying the requirements set out in section 153(2) of the Act) may require the Company, under section 527 of the Act, to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The business which may be dealt with at the Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

Notes to the Notice of Meeting – continued

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.