Since 1857
Gresham House
Specialist asset management

Specialists in sustainable alternatives

Gresham House plc
Annual Report and Accounts
as at 31 December 2020

Purpose & values

Our purpose

Deliver effective and alternative investment solutions to ensure clients achieve their financial objectives whilst making a meaningful contribution to advancing the world's transition to a more sustainable way of life.

About us

Gresham House is a specialist alternative asset manager. We provide investors with a range of investment products, across real assets and public and private equity. Our investment solutions aim to meet investors long-term objectives whilst also positively contributing to society and our environment.

We are creating an asset to covet, for shareholders, clients and our employees, delivering value both through financial returns and our focus on sustainability.

Our values

→ **Ambitious:** We are driven, ambitious and reflective. We take decisions based on robust analysis and in-depth research, whilst always ensuring we look back on our results with a critical eye to understand how to improve.

→ **Authentic:** We are committed to building a sustainable future through authentic alignment of our actions to our purpose, including implementation, monitoring and reporting. We pride ourselves on being honest about our key strengths whilst understanding where improvements are needed.

→ **Collaborative:** We work together for the long-term benefit of our clients, shareholders and society. We also work proactively with management teams and key stakeholders to instigate positive change.

→ **Dynamic:** We act with purpose and urgency and are dedicated to creating shareholder and investor value through effective investment solutions that tackle some of the many environmental and social challenges.

→ **Empowered:** We have created a culture of empowerment that encourages individual flair and entrepreneurial thinking. This enables us to design and implement creative investment solutions with the end goal of building a sustainable future for all our stakeholders.

→ **Meritocratic:** We recognise and develop talent from a range of backgrounds to help us innovate, be forward thinking and ultimately deliver the best for all our stakeholders.

Financial highlights

- Robust AUM growth of 42% to £4.0 billion (2019: £2.8 billion), with organic growth of £1.0 billion (35%) under challenging conditions
- Strong net core income growth of 29% to £40.8 million (2019: £31.7 million) and growth in adjusted operating profit of 17% to £12.1 million (2019: £10.3 million)
- Final dividend proposed to increase by 33% to 6.0 pence (2019: 4.5 pence)

Assets under management
(as at 31 December 2020)

£4.0bn
+42%

Net core income
(for the year to 31 December 2020)

£40.8m
+29%

Adjusted operating profit
(for the year to 31 December 2020)

£12.1m
+17%

Total comprehensive net income
(for the year to 31 December 2020)

£0.8m

Dividend
(pence)

6.0
+33%

Strategic highlights

- Good progress in first year of GH25 five-year strategic plan.
- Embedded Sustainable Investing approach across each area of the business including development of our Sustainable Investing Committee and ESG decision tools, with recognition through A and A+ Principles for Responsible Investment scores and the Green Economy Mark from the London Stock Exchange.
- Forestry division planted 9.0 million trees in 2020. Carbon dioxide sequestration across the forestry portfolio totalled approximately 35 million tonnes as at the end of December 2020. It is estimated that 1.5 million tonnes of CO2 was absorbed in 2020.
- International presence enhanced by the announcement of the acquisition of Appian Asset Management, the EU based Irish regulated asset manager, subject to regulatory approval in 2021.
- Enhanced client base, with six of the ten largest UK Local Government Pension Schemes investing in funds managed by Gresham House.
- COVID-19 pandemic resilience, with no team members furloughed or use of the Coronavirus Business Interruption Loan Scheme.
- Continued investment in the team to grow the business in identified areas of strong growth potential.

Specialists in sustainable alternatives

We are a specialist alternative asset management group, dedicated to sustainable investments across a range of strategies, with expertise covering forestry, housing, infrastructure, renewable energy, battery storage, public and private equity.

Who we are

Our origins stretch back to 1857, while our focus is on the future and the long term. Quoted on the London Stock Exchange (GHE:LN) we actively manage assets on behalf of institutions, family offices, charities and endowments, private individuals and their advisers. We act responsibly within a culture of empowerment that encourages individual flair and entrepreneurial thinking.

As a signatory to the UN-supported Principles for Responsible Investment (PRI), our vision is to always make a positive social or environmental impact, while delivering on our commitments to shareholders, employees and investors.

- We offer funds, direct investments and tailored opportunities, including co-investment, across a range of sustainable strategies.
- We have created a specialist asset management business in the growing sustainable alternative investment space, focused on delivering results for both clients and shareholders.

Financial Overview

Assets under management
as at 31 December 2020

£4.0bn

+42%

2018	£2.3bn
2019	£2.8bn
2020	**£4.0bn**

Adjusted operating profitability
for year to 31 December 2020

£12.1m

+17%

2018	£3.0m
2019	£10.3m
2020	**£12.1m**

Divisions and Strategies

Strategic Equity

Targeting superior long-term returns in a range of public and private equity investments, by applying an active private equity approach, engaging with companies and employing rigorous due diligence and developing a deep understanding of each investment.

Public Equity — £508m AUM

As long-term investors with a focus on small and micro-cap companies in the UK equity market, we are active stock pickers applying a private equity approach to quoted equities. We offer a range of investments including our open-ended equity funds, listed strategic public equity investment trusts and limited partnership vehicles.

- Gresham House Strategic plc
- Gresham House Strategic Public Equity LP
- LF Gresham House UK Micro Cap Fund
- LF Gresham House UK Multi Cap Income Fund
- LF Gresham House UK Smaller Companies Fund
- Strategic Equity Capital plc

Private Equity — £412m AUM

Gresham House's Private Equity strategy offers investors access to entrepreneurial, high growth, earlier stage and lower mid-market private companies. We specialise in scaling software and digitally-driven businesses in the healthcare, consumer and services sectors.

- Baronsmead Venture Trust plc
- Baronsmead Second Venture Trust plc

Strategic Equity AUM

£920m

+30%

Strategic Equity Net core income

£13.2m

+8%

Read more about Strategic Equity
See pages 30-33

Real Assets

Our range of real assets provide investment products protection from inflation through proven, long-term sustainable, asset-backed investments. In many cases, they can also provide uncorrelated returns to equity markets as well as diversified sources of income.

Forestry — £1,811m AUM

A real asset class that diversifies an investment portfolio and provides exposure to both timber and underlying land value growth. The team seeks attractive long-term returns, uncorrelated to traditional debt and equity asset classes, and underpinned by the biological growth of the trees.

Investments can provide a regular income yield in a tax-efficient manner.

- Gresham House Sustainable Timber and Energy LP
- Gresham House Forest Fund I LP
- Gresham House Timberland LP
- The Forestry Partnership 2008 LLP
- Gresham House Forestry Fund LP
- Managed accounts

New Energy & Sustainable Infrastructure — £932m AUM

Our New Energy & Sustainable Infrastructure investments are focused on transformative technologies and industries that we believe will deliver strong financial returns alongside supporting the transition to a more sustainable world. They address key sustainability challenges and provide innovative solutions that enable a new, more sustainable, way of living, and can be accessed through listed vehicles, Alternative Investment Funds (AIF) or direct investments.

- Gresham House Energy Storage Fund plc
- Gresham House Renewable Energy VCT 1 plc
- Gresham House Renewable Energy VCT 2 plc
- Gresham House Solar Distribution LLP
- Gresham House Wind Energy LP
- Gresham House Wind Energy 1 plc
- Gresham House BSI Infrastructure LP

Housing — £307m AUM

We offer long-term equity investments into UK housing, through listed and unlisted housing investment vehicles, each focused on addressing different areas of the affordable housing problem. Our investments aim to deliver stable and secure inflation-linked returns whilst providing social and environmental benefits to our residents, the local community and the wider economy.

- Gresham House BSI Housing LP
- Residential Secure Income plc (ReSI REIT)
- Gresham House Residential Secure Income LP (being launched in 2021)

Real Assets AUM

£3,050m

+46%

Real Assets Net core income

£27.6m

+42%

Read more about Real Assets
See pages 34-39

Delivering growth

Executing on our strategy to grow shareholder value through sustainable investment

Anthony Townsend
Chairman

Assets Under Management
at 31 December 2020

£4.0bn
+42%

Adjusted operating profit
for the year to 31 December 2020

£12.1m
+17%

2020 has unquestionably been one of the most challenging years we have seen, with the COVID-19 pandemic affecting global populations and economies on an unprecedented scale. However, despite the difficulties and uncertainty we faced, I am pleased to report yet another busy and productive year for Gresham House, in which we have made strong progress against GH25, our five-year growth plan, and demonstrated the resilience of our business. This is directly attributable to the quality and drive of the people within this business.

COVID-19

We entered the pandemic in a good position, with a strong balance sheet supported by the resilient nature of our assets and have continued to grow and outperform the market. Our operations have remained largely unaffected and stable throughout, thanks to the early and decisive action taken by management to protect the business and the impressive response of our talented team, as they adapted swiftly to new ways of working. We continue to prioritise their safety, health, and wellbeing, encouraging a culture of 'overcommunication' with colleagues and clients, and close team collaboration.

I am pleased that the Company, Management Committee and Directors donated £100,000 in aggregate to the Trussell Trust, a charity that works to end the need for food banks in the UK, and NHS Charities Together, as we aimed to support communities in need. In addition, we set up a Give As You Earn Scheme for all employees and the Company will match donations made.

Activity in the period

I am delighted to see the remarkable 42% growth in AUM over the past year, bringing us to £4.0 billion of AUM, demonstrating the attractive nature of our strategies.

Around £1.0 billion of this growth has been organic, which has been achieved through very strong fundraising success in a tough market across our strategies in housing, forestry, sustainable infrastructure and new energy – all vital to the UK Government's plans for a green economic recovery in the UK post the pandemic. In Strategic Equity we have also held up well against a difficult broader economic backdrop and grown our assets further, alongside winning the £150 million mandate for Strategic Equity Capital plc (SEC). Fundraising highlights across the year include the British Strategic Investment Fund (BSIF) hitting its £300 million target, the Gresham House Energy Storage Fund (GRID) raising £150 million, exceeding its target, the Baronsmead VCTs raising £57 million as well as the successful fund raise for Gresham House Forest Fund I LP.

We have also made good progress with acquisition-based growth, with the integration of TradeRisks, the fund management and debt advisory services group, boosting our Housing division and the recently announced acquisition of Appian Asset Management, which is subject to Central Bank of Ireland approval, ensuring a strengthened presence in Ireland to target growth in the post-Brexit world. TradeRisks has again shown the capability of this management team to add value through integration and execute on potential synergies.

Our performance has also been recognised by the industry and the market, as we appeared on twelve shortlists and won five awards including 'Boutique of the Year' in the Investment Week Specialist Fund Awards 2020 and, for a third year running, 'Best Alternative Investment Manager' in the WealthBriefing European Awards. I am particularly proud that we have continued to invest in the business, having recruited 21 new joiners in a tough, uncertain market.

Sustainability

It has been pleasing to see the progress we have made with embedding sustainability in every aspect of our business, as we achieved industry leading scores for our first submission to the Principles for Responsible Investment and were also awarded the Green Economy Mark by the London Stock Exchange. We have expanded the range of sustainability focused investment strategies with new opportunities including carbon credit and affordable housing investment platforms. Rebecca Craddock-Taylor, our Sustainable Investment Director who joined us in July 2020 is leading this process as we get ready to publish our inaugural Sustainable Investment Report. The culture within the Group is strong and positive with evidence of this coming through our employee survey.

Results

The growth that we have seen this year is noteworthy given the tough external backdrop. Net core income has increased by 29% to reach £40.8 million (2019: £31.7 million), while adjusted operating profit was £12.1 million, growing by 17% (2019: £10.3 million). Net comprehensive income is up to a profit of £0.8 million (2019: £0.8 million loss). Our robust balance sheet and the strong cash and net liquid asset positions have also provided us with the flexibility to continue the pursuit of our growth ambitions.

Dividend

We intend to increase the dividend for this year to 6.0 pence, an increase of 33% (2019: 4.5 pence), with the Board cognisant of striking a balance between continuing to invest in the business for growth and providing a progressive dividend policy. The dividend increase for the year reflects the positive long-term outlook we anticipate for the company.

Shareholders

We continue to welcome new shareholders to the register as we broaden our supportive shareholder base and it is pleasing to see the quality of that base, a reflection of the capital markets supporting our growth and management teams. As our market capitalisation has grown beyond the £250 million threshold, we have come a long way since the £12 million capitalisation at the time of the Management Buy-In a little over five years ago. Importantly, the senior management team has shown that it can generate organic growth alongside adding value by acquisitions.

Board

Richard Chadwick, our Senior Independent Director and Chairman of the Audit Committee, has served on the Board since June 2008. His knowledge of the Company's history prior to the advent of the current management team has been very useful and his continuity on the Audit Committee has been valuable during a period of considerable change. However, after nearly 13 years on the Board it is time to plan for his succession. I have therefore agreed with him that he should serve one more year, which will give us time to recruit a new Chairman of the Audit Committee and facilitate an orderly handover of his responsibilities; he will then retire at the conclusion of next year's AGM. In accordance with our Articles and the provisions of the QCA Corporate Governance Code Richard will therefore stand for re-election at this year's AGM.

Creating shareholder value

- Partnership with clients
- Long-term alignment
- Sustainable investment outperformance
- Attracting and retaining top talent

Outlook

As we commence 2021 still in lockdown, we continue to prioritise our employees' safety and wellbeing. We will continue to invest in the business, as we scale our platform, ensuring that we are resourced to match our ambitions. We are confident the year ahead will take us further on our journey to achieve our GH25 objectives.

Although COVID-19 continues to disrupt our daily lives, we approach the year ahead with optimism, and are excited about our growth trajectory, as our product offering and sustainable investment focus continue to provide attractive returns over the long-term whilst delivering shareholder value.

Gresham House operates in areas with strong opportunities for growth from increased allocation to alternative assets, underpinned by significant demand for sustainable investment, placing us in a position of long-term strength. We have witnessed the resilience of our business in 2020 and are confident that we will continue to grow in the coming year.

Anthony Townsend Chairman

10 March 2021

Investing in a Sustainable Future

Momentum in organic growth alongside strategic development

Tony Dalwood
Chief Executive

We have seen structural growth in the asset classes in which Gresham House invests

Introduction
In March 2020, we set out GH25, our ambitious strategic plan to generate shareholder value over the next five years, at that stage unaware of the full extent of the pandemic that would follow, resulting in a tumultuous period economically, socially and politically. I am pleased to say that the quality of our business has been highlighted in so many ways including the adaptability of our people to address these challenges. The subsequent actions and change in routine to achieve our clients' objectives have been something to be proud of, and importantly, momentum in profit growth alongside strategic development has continued.

Over this period, we have grown our AUM by 42% to £4.0 billion, in line with our ambitious plans. Of this growth, £1.0 billion (35%) was organic, through strong fundraising performances across both the Real Assets and Strategic Equity divisions, increasing the depth of the Group's institutional client base. We have also grown through selective acquisitions, including Appian Asset Management, subject to approval from the Central Bank of Ireland, and TradeRisks, a fund management business and specialist provider of debt structuring and advisory services to the housing and social infrastructure sectors. With the acquisition of Appian, we have accelerated our international expansion plans with the addition of a regulated EU-based platform post-Brexit. TradeRisks considerably enhances our Housing platform with the addition of a highly experienced team to help us build scale in this important area. We believe these are further examples of our approach to create shareholder value through complementary additions to the Gresham House platform, where target returns, business development plans and synergies are clear.

Throughout what has been both a difficult and highly disruptive period, to the market and to the business environment, we have remained cognisant that our companies, and our industry, are defined by the people who work within them. Our key assets are our people, and the effect that the COVID-19 situation continues to have on individuals and families financially, psychologically and socially, has been at the forefront of our minds. We have maintained a focus on team safety, through remote working and staggered working times in the office, and closely monitored the physical and mental health of the Gresham House family. I am proud of our team's dedication and response plus our ability to continue business as usual during such a difficult time. We continue to remain vigilant to the threat posed by the pandemic whilst focused on our client and shareholder objectives.

We have seen structural growth in the asset classes in which Gresham House invests, in terms of continued growth in institutional investor allocation to alternatives and growth in demand for ESG investment opportunities. A survey of institutional investors by CoreData found that 40% will increase their allocations to alternative investment strategies over the next three to five years. Equally, Mercer's 2020 survey of the European pension industry shows 88% of institutional investors now plan to integrate ESG into their investment policy.

ESG Considerations	2019	2020	Change
Investors considering ESG	55%	89%	▲
Investors complying with regulation	56%	84%	▲
Plans integrating ESG into investment policy	68%	88%	▲
Plans developing a set of ESG beliefs	19%	55%	▲

Source: Mercer 2020

As a consequence, we see a strong outlook for organic growth within the business, underpinned by structural growth in the demand for new energy, forestry, sustainable infrastructure, housing, early-stage technology companies and those targeting entrepreneurial growth. As we look to the year ahead, we do so with cautious optimism and the knowledge that we are well-positioned to benefit from structural growth in demand for our investments from clients across the spectrum of institutional, Family Office, High Net Worth and retail.

GH25

We believe the GH25 framework objectives will generate substantial shareholder value, resulting in Gresham House becoming an "asset to covet" for all stakeholders, shareholders, employees and clients. GH25 aims to double shareholder value over the five years to 2025. With sustainability at the heart of our strategy to generate long-term shareholder value, we aim to grow AUM to over £6.0 billion, increase operating margins to 40% and maintain target Returns on Invested Capital (ROIC) of 15% or above.

At the end of the first year of our strategic plan, we have increased AUM by £1.2 billion both organically and via acquisition, making solid progress towards our goal. This has included capturing synergies from the TradeRisks acquisition, which significantly enhances our ability to scale our housing platform, and we anticipate further synergies with the proposed acquisition of Appian Asset Management in Ireland.

We continue to invest substantially in the business, across all our platforms in areas where we see long-term sustainable opportunities to grow and subsequently benefit from the operational gearing.

We are also on track to maintain ROIC of 15% through the use of our balance sheet in the medium term. This has also been demonstrated in the performance of historic acquisitions. In 2020, this was further evidenced by balance sheet investments in battery storage projects through the wholly-owned subsidiary Gresham House Devco Limited, and its subsequent sales to Gresham House Energy Storage Fund plc (GRID).

We have continued to see superior returns from funds managed, with resilient performance in the LF Gresham House UK Micro Cap and LF Gresham House UK Multi Cap Income funds over 2020. In addition, forestry as an asset class continues to show very strong performance, with our forestry funds generating an average return of 15% in the last 12 months. We pride ourselves on our ability to manage funds which provide investors with diversification benefits during periods of market volatility.

Gresham House is a specialist in several niche investment areas and our market share in these continues to grow. We now have the largest battery storage investment trust in the UK in GRID, and we are the largest commercial forestry asset manager in the UK. These asset classes evidence how we can provide sustainable solutions to clients whilst growing the client base through capable investment, asset management and distribution talent.

Importantly, we are increasing our international footprint with the proposed acquisition of Appian Asset Management in Ireland and working on capturing a substantial carbon credit-based forestry opportunity in New Zealand. The acquisition of Appian expands our capabilities to develop existing strategies in Ireland, and further across Europe, with a particular focus on sustainable infrastructure, social housing, specialist equities and forestry.

We continue to enhance the Gresham House brand, with industry recognition and our broader profile in the media, including national broadcast media, and across social media, delivering our messages to the market directly and succinctly through showcasing our growing capabilities.

Sustainability

In 2020, we were pleased that our commitment to embedding ESG and sustainable investing across the Group was recognised by the London Stock Exchange, which awarded us the coveted Green Economy Mark in July. The Green Economy Mark is only awarded to listed companies that derive more than 50% of annual revenues from environmental solutions. We also received our first scores from the UN-supported Principles for Responsible Investment, with an A+ rating for Strategy & Governance, the highest possible score. Our investment strategies scored an A+ in Infrastructure, A in Public Equity and an A in Private Equity.

We have continued to invest in our leadership in this critical area with the hire of Rebecca Craddock-Taylor as Sustainable Investment Director, who has been working to develop and embed existing sustainable investment policies across both the Real Assets and Strategic Equity divisions. In 2020, we codified our approach to sustainable investment with the establishment of a Sustainable Investing Committee under Rebecca's leadership. This committee comprises senior representatives across the company and ensures delivery against the sustainable investment policies that are embedded across each stage of the investment lifecycle. It also sets the culture for sustainability at Gresham House from the top.

We lead by example and sustainability now forms part of every employee's objectives so that it permeates every aspect of the business. In 2020, we hosted our first webinar on our approach to sustainable investment, providing examples of the application to real assets including forestry, new energy and sustainable infrastructure. We will also launch our first Sustainable Investment Report shortly and host further webinars in this area, which lies at the heart of what we do.

Assets under management

Our GH25 ambition to double shareholder value is driven by our ability to grow AUM. The table below provides more detail on our progress in the year, growing AUM by 42% to £4.0 billion:

	AUM as at 31 December 2019 £m	Net Fund Flows[1] £m	Performance £m	Funds won/ acquired £m	AUM as at 31 December 2020 £m	AUM Movement £m	AUM Movement %
Strategic Equity							
Strategic Public Equity	283	35	42	148	508	225	80%
Private Equity [2]	425	37	5	(55)	412	(13)	(3%)
Subtotal	**708**	**72**	**47**	**93**	**920**	**212**	**30%**
Real Assets							
Forestry	1,333	85	393	-	1,811	478	36%
New Energy and Sustainable Infrastructure	663	267	2	-	932	269	41%
Housing	93	35	(5)	184	307	214	230%
Subtotal	**2,089**	**387**	**390**	**184**	**3,050**	**961**	**46%**
Total AUM	**2,797**	**459**	**437**	**277**	**3,970**	**1,173**	**42%**

1 Includes funds raised, redemptions and distributions.

2 The LMS contract was terminated in May 2020.

Organic growth in AUM of 35% in the year was c.£1.0 billion, driven by net fund raising across the Group, fund performance and winning a new fund mandate.

Net fund inflows in the year reflected the resilient demand for the sustainable investment funds that we manage occurring across each division in the business. Notable fund raises include GRID raising £150 million, Gresham House Forest Fund I LP raising £108 million, BSIF securing additional commitments of £100 million as well as the Strategic Equity funds generating net inflows from the open-ended funds and Baronsmead VCTs. We were also able to diversify and deepen our client base and we now manage funds for six of the ten largest UK Local Government Pension Schemes in the UK.

Performance in the year generated £437 million in AUM, with the demand for Forestry increasing and valuations improving as a result.

We also added a further £277 million which includes winning the Strategic Equity Capital plc (SEC) mandate (£148 million) and ReSI plc (£184 million) through the acquisition of TradeRisks. Our busy year has been reflected in the growth in our AUM.

Real Assets

As expected, Real Assets remained robust during the pandemic, offering resilience and a safe haven in a time of heightened volatility in global equity markets.

Forestry continued to provide an excellent safe harbour for capital throughout the crisis. We have seen growth in the underlying value of all the forests that we manage and there has been significant interest from investors in the sector. As a consequence, we closed the Gresham House Forest Fund I LP fund raising at £108 million, securing a new institutional investor, driven by the potential for attractive long-term returns, our expertise in the sector and the robust underlying characteristics of the asset class. We are also looking further afield at carbon credits and forestry to support our international growth.

In New Energy, GRID raised over £150 million in the year, with its last equity raise being oversubscribed significantly, and we were able to supply 100MW of utility scale battery storage projects from our development pipeline. The proceeds of the fundraising will be used to finance a c.485MW pipeline of energy storage projects. We are pleased to be meeting a fundamental need within the UK energy network. Additional renewable generation capacity brings the need for more energy storage to achieve a cost-effective energy transition, and our new pipeline will help meet this need. As part of our commitment to New Energy, we are also investing in unsubsidised renewable energy assets and plan to launch a renewable energy fund for institutional clients in this important area.

We were delighted to reach a final close of £300 million for our British Strategic Investment Fund (BSIF) in 2020, the upper limit of our fundraising target, and received further backing from UK Local Government Pension Schemes who are committed to funding UK infrastructure. BSIF is focused on sustainable infrastructure areas and has already deployed capital into the renewable energy, battery storage, waste disposal, fibre broadband, vertical farming and key worker accommodation sectors and we look forward to launching a second fund in the coming year.

Following the acquisition of TradeRisks in March, we have further built out our Housing team with Residential Secure Income plc (ReSI) adding £184 million in AUM to the division. The team has also worked together on the launch of Gresham House Residential Secure Income LP (GH ReSI LP), which will target institutional investors and local government pension schemes looking to access the under-addressed UK shared ownership residential property market and aim to deliver a quantifiable social impact. The aim is to have a first close in the first half of 2021.

Strategic Equity

The pandemic has taken its toll on global equity markets in 2020, with high levels of volatility and market uncertainty, marked by a significant fall in valuations in March, followed by an unprecedented stimulus package from governments globally.

As a consequence, the economy has been supported to a significant degree, including a £330 billion UK Government

financial package, restoring valuations, and combating negative sentiment. Throughout this crisis, we have supported our portfolio companies, particularly in the hard-hit sectors such as leisure and retail.

We have seen steady growth through net fund inflows into our open-ended vehicles, despite continued outflows for UK equities across the industry, and raised £57 million over the course of the year for the Baronsmead VCTs, reflecting strong ongoing demand for a dynamic, entrepreneurial approach to investing in the UK's early-stage growth businesses, a key area for post-Brexit UK.

Gresham House was also appointed investment manager for SEC. Our appointment was made on the basis of the depth of expertise within the Gresham House platform, with talent such as Ken Wotton and Brendan Gulston, and a team with a superior 20-year track record of investing in small caps and creating shareholder value through constructive corporate engagement using a private equity approach to publicly quoted companies. This has also been demonstrated by the very strong five-year performance of Gresham House Strategic plc, managed by the strategic public equity team including Richard Staveley, and Laurence Hulse.

People and culture

The Gresham House culture is fundamental to who we are as a business. We have cultivated a culture of dynamism based on empowering individual flair and entrepreneurial thinking. This enables us to design and implement innovative investment solutions capable of building a sustainable future for all our stakeholders.

We have invested in our people to sustain our long-term growth ambitions

Over the course of 2020 we have invested in our people to achieve our AUM growth ambitions, making hires across the business, attracting key fund managers such as Peter Bachmann for Sustainable Infrastructure, and hiring across distribution.

Employee engagement remains strong and our employee survey showed 94% of employees would recommend Gresham House as a good place to work to their network and friends. We are also making good progress with diversity at management level, with women holding 32% of our senior managerial roles. I would like to express my personal thanks to this great team for their dedication to our purpose and ambitions.

We are committed to diversity and inclusion, whilst making a positive change, and this is evident in actions not simply words. As part of this commitment, we are participating in the #100BLACKINTERNS initiative, which aims to offer black students across the UK an opportunity to begin a career in investment management. The internships are paid and will last a minimum of six weeks over the summer of 2021.

We have also added to the Gresham House team in partnership with Leadership Through Sport & Business (LTSB), a social mobility charity that prepares and supports young people from disadvantaged backgrounds into meaningful roles in accounting and technology with major firms. They make sure those at risk of under-employment find careers equal to their ambition and ability.

At the year end, we employed 122 people, demonstrating the continued growth in the business since we started in 2014, with just a few individuals. Our goals are well aligned with that of our clients, with senior management owning a material 8% of the shares. We see increasing management and employee share ownership, through both our bonus share matching, with c.50% take up by employees, and share save schemes.

Our talented team continues to gain recognition from across the industry and we were named Alternative Investment Manager of the Year at the UK Pensions Awards, as well as European Alternative Investment Manager of the Year by Funds Europe, among other accolades. These awards are well deserved and a testament to the commitment, excellence and dedication that underpins our culture.

Outlook

As the pandemic continues, there is no doubt that the market will continue to be challenging and we expect volatility in equity and bond markets alongside turbulence in the real economy as many stimulus packages cease and governments look to fund the enormous debts accumulated.

At present, market valuations in certain areas also show bubble-like characteristics. However, there are areas of the market and sectors where good value exists and others that feature structural growth dynamics including sustainability that make them attractive to alternative asset managers. The balance and long-term resilience of our business model and mix mitigates volatility in earnings due to extraneous factors, such as COVID-19.

We are now into the second year of our five-year plan, having gone through the 'J curve' of growth. This is an exciting journey and one that contains even more potential than seemed possible in 2015.

Over the course of 2021 we look forward to completing our acquisition of Appian Asset Management and its integration into our operations as we build the platform and further capitalise on our plans for international expansion.

We are also excited by the pipeline of fundraising we have planned for 2021 across all areas of our business.

In Housing, we look forward to launching GH ReSI LP and in Sustainable Infrastructure we have the ongoing deployment of BSIF, with a follow-on fund to come during the year. We will also be launching new funds in Forestry, including an international theme, and in New Energy with renewables and battery storage. Across equities, the strong investment performance should attract more investors to the specialist approaches within the Strategic Public Equity, VCT and Equity Funds areas.

Our focus is to deliver on stakeholder objectives in order to make Gresham House an asset to covet for clients, employees and shareholders. The opportunity with our existing asset classes is growing, and clients are seeking new investment solutions to achieve both their financial and sustainability ambitions. We have shown that we can grow the business organically and through acquisition, and the Gresham House brand is growing in a positive way.

I am fortunate to be working with a team of ambitious people who understand client and shareholder objectives. The aim is to keep raising the bar year on year, and this capable team keep rising to the challenge supported by structural growth in our markets from clients for specialist and differentiated products and solutions.

Tony Dalwood Chief Executive

10 March 2021

GH25 – One year in

Financial Targets

1

Financial Targets	AUM to £6bn+

Progress in 2020

Delivered organic growth in AUM of £1.0bn (35%)

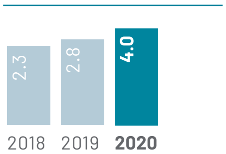
- Raised further equity of £150 million in GRID
- Final close for BSIF achieved £300 million as well as a £20 million segregated mandate
- Forestry fundraising of £108 million for Gresham House Forest Fund I LP
- Equity Funds raised £57 million gross for the VCTs in 2020, alongside net inflows into the open ended funds of £35 million
- Won the £150 million mandate for SEC plc

Deliver acquisition growth in AUM of £0.2bn (7%)

- Acquired TradeRisks in March 2020. Increasing AUM by £184 million with the management contract of ReSI plc
- Have signed (subject to Central Bank of Ireland approval) the acquisition of Appian Asset Management, the Irish regulated AIFM with AUM of c.€300 million, which is expected to complete in the first half of 2021.

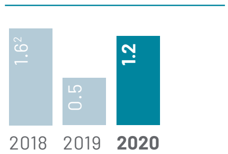
KPIs

AUM (£bn)



£4.0bn
+42%

AUM growth (£bn)



£1.2bn
+42%

2021 Priorities[1]

- Continue to grow GRID in 2021 to fund the acquisition of further utility-scale battery storage projects
- Develop utility-scale battery storage projects as part of the exclusive pipeline with GRID to enable GRID's continued growth and recognition of development gains by the Group
- Grow Forestry AUM through fundraising for Gresham House UK Forestry Growth and Sustainability Fund LP and acquisition of forests for clients
- Launch New Zealand Carbon Credit opportunity in 2021
- Launch Gresham House British Sustainable Infrastructure Fund II LP (BSIF II), the follow-on infrastructure LP fund to BSIF by the end of 2021
- Launch Gresham House ReSI LP fund, the shared ownership housing fund targeting institutional investors
- Expand fundraising LF Gresham House LF UK Micro Cap and LF Gresham House UK Multi Cap Income funds alongside growing LF Gresham House UK Smaller Companies fund
- Fundraising for Baronsmead VCTs alongside successful deployment of capital
- Manage GHS plc and SEC plc effectively to increase NAV and support fundraising as appropriate

1 This is a target, not a profit forecast. There can be no assurance that these targets will be met.

2 In 2018 the Group acquired FIM Services Limited and Livingbridge VC business, with a combined AUM increase of £1,426 billion

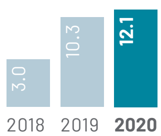
Strategic Objective: To double shareholder value over a five-year period through achieving financial and strategic targets.

2

EBITDA margins of 40%+

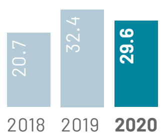
- Delivered adjusted operating profit targets for 2020
- Delivered revenue growth through both organic and acquisition growth in AUM
- Managing cost base and invested in team to support long-term growth
- Managing adjusted operating margins of 29.6% (2019: 32.4%), balancing the investment in the business to achieve growth in the medium term
- Clear focus on synergies from acquisitions and integration plans

Adjusted Operating Profit (£m)



£12.1m
+17%

Adjusted Operating Margin (%)



29.6%
-2.8% points

- Deliver growth in operating profitability in 2021 through revenue growth and management of cost base
- Active decision to invest in the business to accelerate growth in 2021
- Build AUM whilst investing in the platform

3

Return on invested capital (ROIC) of 15%+

- Sale of two utility scale battery development projects in 2020 achieved ROIC of 34-100% and generated net profits of £1.0 million in 2020 (2019: £1.3 million)
- Acquisitions to date are all in excess of 15% ROIC over the medium term

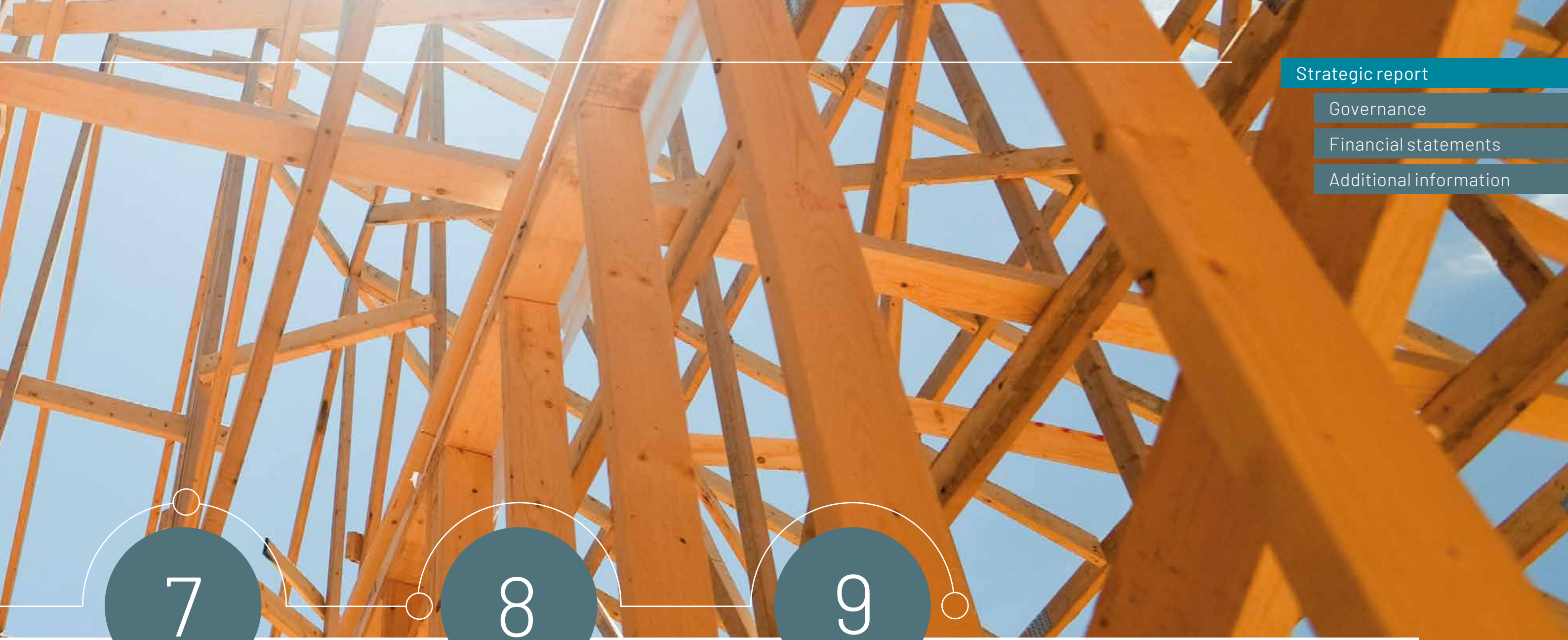
- Continue to develop utility scale battery storage development projects to support the growth of GRID
- Review acquisition opportunities against the 15%+ ROIC return hurdle
- Continue to use the Group balance sheet opportunistically to seed, cornerstone or co-invest alongside clients

GH25 – One year in

Strategic Targets

Strategic Targets	4 Leaders in sustainable investment including ESG	5 Majority investment products outperforming	6 Significant market share in specialist products
Progress in 2020	→ Achieved A and A+ PRI scores across the business → Awarded the Green Economy Mark by London Stock Exchange → Building the profile of the business for ESG and Sustainable Investing and making good progress at the start of the journey → Incorporated the use of our newly created ESG Decision Tools into all our investment processes across all of our divisions to help identify potential, material ESG risks to be assessed, managed, and mitigated. Housing division is in the process of building the tool following the acquisition of TradeRisks in the year	→ Forestry LP fund returns in excess of 15% over the last 12 months → GRID total return on share price of 11% → Multi Cap Income fund No 1 performing fund in its sector over three years → Micro Cap fund has delivered positive returns every year for over a decade → GHS total return on share price of 92% since taking on the mandate in August 2015	→ Continued growth of GRID as the largest listed utility scale battery storage fund in the UK → Continued growth as the UK's largest Forestry Asset Manager
2021 Priorities[1]	→ Build on the corporate focused ESG gap analysis performed at the end of 2020 to enhance our business practices and lead by example → Build our climate change governance, strategy and measurement metrics → Deliver on commitments made in our Diversity and Inclusion policy → Continue to meet industry body requirements, whilst expanding our contribution to various sustainability related groups	→ Maintain and improve investment performance of funds managed by the Group	→ Continue to develop utility scale battery storage development projects to support the growth of GRID → Review acquisition opportunities against the 15%+ ROIC return hurdle → Continue to use the Group balance sheet opportunistically to seed, cornerstone or co-invest alongside clients

1 This is a target, not a profit forecast. There can be no assurance that these targets will be met.



7 International presence established

- Exchanged on the acquisition of Appian Asset Management (Appian), the Irish based EU regulated asset manager, with completion subject to regulatory approval expected in the first half of 2021
- International forestry platform discussions underway

- Complete the acquisition and integration of Appian to develop the Group's international capacity and launch new fund products in Europe, while targeting an international client base
- Launch international forestry funds

8 Gresham House brand and goodwill recognition

- Enhance Group's social media profile through website, LinkedIn and broader marketing activity
- Recognition of Gresham House brand growing through the winning of industry awards, e.g. UK Pensions Awards – Alternative Investment Manager of the year 2020, Investment Week Specialist Investment Awards 2020 – Boutique of the Year (£1bn-£5bn AUM) and Funds Europe Awards – European Alternative Investment Manager of the Year 2020
- Increased charity contributions in the year with the introduction of the Give As You Earn matching scheme and contributions to NHS Charities Together and the Trussell Trust

- Continue to build on the Group's online presence and exposure through a variety of media channels
- Continue charitable work and donations
- Maintain staff engagement as a positive place to work making a positive impact on the world we live in

9 Client diversification and depth

- Have won new business across all of our divisions highlighting diversity in our offering
- 13 UK LGPS as investors, with six of the top ten UK LGPS now invested in Gresham House managed funds
- Added new institutional investors to the Forestry division, which is an area of growing interest to institutional investors
- Achieved a number of new buy ratings from UK institutional investment consultants
- Broad selection of wholesale clients now invested in Gresham House managed funds

- Launch new funds across a number of our divisions, namely:
  - Housing – Gresham House ReSI LP – share ownership
  - New Energy – GH Renewable Energy Fund LP – unsubsidised renewables
  - Infrastructure – BSIF II
  - Forestry – Gresham House UK Forestry Growth and Sustainability Fund LP – UK Forestry
  - Forestry – International Forestry offering
- Continued investment in our distribution team to raise new funds as well as attract new clients

Creating stakeholder value

1

Our key strengths

Partnership with clients
We develop an understanding of our clients' needs to provide tailored long-term investment solutions. We tailor products to fit clients' needs, with the restructure of BSIF into two separate Housing and Infrastructure funds an example of this

Long-term alignment
We invest Gresham House's balance sheet alongside client capital and have clients who are invested in us. The management team also own c.8% of the Company

Sustainable investment outperformance
Our experienced team has an impressive investment track record across long-term alternative asset classes. The adoption of our Sustainable Investment Policies is a key example of how we consider wider society and other key stakeholders beyond simply shareholders

Attracting and retaining top talent
We have created a culture of empowerment where individual flair and entrepreneurial thinking are actively encouraged. Retaining and providing a stimulating environment for our teams is critical to our success

2

How we do it

Actively managed solutions
Across our investment activity, we engage directly with investors, investee companies and project counterparties. It is central to our Group philosophy that we take a hands-on approach to our investments to ensure the best result for both shareholders and clients

Understand our clients' ambitions
We prioritise consulting with and understanding the views, concerns and ambitions of our stakeholders in seeking sustainable, profitable outcomes from the investments we are involved in

Develop innovative strategies and products
Using our considerable in-house resource and expertise, we maintain a close eye on the global investment landscape to ensure we are on top of or ahead of the latest industry and investment trends and offering the best possible solutions for clients and shareholders

Successful delivery of our business model creates long-term sustainable management fees and carried interest, creating value for clients and shareholders

S172 of the Companies Act 2006 – requires directors to promote the success of the Company for the benefit of members as a whole and in doing so have regard to the interests of stakeholders including shareholders, clients employees, regulators and the wider society in which it operates. This is demonstrated through our business model.

3

Engagement with stakeholders – S172

Shareholders

We maintain regular and open communication with shareholders through investor roadshows and other shareholder communications.

With the pandemic restrictions making a traditional AGM untenable, we invited shareholders to a separate webinar to receive an overview from the management team of the performance of the business in the year as well as provide an opportunity to ask questions live at the event. If questions were not answered on the day, we followed up with shareholders to provide an open, two-way communication process.

During the year, the Chairman and the Remuneration Committee Chairman engaged with our largest shareholders, covering over 50% of the ownership of the Company, regarding the implementation of the LTIP and inviting comment, resulting in us receiving positive support for our plans.

Investors

Against the backdrop of political and environmental uncertainty and volatility, we maintain our focus as asset managers on the core concerns of our clients and shareholders: superior and sustainable investment performance. We have developed a number of new investment solutions for clients in the year, through considered product development and segregated mandates to meet investor needs.

Employees

Overall staff numbers increased from 94 to 122 in 2020, and we remain committed to retaining and nurturing our talent. We have established a 'Gresham House ethos' of entrepreneurialism and individual flair that permeates through all departments and functions.

We engaged with staff through the employee survey in the summer of 2020, achieving very high engagement at 92% with a number of positive enforcements of the business and the culture. We are also working on the areas that can be developed to continue to build the unique culture and values we operate by at Gresham House.

Community

We continue to deliver responsibly to the communities that are impacted by our activity.

We introduced a number of measures in the year to engage with and support communities and charities. The Company, Directors and Management team contributed £100,000 to NHS Charities Together and The Trussell Trust, following feedback from employees regarding the charities they wanted to support.

We introduced the Give As You Earn scheme, which allows individuals to contribute to charities in a tax efficient manner with the Company providing matching contributions.

We continue to develop our diversity and inclusion work and have hired a member of the team through the Leadership Through Sport and Business programme. We have also signed up to participate in the #100BlackInterns programme to promote diversity in the asset management industry.

Regulator

As an ISO 9001 certified business, we maintain robust internal processes and procedures centred on delivering efficient and compliant business practices. In line with this, we have continued to increase the resourcing in our compliance and risk functions.

Helping to address the UK's housing problem

Delivering Growth in AUM

Overview
In March 2020 we acquired TradeRisks, including ReSI Capital Management, the fund management business and specialist provider of debt structuring and advisory services to the housing and social infrastructure sectors. The acquisition enabled us to extend our existing housing offering whilst providing us with our first listed fund in the housing segment, Residential Secure Income plc (ReSI plc), which seeks to deliver secure income returns to its shareholders by investing in portfolios of shared ownership, retirement and local authority housing.

The acquisition not only delivered an additional £184 million of AUM, it was also immediately earnings enhancing and consistent with our stated financial and strategic acquisition metrics. Importantly, the Gresham House platform has been strengthened by the integrated expertise of the TradeRisks team, with deep expertise from the firm's 19-year track record in the housing sector.

Market opportunity – affordable housing
The UK's shortage of affordable housing is well-documented and has been caused by a combination of demographic trends and historic undersupply of new homes.

As well as a shortage of new homes being built, house prices to median earnings ratios have increased from 3.6x in 1997 to 7.7x today, meaning home ownership is increasingly out of reach for a large proportion of the UK's population.

To open access to home ownership for a wider range of people, the Government provides grants towards the costs of homes through the shared ownership scheme, to address the problem particularly for low to middle earners.

Shared ownership is a part-buy, part-rent model with subsidised rents and low deposit requirements, allowing access to home ownership and helping to build thriving and inclusive communities.

It can be a great affordable home ownership solution for many people, but it must be designed and managed to high standards with transparent and affordable ongoing costs. This is particularly important as shared ownership is targeted at low to middle income earners who by definition have less capacity to absorb unexpected costs.

We estimate that 4.7 million more people would be eligible to buy a shared ownership home, in comparison to buying a home outright.

Sustainability and best practice
To address the challenges of the current shared ownership model, we took a shared owner perspective when designing our new shared ownership fund and created our own bespoke Customer and Environmental Charters.

These documents are unique in their intention to improve practices across the shared ownership sector whilst providing benefits to all stakeholders, including both shared owners and investors.

They commit us to provide quality and transparency to shared owners, focusing on the areas where most criticisms are identified, including service charges, lease extensions and "staircasing".

We believe that the commitments we make in the charters reduce risk and volatility for investors and protect long-term value by ensuring that we provide homes that are financially, environmentally and socially sustainable for their residents.

The Charters aim to ensure that shared owners are satisfied in their home. Furthermore, the Charters aim to develop the shared ownership sector by ensuring that shared ownership is recognised as a sustainable and socially beneficial housing tenure.

House prices to median earnings ratios have increased from 3.6x in 1997 to 7.7x today, meaning home ownership is increasingly out of reach for a large proportion of the UK's population – shared ownership aims to address this.

Our investments

We offer long-term investment strategies focused on UK housing through listed and unlisted specialist investment funds. All our housing investments are predicated on providing high quality, fairly priced homes that are affordable to the majority of the UK's population. To achieve this each of the funds managed by us aims to deliver stable and secured inflation linked returns whilst providing a positive social and environmental benefit to our residents, the local community and the wider economy.

All our funds can invest through our two Registered Providers of Social Housing which are required to hold regulated affordable housing assets, ensuring they are managed with the highest standards of governance, financial viability and resident welfare.

Our private fund clients are primarily local government pension schemes and institutional investors, for whom we aim to provide opportunities to invest in local housing in the UK. Our listed fund clients are wealth and fund managers channelling individuals' private savings and pensions.

Performance

ReSI plc delivered robust performance in 2020 through COVID-19, with 5 pence dividends per share consistent with the prior year and stable valuations. The defensive qualities of the portfolio provide investors with a portfolio that is equipped to weather economic stress. The fund has used the past year to build a platform of resilient cash-generative assets and long-term debt to produce future income.

Fundraising

We are launching the Gresham House ReSI LP fund, a limited partnership fund targeting institutional investors with a first close in 2021. The fund looks to provide stable and secure long-term inflation-linked returns, with dividends in excess of 3% and a total return of 6.4%, in a defensive asset class with high barriers to entry. It is being raised with an exclusive focus on providing access to new-build shared ownership homes and targeting a first close in 2021.

Our people

We seek to attract and retain the best people and support them to work to the best of their abilities. We promote a culture of individual flair and entrepreneurial thinking, in which performance and results are recognised and rewarded.

Louise Richards
HR Director

Our best asset is our people
Our team is integral to all that Gresham House achieves and the foundation of our success. We believe that by recruiting top talent, aligned with our values, we are investing in the future success of the Company, our clients and shareholders. We aim to create a culture where people can thrive in introducing innovative ideas and where they are appropriately resourced to implement them. Thus, our culture revolves around six values that are deeply rooted across the firm and in everything we do: Ambitious, Authentic, Collaborative, Dynamic, Empowered and Meritocratic.

We believe that our values are critical to the ongoing success of the Company and they provide a platform for our staff to develop both individually and as a group. Our culture enables us to design and implement innovative investment solutions capable of building a sustainable future and ensuring environmental, social and governance considerations remain front and centre in our thinking. This is reflected in our success and the industry awards have validated individual and team performance, as well as that of the Company as a whole.

An inclusive workplace
We are committed to providing equal opportunities in employment and promoting equality and diversity. Employees have a responsibility to contribute to a supportive and inclusive working environment and ensure colleagues and clients are treated with dignity and respect.

32% women in senior management roles

We value the fact that each employee is different and we are committed to capitalising on our differences and embrace our diversity of thought and skills to achieve better results, better insights for our clients and to create an environment where everyone feels valued, respected and able to realise their full potential. This is reflected in our diversity and inclusion policy.

Our diversity and inclusion approach is to create an inclusive work culture, where diverse teams and individuals thrive to help us achieve our mission, through key actions:

- → Building awareness across the organisation
- → Tackling unconscious bias
- → Instilling inclusive leadership in managerial practices
- → Supporting under-represented groups
- → Our commitment to diversity and inclusion, and making a positive change, can only come about through determined, meaningful and authentic action

As part of our commitment, we are delighted to be participating in the #100BlackInterns initiative an investment management internship programme to help address the under-representation of black people in investment functions and offer black students across the UK an opportunity to start a career in investment management.

#100BLACK INTERNS

Leadership Through Sport & Business (LTSB) is a social mobility charity that prepares and supports bright young people from disadvantaged backgrounds into meaningful roles in accounting and technology with major firms. They make sure those at risk of under-employment find careers equal to their ambition and ability and can contribute from their first day on the job. We are delighted an apprentice joined Gresham House in 2020 and we continue to work with LTSB.

LEADERSHIP THROUGH SPORT & BUSINESS

We focus on women's representation in leadership roles and are working towards supporting their career progression to ensure we have diverse perspectives across the business. We are making good progress at management level and women hold 32% of our senior managerial roles. 30% representation is widely thought to be the point at which any minority group reaches critical mass and becomes influential. Research has shown that this is the tipping point to start shifting culture and inclusion. *Source: Women in Financial Services 2020*. We already have in place policies that support flexible work such as our Homeworking and Flexible Working polices and recognise the importance of supporting parents.

92% response rate to survey

Listening to our people

We ensure that employees have a "voice" through regular two-way communication, including employee surveys and performance review meetings.

We conducted our first Employee Engagement survey in 2020 called 'We are listening', and it was completed by 92% of staff members. The survey was an opportunity for employees to express their opinions and, where applicable their satisfaction, on aspects such as our culture, engagement, motivation, leadership, sense of purpose, alignment between the organisation's long-term goals and employees' commitment. Results of the survey were used to determine areas that are doing well and that the business wants to keep performing well in and areas where actions are needed for strengthening or improvements.

Performance discussions with our employees are key to providing direction and clarity on work priorities, development and feedback on performance. We have Performance Management guidelines which provide managers and employees with guidance on the performance process and framework.

COVID-19

Protecting and ensuring our employees' safety and wellbeing has been our priority during this period and their commitment has ensured that we were able to maintain business as usual whilst seamlessly transitioning to working from home. Since the start of lockdown, Gresham House has been operating in accordance with its remote working procedures to ensure business continuity. No members of staff have been furloughed and all systems and processes continue to function as they would do in normal conditions.

Louise Richards HR Director

Sustainable Investment: a partner for the future

Rebecca Craddock-Taylor
Sustainable Investment Director

Our GH25 strategic objective: Become a recognised leader in sustainable investment

Changing landscape in 2020
The last year brought into focus to how reliant our economies are on healthy environments and societies. Increasing awareness of environmental and social challenges resulted in growing demand for sustainable investment solutions.

- → Retail investors allocated over £6.1 billion more money into sustainable investment funds in 2020 than they did in 2019[1]
- → A survey carried out by Mercer found 89% of institutional investors are considering ESG in 2020, compared with just 55% in 2019
- → The Lang Cat survey found advisers expect that by 2025, almost 50% of all assets recommended will be ESG focused[2]

As a result of outperformance of many ESG funds, even the sceptics have had to reassess their assumptions that being a sustainable investor means lower returns.

Sustainability and our culture
Gresham House believes combining financial, environmental and social factors does not come at the expense of returns. Instead, consideration of environmental and social factors can enhance our investment decision making approach, identify investment opportunities and ultimately achieve better outcomes for our stakeholders.

We recognise the sustainable investment industry is transforming at pace. We have therefore set out to develop a culture that is committed to advancing the world's transition to a more sustainable way of life and provide investors with investable solutions that meet their financial and sustainability objectives.

Defining success
Our strategic objective is to become a recognised leader in sustainable investment. We will measure our success against the following aspects:

[1] https://www.theia.org/sites/default/files/fund-statistics/stats-1120-12.pdf
[2] https://www.flipsnack.com/langcat/crossing-the-esg-event-horizon-an-adviser-s-guide/full-view.html

Our sustainable investment commitments

- → **Take steps to consult and understand the views, concerns and ambitions of our stakeholders in seeking sustainable outcomes from the investments we are involved in**
- → **Integrate Environmental, Social, Governance and Economic benefit considerations into our selection, evaluation, governance and engagement processes across the lifecycle of each investment. We drive rigour and consistency in this by applying our sustainable investment framework and system, including clearly defined processes and expert tools and methods**
- → **Ensure our team understands the imperative for effective ESG management and is empowered and equipped to carry this out through management support and training**
- → **Conduct regular monitoring of ESG risks, opportunities and performance in our investments and over time, reporting to our investors**
- → **Conduct our business activities in line with the UN supported Principles for Responsible Investment, including an annual report of our progress towards implementation**

Recognition

1. External accreditation ratings are maintained, improved or expanded
2. Feedback from shareholders, clients and Investment Consultants on sustainability credentials are high
3. Where relevant, specific ESG ratings are strong
4. A voice of authority from the media on sustainable investment matters

Leadership

1. Provide investment solutions that contribute towards solving the largest environmental and social challenges and provide transparent reporting and metrics on sustainability credentials for clients
2. Become an asset manager that investors choose to partner with to meet their sustainability objectives and net zero ambitions
3. Contribute to sustainability focused forums and facilitate the development of best practice, scalable investment solutions and stakeholder collaboration
4. Lead by example through our internal commitments to sustainability

Reflecting on our progress in 2020

In 2020, our focus was on formalising our approach to sustainable investment across each asset division and embedding newly created systems into the investment teams' processes.

Sustainable Investment Report

We will be publishing shortly our first Sustainable Investment Report alongside the Annual Report to provide a clear outline and more detail of how the Group approaches sustainable investment.

Sustainable Investing Committee (SIC)

Our SIC has been further developed with a purpose to drive sustainability related deliverables, develop best practice, and enhance understanding across the business.

Policy development

We developed and published a range of policy documents setting out our approach to sustainable investing, including engagement and voting, and Diversity and Inclusion.

ESG Decision Tools

Incorporated the use of our newly created ESG Decision Tools into all our investment processes across all our divisions. The tools help identify potential, material ESG risks to be assessed, managed, and mitigated.

Resources

Expanded our sustainable investment resources by appointing a Director of Sustainable Investment.

External gap analysis

We worked with an external expert to complete an independent assessment of our current operations to understand how we could improve and create value across ESG factors.

Corporate achievements in 2020

NHS CHARITIES TOGETHER

GREEN ECONOMY LONDON STOCK EXCHANGE

the trussell trust Stop UK Hunger

Highlights

- Green Economy Mark awarded to Gresham House plc
- PRI scores achieved in 2020

PRI Principles for Responsible Investment

	Peers	Gresham House
Strategy & Governance	A	A+

- Improved staff benefits by offering use of the Green Cycle Initiative and Give As You Earn
- 15% of staff now using Give As You Earn and the Company matches donations
- £100k donated to NHS Charities Together and the Trussell Trust
- First dedicated sustainable investment role appointed
- 32% of senior management roles held by women

Divisional achievements in 2020

9.0m
trees planted

136,000
homes powered with renewable power

GREEN ECONOMY LONDON STOCK EXCHANGE

Highlights

- PRI scores achieved in 2020

PRI Principles for Responsible Investment

	Peers	Gresham House
Infrastructure	A	A+
Public Equity	A	A
Private Equity	A	A

- 9.0m trees planted, covering an area almost the same size as Portsmouth
- 136,000 homes powered for one year with renewable power avoiding over 216,000 tonnes of CO2
- Green Economy Mark awarded to GRID, the battery storage fund and the renewable energy VCTs that we manage
- 171 new shared ownership homes brought into the affordable property market for the first time
- Invested in two businesses planning to connect 5,000 homes to the internet in the next year
- Engaged with management teams at 95.5% of our public equity portfolio companies
- Contributed to boards as a member or observer on 81% of our private equity portfolio companies

Our priorities

Working towards 2025 we have identified corporate and divisional initiatives that we will be prioritising to enhance and improve our practices as a sustainable business and investor.

Corporate sustainability

1. **Environmental awareness, understanding and action** – build our climate change governance, strategy, and measurement
2. **Diversity and Inclusion awareness, understanding and action** – deliver on the commitments made in our new policy
3. **People and community** – ensure staff satisfaction remains high whilst contributing to communities more widely
4. **Communication and transparency** – expand our existing reporting and enhance resources for our stakeholders
5. **Accreditations and commitments** – continue to meet industry body requirements whilst expanding our contributions to various sustainability related groups
6. **Policies and processes** – expand our policy coverage and ensure continued appropriateness of existing policy commitments

Divisional sustainability

1. **Environmental awareness, understanding and action** – work with portfolio companies to assess climate change and environmental risks and opportunities
2. **Stakeholder engagement and supply chains** – carry out supply chain mapping exercises to understand the potential positive and negative sustainability outcomes of our investments
3. **Diversity and Inclusion awareness, understanding and action** – work with portfolio companies to assess diversity and inclusion risks and opportunities
4. **Materiality, monitoring and measurement** – develop a framework to measure the outcomes of our investment decisions on sustainability factors
5. **Communication and transparency** – expand our existing reporting and enhance resources for our clients
6. **Policies, processes and systems** – expand our policy coverage, ensure continued appropriateness of existing policy commitments and develop new systems to support sustainability analysis and management

We are committed to becoming an asset manager that investors want to partner with to achieve their own sustainability objectives. There is huge potential in the plans we have in the lead up to GH25 and we are dedicated to meaningfully contribute to the solutions which aim to protect and improve our current way of life.

Resilient AUM growth in a challenging year

Kevin Acton
Chief Financial Officer

In what can only be described as difficult conditions for all, the Group has maintained its growth trajectory and has delivered in the first year of its five-year strategy, GH25. The Group has grown AUM by 42% in the year to 31 December 2020, with a closing AUM of £4.0 billion, up £1.2 billion in the year (2019: £2.8 billion). The AUM growth includes the acquisition of TradeRisks Limited (TradeRisks) in March 2020, which added £184 million to AUM. This growth has helped to increase net core income in the year by 29% to £40.8 million (2019: £31.7 million) and deliver an adjusted operating profit of £12.1 million, up 17% in the year (2019: £10.3 million).

The Group has continued to use its balance sheet to develop projects and support the growth of the business, with the sale of two battery storage projects delivering an additional £1.0 million in net gains in the year (2019: £1.3 million).

Total comprehensive net income after the deduction of amortisation and other acquisition related costs has delivered a profit of £0.8 million (2019: £0.8 million loss). We are also pleased to announce our intention to increase the final dividend by 33% to 6.0 pence for the year ended 31 December 2020, building on the Group's 2019 final dividend of 4.5 pence.

We present the performance of the Group using the non-GAAP adjusted operating profit metric. The aim of the adjusted operating profit metric is to show the true performance of the core asset management business through the management fee income and revenues earned, less the administrative overheads associated with delivering asset management services. The adjusted operating profit metric below highlights the performance of the core asset management business separately from performance fees and realised gains on the sale of investments. The performance fees and realised gains on the sale of investments are presented alongside the variable compensation costs payable as a result of their generation, to show the net impact on the Group.

The adjusted operating profit metric thereby excludes depreciation and amortisation, exceptional items from acquisition costs and restructuring and acquisition related share-based payments, as they are effectively an earn out paid to the sellers of businesses acquired rather than an operating expense.

Adjusted operating profit

	2020 £'000	2019 £'000
Income	**41,936**	31,784
Dividend income from associates	**202**	1,323
Gross core income	**42,138**	33,107
Rebates, distribution costs and fundraising costs	**(1,364)**	(1,383)
Net core income	**40,774**	31,724
Administration overheads (excluding amortisation, depreciation, exceptional items and acquisition related share-based payment charges)	**(28,690)**	(21,047)
Finance costs	**(25)**	(390)
Adjusted operating profit	**12,059**	10,287
Adjusted operating margin	**29.6%**	32.4%
Performance fees (gross)	**–**	1,944
Variable compensation attributable to performance fees	**–**	(1,744)
Performance fees net of costs	**–**	200
Realised gains on investments	**3,482**	2,369
Variable compensation attributable to realised gains	**(2,474)**	(1,037)
Realised gains net of costs	**1,008**	1,332
Performance fees and realised gains net of costs	**1,008**	1,532
Adjusted operating profit, performance fees and realised gains net of costs	**13,067**	11,819
Amortisation and depreciation	**(8,931)**	(8,527)
Exceptional items	**(1,775)**	(1,063)
Acquisition related share-based payment charges	**(593)**	(593)
Net gains/(losses) on investments*	**134**	(2,463)
Tax	**(1,084)**	(23)
Operating profit/(loss) after tax	**818**	(850)
(Loss)/profit from discontinued operations	**(12)**	55
Total comprehensive net income	**806**	(795)

* Excluding dividend income from associates of £0.2 million (2019: £1.3 million) and realised gains on investments of £nil (2019: £2.4 million).

The adjusted operating profit metric has increased to £12.1 million (2019: £10.3 million) and the adjusted operating margin based on net core income reduced to 29.6% (2019: 32.4%) following the investment in the business to achieve our growth ambitions.

Income

	2020 £'000	2019 £'000
Asset management income	**40,304**	31,427
Dividend and investment income	**554**	278
Other income	**1,078**	79
Total income	**41,936**	31,784
Divided income from associates	**202**	1,323
Gross core income	**42,138**	33,107
Rebates, distribution costs and fundraising costs	**(1,364)**	(1,383)
Net core income	**40,774**	31,724

Net core income
Total net core income has increased by 29% in the year to £40.8 million (2019: £31.7 million), driven by the strong 35% organic growth in AUM in the year to £4.0 billion (2019: £2.8 billion). This increase includes the revenues generated by the acquisition of TradeRisks, the specialist housing fund manager in March 2020. We have presented net core income to reflect the rebates, distribution costs and fundraising fees paid to deliver core income by the Group.

The Group provides high-quality services in actively managed alternative asset classes. Delivery of returns for investors is key and requires the team of asset management specialists to drive investment performance. As such, we operate in higher fee margin specialist areas of asset management.

The Group benefits from a diverse range of long-term management contracts, the majority of which are closed ended and provide a stable view on future revenue streams. This is demonstrated through the weighted average life of limited partner management contracts accounting for £1.3 billion in AUM being over 14 years in asset classes such as forestry. The spread of products managed by the Group's Real Assets and Strategic Equity divisions also ensures that the Group is not exposed to any one particular market, providing good diversification. The open-ended funds in the Strategic Equity division had an AUM of £269 million at the end of the year (2019: £224 million), which was an increase in the year, despite the impact of the pandemic.

Dividend, interest and other income
We continue to use our balance sheet to invest alongside clients and develop or support products managed by the Group and dividends, interest and other income reflect this. Overall dividend and investment income increased in 2020 to £554,000 (2019: £278,000), primarily due to dividends from Gresham House Energy Storage Fund plc (GRID) of £314,000 (2019: £149,000).

Other income of £1,078,000 (2019: £79,000) principally reflects the net operating income earned from the two battery storage projects while under the Group's ownership, prior to being sold to GRID.

Dividend income from associates relates to dividends recognised for Gresham House Strategic plc (GHS) of £202,000 in the year (2019: £1,323,000). In the prior year Noriker Power Limited paid a dividend in specie of GRID shares and cash of £1.2 million to Gresham House plc and GHS declared dividends of £172,000 in the year. These are recognised in the share of associates profit line in the income statement and separated out as part of the adjusted operating profit metric disclosure.

Administrative overheads
Administrative overheads, excluding amortisation, depreciation and exceptional items were £28.7 million in the year (2019: £21.0 million). The increase in cost base includes the costs of the TradeRisks business of £2.4 million, which has been integrated with our Housing division.

The Group has taken the conscious decision to invest in the team in order to grow the business effectively. In the earlier stages of this investment there is an impact on operating margins and the speed at which we achieve our target 40% adjusted operating margins in the medium-term. The benefit of this investment will be recognised when the revenues generated come through increased AUM.

Investment in key team members across the Group in 2020 led to the Group's full-time equivalent headcount standing at 122 at the end of the year up from 94 at the end of 2019. This included 21 new hires as we focused on the key roles needed to grow the business. People costs have consequently increased in the year to £23.3 million from £15.6 million in 2019, alongside variable compensation relating to performance fees and realised gains of £2.5 million (2019: £2.8 million).

The Group has also benefited from improved performance across the divisions, which drives the bonus pools based on a share of the profits with the teams and thereby increases costs.

Total office costs across the Group were £0.8 million (2019: £0.7 million), reflecting the additional office costs from the acquisition of TradeRisks offsetting the cost savings as a result of reduced office activity due to the pandemic.

We operate with offices in London, Oxford, Dumfries and Perth and continue to operate a flexible approach to the London office where it is important that we commit to an appropriate size and time frame to accommodate acquisition activity as part of our strategic growth.

When we acquire businesses we focus on the synergies that can be delivered as a result of combining complementary businesses. It is not only acquisitions where we target cost savings, we continue to review all areas of the Group's cost base diligently to ensure that we are operating efficiently and in a lean manner. We do however ensure that appropriate investment takes place in areas that will support the growth of the business.

Finance costs
The Group put in place a £5.0 million revolving credit facility with Santander in December 2020. The facility was not drawn in the year and with no other borrowing in the year the finance costs were £25,000. The £390,000 finance cost in 2019 reflects the interest and arrangement fees paid for the term loan and revolving credit facility of £357,000 and IFRS 16 Lease interest of £33,000.

Amortisation and depreciation
Amortisation of management contracts, client contacts, the website and IT platform development accounted for £8.0 million (2019: £7.7 million) as these intangible assets continue to be amortised over their useful lives. The acquisition of TradeRisks in March 2020 required the assessment of the fair value of the ReSI plc management contract and customer relationships within the businesses, which are being amortised over their useful lives.

Depreciation of £871,000 in the year (2019: £816,000) relates primarily to office leases, motor vehicles used by the Forestry business and IT equipment.

Exceptional items
We classify exceptional items as those fees and costs which relate to acquisitions and restructuring of the business post acquisition as well as one-off costs. Exceptional items in 2020 were £1.8 million compared to £1.1 million in 2019. These include the acquisition costs associated with TradeRisks as well as Appian Asset Management (Appian), which exchanged in December 2020 and is subject to approval from the Central Bank of Ireland, alongside restructuring costs.

Gains/(losses) on investments

	2020 £'000	2019 £'000
Share of associates' profits	**158**	246
Gains/(losses) in investments held at fair value	**4,599**	3,048
Fair value movement in deferred receivable	**224**	–
Movement in fair value of contingent consideration	**(1,163)**	(2,065)
Total gains/(losses) on investments	**3,818**	1,229
Less realised gains on development projects	**(3,482)**	(2,369)
Less dividend income from associates	**(202)**	(1,323)
Net gains/(losses) on investments	**134**	(2,463)

The Group has made gains on its investments and fair value movements in acquisition related contingent consideration totalling £3.8 million in 2020 (2019: £1.2 million).

The share of associates' profits relates to the 23% holding that the Group has in GHS and the Group's 27% holding in Noriker Power Limited (Noriker). The last results announcement from GHS was on 10 November 2020 for the six-month period to 30 September 2020. Under associate accounting, the Group has therefore recognised its share of the loss in the period of £133,000 (2019: £77,000 profit), which included dividends received in the year of £202,000 (2019: £172,000).

The Group's investment in Noriker was acquired for alignment as Noriker develops battery storage projects which are part of the pipeline of projects to be acquired by GRID when operational. The Group's share of Noriker profits in 2020 was £326,000 (2019: £187,000). Noriker did not pay a dividend in 2020 (2019: £1.1 million).

The associates have different year ends to that of the Group, however no material adjustments are required to the reported numbers.

The gain of £4.6 million from investments held at fair value in the year (2019: £3.0 million) includes realised and unrealised gains and losses on the co-investments that have been made in the funds managed or advised by Gresham House. The key driver of this was the realised gain made on the sale of the Thurcroft and Wickham Market battery storage projects to GRID, making a gross realised profit of £3.5 million (2019: £2.4 million gross gain on sale of Red Scar battery project). Both of these sales of battery development projects made a return on investment in excess of the Group's medium-term target of 15%. The net gain after the deduction of variable compensation relating to the project was £1.0 million for the Group.

The other notable unrealised value increase in the year was the £0.8 million increase in the value of the Gresham House Forestry Friends and Family Fund LP, based on the independent valuation at the end of the year.

Fair value movement in contingent consideration

Both the TradeRisks and Livingbridge VC acquisitions have a contingent payment element which is driven by AUM growth or revenue performance over a three-year period since acquisition. The contingent consideration payment has been fair valued at each reporting period end with the movement in the fair value recognised in the income statement.

The TradeRisks deferred consideration is driven by AUM growth assumptions and cost synergies. At the year end these assumptions have been reviewed and the primary driver for the increase in the deferred consideration is the unwinding of the discount applied between the year end and settlement in 2023.

The Livingbridge VC business revenue performance to December 2020 and estimates for 2021 have been used to estimate the fair value of the contingent consideration. The increase in the fair value on the balance sheet reflects this and the unwind of the discount between the period end and settlement in 2022.

The FIM contingent consideration of £4.8 million was paid in full in August 2020.

Tax

The Group continues to utilise the losses available against the current trading activity, however this year is now in a tax paying position. The tax charge noted reflects taxable profits within the Group partially offset by the deferred tax liability recognised on the acquisition of the FIM and TradeRisks businesses and the impact of the movement in the fair value of the management contracts.

Financial position

	2020 £'000	2019 £'000
Assets		
Investments*	**23,259**	21,902
Cash	**21,886**	19,432
Tangible/realisable assets	**45,145**	41,334
Intangible assets	**59,970**	58,545
Other assets	**18,057**	13,560
Total assets	**123,172**	113,439
Liabilities		
Borrowing	**–**	–
Contingent consideration	**6,933**	10,510
Other creditors	**19,772**	12,692
Total Liabilities	**26,705**	23,202
Net assets	**96,467**	90,237

* The above presentation of the Group's balance sheet highlights the Group's direct exposure to those vehicles and entities that it has invested in. We have therefore adjusted the IFRS statement of financial position for the following items which are required to be consolidated under IFRS 10 to present the Group on an investment basis:

DevCo Projects – removed the "Assets of a disposal group held for sale" of £7,363,000 (2019: (£12,188,000) and "Liabilities of a disposal group classified as held for sale" of £2,072,000 (2019: £9,718,000) and replaced with the investment exposure in "investments in securities" £5,842,000 (2019: £3,678,000) and "investment in associates" of £20,000 (2019: £54,000).

Gresham House Forestry Friends and Family Fund LP – reduced the value by the non-controlling interest amount of £811,000 (2019: £527,000) to show the Group's underlying exposure to this fund.

Tangible/realisable assets
The above highlights the strong balance sheet position that the Group improved on during 2020. The tangible/realisable assets supporting this total £45.1 million (2019: £41.3 million), comprise investments and cash.

Investments
The Group invests in or alongside the funds that it manages to align itself with clients. The below table provides a summary of the investment portfolio at the end of the year:

Investment Portfolio

	2020 £'000	2019 £'000
Investment in associates		
Gresham House Strategic plc (GHS)	**8,456**	8,791
Noriker Power Limited	**666**	341
DevCo Projects	**20**	54
	9,142	9,186
Investment in securities		
DevCo Projects	**5,842**	3,678
Gresham House Energy Storage Fund plc (GRID)	**2,859**	5,402
Gresham House Forestry Fund LP	**2,068**	1,489
Gresham House Strategic Public Equity LP	**1,162**	844
Residential Secure Income plc (ReSI plc)	**864**	–
LF Gresham House Smaller Companies Fund	**703**	633
Gresham House British Strategic Investment Fund (BSIF)	**269**	–
Strategic Equity Capital plc (SEC)	**173**	–
Other investments	**177**	670
	14,117	12,716
Total investments (excluding non-controlling interests)	**23,259**	21,902

Investments in associates
The Group maintained its holding in GHS in the year at 23%. The last publicly available results for the six months to 30 September 2019 has led to a decrease in the recognised value as an associate of £133,000 (2019: £70,000 increase), which after adjusting for the dividend payment of £202,000 (2019: £172,000) in the year results in a value of £8,456,000 (2019: £8,791,000).

The Group treats Noriker as an associate and the Group's share of Noriker's profits for the year to 31 December 2020 was £326,000 (2019: £187,000).

Investments in securities
IFRS 10: Consolidation requires the consolidation of the Group's investments in battery storage Development Company projects (DevCo Projects) as the Group has a controlling position in these projects. The DevCo Projects have borrowed to pay the deposits for the utility scale batteries and this borrowing is secured at the DevCo Project level on the batteries and there is no recourse to the Group. The disclosure above therefore shows the Group's net exposure to the DevCo Projects, i.e. the equity and loan investment in the vehicles and nets out the borrowing and utility scale battery assets as shown in the IFRS statement of financial position assets and liabilities of a disposal group held for sale.

The Group increased its investment in the DevCo Projects in the year, which totalled £5.9 million (2019: £3.7 million) at the end of 2020 and are in the exclusive pipeline for GRID to purchase when they are operational. GRID will go through a detailed independent valuation process when the projects are operational as part of the acquisition process and these projects currently remain on track to be operational in 2021 and 2022. During the year, the Group sold two projects, Thurcroft and Wickham Market, which delivered a net gain of £1.0 million to the Group.

The Group invested £5.0 million in GRID at the IPO to ensure that it reached £100.0 million in size and GRID has since successfully raised further capital to grow the vehicle. At the end of 2020, the Group reduced its direct investment in GRID by £2.5 million to £2.9 million as it looks to deploy capital for new initiatives around the Group.

Gresham House Forestry Fund LP performed well in the year, with increases in the value of the underlying forests driving an increase in the Group's investment to £2.0 million (2019: £1.5 million), excluding non-controlling interests.

Gresham House Strategic Public Equity LP continued to invest during 2020 and generated realised and unrealised gains of £197,000 (2019: £177,000).

Following the acquisition of TradeRisks, the Group owns £864,000 in ReSI plc, the listed housing REIT, providing further alignment with our clients.

The other investments demonstrate the Group's ability to co-invest alongside the funds that it manages and provides alignment with clients, for example committing £1.0 million at the final close to BSIF.

Cash and Borrowing
The cash balance of the Group was £21.9 million at the end of the year (2019: £19.4 million) and reflected operating cash profits generated in the year as well as a number of other items.

The issuance of shares in the Company following investor lead demand in March 2020 generated £7.7 million after costs. The Group also sold two DevCo projects, Thurcroft and Wickham Market, in October and December respectively, generating £5.7 million gross proceeds.

The acquisition of TradeRisks in March 2020 was settled in £8.0 million net cash and the issuance of £3.5 million of Company shares.

The completion of the FIM earn out period resulted in a cash payment of £4.8 million in final settlement of the acquisition of the FIM business in August 2020 and the payment of the first instalment of contingent consideration of £5.0 million was made to the sellers of Livingbridge VC LLP in December 2020.

Cash generated by operating activity and the above was used to support growth initiatives across the business in areas such as investing a further £1.3 million in DevCo Projects and committing £1.0 million to BSIF.

As highlighted, the DevCo Projects have borrowed to fund the acquisition of utility scale batteries, and this exposure is netted off against the DevCo Projects. On consolidation, the IFRS statement of financial position includes this borrowing amount of £2.1 million under liabilities of a disposal group classified as held for sale, although this borrowing has no recourse to the Group (2019: £9.7 million).

Finally, to provide flexibility as the Group enters 2021 with a range of opportunities to grow the business the Group has put in place a new Revolving Credit Facility (RCF) with Santander. The RCF has a £5.0 million limit, with a £5.0 million accordion allowing the Group to extend the size of the RCF to £10.0 million, with a three-year term.

Intangible assets
Intangible assets are primarily made up of the management contracts acquired as part of acquisitions and the goodwill associated with these acquisitions. As at 31 December 2020, the net book value of management contracts and other intangible assets was £30.3 million (2019: £34.5 million), reflecting the amortisation of the management contracts over their useful lives, and the addition of the ReSI plc management contract following the acquisition of TradeRisks. No contracts were impaired at the year end.

Goodwill resulting from acquisitions is reviewed each year end and there was no indication that impairment to goodwill should be considered to the book value of £29.7 million (2019: £24.1 million). Further details are included in the notes to the financial statements.

Contingent consideration
Contingent consideration reduced from £10.5 million to £6.9 million in the year, reflecting the final settlement of the FIM earn out of £4.8 million in August 2020, the settlement of the first deferred payment to the sellers of Livingbridge VC LLP of £5.0 million in December 2020. This was offset by the addition of the £3.3 million fair value of the contingent consideration payable to the sellers of TradeRisks, amounts payable on DevCo Projects of £2.1 million plus the unwind of the discount from the year end to the date of settlement.

Going Concern
The Directors carry out a rigorous assessment of all the factors affecting the business in deciding to adopt a going concern basis for the preparation of the accounts. The Directors have reviewed and examined the financial and other processes embedded in the business, in particular the annual budget process. On the basis of such review and the significant liquid assets underpinning the balance sheet relative to the Group's predictable operating cost profile, the Directors consider that the adoption of a going concern basis, covering a period of at least 12 months from the date of this report, is appropriate.

Kevin Acton Chief Financial Officer

10 March 2021

Strategic Equity

An investment philosophy based on applying a private equity approach to investing in both public and private companies

Strategic Equity AUM
As at 31 December 2020

£920m

+30%

Strategic Equity Net core income
For the year to 31 December 2020

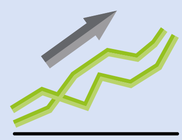
£13.2m

+8%

Strategy
The Gresham House Strategic Equity division targets superior long-term returns in a range of public and private equity investments, by employing an active approach, engaging with companies and applying rigorous due diligence and developing a deep understanding of each investment.

- **Public Equity:**
  - Strategic Public Equity
  - Microcap, Multi Cap Income and Smaller Companies
- **Private Equity:**
  - Venture Capital
  - Private Equity

2020 was a tumultuous year in stock markets across the world. In the UK we experienced both the fastest bear market followed by the fastest bull market in history. At the end of the year, the UK reached an agreement with and eventually left the European Union. The emergence of the pandemic led to a sharp sell-off in markets in March, which was followed by significant Government stimulus to help shore up an enforced paralysation of the economy. Equity issuance followed as companies sought to strengthen their balance sheets and generate liquidity. There were widespread dividend cuts. Some industries and sectors benefitted, such as e-commerce, whilst others, such as leisure, were decimated. A recovery in markets during the second half of the year, driven by enormous monetary and fiscal support was boosted by the announcement of effective vaccines in November which led to a material improvement in confidence. In 2020, the FTSE All-share fell 9.8%, the FTSE 250 of mid-sized companies moved -4.6% whilst the FTSE AIM Index of largely smaller companies rose 21.7%.



Public Equity

Public Equity
Our public equity philosophy revolves around taking a hands-on approach to engaging with our investee company stakeholders – including management, shareholders, customers and suppliers – in order to capitalise on market inefficiencies and by identifying value creation and recovery opportunities. The team has considerable experience in public markets and benefits from a deep and wide network, including our own substantial platform across the division.

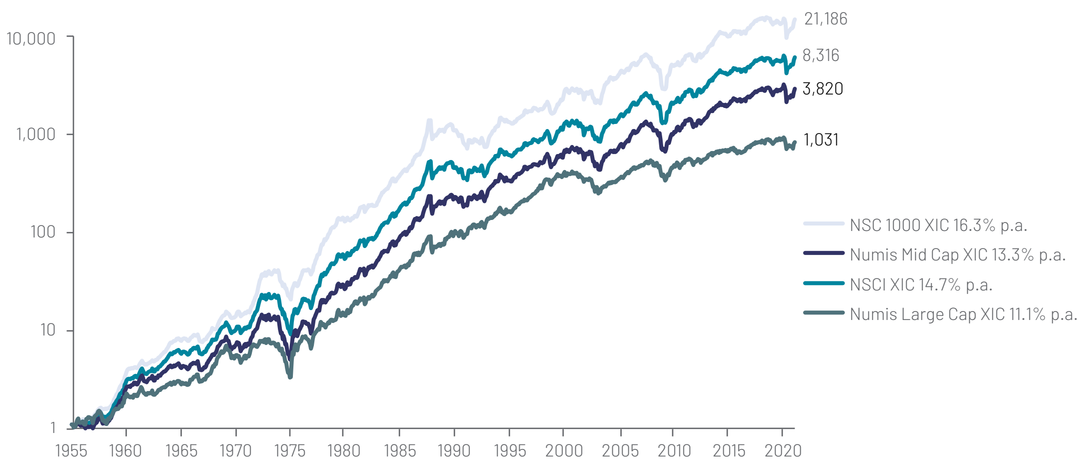
The investment opportunity for our strategies

We observe a significant investment opportunity across our specialist product suite. This is driven by:

→ the 'small companies effect', which has delivered great returns over the long term as shown in the graph below

Long-term performance

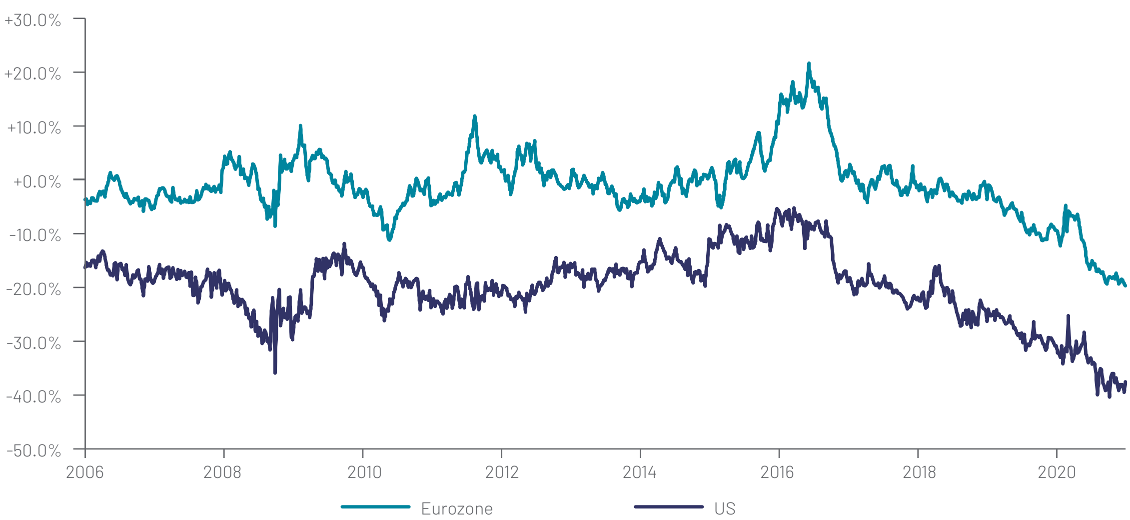
Cumulative return 1955-2020



Source: Elroy Dimson, Scott Evans, Paul Marsh, Numis Securities, December 2020

→ The significant valuation discount that has emerged between UK and overseas equities and the valuation of small compared to large companies as observed in the charts below.

World markets: UK PE relative discount



Source: Peel Hunt, Refinitiv, Datastream, 3 February 2021

We seek to exploit this opportunity through our well-resourced team, considerable experience, focused portfolio construction and quality of due diligence in this structurally under-researched area of the market.

Our strategies are differentiated as follows:

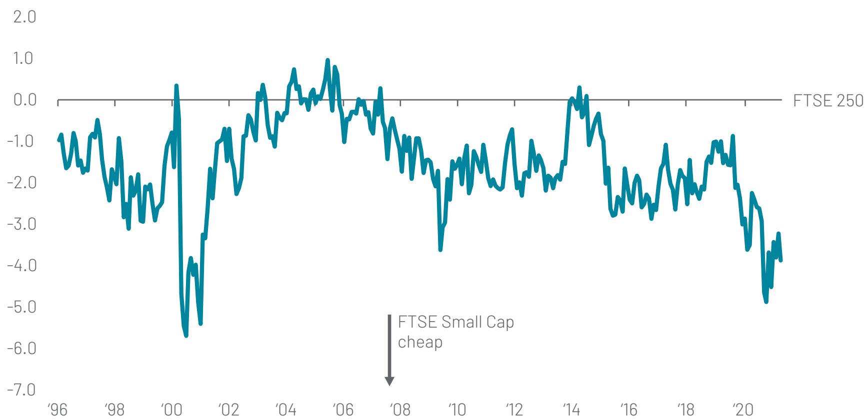
Strategy	Structure	NAV £m	Number of Holdings	Size Focus £m	2020 return %
Strategic Equity Capital plc (SEC)	Closed end Investment Trust	178	20	100-1,000	24.9[1]
Gresham House Strategic plc (GHS)	Closed end Investment Company	50	16	<100	3.8
Strategic Public Equity LP (SPE)	Limited Partnership	10	10	<100	16.6
LF Gresham House UK Micro Cap Fund	Open ended Investment Company	259	50	50-500	6.5
LF Gresham House UK Multi Cap Income Fund	Open ended Investment Company	76	42	All cap	-5.6
LF Gresham House UK Smaller Companies Fund	Open ended Investment Company	5	50	100-2,500	10.9

1 2020 return since Gresham House became manager of SEC in May 2020.

Strategic Public Equity
Strategic Public Equity (SPE) is an alternative investment strategy that applies private equity techniques to investing in UK public companies, typically below £250 million in size. It is a highly engaged strategy, requiring the team to use thorough due diligence to take influential minority stakes in investee companies, having identified value creation catalysts to enable strategic, operational or management initiatives. SPE targets inefficient areas of the UK smaller companies markets and seeks superior returns over the medium term. The investment team has a clear focus on intrinsically undervalued, cash-generative companies with excellent prospects for profit growth over the investment time-horizon.

The 'value' style of investing has been out of favour and we expect returns should mean-revert to their long-term averages, which implies there is a significant opportunity for outperformance. Fewer investors are competing in this space. Private equity investment funds typically have limited access to public companies due to constraints and a lack of understanding of public markets whilst many public market institutions are held back by lack of trading liquidity in smaller companies. SPE is an alpha-driven strategy, targeting significantly undervalued companies and is uncorrelated to a market index. It is implemented through a concentrated portfolio, based on substantial research and a variety of private equity and industrialist inputs.

"Small Cap Discount' - Median SC P/E - FTSE 250



Source: Liberum, Datastream, 3 February 2021

Strategic Public Equity

- **Gresham House Strategic plc** (GHS) delivered another year of outperformance taking the 3-year NAV total return to +34.9% for the three years to 31 December 2020, to the top quartile of the AIC Sector for UK Small Companies and outperforming the FTSE Small Cap Index materially which returned 3.1%. GHS has now delivered a NAV Total Return of +54.3% since Gresham House took on the mandate in August 2015. The Board announced that it had increased its dividend growth target to 20% on 7 September 2020. GHS was a finalist for Investment Week's Investment Company of the Year 2020 for UK Smaller Companies.
- **SPE LP** follows a very similar investment policy and portfolio to GHS. As at 31 December 2020, the SPE LP portfolio valuation indicated a 15.3% IRR with the fund being 98.0% drawn.
- The mandate to manage **Strategic Equity Capital plc** started in May 2020. We bolstered the investment team with the addition of Ken Wotton as lead manager alongside existing manager Adam Khanbhai. The portfolio has begun to evolve, whilst during the year the NAV grew 24.9%.

Growth in 2021
The team continue to work hard on delivering top quartile performance for GHS, SPE LP and SEC.

OEICs

- **LF Gresham House UK Micro Cap Fund** is an award-winning, high-conviction, concentrated fund, seeking to deliver long-term returns. The fund was awarded Best IA UK Smaller Companies Fund in 2020 at the Portfolio Adviser Fund Awards. The fund has achieved consistent low correlation to its peer group via dedication to micro-cap companies and fundamentals-based stock picking. Using a similar SPE philosophy, the fund takes advantage of inefficient markets, with micro-cap companies remaining under researched. The investment pool is also large with a dynamic entrepreneurial environment providing constant renewal of the opportunities available.
  - The team have driven the fund since its inception in 2009 delivering positive returns in every year since launch as well as ending the year as a top quartile IA UK Smaller Companies fund over the past ten years, targeting a total return of double digit annual total returns over the market cycle.

- For the year to 31 December 2020, the Fund slightly outperformed the IA UK Smaller Companies sector, returning 6.49% versus 6.48%. However, over 10 years, the fund is ranked 4th out of 44 funds and has delivered an impressive cumulative returns total of 332.8% versus 179.9% in the IA UK Smaller Companies sector.

- **LF Gresham House UK Multi Cap Income Fund** invests across the market cap spectrum with a focus on small and mid-cap companies and fundamentals-based stock-picking. It seeks to deliver attractive returns with a low correlation to its peers. It targets an attractive annual yield as part of a high single digit total return. As a multi-cap fund, it has a large and diverse investment universe which provides income diversification. The focus is on profitable, cash generative growth businesses with attractive dividends.

  - The fund ranked 1st out of 84 funds in the UK Equity Income sector over three years to 31 December 2020 and remains No.1 in the sector since launch in June 2017.

- **LF Gresham House UK Smaller Companies Fund** launched in February 2019. Taking the same fundamentals-based approach to investing, it is a natural extension of our specialist range of products, particularly as companies mature from 'micro' size. During the period, Richard Staveley became co-manager of the fund.

  - For the year to 31 December 2020, the Fund outperformed the IA UK Smaller Companies sector, returning 10.9% versus 6.5%.

Growth in 2021
Through top quartile investment performance and the use of our strong distribution function, the UK Micro Cap Fund is aiming to grow its AUM closer to the capacity of the fund at £350 million. The UK Smaller Companies Fund has significant capacity, having been 'incubated' to date. The UK Multi Cap Income Fund is aiming to continue its growth in 2021 with improving prospects for the UK equity market and restoration of company dividends.

Private Equity

Private Equity
Gresham House's Private Equity strategy offers investors access to high-growth, early-stage and lower mid-market private companies.

Baronsmead VCTs
The two Baronsmead VCTs (VCTs) joined the Gresham House platform at the end of 2018, when the Group took over their management as part of the acquisition of Livingbridge VC LLP. The Baronsmead brand was established over 25 years ago (November 1995) when VCTs were first launched in the UK. Combined, the two Baronsmead VCTs have a Net Asset Value in excess of £400 million.

The Baronsmead VCTs invest in early-stage, rapidly scaling businesses and work closely with the Management teams post investment to support accelerated growth. The funds are differentiated in the market by having scale in both unquoted and quoted investments. The complementary nature of these two asset classes has provided consistent long-term returns and dividends to shareholders.

The COVID-19 pandemic, and resultant national lockdown and social distancing requirements, presented significant challenges to large parts of the economy during 2020. Despite this, the performance of the Baronsmead VCTs was robust, led by a strong bounce in the value of the quoted portfolio following the sharp decline in markets during March. Investments in software, technology enabled services and healthcare and education businesses, which to date have been more resilient, have outperformed. The direct AIM investments in the Baronsmead VCTs' portfolio increased in value by 24% during 2020.

As expected, the recovery in the value of the unquoted or private equity portfolio has been more measured. The private equity portfolio contains several multi-site casual dining restaurant businesses and a nursery chain based in the South West of England. These investments have experienced a material decline in revenues due to the lockdown and social distancing. The decline in valuations on this segment of the portfolio, was largely offset by increases in the carrying value of investments in technology, software and e-commerce companies.

We expect the economic environment to remain challenging heading into 2021. However, we believe it is a good time to invest in agile and innovative earlier stage companies who are well positioned to take advantage of the disruption in large parts of the economy. The Baronsmead VCTs are well capitalised, following successful fundraising of £57 million in 2020, and will be actively playing a role in supporting the growth of small businesses which will be an important contributor to the economic recovery.

Growth in 2021
The Baronsmead VCTs closed their current fundraising having raised £65 million, which includes £32 million raised in 2021 and will look to continue growing the VCTs in 2021 through a combination of strong investment performance and potentially further new share issues.

Real Assets

Protection from inflation through proven, sustainable asset-backed investments

Gresham House's Real Assets strategy targets sustainable yield and long-term capital growth for clients, through investment in a variety of tangible assets. Comprising Forestry, Housing, Renewables, Energy Storage, and Sustainable Infrastructure asset classes, our Real Assets division aims to provide investors with protection from inflation and portfolio diversification via proven, sustainable alternative investments.

Real Assets AUM
As at 31 December 2020

£3,050m
+46%

Real Assets Net core income
For the year to 31 December 2020

£27.6m
+42%

Forestry

Strategy
Commercial forestry is a real asset which both diversifies an investment portfolio and provides yield, through timber harvesting, and capital growth in the underlying land and growing timber value. Gresham House's UK forestry investment opportunities seek attractive long-term returns, uncorrelated to traditional debt and equity asset classes, benefiting from the team's significant experience and expertise, with the biological growth of the trees underpinning returns from the asset.

Commercial forestry investment provides exposure to timber prices, which Gresham House forecasts to continue to rise in the medium and long-term. When planted, grown and managed well, forestry generates income from timber sales, provides inflation protection, and, for those exposed to UK taxation is free of Income Tax on timber harvesting income and Capital Gains Tax exempt on the growth in value of timber (growth in land values is potentially subject to Capital Gains Tax). In addition, commercial forestry is 100% Inheritance Tax exempt after a two-year qualifying period.

All forests managed by Gresham House are independently certified as 100% sustainable, prior to harvesting commencing.

Gresham House is the UK's largest commercial forestry asset manager, harvesting approximately 10% of the UK's softwood annually. This means we have deep internal knowledge of the UK timber processing industry, enabling us to maximise the price at which we sell timber for our varied mix of clients which

include institutions, endowments, family offices and private investors. Our forestry investments are also reinforced by owning the underlying freehold land on which commercial timber is grown, harvested and replanted in a sustainable manner. A balanced forestry portfolio can provide a perpetuity style cash yield, which is extremely attractive to investors.

2020 was another significant period of growth for the Gresham House Forestry team acquiring £110 million of UK forestry assets in the year, increasing the area we manage to c.138,000 hectares. The current value of these assets is in excess of £1.8 billion. Through our £108 million fundraise for Gresham House Forest Fund I LP, we were also able to add a new institutional client to the fund.

We have also been able to develop our international ambitions for the forestry division further with a substantial carbon credit-based opportunity in New Zealand, which we plan to complete in 2021.

Forestry portfolios are each unique by their nature, but fully invested scale portfolios across Gresham House's forestry funds and managed accounts have exceeded their target investment IRRs of 7% per annum. For example, our retail Forestry funds have delivered around 15% over the last 12 months.

The COVID-19 pandemic caused some short-term closures in the UK timber markets. However, these markets reopened very quickly and timber prices remain buoyant. Despite these short-term effects, the Forestry funds paid their targeted distributions in full.

The opportunity

We expect global demand for timber to continue increasing over the next 30 years, with global industrial roundwood timber consumption predicted to more than double by 2050[2]. We believe there will be three key drivers behind this demand:

- Urbanisation – the global urban population is forecast by the UN to rise by 53% over the next thirty years, driven by both general population growth and the move from rural to urban areas to seek prosperity (jobs, better living standards, better access to healthcare, education, and a longer lifespan). Urbanisation and rising GDP per capita increase timber demand.
- Economy decarbonisation – under the 2016 Paris Agreement, signatories are required to keep global warming to 'well below' 2°C and if possible 1.5°C above pre-industrial temperature levels. Most countries, including nearly the whole of the EU[1], are targeting a 40% reduction in emissions by 2030 and to be completely carbon neutral by 2050. Timber is the natural and sustainable low carbon substitute product for buildings and construction.
- Housing shortage – housebuilding, independent of the additional uses of timber, continues to be a major contributor to global timber consumption. Housebuilding levels remain below long-term historical averages in nearly all major economies.

Global industrial roundwood timber consumption reached a new high of 2.2bn cubic metres in 2018 (the latest full year for which figures were produced). Over the past 20 years, it has risen by 25%, with the only fall of significance occurring in 2008/2009.

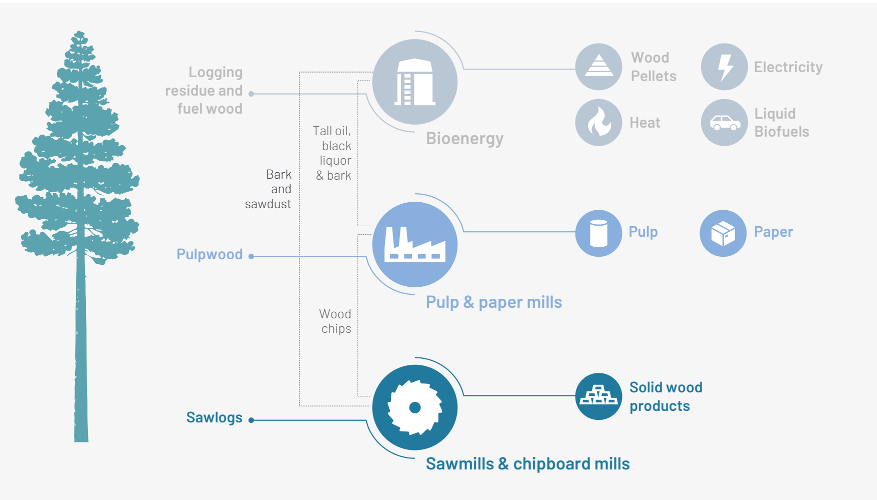
This demand increase comes at a time when even greater constraints are being placed on traditional sources of supply, through reductions in illegal logging, driving timber prices higher. This has resulted in both greater revenue from timber harvesting and also higher land values as the land becomes more financially productive.

As noted, the construction sector creates demand for a wide range of timber products, from high-value sawlogs, engineered wood products, furniture and decking. The remainder is utilised by the energy industry (for biomass) and as paper and cardboard packaging.

The UK currently imports c.82% of its timber[1] and is the largest consumer of wood pellets, consuming over 9.1 million tonnes per annum, equivalent to 45% of EU consumption and 24% of global demand.

1 Gresham House recently published its "Global Timber Outlook 2020" and this can be downloaded on our website: https://greshamhouse.com/global-timber-outlook/

2 Source: Forestry Commission, Forestry Statistics 2019. Apparent consumption of wood (production and imports) in the UK in 2018



We offer investors access to forestry in two ways, Limited Partnership fund structures and non-discretionary managed accounts:

- Limited Partnership fund structures: these provide access to both retail and other investors to invest in an institutional grade forestry portfolio over a long timescale, providing an opportunity for forestry to form part of a balanced portfolio at an accessible scale. Under these structures, the Forestry team manage the whole fundraising, investment and management of the portfolio and target a distribution to investors as well as long-term capital growth and valuable tax benefits.

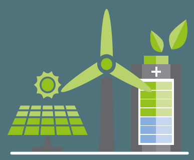
- Non-discretionary managed accounts: the Forestry team manage all aspects based on the individual investors investment criteria.

Both structures are long term in nature, reflecting the long-term capital growth of forests and address clients' needs for income from timber harvesting. This also ensures Gresham House can earn management fees over a long period, providing sustainable revenues.

Fees are earned from both managing the forests as well as transaction fees earned from fundraising, assessment and valuation, recommending appropriate acquisition prices and providing due diligence in the acquisition process on behalf of clients.

A key competitive advantage of Gresham House is its ability to source both on and off market transactions enabling a number of pipeline transactions to be identified and developed to deliver the needs of its funds and other clients. In 2020, around 50% of Forestry transactions were off-market and therefore unavailable to competitors.

Growth in 2021
The Forestry business aims to raise further AUM though a new Gresham House UK Forestry Growth and Sustainability Fund in 2021 and build strategic joint ventures in Europe. In addition, the Forestry business continues to target further international growth in several areas.



New Energy and Sustainable Infrastructure

Real Assets – New Energy and Sustainable Infrastructure
Strategy
Our New Energy and Sustainable Infrastructure investments are focused on transformative technologies and industries that we believe will deliver strong financial returns alongside supporting the transition to a more sustainable world.

Our investments directly address key sustainability challenges and provide innovative solutions that enable a new, more sustainable, way of living. We seek a positive impact while also achieving strong risk-adjusted financial returns, which investors can access through listed vehicles, Alternative Investment Funds (AIF) or direct investment. Areas within which we source investable solutions include:

The transition to a low carbon energy system is a global challenge: we seek to invest in projects that enable the transition to renewably-sourced electricity and the electrification of other energy-intensive segments of the economy that have typically been fuelled by oil and gas (such as heating and transportation). Specifically, we invest in renewable energy projects (solar and wind) and lead the UK utility-scale energy storage which addresses the intermittent nature of renewable energy generation.

Waste solutions: we invest in projects that help to sustainably manage waste from all areas of the economy, often diverting waste from landfill or providing alternative end uses to waste by enabling reuse, recycling or conversion to low-carbon heat and energy. These initiatives typically make an active contribution to the circular economy in line with the global sustainability agenda.

Resource efficiency: there is an opportunity to restore swathes of our country's natural habitats through investment in agri-tech projects such as vertical farming or aquaculture that make much better use of both land and water while also reducing chemical use and 'food miles' and associated pollution and emissions.

Digital inclusion: The COVID-19 crisis has thrown into sharp focus the importance of digital connectivity in daily life. By investing in projects and companies that increase fibre networks and provide improved digital access in particularly hard to reach and rural communities the aim is to reduce the digital gaps that exist.

Regeneration: We are focussed on nature-based solutions that help to provide regeneration opportunities. These critical initiatives are able to deliver environmental solutions to meet new planning requirements and address loss of biodiversity or ecosystems via the provision of new wild-land meadows, wetlands and forests. These solutions can go beyond carbon abatement and offer tangible enhancement to our nature.

Health and education: supporting a wide range of activities to enable people to live fulfilled lives through better access to high quality education and health care. Investments in this area cover infrastructure businesses that cater for dementia and specialised healthcare through to Special Educational Needs and specialist schools to vocational training.

Returns are supported by strong asset backing, a sustainable income yield, and the potential for capital growth. The investment team have an impressive track record and include responsive, analysis-driven investment managers who understand the potential of clean energy and sustainable investment. Our investment strategies are appropriate for long-term investors seeking investment returns supported by strong assets, a sustainable yield through regular income distributions, where applicable, and the potential for capital growth.

The opportunity
The New Energy and Sustainable Infrastructure teams have been investing in the rapidly changing energy landscape, tackling regulatory uncertainty and other complexities, for over a decade. They have harnessed their technical and investment expertise to produce a strong track record of investing in new and critical areas of the new energy and sustainable infrastructure industry, focused particularly on onshore wind, rooftop and ground-mounted solar, battery storage and a wide range of sustainable infrastructure projects, seeking to deliver sustainable, attractive yields for investors and preserve capital. By ensuring good capital-backing, strong relationships with bank financing partners, best-practice management processes and an IT infrastructure that minimises costs as well as the potential for inefficiencies, the team has been free to apply its core competences and expand during 2020.

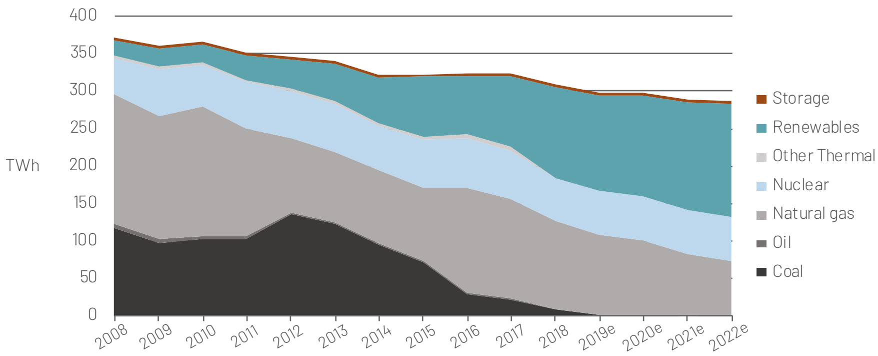
Beyond the need for decarbonisation, humanity is faced with life-changing environmental and societal challenges which require urgent action. From the ecological impact of climate change which has seen irreversible loss of wildlife and biodiversity, to the steep increase in instances of mental health problems, these challenges all require new solutions. At Gresham House our Sustainable Infrastructure are real assets that can help humans live in a more sustainable way. By providing solutions to these challenges, we believe there is both intentional impact and strong financial rewards. This allows Sustainable Infrastructure to blend strong income with capital growth and tangible sustainability outcomes.

Gresham House Energy Storage Fund plc (GRID)
GRID invests in a portfolio of utility-scale operational Energy Storage Systems located in the UK, servicing the National Grid with a stable electricity supply and addressing the intermittency challenges of renewables. Following on from the successful £100 million launch and IPO in November 2018, a further £258 million has been raised by GRID (c.£150 million in 2020), making it the largest fund of its kind in the UK. It targets a NAV total return of 8.0% per annum (net of all fund expenses and before leverage) with a minimum target dividend payment of 7.0p[1] (4.5p was paid in its first financial year).

The investment team built out projects considerably over 2020, and the portfolio now includes 13 operational sites across the UK with a total capacity of 350MW as at 31 December 2020.

1 This is a target, not a profit forecast. There can be no assurance that this target will be met or that the Fund will make any distributions at all. This target should not be taken as an indication of the Fund's expected or actual current or future results. Potential investors should decide for themselves whether the return is reasonable and achievable in deciding to invest in the Fund.

Rise of renewables



New Energy – **Wind** – The Group manages 150MW of wind farms in the UK through LP and unlisted structures. The team most recently acquired the 24MW Inverclyde Wind Farm in Scotland. This has the benefit of a 15-year Power Purchase Agreement with Tesco. This is a seed asset for a new renewable energy LP fund being launched in 2021.

New Energy – **Solar** – Managing 80MW of solar parks these assets comprise both roof and ground mounted solar assets across 16 ground mounted sites and four companies owning many roof mounted assets. In addition, Gresham House have secured a 200MW ground mounted solar portfolio pipeline from Anesco. This will be built out over the next three years.

New Energy – Gresham House Renewable Energy VCT1 and VCT2

The New Energy team manages the Gresham House Renewable Energy VCT 1 and Gresham House Renewable Energy VCT 2 (VCTs), formerly the Hazel Renewable Energy VCTs. These VCTs were launched in 2010 to capitalise on the opportunity created by the granting of UK Government incentives in the form of inflation-linked Feed-in-Tariffs (subsequently replaced by Renewable Obligation Certificates for larger installations) to support the deployment of renewable energy generation. The combination of fixed tariffs with little exposure to wholesale market power prices and the contracted nature of the cost base, ensures that these assets generate stable and predictable cash flows which in turn enable and support a robust dividend stream of a similar profile. The dividend stream is further enhanced by virtue of being free of income tax for individuals.

The VCTs are currently fully invested and own a portfolio of 12 large scale renewable generation assets, with an emphasis on ground mounted solar, plus an additional two investments in innovative clean energy businesses: Bio-bean and Rezatec. Bio-bean recycles used coffee grounds into efficient, sustainable products for both consumer and industrial applications, and Rezatec applies unique machine learning algorithms to earth observation data (e.g. satellite imagery, topography) to generate data analytics products.

Gresham House BSI Infrastructure LP

Gresham House British Strategic Investment Fund is operated as two sub strategies, Gresham House BSI Infrastructure (BSI Infrastructure) and Gresham House BSI Housing (BSI Housing). The combined fund had a final close in May 2020 with commitments totalling £300 million, BSI Infrastructure £182.5 million and BSI Housing £117.5 million. The final close introduced a number of large institutional clients who we are pleased to welcome to Gresham House and look forward to working with on this and other strategies.

The BSI Infrastructure fund invests solely into Sustainable Infrastructure across six target sub-sectors: Decarbonisation; Resource Efficiency; Waste Solutions; Digital Inclusion; Regeneration; and Health & Education. All investments address our pressing need for new infrastructure that would allow a more sustainable way of life. We at Gresham House are seeking to invest in real asset based solutions to key environmental and societal problems. The sub-sectors targeted directly align the strategy with the UN's Sustainable Development Goals. We believe that new, innovative infrastructure not only supports a sustainable way of life, but that sustainable investing is the best way to drive long-term returns for our investors.

BSI Infrastructure fund's exposure is to projects that are asset-backed and income-generating whilst also delivering a positive social and/or environmental impact. We actively consider all positive and negative externalities to ensure we do not invest in assets that may one day not be fit for purpose in a carbon neutral and sustainable world – mitigating the risks of owning stranded assets.

During 2020, BSI Infrastructure completed six new investments that were a combination of follow-on investments for new assets within existing platforms or for exciting new investment platforms such as the Cornwall focussed broadband provider, Wildanet. In all cases the investments funded new greenfield Sustainable Infrastructure.

At the end of 2020 BSI Infrastructure was 43% drawn, with 87% of the fund committed to seven investments, such as vertical farming, clinical and hazardous waste treatment and gigabit broadband networks. The team continue to work on an attractive pipeline to deploy the rest of the fund during 2021.

Growth in 2021

In 2021 GRID plans to continue to acquire new operational projects and further develop existing projects that the team have identified within their exclusivity pipeline. The New Energy team are working on the launch of the new unsubsidised renewable energy LP fund with the aim of a first close in 2021. The Sustainable Infrastructure team expect to complete the investment of BSI Infrastructure in 2021 and therefore will launch a second fund in 2021 to capture the exclusive opportunities from current investment platforms and from the new pipeline opportunities already identified.

Real Assets – Housing

Strategy
We offer long-term investment strategies focused on UK housing through listed and unlisted specialist investment funds. All our investments are predicated on providing high-quality fairly priced homes that are affordable to the majority of the UK's population. To achieve this each of the funds managed by the Group aims to deliver stable and secured inflation-linked returns whilst providing a positive social and environmental benefit to our residents, the local community and the wider economy.

All our funds can invest through our two Registered Providers of Social Housing which are required to hold regulated affordable housing assets, ensuring they are managed with the highest standards of governance, financial viability and resident welfare.

Our housing expertise was bolstered through the acquisition in March 2020 of TradeRisks and its fund management subsidiary, ReSI Capital Management, that have an unparalleled track record in the social housing sector over 19 years as a funding arranger and advisor and, over the last three years, as an investor.

The Housing sector is viewed as strategically important for the national, regional and local economies of the UK and the market faces an ongoing structural shortfall. Investments in this area are generally defensive and benefit from substantial asset-backing and can provide investors with:

- → Downside protection from asset backing;
- → An attractive income stream that is implicitly, or explicitly, inflation-linked; and
- → Investments with a positive impact.

Our private fund clients are primarily local government pension schemes and institutional investors, for whom we aim to provide opportunities to invest in local housing in the UK. Our listed fund clients are wealth managers channelling individuals' private savings and pensions.

The opportunity
The UK has a well-documented shortage of housing, particularly affordable housing, caused by a combination of demographic trends and historic undersupply. At present c.243,700[1] homes of the forecast 300,000 homes required were delivered in 2019/2020, which in itself was a 33-year high. Affordable housing delivery lags even further with only c.50,000 homes delivered per year – a third of the 145,000 affordable homes needed each year.

In order to meet this shortfall long-term patient capital is required by housing developers: volume house builders, small regional developers, housing associations or local authorities. We seek to meet this demand and enable the accelerated development of socially and economically beneficial new housing. To put this into context the 56,300 home shortfall this year is estimated at requiring up to an additional £11.3 billion of capital. A similar level of capital will be required annually for the foreseeable future to make a meaningful contribution to the housing shortage.

Our investment focuses include shared ownership, affordable private rented, retirement, temporary accommodation and social housing. Investments in this area benefit from substantial asset-backing and in turn provide investors with attractive long-term returns. In comparison to many areas of investment, housing investments benefit from:

- → Secure and sustainable rental stream of individual residents;
- → An inflation-linked income stream;
- → Long-term capital appreciation through rental growth;
- → Downside protection through alternative uses;
- → Low volatility, in many cases, through below market rents and a proven counter-cyclicality of rental accommodation in the UK and overseas;
- → A highly diversified portfolio across locations, property type (i.e. houses and apartments) and resident type (driven by the granular nature of the portfolio); and
- → Diversification versus traditional real estate investment classes real estate, infrastructure, fixed income and equity investment.

In addition to providing a compelling investment case, our housing investments have strong and quantifiable social and environmental benefits – including direct monetary social distributions through reduced rents versus market rates for our residents.

These are capital-intensive opportunities which typically require a long-term investment horizon and a significant upfront investment of time to realise best value in the long run. The investment team's extensive industry experience and network of contacts and advisors positions us well to realise this long-term value.

Sources

1. National Infrastructure and Construction Pipeline website https://www.gov.uk/government/collections/national-infrastructure-plan as at 13 February 2018
2. "Fixing our broken housing market" – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf

Residential Secure Income plc (ReSI plc)
ReSI plc is a listed real estate investment trust delivering secure inflation linked income from shared ownership, retirement rental homes and local authority housing, boosting returns with ultra-long debt, which has a 23-year average maturity. ReSI plc targets a dividend yield of 5% (on issue price of 100p) and a total return in excess of 8%. ReSI plc came under the Group's management as part of the TradeRisks acquisition in March 2020 and has a NAV as at 31 December 2020 of £180 million.

Gresham House BSI Housing LP Fund
BSI Housing had a final close in May 2020 with total commitments of £117.5 million. At the end of 2020 BSI Housing was 35% drawn, with 62% of the fund committed to six investments, in areas such as the delivery of 568 homes for private rental. The team continue to work on an attractive pipeline to deploy the rest of the fund during 2021. BSI Housing will continue to deploy its capital in 2021 from its current pipeline.

Growth in 2021
The Gresham House ReSI LP fund is a limited partnership fund targeting institutional investors. The fund looks to provide stable and secure long-term inflation-linked returns, with dividends in excess of 3% and a total return of 6.4%, in a defensive asset class with high barrier to entry and is being raised with an exclusive focus on providing access to new-build modern shared ownership homes. The fund is in the process of being raised with a targeted first close in 2021.

[1] Source: MHCLG (https://www.gov.uk/government/news/most-homes-delivered-in-33-years)

Effective risk management

Our approach to risk management
Effective risk management is key to our success and forms part of our key strategic drivers and culture. The Board is responsible for the effective management of risks across the business and considers the effective management of these risks and opportunities as central to the achievement of its long-term objectives. Gresham House incorporates the management of economic and non-economic factors such as sustainability risk management when managing risk.

Our Enterprise Risk Management Framework (ERM Framework) sets out our risk governance structure, risk appetite and risk assessment processes, policies and procedures, periodical risk reporting and assurance arrangements.

As part of the delivery of our sustainable investment commitments, we have developed a sustainability risk management model within our ERM Framework, and this model is being implemented across the Group to support our Sustainable Investment goals.

Risk developments
During 2020, the unparalleled disruption and complexity brought by the pandemic and Brexit increased the risk environment in which the Group and many other businesses and economies operate. Our enterprise risk management framework proved to be resilient and able to mitigate these risks and continue to operate business as normal while observing the restrictions in place.

As a business, we were inspired by our staffs' adaptability and resilience as we entered the period of remote working. We continue to monitor developments on the future relationship between the EU and the UK and the geopolitical complexities impacting the financial services sector.

Our globalised world is certainly more cognisant of risks, the effects of the pandemic, environmental degradation and transition to a low-carbon economy are already having a significant impact in key sectors around the globe. As a result, we seek to work collaboratively with our clients, shareholders, and society generally to tackle social challenges.

How we manage risk
Our ERM Framework has been designed to ensure the prompt and accurate identification, assessment and management of internal and external risks as well as evaluation of emerging risks pertinent to the Group.

The Gresham House Group approach to risk management encompasses:

→ **Risk Governance** – The Board of Directors is responsible for setting our business strategy and the overall management of risk within the Group. Our risk governance structure is comprised of business standards, policies, committees, risk culture management, risk oversight functions, risk appetite and risk ownership roles and responsibilities. The Audit Committee considers Group-wide risks at least on a bi-annual basis and makes recommendations to the Board. The Board also allocates responsibilities for the management of identified risks.

The Group has in place a functional and hierarchical separation of its risk management oversight and business units, where business units include portfolio management functions. Risk ownership and risk oversight are segregated across the Group.

→ **Risk culture** – The Board sets the right tone at the top by supporting a sense of risk ownership and collective responsibility for risk management across the employee base. A strong risk culture is promoted throughout the Group. Accountability for the effectiveness of the Group's risk management systems and internal controls has been further strengthened with the development of our ERM Framework and embedding of the Senior Managers & Certification Regime (SMCR) during 2020.

→ **Risk identification and prioritisation** – The identification of the strategic objectives of the Group as a whole and supporting business processes include identification and assessment of risk events that might impede the achievement of business objectives or delivery of business processes.

Our risk identification process delivers a defined risk taxonomy which is used to establish the impact and likelihood of a

risk materialising and of the exposures the Group faces. Our risk prioritisation reflects the efficient application of resources within the Group.

- **Risk appetite, tolerance and limits** – The Board sets the Group risk appetite which supports the corporate strategy and determines the threshold of risks considered acceptable. This approach aims to enhance our decision-making capacity and to reflect the agreed business strategy, the business operational systems and controls, risk appetite and tolerance, capital resources and threshold limits needed to provide early warning signs of a possible approach of our risk appetite limits.

- **Risk management and mitigation controls** – As part of the risk assessment process, controls and mitigation strategies are documented for each material risk, with risk owners taking ownership of the maintenance and operation of designed mitigation controls. The risk manager supports the risk and control self-assessment programme performed by risk owners in order to capture risks, oversee and challenge scenario analysis (where combinations of risk factors are assumed to vary) and stress testing outputs (where one risk factor, such as equity returns, is assumed to vary).

  Risk models are an important tool in our measurement of risks and are used to support the monitoring and reporting of risk and when evaluating actions and mitigation controls to be implemented. Risk velocity management also forms part of our processes and seeks to measure how fast an exposure can impact our business units and the point at which the organisation first feels its effects.

- **Risk ownership**- As part of our SMCR responsibilities, we have allocated risk ownership responsibilities to our senior management team and appropriate delegation of the identified risks cascades down to risk owners across our business units as to ensure risks identified are effectively monitored and reported to the AIFM portfolio risk management committee. We also ensure that risk owners have the skills, resources, knowledge and expertise to manage our business risks.

- **ESG risk management**- Our approach to sustainability is a key part of our strategy and our ability to deliver sustainable investment considerations are applied across the investment process for all asset classes. It involves the integration of ESG factors through due diligence screening, engagement, governance and risk management, thereby helping to formulate a granular picture of the asset, informing a coherent engagement strategy which is agreed by each of our investment committees.

  Our sustainability risk management model will be integrated into our ERM Framework taking both a top-down and bottom-up risk management approach and is based on selecting and assessing sustainable investment risks and opportunities over the short, medium and long term using our ESG Decision Tools.

- **Risk reporting and assurance** – Risk reporting takes place at different levels throughout the business units, including corporate and portfolio management functions. It provides the Board with information to enable its members to assess the management of risks in line with strategic objectives, agreed risk tolerances and the effectiveness of the control environment.

The Board and the Audit Committee meet at least bi-annually to review and, where required, challenge the Group's management of risks and any significant changes to the profile of risks including actions being taken to mitigate or control key risk exposures.

Internal Capital Adequacy Assessment Process (ICAAP)
The regulated entities within the Group undergo an annual capital adequacy assessment exercise that ensures identified risks are quantified and the adequate capital maintained to cover the identified risks. This exercise considers but it is not limited to:

- Current and forward-looking assessment of the risks and financial position of the entities over a multi-year horizon;
- Applicable financial and non-financial risks and the effectiveness of internal controls to manage the likelihood and or impact of those risks; and
- Capital requirements to ensure the financial stability of the entities under base case and stressed scenarios.

The Group is also subject to independent assurance audits for the quality of its management systems, including operating procedures and is a holder of the ISO9001 Quality System Certification. The ISO9001 certification process requires annual audit and attestation of the management systems and operating procedures to satisfy the continuous certification process.

Principal risk types and uncertainties
The Group maintains a risk register which records all the key risks which are relevant to the Group. Identified risks are assigned to risk owners who ensure that the mitigation controls remain effective. The types of risks to which the Group is exposed are not static and generally change gradually from one year to another.

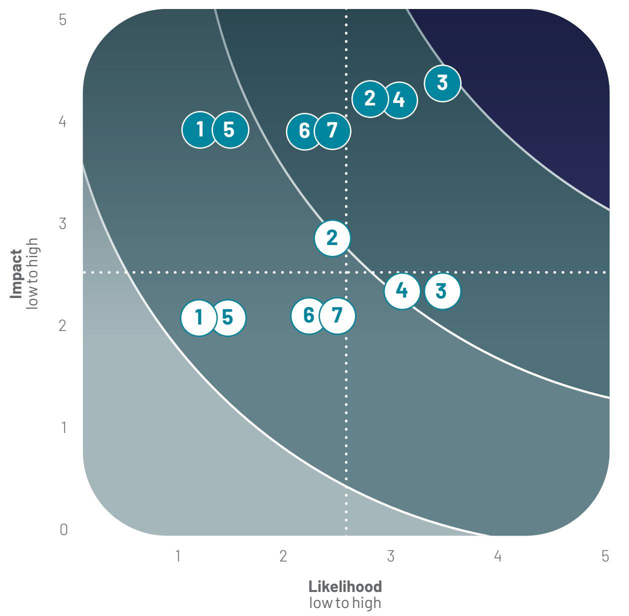
During 2020, all businesses in the UK experienced increased risks and uncertainties, therefore we have reviewed our risk profile and updated our risk taxonomy. All principal risks below and in particular Operational and ESG risks, may have an adverse impact on our brand and reputation. Within the Group principal risk categories, there are several sub-categories of risks which are also assessed and monitored by the Board.

Risk outlook

The Group's principal risks as set out in the chart below:

1 Strategic and Business Risks
2 Regulatory and Governance Risks
3 Macroeconomic Risk
4 Investment Risk
5 Operational Risk
6 Financial Risk
7 ESG Risk

Before controls
After controls



1. Strategic and business risks

Risk Description	Mitigation Controls	Trend
Strategy failure risk The Board pursue a strategy that fails to meet shareholder objectives or fails to execute the stated business strategy. **Potential impact** This could lead to increased difficulties with attracting new and existing investor capital and loss of market confidence.	The Gresham House five-year plan, GH25, was communicated to shareholders and stakeholders in 2020 as reviewed and approved by the Board. An annual business plan is defined at the start of the new financial year, which includes the approval of the Group budget for the upcoming year. Regular Board meetings are used as a forum to review the set strategy against performance and forecasts being achieved by the Management Committee and Divisional Heads. Proactive engagement with new and existing shareholders to understand their key drivers and needs for investing in the Group. During the pandemic regular and open communications took place between the Board, Management Committee, shareholders and stakeholders to manage strategic risk during 2020.	↔
Loss of key personnel risk 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 to the strategic objectives and day-to-day operations of the Group. **Potential impact** This could lead to reputational damage, loss of key investors and reduced revenues.	Remuneration levels are regularly reviewed to ensure they remain competitive and align key individuals with the long-term success of the company through deferred awards. The Remuneration Policy discourages excessive risk taking and strikes an appropriate balance between fixed and variable pay. Minimum notice periods are included in key persons' contracts of employment to ensure any departures are efficiently managed to minimise disruption. Succession planning is in place to ensure there is cover for key roles in the event of loss of services of any of the directors or senior management. Monitoring of long-term incentive plans and individual performance is ongoing to ensure that key personnel are aligned to grow the business in line with the strategy. We assess and evaluate our teams' needs at least annually by requesting feedback, conducting employment surveys, engaging via professional social media and take onboard all feedback received when reviewing our company culture, recruitment and retention management strategies. We have a culture of empowerment, encouraging individual flair and entrepreneurial thinking, enabling us to design and implement innovative investment solutions capable of building a sustainable future.	↔
Acquisition risk As the Group pursues an acquisition growth strategy as well as organic growth, there is the risk that the synergies and other benefits envisaged prior to the acquisition do not materialise. The Group completed the acquisition of TradeRisks Limited in March 2020 and exchanged, with completion subject to regulatory approval, on the acquisition of Appian Asset Management Limited. **Potential impact** Loss of investor confidence, material write downs of Group assets.	Acquisitions follow a structured process involving senior management and consultations with significant external stakeholders. Dedicated resources assigned to design and implement detailed integration plans for the acquired entities' people, processes and systems. All acquisitions involve a thorough due diligence exercise involving professional advisers as necessary to minimise uncertainty, concluding in an approval requirement from the Gresham House Investment Committee and the Board.	↑

2. Regulatory and governance risks

Risk Description	Mitigation Controls	Trend
Conduct risk The risk of poor outcomes to stakeholders arising from deliberate or negligent actions by the Group or its employees. **Breaches risk** The risk that the Group breaches its obligations under the various regulations. The Group operates in a heavily regulated environment where legal and regulatory requirements are frequently updated. **Potential impact** Regulatory censure, fines, and reputational damage.	Conduct risk management is lead from the top by the Board. The FCA regulated entities in the Group have a Board made up of division leaders and the Management Committee. Quarterly Board meetings are used to review breaches, updates in the compliance environment, capital adequacy, FCA reporting (GABRIEL) and other regulatory matters. Regular training and communications across the Group on applicable regulatory obligations. With the introduction of the Senior Managers and Certification Regime, this has been further embedded through specific conduct rules training. There is an independent compliance department to regularly monitor, identify and report any actual or potential breaches using our compliance monitoring programme. Robust whistleblowing arrangements are also in place.	↑

3. Macroeconomic risk

Risk Description	Mitigation Controls	Trend
Macroeconomic risk This is the risk of an adverse impact on revenue and profitability from an economic downturn. The pandemic is impacting economic activities which may result in slow recovery for many sectors. The Group has significant exposure to the UK economy. The Brexit deal agreed with the EU at the end 2020 will impact the Group's ability to expand into Europe as well as impact certain portfolio companies within the funds the Group manages. **Potential impact** Slowdown in the growth of AUM leading to reduced revenue and profitability.	The Group manages investments in reasonably uncorrelated asset classes such as Forestry and Renewables which have remained attractive to investors in the event of an economic downturn, such as the pandemic. The investor base of the Group is also growing, enabling diversification and mitigation of concentration risk. The Group has a robust capital position which is stress tested regularly, concluding that the Group is able to manage challenging periods of market instability. We closely monitor the management of macroeconomic risks and the impact on our investment strategies and stakeholders. The Group has limited exposure to Europe as managed assets are primarily domiciled in the UK. The Group has agreed the acquisition of Appian Asset Management Limited, a full scope EU AIFM, which will enable the Group to continue its international expansion ambitions, when regulatory approval has been granted.	↑

4. Investment risk

Risk Description	Mitigation Controls	Trend
Investment risk The risk that actual performance by funds of the Group deviate from expected performance due to systematic and/or unsystematic factors, including insufficient pipeline. The pandemic has led to market volatility in investment markets and impacting business' growth and investment valuations. **Potential impact** Loss of investor confidence, reduced AUM and profitability. The Group also invests in the funds that it manages and is therefore exposed to the performance of these funds.	Dedicated fund and investment managers for each of the Group's products and third-party mandates to ensure performance is closely monitored and action can be proactively taken if necessary. Investment Committees made up of leading independent industry experts who provide robust review and challenge for proposed new investments by the funds. During periods of market volatility, the Group increases its monitoring activities, especially across portfolios which may be impacted by the effects of the pandemic. Appointment of internal persons to board seats in private investee companies which will ensure the Group has up to date and appropriate information on the performance of those entities. Group AIFM Portfolio Risk Committee maintains oversight through the quarterly AIF fund review process.	↑
Tax efficient product risk Some of the Group's products are in tax efficient products, which could be subject to a change in government policy. **Potential impact** This could impact individual, high net worth and wealth manager investments in Forestry LP funds and VCT funds.	Clear disclosure in promotional materials on risks and status of investment assets and that independent professional advice should be sought when investing. The investment thesis on forestry is not predicated on the tax regime, hence investors' objectives are likely to still be met in the event of a tax law change should for example inheritance tax considerations be removed for forestry. The VCT funds promote investment in early-stage companies and at a time when the government wants to promote growth in the economy it is considered unlikely that these tax advantages would be removed. Regulatory scanning is conducted regularly.	↔

5. Operational risk

Risk Description	Mitigation Controls	Trend
Failure of processes and systems The risk of significant failures to internal processes and systems. **Cyber risk** The risk that the Group's systems are accessed by unauthorised persons and client data is breached. **Potential impact** This could lead to business continuity events, corrupted or lost data, operational interruptions, compliance breaches, dissatisfied clients or suppliers, and reputational damage.	The Operations Committee addresses operational matters with regular reporting to the Board. The Group engages suitably qualified third parties in all outsourcing arrangements and carries out regular due diligence on these third parties. Annual IT audits are conducted by independent third-party IT security providers, including phishing and penetration testing. Restricted access to systems is in place. Refresher training on data protection and cyber security, including cyber fraud prevention. Annual business continuity plan maintenance and testing to ensure resilience of the Group's and critical third-party systems. Achievement of ISO9001 certification ensuring documentation and consistent application of processes across the Group. With teams working from home for a large part of 2020, the threat of cyber risk to systems has increased; with appropriate controls and training to employees this risk was mitigated to normal levels. We manage cyber risk as part of our operational resilience.	↑
Health and safety risk The Group's management of alternative assets including forestry and energy, means there is the risk of injury or ill health to employees arising in the course of the execution of day-to-day responsibilities. During 2020, the risk to employees' health and safety at work increased due to the effects of the pandemic. **Potential impact** Loss of key personnel, lawsuits and reputational damage.	Engagement of suitable, authorised third parties to manage operational assets of the managed funds. Maintenance of appropriate Group wide and funds insurance covering personal injury. Safety training to operational staff and establishment of clear operational procedures. Our operational management of health and safety has been tested in 2020. AIFM portfolio risk management committee review any health and safety issues on a quarterly basis. Training is provided to the Board of Directors, employees and contractors on appropriate conduct at these sites as well as when working from home.	↔

6. Financial risk

Risk Description	Mitigation Controls	Trend
Capital and liquidity risk The risk of insufficient capital and or liquidity within the Group to meet its financial obligations as they fall due. Liquidity risk in relation to funds is the risk that redemptions or other obligations as they arise cannot be met. **Potential impact** Credit risk leading to inability to run the business, reputational damage, loss of investor confidence.	The Group ensures it exceeds minimum levels of liquidity at all times to support working capital and regulatory minimum requirements through monthly reviews by Finance, the CFO and Compliance. An ICAAP is prepared for regulated entities within the Group to assess capital requirements and ensure sufficient capital is maintained to cover those risks under normal and stressed market conditions. Liquidity forecasts are prepared across the Group with adequate measures put in place to ensure future cash flows are appropriately provided for. The Group has a revolving credit facility available to cover short term liquidity needs. Liquidity is actively managed across funds by ensuring the funds do not invest outside of their mandate in unlisted assets, do not have a concentrated exposure to single security and hold a reasonable level of cash.	⟷

7. ESG risk

Risk Description	Mitigation Controls	Trend
ESG risk The risk of inappropriate ESG risk management at Group level and adverse impact on climate change. **Potential impact** The risk that the Group does not deliver against its ESG strategic commitments set out in the Group Sustainable Investment Policies.	In the second half of 2020, the Group appointed a Sustainable Investment Director to drive the ESG investment integration across all our business lines. As the UK transitions towards a net zero economy, we are planning to enhance our climate data metrics and governance for the disclosure of our investment solutions' exposures and performance of climate-related risks and opportunities. As a financial market participant, we recognise our responsibility to contribute to a resilient financial market system. We have in place a Sustainable Investment Framework (SIF) which explains how we integrate Environmental, Social and Governance considerations into our selection, evaluation, governance and engagement processes across the lifecycle of each investment. Our Sustainability Risk Management Model will be integrated into our ERM Framework taking both a top-down and bottom-up risk management approach. The ten ESG themes in our SIF represent our sustainable investment risks and will form part of our quarterly risk monitoring and reporting activities. The Group is a signatory of the Principles for Responsible Investment which requires the submission of an annual responsible investment activities report. In 2020, the Group achieved A+ for Strategy and Governance, A+ for Infrastructure and A for Strategic Equity. The Group was also awarded the Green Economy Mark by the London Stock Exchange in recognition of its contribution in driving the global green economy. The Group is also a signatory of the UK Sustainable Investment and Finance Association, the Financial Reporting Council and Pensions for Purpose and continually strive to deliver our sustainability commitments to the above organisations.	**New Risk**

Leading the way for future growth

Anthony Townsend

Non-Executive Chairman

Anthony was appointed as a Director in December 2014 and is a member of the Company's Remuneration Committee and Audit Committee and Chair of the Company's Nomination Committee. He has spent over 50 years working in the City of London and was Chairman of the Association of Investment Companies from 2001 to 2003. He is a Director of Hansa Capital Partners LLP and has recently retired as Chairman of BMO Global Smaller Companies plc and Finsbury Growth & Income Trust plc. Anthony was a Director of Brit Insurance Holdings plc from 1999 to 2008 and represented the company on the Council of Lloyd's of London from 2006 to 2008. Prior to this, he was Managing Director of Finsbury Asset Management Limited from 1988 to 1998.

A R N

Anthony (Tony) Dalwood

Chief Executive Officer (CEO)
Executive Director

Tony led the MBI and was appointed as CEO in December 2014. He is an experienced investor and adviser to public and private equity businesses and Chairman of the Investment Committee. Tony established SVG Investment Managers (a subsidiary of SVG Capital plc), previously acting as CEO and Chairman, and launched Strategic Equity Capital plc. His previous appointments include CEO of SVG Advisers (formerly Schroders Ventures (London) Limited), a member of the UK Investment Committee of UBS Phillips & Drew Fund Management (PDFM), a Director of Schroders Private Equity Funds and Chairman of the Investment Panel and board member of the London Pension Fund Authority. He is also a Director of JPEL plc and Branton Capital Limited, a member of the CFA (UK), a Board Governor of St Albans School and an adviser to St. Edmunds College, Cambridge Endowment Fund.

I

Kevin Acton

Chief Financial Officer (CFO)
Executive Director

Kevin was appointed as an Executive Director in June 2016 and is the Company's CFO. He has over 19 years of finance and operational experience in private equity and asset management. Kevin joined the Company from Oaktree Capital Management where he was a Senior Vice President responsible for finance and operations in the European principal team, covering private equity and debt opportunity funds. Prior to joining Oaktree, Kevin was Director, Group Reporting and Valuations for 3i Group plc. Kevin qualified as a Chartered Accountant with Deloitte and is a fellow of the Institute of Chartered Accountants of England and Wales.

I

Richard Chadwick

Non-Executive Director
Senior Independent Director

Richard is a Chartered Accountant and was appointed as a Non-Executive Director of the Company in June 2008. He serves as the Company's Senior Independent Director and is also Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. Richard spent 27 years within the J Sainsbury plc group of companies where he gained considerable experience of property development and financing, having been Director of Corporate Finance and of Business Development, and a Non-Executive Director of the group's property development company. He was also a trustee of the Sainsbury's Pension Fund.

A R N

Experience and skills

Details of the Directors' emoluments together with the Directors' interests in shares are provided in the Remuneration Report. The were no contracts of significance in which the Directors have a material interest.

- **A** Audit Committee
- **R** Remuneration Committee
- **N** Nomination Committee
- **I** Investment Committee
- Chair of committee

Simon Stilwell

Non-Executive Director

Simon joined the Company as a Non-Executive Director in December 2017 and was appointed Chairman of the Remuneration Committee in October 2018. He is also a member of the Company's Audit, Nomination and Investment Committees. Simon has over 25 years' experience in the City and was, until 2015, Chief Executive of Liberum, the investment bank that he co-founded in 2007. Prior to Liberum, Simon was head of sales for small companies at Collins Stewart plc and was also a Director at Beeson Gregory Limited. Simon is currently CEO of Bonhill Group plc, an AIM listed digital media and events business.

A R N I

Rachel Beagles

Non-Executive Director

Rachel joined the Company as a Non-Executive Director in March 2018 and is a member of the Audit, Remuneration and Nomination Committees. Rachel is currently a Non-Executive Director of Witan Investment Trust plc, Chair of NewlonBuild Limited, which is the private sale development subsidiary of Newlon Housing Trust, and has recently retired as Chair of the Association of Investment Companies. She spent her executive career in equity research and sales and she was Co-Head of the pan-European banks equity research and sales team and a Managing Director at Deutsche Bank's corporate and investment banking division. Since then she has worked as a Non-Executive Director on the Boards of a number of companies in the housing, asset management and investment company sectors.

A R N

Gareth Davis

Non-Executive Director

Gareth joined the Company as a Non-Executive Director in October 2019, having previously served in the Company's Advisory Group. He is also a member of the Company's Audit, Nomination and Remuneration Committees. Gareth was appointed Chairman of M&C Saatchi with effect from 1 January 2021. He was previously Chair of William Hill plc, Ferguson plc and DS Smith plc. Gareth's executive career was spent at Imperial Brands, serving for 38 years. He became CEO in early 1996, leading the de-merger from Hanson plc later that year. During his tenure as CEO, Imperial grew to be one of the world's largest global consumer products businesses, posting huge shareholder returns. On retirement in mid-2010, Harvard Business Review cited him as one of the World's Top 50 CEOs in terms of value creation.

A R N

Samee Khan

Chief Legal Officer and Company Secretary

Samee has been the Chief Legal Officer and Company Secretary of Gresham House plc effectively since April 2019. Samee is responsible for all Gresham House Group legal matters. He has over 23 years of legal, commercial and financial experience, covering private and public equity, M&A and corporate finance. Samee joined Gresham House from the Abu Dhabi Investment Authority (ADIA), where he built and led ADIA's Private Equity legal and compliance function. Prior to ADIA, Samee worked at SVG Capital plc alongside Tony Dalwood, where he was heavily involved in the structuring and development of private and public equity solutions and was also a member of the firm's fund management risk committee. Samee holds a first-class degree in Law and qualified as a solicitor with Slaughter and May in London.

Corporate governance – overview

Anthony Townsend
Chairman, Gresham House plc Board

Corporate governance is at the heart of this organisation to maintain integrity and deliver value for shareholders and clients

The Board recognises the importance of sound corporate governance and complies with the Corporate Governance Code for Small and Mid-Size Quoted Companies (QCA Code), as published by the Quoted Companies Alliance (QCA). 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 Corporate Governance Code, applicable to, and more suitable for, many AIM companies.

The Board believes that the QCA Code provides the Company with a practical and rigorous corporate governance framework to support the business and its success in the long term. Details of how Gresham House has applied the QCA Code are set out in this report and on our website at https://greshamhouse.com/wp-content/uploads/2020/01/Gresham-House-QCA-Disclosures-28.01.2020-Final.pdf

The Board
The Board currently comprises two Executive and five Non-Executive Directors as described on pages 48 to 49.

The Board is led by the Chairman who is responsible for corporate governance as a whole and ensuring the Board is effective in directing the Company. The Board is responsible for the overall strategy and management of the Group. There is a formal schedule of matters specifically reserved for Board decisions, including investment and performance objectives and policies, financial reporting and control, the approval of borrowings by the Group, any investments or disposals over certain thresholds and shareholder communications. The Board operates as a collective decision-making forum. In the event that one or more Directors cannot support a consensus decision, a vote would be taken, and the views of the dissenting Director recorded in the minutes. There were no such dissentions during 2020. 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 governance procedures are followed and supports the Chairman in addressing the training and development needs of Directors. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole. Richard Chadwick is the Senior Independent Director, who is available to the other Non-Executive Directors and shareholders, should they wish to discuss matters in an alternative forum.

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

The Company has also established an Investment Committee, attended by three Directors, the Managing Director of the regulated business, and an external advisor.

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 their ability to act in the best interests of the Company and its subsidiaries. Using these criteria, the Board considers Anthony Townsend, Simon Stilwell, Richard Chadwick, Rachel Beagles and Gareth Davis to be independent.

Our Corporate Governance framework

The Board

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

The Company has also established an Investment Committee, attended by three Directors, the MD of the regulated business, and an external advisor.

Audit Committee	Nomination Committee	Remuneration Committee	Investment Committee
Richard Chadwick (Chairman)	**Anthony Townsend** (Chairman)	**Simon Stilwell** (Chairman)	**Tony Dalwood** (Chairman)
Rachel Beagles	**Rachel Beagles**	**Rachel Beagles**	**Kevin Acton**
Gareth Davis	**Richard Chadwick**	**Richard Chadwick**	**Bruce Carnegie-Brown**
Simon Stilwell	**Gareth Davis**	**Gareth Davis**	**Rupert Robinson**
Anthony Townsend	**Simon Stilwell**	**Anthony Townsend**	**Simon Stilwell**
For more information **See pages 51, 54-56**	For more information **See page 52**	For more information **See pages 52, 57-62**	For more information **See pages 52-53**

Richard Chadwick has served on the Board for more than nine years. Under the QCA Code "the fact that a director has served for more than nine years does not automatically affect independence, although concurrent tenure could hinder the ability to be objective. The Board should make a decision regarding such a director's independence and ensure that it is discussed with key investors well before the AGM. It is good practice for any such director to be re-elected on an annual basis, if this is not already a Board policy for all directors".

The Board has determined that Richard Chadwick is independent in character and judgment and continues to maintain objectivity and independence. It concluded that Richard Chadwick provides objective challenge to management (particularly in his role as chairman of the Audit Committee), is willing to defend his beliefs and viewpoints in order to support the ultimate good of the Company, and that there are no relationships or circumstances which are likely to affect his judgement. In accordance with the QCA Code's requirements and best practice, Mr Chadwick will stand for re-election at the forthcoming Annual General Meeting of the Company notwithstanding his planned retirement at the conclusion of next year's Annual General Meeting.

Time commitment

Non-Executive Directors' letters of appointment stipulate that they are expected to devote such time as is necessary for the proper performance of their duties being not less than 1.5 days per month. Non-Executive Directors are required to notify the Chairman before taking on any additional commitments that may impact the time available to devote to the Non-Executive Director's role. The Board is satisfied that all Directors have continued to be effective and demonstrate commitment to their respective roles.

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 Company's 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 reappointment.

Rachel Beagles, Simon Stilwell and Richard Chadwick will be retiring at the 2020 AGM in accordance with the Company's Articles of Association. The Board has carefully considered the position of each of the Directors and considers their contribution to be significant and effective; accordingly, the Board recommends their re-election.

Board evaluation

The Board evaluation process is carried out annually by the Chairman and consists of two stages. In the first stage, a template is distributed to each Director including questions relating to the Board's performance and efficiency in relation to conduct of Board and Committee meetings. The scope of the evaluation includes shareholder engagement, strategy, risk management, budget, and Board succession. In the second stage, the Chairman discusses with each Director their views about Board performance. The findings of the evaluation process are then recorded in a report transmitted to the Board for consideration and discussion. The most recent Board evaluation was carried out in June 2020 and the next evaluation will take place during the course of 2021 and will be externally facilitated.

The June 2020 evaluation noted that the Board collectively possess the necessary skills and experience to effectively govern the Company. The Board will continually assess their skill sets to ensure they are up to date and will focus on ESG professional development.

The evaluation highlighted that Board succession planning for Executive Directors will continue to be a priority in the forthcoming year.

Corporate governance – overview (continued)

The evaluation found that the frequency of meetings was sufficient, however increased time would allow for greater breadth for effective oversight of the Company. An additional regular Board meeting and separate strategy session have been scheduled into the Board annual calendar.

The Chairman is satisfied that each Director continues to contribute effectively to their role.

Directors' attendance at Board and Committee meetings

The Board meets regularly throughout the year and receives accurate, timely and clear information in a form and of a quality appropriate to enable it to discharge its duties effectively. There were seven regular scheduled Board meetings during the year. In addition, there was one ad hoc Board meeting attended by the Executive Directors and seven Board Sub-Committee meetings. There were three meetings of the Audit Committee, two meetings of the Remuneration Committee, and two Remuneration Committee Sub-Committee meetings held during the year. The Nomination Committee did not meet within the reporting period. The attendance of the Directors was as follows:

Director	Board[1]	Remuneration Committee[1]	Audit Committee	Nomination Committee
Anthony Townsend	6/7[2]	1/2	3/3	–
Tony Dalwood	7/7	–	–	–
Kevin Acton	7/7	–	–	–
Richard Chadwick	7/7	2/2	3/3[2]	–
Rachel Beagles	7/7	2/2	3/3	–
Simon Stilwell	7/7	2/2[2]	3/3	–
Gareth Davis	7/7	2/2	3/3	–

1 Six Sub-Committee meetings were also held during the year and they were attended by the requisite number of Directors/Members.

2 Denotes Chair.

Where a Director is unable to attend a particular meeting, the materials for the meeting are provided to them, their views are sought in advance and subsequent briefings are provided as appropriate.

Audit Committee

The Audit Committee is chaired by Richard Chadwick and operates within defined terms of reference. The Committee comprises the five Non-Executive Directors of the Company who each have relevant experience to carry out their roles. The CEO and CFO are also invited to attend the meetings. The responsibilities of the Audit Committee include reviewing the integrity of the Group's annual and half yearly results, reviewing the internal and financial controls applicable to the Group, approving the terms of appointment of the auditor together with the auditor's 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 three times a year.

Further information can be found in the Audit Committee Report on pages 54 to 56.

Nomination Committee

The Company has established a Nomination Committee which comprises all the Non-Executive Directors and is chaired by Anthony Townsend. The Committee operates within defined terms of reference and is responsible for the review and recommendation of Board and Committee memberships, succession planning and Board appointments. No new Non-Executive Director will be appointed without first being recommended by the Nominations Committee. When considering Board appointments and succession planning, the Committee will have regard to the composition and structure of the Board and the balance of skills and experience of the Directors. The experience and skills of the Directors are set out on pages 48 to 49.

The Committee is satisfied that the Board as a whole is comprised of members with the appropriate balance of experience, skills and capabilities to discharge its duties effectively and contribute to the Company's strategic objectives.

Remuneration Committee

The Remuneration Committee is also a formally constituted Committee of the Board with defined terms of reference. It consists of all of the five Non-Executive Directors under the chairmanship of Simon Stilwell. The CEO and CFO are also invited to attend the meetings. The Committee meets at least annually and is responsible for reviewing the performance of the Executive Directors and setting the scale and structure of their remuneration and the basis of their service agreements. The Committee is also responsible for recommending the allocation of long-term incentive arrangements to employees. Responsibility for setting the remuneration of senior staff sits with the Executive Directors, being mindful of the policies being set by the Remuneration Committee.

Further information can be found in the Remuneration Report on pages 57 to 62.

Investment Committee

The Investment Committee is chaired by Tony Dalwood, and the other members are Kevin Acton, Simon Stilwell, Rupert Robinson and Bruce Carnegie-Brown. The purpose of the Investment Committee is to promote and maintain a prudent and effective allocation of capital across the Company's balance sheet. The Investment Committee meets when required. All investment decisions require the following approvals:

→ Investments or disposals below 2% of NAV require the approval of the CEO alone;

→ Investments or disposals between 2% and 5% of NAV require a majority approval of the Investment Committee; and

→ Investments or disposals above 5% of NAV require the recommendation of a majority of the Investment Committee and the approval of the Board.

The papers for and minutes from the Investment Committee meetings are distributed to the Board.

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

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 advisers 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.

Culture and values
The Board recognises the importance of its role in promoting and monitoring the Company's desired culture and ensuring it is consistent with the Company's long-term strategic objectives. The Board encourages a work environment based on the principles of integrity, professionalism, honesty, trustworthiness, and efficiency, and is committed to ensure that internal policies and procedures outlining the standards of conduct for Directors and employees are at all times implemented.

Management are responsible for developing and maintaining policies and procedures to ensure that the ethical values inspiring the Company's culture are recognised, respected, and implemented throughout the business. The Company has also appointed a compliance function responsible for monitoring the implementation of the Company's policies and procedures as well as for investigating any complaints regarding the conduct of directors and employees.

Corporate governance – Audit Committee report

Richard Chadwick
Chairman, Audit Committee

This Audit Committee report describes the key role that the Audit Committee fulfils, outlining key areas of judgement and considerations taken throughout the 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 confirms 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 2020.

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:

- Revenue recognition, management fees, performance fees and fundraising fees.
- Treatment of battery storage development companies.
- Accounting for investment in associates – Gresham House Strategic plc (GHS) and Noriker Power Limited (Noriker).
- Consolidation assessment of funds managed and controlled by the Group.
- Impairment review for Goodwill and Management Contracts from previous acquisitions.
- TradeRisks Limited acquisition - valuation of management contracts and customer relationships.
- Valuation of contingent consideration.

Revenue recognition, management fees, performance fees and fundraising fees
The revenue recognition of the Group is driven by asset management fees, which are recognised in line with the investment management or advisory agreements in place with the appropriate funds. These are typically based on the committed capital of Limited Partnership funds, or Net Asset Values (NAV) for listed vehicles managed or advised by the Group. The NAV is typically the last audited or publicly available NAV announced by the Board of these companies and is therefore independently approved. Limited partnerships and other fund management fees are typically based on committed capital, or an independent valuation where appropriate. Where there is an interim close on a Limited Partnership, the equalisation process for new Limited Partners involves a catch-up of management fees or priority profit shares back to inception of the fund. In this instance, the period the service relates to is assessed and for past service provision the catch-up management fee is recognised when the new Limited Partner joins the fund.

Performance fees are recognised only when the Group is entitled to receive the performance fee per the management contract. This is on achievement of the hurdle rate and the outcome is known. No performance fees were recognised during 2020 for GHS plc.

Fundraising fees are recognised as a percentage of funds raised, with fundraising being the key performance obligation.

Treatment of battery storage development companies
The Group has invested in the development of battery storage projects (DevCo Projects), which are part of the exclusive pipeline to be sold to Gresham House Energy Storage Fund plc (GRID) when operational. The DevCo Projects are held in separate SPVs, which the Group entity Devco Limited owns between 60-70% of the equity in and the Group has also lent funds for the development of the projects.

There are five key considerations in the accounting treatment of the development companies:

a) Control (IFRS 10) – Devco Limited holds the majority of the equity in the DevCo Projects and has also loaned capital to fund the development of the DevCo Projects. Devco Limited is considered in control of the DevCo Projects and therefore has consolidated them in the Group financial statements.

b) Associates (IAS 28) – One of the DevCo Projects (Biggerbrook) is accounted for as an associate as Devco Limited holds only 24% of the equity and is not in a controlling position.

c) Classification of the assets in each DevCo Project – The SPVs are developing battery storage facilities which are classified as non-current assets under development until these assets become operational. The Group has therefore classified these as non-current assets, akin to tangible fixed assets.

d) Assets held for sale (IFRS 5) and loss of control – the sale of the DevCo Projects, Thurcroft and Wickham Market during the period has been treated as a loss of control transaction under IFRS 10 resulting in a gain on sale being presented net in the Statement on Comprehensive Income. At year end, a sale of an additional DevCo Project has been agreed with GRID and is documented, including price and conditions to complete the sale. It is expected that the sale process will complete within a six to 12-month time frame, as such it has been deemed appropriate to treat this DevCo Project as a disposal group held for sale under IFRS 5.

e) Borrowing costs (IAS 23) – the DevCo Projects have interest payments relating to the amounts lent by GRID to fund the acquisition of the battery assets at the project company level. The DevCo Projects have capitalised finance costs per IAS 23 Borrowing Costs as the characteristics of the development of the projects (such as not generating revenues until operational, loans being procured for the sole purpose of developing the projects and the projects taking a long time to get ready for intended sale) permit this. The capitalisation rate used was the weighted average of the borrowing costs applicable to all relevant borrowings outstanding during 2020.

Accounting for investment in associates – Gresham House Strategic plc and Noriker Power Limited

Gresham House Strategic plc (GHS)
The Board remains 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 remains appropriate to account for the Group's 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 the Company ceased being an investing company and became an operating company which resulted in a reassessment of the accounting for all such equity investments. The Board concluded that the Company continues to have significant influence over GHS.

Noriker Power Limited (Noriker)
On 8 June 2018, the Group acquired a 28% investment in Noriker, the battery storage developer, which has since reduced to 27%. The Group does not provide management services to Noriker, however with a 27% holding the Board has concluded that it is able to exercise significant influence over Noriker and as such should be treated as an associate of the Group.

Dividends from associates
Equity Method Accounting is used to account for the dividends received from associates, in line with IAS 28. We note that this income does not qualify to be reported as revenue under IFRS 15. We do, however consider dividends from associates as part of the Adjusted Operating Profit (non-GAAP performance measure).

Consolidation assessment of funds managed and controlled by the Group
The Group acts as investment manager and advisor to a number of alternative investment funds and is also an investor in a number of these vehicles. Under IFRS 10: Consolidated Financial Statements, the Board is required to assess whether the Group is acting as an agent, should not consolidate a fund, or as principal, should consolidate a fund. The guidance refers to the following key parameters for consideration:

(a) The scope of its decision-making authority over the investee (paragraphs B62 and B63) – autonomy of the manager to make decisions.

(b) The rights held by other parties (paragraphs B64–B67) – ability of fund investors to remove the Group as the manager or adviser.

(c) The remuneration to which it is entitled in accordance with the remuneration agreement(s) (paragraphs B68–B70) – are the management fees in line with market practice.

(d) The decision-maker's exposure to variability of returns from other interests that it holds in the investee (paragraphs B71 and B72) – does the manager hold a direct investment in the fund, from which it will therefore receive a material exposure to the variable returns of the fund, on top of the management fee that it earns.

An assessment of each fund has been performed and concluded that Gresham House Forestry Friends and Family Fund LP should be consolidated (in line with the prior year), reflecting the Group's 71% investment in the fund and the limited removal rights of the other investors. All other funds assessed have concluded that the Group is acting as an agent and therefore the Group should not consolidate the funds. GHS and Noriker have been assessed and the Group is considered in a position of significant control and these funds have been treated as associates as highlighted above. More details on the assessment can be found in the accounting policy section of the financial statements.

Impairment review for Goodwill and Management Contracts from previous acquisitions
Per IAS 36 Impairment of Assets, the potential impairment of Goodwill and Management Contracts generated by prior acquisitions is reviewed. The WACC rates used for discounting were derived using CAPM model, accounting for different risk profile of acquired contracts. No terminal value was assigned for the review.

Goodwill impairment testing
The potential value of the acquired cash generating units based on discounted cash flow of potential future performance of the acquired contracts was assessed. It has been assumed that the cash generating unit will continue to grow in line with reasonable assumptions based on the business model. The revenues and costs were modelled using a discounted cash flow model, with the estimated value compared to the goodwill on the balance sheet and other intangible assets and acquired assets. Where the value estimated, less other intangible and tangible assets is greater than the goodwill amount on the balance sheet, no impairment is recognised. There were no indications of impairment against all goodwill balances of the Group as at 31 December 2020.

Management contracts impairment review
The management contacts were revalued using a discounted cash flow method to assess the remaining value of the contract to the end of its expected life. This assumed no growth from fund raising and costs assumed appropriate in a no growth business. The valuation was compared to the carrying value of the management contracts at 31 December 2020 and there were no indications of impairment.

TradeRisks Limited acquisition – valuation of management contracts and customer relationships
The acquisition of TradeRisks Limited (TradeRisks) in March 2020 is classified as a business combination under IFRS 3: Business Combinations. The management contract of ReSI plc, the listed housing fund, is therefore required to be valued. This has been valued using a discounted cash flow model, with assumptions regarding length of contract, appropriate costs and appropriate discount rate applied. Contributory asset charges have also been applied to determine the fair value of the management contract.

TradeRisks also had a number of customer relationships that have been fair valued using the annual retainers in place. A discounted cash flow model has also been used to value these customer relationships factoring in attrition rates, contributory asset charges and a consistent discount rate with the management contract valuation.

Corporate governance – Audit Committee report (continued)

Valuation of contingent consideration

The fair value of contingent consideration payable to the sellers of TradeRisks and the Livingbridge VC businesses has been estimated with reference to the contractual requirements as at 31 December 2020.

The TradeRisks contingent consideration is in three parts. The first being based on raising up to £600 million new AUM in housing and related funds over a three-year period, earning 0.5% of the amount raised. The second part is driven by capturing synergies as part of the integration process, with up to £1.0 million captured synergies being paid to the seller. The third relating to an inventory true-up regarding agreed amounts payable to the sellers. The fair value has been determined on a weighted probability of outcomes basis over the three-year period and discounted by 7.5%.

The remaining Livingbridge VC contingent consideration is based on delivering revenues from Livingbridge VC of between £30.9 million and £37.2 million in the three years to 31 December 2021. The fair value has been based on a weighted probability of outcomes over the three-year period and discounted by 15%.

Having challenged management on the assumptions used, the Audit Committee confirm that they are not aware of any material misstatements, 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. Judgements, in line with these discussed above, are included in more detail in the notes to the financial statements.

Non-audit services

The provision of non-audit services by the external auditor is considered by the Audit Committee under its Policy on the supply of non-audit services, which is aligned to the recommendations of the Financial Reporting Council's (FRC's) Guidance on Audit Committees (2016) and the requirements of the FRC's Revised Ethical Standard (2019)(the Ethical Standard). The Audit Committee ensures that the independence and objectivity of the external auditor is monitored and maintained by way of assessment and consideration of any potential threats to auditor independence. An external audit firm will only be appointed to perform a non-audit service when doing so would be consistent with both the requirements and overarching principles of the Ethical Standard, and when its skills and experience make it the most suitable supplier.

Details of the fees paid to the auditor for audit services, audit related services and other non-audit services are shown in Note 3 of these financial statements.

Having regard to all the relevant factors, the Audit Committee has recommended to the Board that in the normal course of events and subject to shareholder approval at the 2021 AGM, BDO LLP, having indicated their willingness to act, be reappointed as external auditor of the Company and Group for the forthcoming year.

On behalf of the Board,

Richard Chadwick
Chairman, Audit Committee

10 March 2021

Corporate governance – remuneration report

Simon Stilwell
Chairman, Remuneration Committee

On behalf of the Board, I am pleased to present the 2020 Directors' Remuneration Report, which sets out the remuneration policy and remuneration paid to the Directors for the year.

Gresham House had a strong year and organically grew AUM by 42% and its market cap by c.30%. It is vital to the long-term success of the business that we align our remuneration policy to reflect not only the AIM market but also the wider fund management industry where we compete for talent. The enhanced pay awards in 2020 reflect the significant developments made by the business in the period. We have also worked with FIT, the remuneration consultants, to put in place the new LTIP under the Company's Performance Share Plan (PSP) for the management team to align them with the execution of the five year strategy, GH25 and replace the 2016 LTIP, which was largely exercised in the year.

The Remuneration Committee consists of the five Non-Executive Directors of the Company under the chairmanship of Simon Stilwell. The Committee meets at least bi-annually and is responsible for determining the terms of service and remuneration of the Executive Directors. The CEO and CFO are invited to attend the meetings.

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 and recognising the continued developments in corporate governance and best practice in executive remuneration.

In determining the remuneration of Executive Directors, the Committee will seek to enable the Company to attract and retain executives of the highest calibre. The Committee will also make recommendations to the full Board concerning the incentivisation of employees through long-term equity incentive schemes and have consulted with external advisors and shareholders during the year to ensure that incentive structures and awards are in line with market practice.

No Director is permitted to participate in decisions concerning their own remuneration.

The full Board of Directors are responsible for determining the level of fees paid to the Non-Executive Directors. Non-Executive Directors are not eligible for long-term incentive schemes.

Directors' share interests

The beneficial interests of the Directors who served during the year and their connected persons in the ordinary share capital of the Company as at 31 December 2020 are set out below:

	2020 Number of shares	2019 Number of shares
Anthony Townsend	**34,855**	34,855
Tony Dalwood	**880,234**	341,089
Kevin Acton	**190,407**	26,430
Rachel Beagles	**10,975**	10,975
Richard Chadwick	**–**	–
Gareth Davis	**16,400**	16,400
Simon Stilwell	**5,000**	25,000

The Remuneration Committee have set the policy that the Executive Directors should hold a minimum of 200% of their basic salaries in the Company's shares or share-based awards that are exercisable at the discretion of the Executive Directors. This is viewed as a key driver of alignment with shareholders and a target that should be reached over a three-year period or five years for newly appointed Executive Directors. At 31 December 2020, both Tony Dalwood and Kevin Acton held in excess of 200% of their basic salaries in directly held shares.

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 Tony Dalwood, six months for Kevin Acton and three months for Anthony Townsend, Rachel Beagles, Richard Chadwick, Gareth Davis, and Simon Stilwell;

(b) In the event that a Non-Executive Director is not re-elected by shareholders in accordance with the Articles of Association his/her appointment shall terminate with immediate effect and the individual is entitled to payment in lieu of notice being the maximum notice period in his/her contract;

(c) In the event of termination for events as specified in the contract, including negligence and incompetence in the performance of his/her duties, misconduct and serious breaches of the rules of the FCA, the Company may terminate employment summarily without any payment in lieu of notice; and

(d) A discretionary bonus scheme was introduced by the Company in 2015 and all Executive Directors are eligible to participate in the scheme.

Remuneration policy

The Remuneration Committee reviews the Company's remuneration policy 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. Our remuneration structure is designed to contribute to the achievement of short-term and long-term financial and sustainable strategic objectives of our Group and must also ensure that the interests of our stakeholders including shareholders, employees, clients, regulators among others are observed.

Corporate governance – remuneration report

Risk and conduct matters also form part of remuneration considerations. As a regulated financial market participant, we promote sound and effective risk management with respect to financial and sustainable investing risks and our remuneration structure does not encourage excessive risk-taking and this is linked to risk-adjusted performance across our Group.

The Remuneration Committee seeks to align base salary and total remuneration of the Executive Directors with the wider asset management industry. 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 prevailing employment market conditions and governance trends in their wider assessment.

The Committee has historically benchmarked the senior management team, including the Executive Directors across the main components of the remuneration packages. When measured against similar roles in AIM market companies and comparable asset managers, the Board considers that the senior management team are fairly remunerated considering the in-year growth in profitability of the business and the market capitalisation, and the dramatic growth achieved overall since the new team was appointed in 2014.

As a proportion of the Executive Directors' remuneration is linked to the Company's performance which is in a large part determined by the price of its ordinary shares over a given period of time, future share price increases will have a corresponding effect on the Executive Directors' pay outcomes, subject to the terms of each of the relevant schemes under which such remuneration is determined.

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 as set out in GH25, such that a significant portion of total remuneration is performance related. The current remuneration of Executive Directors comprises the following five components:

- basic salary;
- pension arrangements (only basic salary is pensionable);
- annual bonus;
- bonus share matching plan; and
- long-term incentive plans.

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 and benefits
The Company provides for the auto-enrolment into a pension scheme for the benefit of Executive Directors or employees. A contribution to pension or equivalent schemes remains an entitlement of all employees. In the instance an employee 'opts out' of the scheme, arrangements are in place to ensure the Company makes appropriate contributions. The Company also provides benefits for employees such as healthcare, professional training and the cycle to work scheme.

Annual bonus
The Company operates a discretionary bonus scheme which provides for a performance-related bonus based on the Group's results. The individual bonus ranges for the Executive Directors are established by the Remuneration Committee and the level of bonus payments are driven by the overall business performance and determined by the Remuneration Committee with a view to maximising shareholder value and meeting other Group objectives.

Executive Directors bonuses will be awarded in 2021 and going forward with reference to a mixture of Financial and Strategic objectives as set out in GH25. 80% of the maximum award is based on a range of financial objectives and 20% on the achievement of certain strategic objectives.

The Chairman and the Non-Executive Directors are not eligible to participate in this bonus scheme.

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

Subject to Remuneration Committee approval, management and employees entitled to a bonus may be permitted (but not required) to defer and reinvest up to 100% of their annual bonus into ordinary shares in the Company which will be released to them after three years, together with any additional matching shares (on a one for one basis), subject to the performance criteria set out below. In 2020, the Remuneration Committee approved the reinvestment of up to 50% of annual bonuses into ordinary shares by management and employees subject to a cap of £100,000 (2019: 50% and uncapped).

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

In the event these performance conditions are not met, the participants will receive only the ordinary shares acquired with the deferred bonus.

In total the dilution limit available to the Company ensures that the total ordinary shares issued and issuable in satisfaction of the above incentive arrangements and other new and existing long-term incentive plans will not exceed 20% of the Company's total issued share capital as outlined in the admission document dated 4 November 2015.

Long-term incentive plans
2020 LTIP
On 23 December 2020, the Company made new long-term incentive awards (2020 LTIP) to its management team. The 2020 LTIP awards were approved by the Board following a thorough review process which concluded that these awards were appropriate and consistent

with a structure which is in shareholders' interests by following design principles that require all long-term incentives to (1) pay appropriately, (2) promote growth in overall shareholder value, and (3) use structures which are transparent and simple.

These design principles are reflected in the following aspects of the 2020 LTIP awards:

- The 2020 LTIP awards are genuinely long term: the awards will reward value created for shareholders from 1 January 2020, and this period aligns to the company's wider GH25 programme which operates over 5 years, 2020 to 2024. In line with GH25's aspiration to double shareholder value in that period, that level of growth is required for max performance under the 2020 LTIP awards. Accordingly, the 2020 LTIP awards are a four to five year programme, rather than the more normal three-year time horizon for plc LTIPs, and any shares delivered under the 2020 LTIP awards before five years must be held for a further year.
- The 2020 LTIP awards operate within caps: specifically, the awards will operate within the company's existing share plans dilution limit established at the company's re-listing on AIM in 2015, up to 20% of Issued Share Capital can be used for share plans and this limit cannot be exceeded.
- For the duration of the plan, the management team who received 2020 LTIP awards will not participate in any new carry plans or other fund-based incentives.
- The terms on which the 2020 LTIP awards were made are based on the company's 2018 LTIP plan and accordingly reflect "market normal" LTIP provisions which give the Remuneration Committee appropriate oversight powers on matters such a "good/bad leaver" and malus/clawback.

A detailed summary of the 2020 LTIP awards is as follows:

The pool principles will measure the total return to shareholders over (i) 1 January 2020 to 31 December 2023 (the first measurement period) and (ii) 1 January 2020 to 31 December 2024 (the second measurement period).

In the event that total return to shareholders over the first measurement period is 7% p.a. ("Performance Hurdle") or more, a maximum related plan pool of value equal to 7.5% of such total return may arise. In the event that total return to shareholders is more than the Performance Hurdle over the second measurement period, a maximum of 15% of such total return to shareholders may arise (less any pool value distributed under the awards in respect of the first measurement period).

Return to shareholders for such purposes shall be measured from a base value of £165,706,250, being the ninety-day average market capitalisation of the Company to 1 January 2020, to the respective ninety-day market capitalisation averaging periods at each of the measurement periods and shall include the value of dividends (assumed reinvested) and other capital (if any) returned. Appropriate adjustments to the required minimum 7% p.a. level of growth in return shall be made in respect of any capital raised during the measurement periods.

The 2020 LTIP consists of awards, which if they vest may be exercised at any date up to the 10th anniversary of grant (unless accelerated by a change of control or an individual leaving the Company).

The 2020 LTIP is an equity settled share-based payment and the number of shares in respect of which the awards may vest when aggregated with those issuable or issued in respect of awards granted under the Plan and any other Company employees' share scheme, shall not exceed 20% of prevailing issued share capital in accordance with the AIM Admission circular dated 4 November 2015. Scaling back of awards shall apply to such extent as required to ensure this limit is not breached.

Vested shares must be held: (1) for a further year following vesting for options vesting at the 2023 measurement date, and (2) until the announcement of FY2024 annual results for awards vesting at the 2024 measurement date.

To the extent that an individual exercises his options during a holding period, he may sell sufficient shares to cover the tax liability which arises but must retain the net number of shares.

2016 LTIP

On 28 July 2016, the Company implemented the 2016 long-term incentive plan (2016 LTIP) to align management with the interests of shareholders. These arrangements only reward the participants if shareholder value is created.

For the purposes of the plan, "shareholder value" broadly means 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 over the exercise period, subject to the performance criteria set out below. Individual participation in the shareholder value created has been determined by the Remuneration Committee in respect of the Executive Directors.

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

In the event that the Company achieves an average mid-market closing price equal to compound growth at 7% per annum for a period of 10 consecutive dealing days 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.

Corporate governance – remuneration report (continued)

In the event that the share price of the Company outperforms the FTSE All Share Index in the 10-dealing day period after 1 December 2016, and from the second anniversary of the date of the award in all other cases, 50% of the award will vest.

Each award requires a minimum term of employment of three years and awards were made to current management and new joiners at the Company's discretion and is settled in equity of the Company at the Board's discretion.

During 2020, a number of the 2016 LTIP awards were exercised as the vesting date had passed and all hurdles had been met. The total value at exercise was £15.3 million (2019: £0.8 million value at exercise), having created £95.4 million of shareholder value, based on a market value of £203.8 million at exercise in July 2020 (share price of £6.62). These exercises were settled with £9.4 million in shares in the Company and £5.6 million in cash.

As at 31 December 2020, under the rules of the 2016 LTIP, the value created by the management team for the remaining awards was £62.2 million, based on a closing market value of the Company of £242.3 million (share price of £7.875). The remaining 2016 LTIP share of this is estimated at £2.9 million, which will be settled in equity or cash at the Company's discretion when exercised by the participants. The vesting date for the B Shares awarded under the 2016 LTIP has passed and all hurdles having been achieved. The D Shares awarded under the 2016 LTIP vest on 31 December 2021.

Performance Share Plan – 2018 LTIP and 2019 LTIP

The 2018 LTIP was issued under the Performance Share Plan, which was introduced to align the management team and wider members of the business for the next three years with shareholders. The Performance Share Plan is a deferred share award, which vests in three years' time from award subject to management remaining employed by the Company at this date. There is no staggered vesting period and vesting is at the end date in three years' time.

The quantum of the award was considered and agreed by the Remuneration Committee for both the 2018 LTIP and 2019 LTIP awards

Under the 2018 LTIP, 447,496 deferred shares were awarded to the management team and employees, with a fair value at award of £2.1 million.

Under the 2019 LTIP, 274,728 deferred shares were awarded to the management team, with a fair value at award of £1.5 million.

Performance Fees and Carried Interest

For a selection of funds managed by the Group, Performance Fees and Carried Interest are paid to the investment and management team as a long-term incentive. These are only paid when clients have received a preferred return hurdle over the long term and take the form of a percentage of the profits generated for clients, ranging from 10-20%.

As part of the implementation of the new 2020 LTIP, the management team will no longer be eligible for future performance fees and carried interest schemes.

Gresham House Strategic plc (GHS) has a performance fee arrangement with its investment manager, Gresham House Asset Management (GHAM), which subject to GHS achieving a 7% NAV growth return hurdle, will trigger a share of 15% of the gain above this hurdle being paid to GHAM, which, subject to approval from the Remuneration Committee each year, has in turn agreed to pay this to the investment and management team working directly on GHS. The NAV of GHS as at 31 March 2020 was below the hurdle rate and therefore no performance fee was paid in the year (2019: £1.9 million, of which £1.7 million was paid to the investment and management team, less allowable, required and approved deductions as determined by the Remuneration Committee).

Directors' emoluments (audited)

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

Year ended 31 December 2020	Basic salary £'000	Benefits £'000	Cash Bonuses £'000	Deferred bonuses[ii] £'000	Pensions[i] £'000	2020 £'000
Executive:						
Tony Dalwood	375	3	535	100	38	1,051
Kevin Acton	250	2	265	100	25	642
Non-Executive:						
Anthony Townsend	60	–	–	–	–	60
Rachel Beagles	35	–	–	–	–	35
Richard Chadwick	40	–	–	–	–	40
Gareth Davis	35	–	–	–	–	35
Simon Stilwell	40	–	–	–	–	40
Total	835	5	800	200	63	1,903

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

(ii) Deferred bonuses are the amounts of cash bonus awarded, which the Executive Directors have elected to reinvest in the Company's ordinary shares through the Bonus Share Matching plan.

Year ended 31 December 2019	Basic salary £'000	Benefits £'000	Cash Bonuses £'000	Deferred bonuses[ii] £'000	Pensions[i] £'000	2019[iii] £'000
Executive:						
Tony Dalwood	258	3	225	225	26	737
Kevin Acton	206	2	250	–	20	478
Non-Executive:						
Anthony Townsend	60	–	–	–	–	60
Rachel Beagles	35	–	–	–	–	35
Richard Chadwick	40	–	–	–	–	40
Gareth Davis[iv]	8	–	–	–	–	8
Simon Stilwell	40	–	–	–	–	40
Total	647	5	475	225	46	1,398

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

(ii) Deferred bonuses are the amounts of cash bonus awarded, which the Executive Directors elected to reinvest in the Company's ordinary shares through the Bonus Share Matching plan.

(iii) Performance Fees received in the year relating to long-term performance are included in the Performance Fees section below.

(iv) Gareth Davis joined the Board on 1 October 2019.

Long-term incentive plans and share ownership of Executive Directors

The Executive Directors held the following ordinary shares in the Company and have the following equity awards outstanding as at 31 December 2020 (number of ordinary shares):

Number of ordinary shares[iv]	Ordinary shares held[i]	2016 LTIP[ii]	Bonus Share Matching[iii] 2017	Bonus Share Matching[iii] 2018	Bonus Share Matching[iii] 2019	Bonus Share Matching[iii] 2020	2018 LTIP	2019 LTIP	Total
Awarded		2016	2018	2019	2020	2021	2018	2019	
Vesting date		2021	2021	2022	2023	2024	2021	2022	
Tony Dalwood	880,234	–	–	–	34,416	12,296	108,434	68,943	1,104,323
Kevin Acton	190,407	47,913	4,869	6,737	–	12,296	67,470	55,154	384,846

(i) Includes shares held directly, by family members and deferred shares purchased under the Bonus Share Matching plan.

(ii) 2016 LTIP represents the number of shares receivable as a result of the value created for shareholders over the period of the 2016 LTIP, based on the share price as at 31 December 2020 of £7.875.

(iii) Bonus Share Matching 2017, 2018, 2019 and 2020 are the result of the Executives electing to reinvest their cash bonus into Gresham House plc shares, which subject to achieving hurdles could result in the number of shares above being awarded on the vesting date. The 2017 Bonus Share Matching award has achieved the hurdles as at 24 February 2021, the matching shares, net of any tax liability will be issued when the Company is no longer in possession of inside information. The 2017 Bonus Share Matching award of 26,777 ordinary shares and 2018 Bonus Share Matching award of 22,736 ordinary shares for Tony Dalwood has been issued and is subject to claw back, should the return hurdles not be met. The 2020 Bonus Share Matching awards were issued on 4 February 2020.

(iv) These share awards are before tax.

The 2020 LTIP was awarded during the year to the management team, with Tony Dalwood being awarded 32.5% allocation and Kevin Acton being awarded 16.5% allocation of the plan pool created under the 2020 LTIP plan set out above. This plan vests in 2023 and 2024.

Corporate governance – remuneration report (continued)

Long-term incentive plans vested or exercised in the year to 31 December 2020:

	2016 LTIP Shares Received [i]	Bonus Share Matching 2016 Shares Received [ii]	Total Shares received in 2020	2016 LTIP Cash Settled	Total Cash Settled from Share schemes in 2020
Tony Dalwood	635,385	34,610	669,995	£–	£–
Kevin Acton	196,992	14,031	211,023	£602,465	£602,465

[i] The 2016 LTIP fully vested and was exercised during 2020 and represents the share of the value created by the management team over the four-year period since award.

[ii] The Bonus Share Matching plan from 2016 fully vested in February 2020, with Tony Dalwood and Kevin Acton receiving the deferred shares and matching shares under the plan and the figures shown above are net of income tax liabilities.

Performance Fees
No Performance Fee was earned from GHAM from GHS as its NAV at 31 March 2020 was below the performance fee hurdle. GHS paid its first Performance Fee to GHAM based on its NAV at 31 March 2019. This reflected the long-term value created by the team over a four-year period and £366,329 was paid to Tony Dalwood and £49,840 to Kevin Acton in proportions determined by the Remuneration Committee. These amounts are shown before allowable, required and approved deductions (as determined by the Remuneration Committee) that were applied to all employees.

VCT Co-invest scheme
The Baronsmead VCTs have in place a co-invest scheme for investment team and management to invest alongside the Baronsmead VCTs in its unquoted investment portfolio. During the year to 31 December 2020 Tony Dalwood and Kevin Acton invested £137 each in the co-invest scheme (2019: £1,312).

On behalf of the Board,

Simon Stilwell
Chairman, Remuneration Committee

10 March 2021

Directors' report

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2020.

Results and dividends

The Group Statement of Comprehensive Income is set out on page 72 and shows the results for the year ended 31 December 2020.

The Directors recommend that the Company pay a final dividend for the year ended 31 December 2020 of 6.0 pence per share to be paid on 21 May 2021 (2019: 4.5 pence).

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 on pages 4 to 5 and the Chief Executive's report on pages 6 to 9.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group are explained in the Risk Management section on pages 40 to 47.

Directors

The present Directors are listed on pages 48 to 49 together with brief biographical details. The Directors who served during the period under review were:

Anthony Townsend	Non-Executive Chairman
Tony Dalwood	CEO
Kevin Acton	CFO
Rachel Beagles	Non-Executive
Richard Chadwick	Non-Executive
Gareth Davis	Non-Executive
Simon Stilwell	Non-Executive

In accordance with the Company's Articles of Association, Rachel Beagles, Simon Stilwell and Richard Chadwick 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 or 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.

Share capital and voting rights

As at 1 January 2020 and 31 December 2020 there were 27,824,222 and 32,091,707 ordinary shares in issue respectively with a nominal value of 25 pence each. The ordinary shares are quoted on the Alternative Investment Market of the London Stock Exchange. Details of new ordinary shares issued in the year can be found in Note 26.

Details of substantial shareholdings and control can be found in the table below. 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, particularly the need for open communication on the Company's strategy. Management has regular dialogue with the Company's major shareholders and ensures that their views are communicated fully to the Board.

Other forms of communication include the annual and interim financial statements, announcements released to the London Stock Exchange, the Annual General Meeting and regular face to face meetings with major shareholders and management. These meetings allow the CEO and the CFO to update shareholders on strategy and the Group's performance. The Company also has an on-going programme of individual meetings with institutional shareholders and analysts following the preliminary and half-year results presentations.

As soon as practicable following the conclusion of any general meeting, the results of the meeting are released through a regulatory news service and a copy of the announcements placed on the Shareholder Information section of the Company's website. In the event that a significant proportion of votes was cast against any resolution at a General Meeting, an explanation of the actions proposed to be taken in response would be outlined.

The Shareholder Information section of the Company's website includes historic Annual Reports (together with notices of meetings) and other governance related material, such as investor presentations and marketing materials.

Directors' report (continued)

Substantial interests

As at 31 December 2020 the following substantial interests representing 3% or more of the total voting rights of the Company have been notified to the Company:

Beneficial shareholder	Number of shares	% of issued share capital
The Royal County of Berkshire Pension Fund	4,671,716	14.6%
Liontrust Investment Partners LLP[1]	3,091,984	9.6%
Richard Crosbie Dawson	1,497,281	4.7%
Aberdeen Standard Investments	1,309,598	4.1%
Aviva Investors	1,274,810	4.0%
Franklin Templeton Fund Management	1,220,000	3.8%
Hargreaves Lansdown	1,213,792	3.8%
Directors	1,146,896	3.6%
Canaccord Genuity Wealth Management	1,047,088	3.3%
Gresham House plc Employee Benefit Trust	1,046,334	3.3%
Schroder Investment Management	964,500	3.0%

1 Liontrust total number of shares increased to 3,259,826 (10.16% of issued share capital) with effect from 12 January 2021.

Companies Act 2006 disclosures

Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 require Directors to disclose the following information. The Company is not required to, but chooses to disclose the following for good practice:

- The structure of the Company's capital is summarised in Notes 26 and 27. 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.

Engagement with customers, suppliers and others

The Directors are required to promote the success of the Company as a whole and, in doing so, have regard to a range of stakeholders.

In the section 172 statement on page 15, we have set out how we have engaged with our key stakeholders, including customers, suppliers and others in a business relationship with the Company, and how the Board has considered their interests during the year.

Financial risk management objectives

The Group's financial risk management objectives can be found in Note 32 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 have elected to prepare the Group and Company 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 Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; 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 Group'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. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

Website publication
The Directors are responsible for ensuring the Annual Report and the financial statements are made available on the Company's website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditor's right to information
So far as each of the Directors is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events
There were no events that have taken place after the period end that require disclosure as a post balance sheet event.

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 are quoted on the Alternative Investment Market of the London Stock Exchange. Changes to share capital during the period are shown in Note 26 to the financial statements.

By Order of the Board,

Samee Khan
Chief Legal Officer and Company Secretary

10 March 2021

5 New Street Square, London EC4A 3TW

Independent auditor's report

Independent auditor's report to the members of Gresham House plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

We have audited the financial statements of Gresham House plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Group statement of comprehensive income, the Group and Company statements of changes in equity, the Group and Company statement of financial position, the Group and Company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's assessment of the going concern board paper.
- Reviewing the detailed cash flow forecast and obtaining additional audit evidence where appropriate.
- Challenging management assumptions and judgements made with regards to their forecast. This included evaluation of growth rates applied to the different revenue streams, consideration of projected new hires, other expenditure projections and the projected investment pipeline which could lead to additional revenue in the future.
- Considered the available undrawn finance facilities.
- Considered current cash and cash equivalents on hand.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Key audit matters		2020	2019
	Revenue Recognition	Yes	Yes
	Acquisition Accounting	Yes*	No
	* In the current year this is a key audit matter based on the acquisition of TradeRisks Ltd.		
Materiality	**Group financial statements as a whole** £630,000 (2019: £500,000) based on 1.5% (2019: 1.5%) of total revenue		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the sector in which the Group operates. We considered that the Group has three significant components, the Parent Company, Gresham House Asset Management Limited and Gresham House Holdings Limited. The significant components were subject to full scope audits. All work was undertaken by the Group audit team. For all other non-significant components the Group audit team has performed a desktop review, which include analytical review and specified audit procedures.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition – Performance fee, Catch-up fees and Management fees *(Critical accounting estimates and judgements on pages 83 to 86, notes 1.)*	Gresham House plc manages numerous funds from which it collect performance and management fees. The inputs and calculations vary significantly across the population of funds and include performance fees that are subject to the hurdle conditions that depend on market performance of the net asset value (the "NAV") being met in some instances. Revenue on certain contracts is recognised based on the value of assets under management or total commitments to a fund. There is the ability to manipulate the results through the inappropriate recognition of revenue based on overstatement of the NAV of assets under management. A fund which is actively managed by the Group has split into two sub funds allowing for investors to limit their exposure to either housing or infrastructure. As a result, new limited partners committed to the funds and were due catch-up fees and equalisation priority profit share. There is a risk that the Catch-up fee and Priority Profit Share are not recognised accurately and in accordance with the Limited Partnership Agreement and IFRS 15 Revenue may also be recognised in advance of performance obligations being satisfied or uncertainty over revenue recognised if variable. The calculation of revenue was identified as a key audit matter because it is a complex area which requires significant judgement, and it is considered to be an area which had a large effect on our audit strategy and allocation of resources in planning and completing our audit of the Group.	We recalculated a sample of the performance and management fee in accordance with the underlying asset management agreements; including tracing accrued amounts raised/paid based on NAV, funds under management or Commitments to the latest valuation reports, management accounts and/or signed financial statements. We have also traced a sample of revenue recognised to invoice, underlying calculations from administrators and cash receipts from clients. For performance fees where variable consideration is applicable, we have identified the key assumptions by obtaining management's assessment and tested the estimation of revenue that will not be subject to a significant reversal in the following year. For example, we have obtained the underlying agreements and re-performed management's calculation to verify the accuracy, cut-off and completeness of the revenue in terms for IFRS 15. For Catch-up fees, we have obtained the calculation from the administrator and verified the structure of the calculation to the limited partnership agreement as well as tested all inputs of the calculation to underlying support. For a sample of fixed fee revenue streams we have traced the amounts to the underlying contracts and ensure apportionment is done accurately. We have traced where payment has been made by the client, to cash receipts. **Key observations:** Our testing of the recognition of revenue did not identify any material misstatement.

Independent auditor's report (continued)

Key audit matter		How the scope of our audit addressed the key audit matter
IFRS 3 Business combination for acquisitions made in the year *(Critical accounting estimates and judgements on pages 83 to 86, note (q) and note 5.)*	In March 2020 the Group announced the acquisition of TradeRisks Limited ('TradeRisks') and its controlled entities. The total consideration for the acquisition of £16.158 million was funded through a combination of existing cash resources, contingent consideration and newly issued shares. There is a risk that the transaction's initial recognition including contingent consideration has not been accounted for in accordance with IFRS 3 Business combinations and therefore may result in a material misstatement within the financial statements as a result of it being inherently judgemental. The identifiable assets are to be recognised at fair value on acquisition date. This includes identifying and valuing any intangible assets as part of the purchase price allocation method detailed in the standard. In particular, judgement is required in determining the appropriate assumptions to use to value the acquired customer contracts and customer relationships. The contingent consideration is also dependent on forecasts to determine whether the required benchmarks will be met for the payment of contingent consideration. The acquisition of TradeRisks has been identified as a key audit matter because it is a complex area which requires significant judgement, and it is considered to be an area which had a large effect on our audit strategy and allocation of resources in planning and completing our audit of the Group.	We obtained and reviewed the share purchase agreements to confirm the specific terms and conditions were appropriately accounted for. We have evaluated management's determination of the fair values of the assets and liabilities acquired by auditing all adjustments made to the carrying values at acquisition date, including the allocation of the purchase price with the correct identification of separate identifiable intangible assets and accurate recognition of goodwill. With the support of BDO valuations specialists, we have ensured that an appropriate valuations method has been used (Multiple Excess Earnings). We have challenged management's key assumptions by tracing inputs to supporting documentation and performed sensitivity analysis. These assumptions included the useful economic lives, discount rates applied and the forecast future cash flows within the identified cash generating unit ('CGU'). We challenged management's assessment of the contingent consideration. We checked that these assumptions are line with the share purchase agreement terms as well as evaluated the appropriateness of the likelihood of certain conditions to be met. We re-calculated the fair value of the contingent consideration at the year end and obtained and assessed the forecasts to determine if the required benchmarks have been met for the payment of contingent consideration by way of a probability. We have worked with internal tax specialists and audited the accuracy and completeness of the current and deferred tax balances included in the acquisition balance sheet (where applicable), including the impact on the tax balances of the fair value adjustments applied in the acquisition accounting. **Key observation:** Our testing of the acquisition of TradeRisks, did not identify any material misstatement.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2020 £	2019 £	2020 £	2019 £
Materiality	£630,000	£500,000	£555,000	£475,000
Basis for determining materiality	Materiality was calculated using Revenue as a basis for materiality.	Materiality was calculated using Revenue as a basis for materiality.	Total assets was used as the basis for determining materiality. Materiality was reduced to below 90% of group materiality after component materiality considerations was taken into account.	In the prior year, we set the materiality for the parent's own financial statements at 95% of Group Materiality after performing an assessment on the size and our assessment of the risk of material misstatement of that component.
Rationale for the benchmark applied	Group materiality is capped at 1.8% of the total forecasted revenue at planning stage which subsequently is equal to 1.5% of the actual total revenue for the year ended 31 December 2020. This is to allow for a smaller increase from the prior year which was considered to be more appropriate after considering the relevant factors present.	Group materiality was capped at 1.8% of total revenue in the Prior Year.	Parent materiality was capped at 88% of the Group Materiality.	Parent materiality was capped at 95% of the Group Materiality.
Performance materiality	£441,000	£375,000	£385,000	£356,000
Basis for determining performance materiality	We have set Performance Materiality at 70% taking into account the acquisition of the TradeRisks Group including our risk assessment and assessment of the Group's overall control environment and history of misstatements.	In the prior year, 75% of overall materiality was used to calculate Performance Materiality. This was assessed to be towards the higher end allowable factoring in our risk assessment together with our assessment of the Group's overall control environment and history of misstatement.	We have capped Performance Materiality at 70% to be in line with the calculation of Group Materiality.	In the prior year, 75% of overall materiality was used to calculate Performance Materiality. This was in line with the group materiality calculation.

Independent auditor's report (continued)

Component materiality
For the other two significant components, we set materiality based on a percentage of between 42% and 69% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £267,000 to £436,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £12,600 (2019: £10,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: → the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and → the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in 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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Group and Company, and the industry in which it operates and considered the risk of acts by the Group and Company which would be contrary to applicable laws and regulations (including but not limited to Companies Act of 2006, QCA Code, relevant tax legislation and AIFMD), including fraud.

We considered compliance with applicable laws and regulations through discussions with the Audit Committee and performed audit procedures on these areas as considered necessary. Our procedures involved enquiry with the management and the Audit Committee, review of the reporting to the Directors with respect to compliance with laws and regulation, review of board meeting minutes and review of legal correspondence. We have performed appropriate journals testing based on a set of fraud risk criteria and tested to supporting documentation and verified business rationale. We also incorporated unpredictability procedures as part of our response to the risk of management override of controls.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Justin Chait
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
10 March 2021

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

	Notes	2020 £'000	2019 £'000
Income			
Asset management income		**40,304**	31,427
Dividend and interest income		**554**	278
Other operating income		**1,078**	79
Performance fees and carried interest		**–**	1,944
Total income	1	**41,936**	33,728
Operating costs			
Administrative overheads	3	**(42,052)**	(34,331)
Net operating loss before exceptional items		**(116)**	(603)
Finance costs	7	**(25)**	(390)
Exceptional items	6	**(1,775)**	(1,063)
Net operating loss after exceptional items		**(1,916)**	(2,056)
Gains and losses on investments and fair value movements			
Share of associates' profits/(losses)	17	**158**	246
Gains and losses on investments held at fair value	12	**4,599**	3,048
Movement in fair value of contingent consideration		**(1,163)**	(2,065)
Movement in value of deferred receivable		**224**	–
Operating profit/(loss) before taxation		**1,902**	(827)
Taxation	9	**(1,084)**	(23)
Operating profit/(loss) from continuing operations		**818**	(850)
(Loss)/profit from discontinued operations		**(12)**	55
Profit/(loss) and total comprehensive income		**806**	(795)
Attributable to:			
Equity holders of the parent		**577**	(850)
Non-controlling interest		**229**	55
		806	(795)
Basic profit/(loss) per ordinary share (pence)	10	**1.9**	(3.2)
Diluted profit/(loss) per ordinary share (pence)	10	**1.8**	(3.2)
Basic adjusted profit per ordinary share (pence)	10	**34.5**	35.3
Diluted adjusted profit per ordinary share (pence)	10	**32.9**	31.2

Statements of changes in equity

Year ended 31 December

Group

2020

	Notes	Ordinary share capital £'000	Share premium £'000	Retained reserves £'000	**Equity attributable to equity shareholders £'000**	Non-controlling interest £'000	**Total equity £'000**
Balance at 31 December 2019		6,956	69,242	14,039	**90,237**	582	**90,819**
Profit and total comprehensive income for the year		–	–	577	**577**	229	**806**
Contributions by and distributions to owners							
Share-based payments	28	2	38	(4,863)	**(4,823)**	–	**(4,823)**
Issue of shares	26	1,065	10,762	–	**11,827**	–	**11,827**
Dividends paid	11	–	–	(1,351)	**(1,351)**	–	**(1,351)**
Total contributions by and distributions to owners		1,067	10,800	(6,214)	**5,653**	–	**5,653**
Balance at 31 December 2020		8,023	80,042	8,402	**96,467**	811	**97,278**

Group

2019

	Notes	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	**Equity attributable to equity shareholders £'000**	Non-controlling interest £'000	**Total equity £'000**
Balance at 31 December 2018		6,218	57,901	58	15,036	**79,213**	527	**79,740**
Adjustments for changes in accounting policy		–	–	–	6	**6**	–	**6**
Balance at 31 December 2018 after adjustment		6,218	57,901	58	15,042	**79,219**	527	**79,746**
Loss and total comprehensive income for the year		–	–	–	(850)	**(850)**	55	**(795)**
Contributions by and distributions to owners								
Share-based payments	28	8	189	–	642	**839**	–	**839**
Issue of shares	26	730	11,152	(58)	–	**11,824**	–	**11,824**
Dividends paid	11	–	–	–	(795)	**(795)**	–	**(795)**
Total contributions by and distributions to owners		738	11,341	(58)	(153)	**11,868**	–	**11,868**
Balance at 31 December 2019		6,956	69,242	–	14,039	**90,237**	582	**90,819**

Statements of changes in equity

Year ended 31 December

Company

2020

	Notes	Ordinary share capital £'000	Share premium £'000	Retained reserves £'000	**Total equity £'000**
Balance at 31 December 2019		6,956	69,242	12,379	**88,577**
Loss and total comprehensive income for the year		–	–	(1,771)	**(1,771)**
Contributions by and distributions to owners					
Issue of shares	26	1,067	10,800	–	**11,867**
Dividends paid	11	–	–	(1,351)	**(1,351)**
Total contributions by and distributions to owners		1,067	10,800	(1,351)	**10,516**
Balance at 31 December 2020		8,023	80,042	9,257	**97,322**

Company

2019

	Notes	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	**Total equity £'000**
Balance at 31 December 2018		6,218	57,901	58	13,394	**77,571**
Adjustments for changes in accounting policy		–	–	–	6	**6**
Balance at 31 December 2018 after adjustment		6,218	57,901	58	13,400	**77,577**
Loss and total comprehensive income for the year		–	–	–	(226)	**(226)**
Contributions by and distributions to owners						
Issue of shares	26	738	11,341	(58)	–	**12,021**
Dividends paid	11	–	–	–	(795)	**(795)**
Total contributions by and distributions to owners		738	11,341	(58)	(795)	**11,226**
Balance at 31 December 2019		6,956	69,242	–	12,379	**88,577**

Statements of financial position

As at 31 December

		Group		Company	
	Notes	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Assets					
Non-current assets					
Investments	12	**9,086**	9,621	**5,342**	7,550
Tangible fixed assets	13	**1,090**	813	**564**	610
Investment in subsidiaries	16	**–**	–	**79,872**	79,872
Investment in associates	17	**9,142**	9,186	**65**	65
Intangible assets	14	**59,970**	58,545	**749**	386
		79,288	78,165	**86,592**	88,483
Current assets					
Trade receivables	18	**3,184**	5,334	**–**	–
Accrued income and prepaid expenses	19	**13,783**	7,200	**760**	159
Other current assets	20	**551**	1,420	**6,885**	3,988
Deferred tax	23	**1,051**	613	**153**	276
Cash and cash equivalents		**21,886**	19,432	**7,826**	1,940
Non-current assets held for sale					
Assets of a disposal group held for sale	15	**7,363**	12,188	**–**	–
Total current assets and non-current assets held for sale		**47,818**	46,187	**15,624**	6,363
Total assets		**127,106**	124,352	**102,216**	94,846
Current liabilities					
Trade and other payables	21	**18,780**	15,210	**243**	283
Short-term borrowings	22	**–**	–	**4,651**	5,986
Liabilities of a disposal group classified as held for sale					
Liabilities of a disposal group classified as held for sale	15	**2,072**	9,718	**–**	–
		20,852	24,928	**4,894**	6,269
Total assets less current liabilities		**106,254**	99,424	**97,322**	88,577
Non-current liabilities					
Deferred taxation	23	**3,227**	2,632	**–**	–
Long-term borrowings	24	**–**	–	**–**	–
Other creditors	25	**5,749**	5,973	**–**	–
		8,976	8,605	**–**	–
Net assets		**97,278**	90,819	**97,322**	88,577
Capital and reserves					
Ordinary share capital	26	**8,023**	6,956	**8,023**	6,956
Share premium	29	**80,042**	69,242	**80,042**	69,242
Retained reserves	29	**8,402**	14,039	**9,257**	12,379
Equity attributable to equity shareholders		**96,467**	90,237	**97,322**	88,577
Non-controlling interest	29	**811**	582	**–**	–
Total equity		**97,278**	90,819	**97,322**	88,577
Basic net asset value per ordinary share (pence)	30	**300.6**	324.3	**303.6**	318.3
Diluted net asset value per ordinary share (pence)	30	**287.4**	288.2	**290.3**	282.9

The loss after tax for the Company for the year ended 31 December 2020 was £1,771,000. The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 10 March 2021.

Kevin Acton
Chief Financial Officer

Group statement of cash flows

For the year ended 31 December

	Notes	2020 £'000	2019 £'000
Cash flow from operating activities			
Net cash generated from operations	31	**17,592**	9,646
Corporation tax paid		**(1,856)**	(178)
Interest paid on loans		**(25)**	(265)
Net cash flow from operating activities		**15,711**	9,203
Cash flow from investing activities			
Acquisition of TradeRisks Limited		**(8,045)**	–
Deferred consideration paid		**(9,842)**	–
Investment in associates		**–**	(65)
Dividends received from associates		**186**	118
Purchase of investments		**(1,007)**	(2,149)
Sale of investments		**3,032**	319
Deferred proceeds received on sale of investment properties		**–**	1,033
Investment in DevCo Projects		**(1,271)**	(1,510)
DevCo loans repaid		**1,096**	–
Proceeds received on sale of DevCo projects		**4,581**	–
Purchase of fixed assets		**(152)**	(269)
Sale of fixed assets		**–**	40
Purchase of intangible assets		**(584)**	(302)
		(12,006)	(2,785)
Cash flow from financing activities			
Repayment of loans		**–**	(10,000)
Receipt of loans (net of fees paid)		**–**	–
Share issue proceeds		**8,010**	6,495
Share issue costs		**(347)**	(8)
Share warrants exercised		**182**	4,859
Share-based payments settled		**(7,125)**	(833)
Dividends paid		**(1,351)**	(795)
Capital element of lease payments		**(620)**	(662)
		(1,251)	(944)
Increase in cash and cash equivalents		**2,454**	5,474
Cash and cash equivalents at start of year		**19,432**	13,958
Cash and cash equivalents at end of year		**21,886**	19,432

Company statement of cash flows

For the year ended 31 December

	Notes	2020 £'000	2019 £'000
Cash flow from operating activities			
Net cash generated from operations	31	**(1,180)**	118
Interest paid on loans		**(8)**	(255)
Net cash flow from operating activities		**(1,188)**	(137)
Cash flow from investing activities			
Purchase of investments		**(930)**	(2,149)
Sale of investments		**3,032**	319
DevCo loans repaid		**1,096**	–
Investment in associates		**–**	(65)
Purchase of fixed assets		**(152)**	(267)
Sale of fixed assets		**–**	15
Purchase of intangible assets		**(593)**	(302)
		2,453	(2,449)
Cash flow from financing activities			
Repayment of loans		**–**	(10,000)
Net advances to Group undertakings		**(1,387)**	(1,588)
Share issue proceeds		**8,010**	6,495
Share issue costs		**(347)**	(8)
Share warrants exercised		**182**	4,859
Dividends paid		**(1,351)**	(795)
Capital element of lease payments		**(486)**	(585)
		4,621	(1,622)
Increase/(decrease) in cash and cash equivalents		**5,886**	(4,208)
Cash and cash equivalents at start of year		**1,940**	6,148
Cash and cash equivalents at end of year		**7,826**	1,940

Principal accounting policies (continued)

The Group's principal accounting policies are as follows:

(a) Basis of preparation and going concern

Gresham House plc is a public limited company limited by shares incorporated in the United Kingdom under the Companies Act and registered in England with company number 871. The address of the registered office is 5 New Street Square, London, EC4A 3TW.

The financial statements of the Group and the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements are presented in sterling, which is also the Group's functional currency. The financial statements have been prepared on a historical cost basis, except for the following:

- → Certain financial assets and liabilities and certain classes of property plant and equipment are measured at fair value; and
- → Assets held for sale are measured at fair value less costs to sell.

There were no new accounting standards, which were effective for periods beginning 1 January 2020 adopted during the year that would have had a material impact on the Group's results.

The Group has sufficient financial resources and ongoing investment management contracts. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. The Directors have a reasonable expectation, after performing downside scenario stress tests, that the Group has adequate resources to continue in operational existence for the foreseeable future. Whilst Brexit and COVID-19 has impacted the environment in which the Group operates it has not had a material impact on the Group's resources. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

(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. The acquisition method of accounting is used to account for business combinations by the Group. Refer to Note r) iv) for further details on whether the Group controls funds that it also manages.

Associates

Where the Group has significant influence, it has the power over (but not control of) the financial and operating policy decisions of another entity, it is classified as an associate. This is typically where the Group holds over 20% of the voting shares in the entity. Associates are initially recognised in the Group Statement of Financial Position at cost. Subsequently, associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the Group Statement of Comprehensive Income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

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 an indication of impairment 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 29, the loss for the year being £1,771,000 (2019: £226,000).

(d) Segment reporting

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board in order to allocate resources to the segments and to assess their performance.

The Group's reportable segments, which are those reported to the Board are Real Assets, Strategic Equity and Central. The Real Assets division includes Forestry, New Energy and Sustainable Infrastructure and Housing, and the Strategic Equity division includes Public and Private Equity.

(e) Revenue recognition

The fixed consideration element of asset management contracts 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. The fixed consideration element of asset management contracts is recognised evenly over the contracted period, as the contracts require the Group to perform an indeterminate number of individual asset management services over the duration of the contract. Typically, the asset management fees are based on a fixed percentage of the net asset values of the funds managed or committed capital. Asset management income also includes catch-up management fees on final close of limited partnership funds, directors and advisory fees and fundraising fees. Performance fees are recognised as revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The potential volatility of performance fee revenue means that it is generally only recognised when the measures on which it is based have finally been determined. Cash payments in relation to fixed and variable revenues earned are generally received shortly after the relevant quarter end.

Other revenue recognition

(i) Dividend and interest income

Income from listed securities is recognised when the right to receive the dividend has been established. Interest receivable is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis by reference to the principal outstanding.

(ii) Other income

Other income earned by the Group is recognised to the extent that it is probable that the economic benefits will flow to the Group and that revenue can be reliably measured in line with any contractual arrangements in place.

(f) Expenses

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

(g) Tangible fixed assets

Each class of tangible fixed assets is carried at cost less, where applicable, any accumulated depreciation.

The carrying amount of tangible fixed assets 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 tangible fixed assets is 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 at the following rates:

Office equipment	25%
Motor vehicles	25%
Leasehold property	10%
Right of use assets	over the lease term

(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 not 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.

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

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

Principal accounting policies (continued)

(i) Leases

A lease is defined as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date of a lease a right of use asset and a lease liability are recognised in the financial statements.

The lease liability is initially measured at the present value of expected future lease payments discounted at the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. Subsequently the lease liability decreases by the lease payments made, offset by interest on the liability, and may be remeasured to reflect any reassessment of expected payments or to reflect any lease modifications.

The right of use asset is initially measured at the amount of the initial lease liability plus: any lease payments made on or before the commencement date less incentives received; any incremental costs of obtaining the lease; and, if any, the costs of decommissioning the asset and any restoration work to return the asset to the condition required under the terms of the lease.

Subsequently the right of use asset is valued using the cost model. The asset is amortised on a straight-line basis over the expected term of the lease, adjusted for any remeasurement of the lease liability, and is shown net of the accumulated depreciation and any impairment provisions.

Leases for low value assets and short-term leases are expensed to operating profit on a straight-line basis over the term of the lease.

(j) Investments

In line with IFRS 9: Financial Instruments, 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. Information about these financial assets is provided internally on a fair value basis to the Group's key management. The equity investments which do not meet the definitions of an associate or subsidiary remain held at fair value through profit and loss.

(i) Assets held for sale

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell (except where the exemptions of paragraph 5 of IFRS 5 apply) and are classified as such if their carrying amount will be recovered through a sale transaction rather than through continuing use. Investment property that is held for sale is measured at fair value in accordance with paragraph 5 of IFRS 5.

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

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(ii) 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.

(iii) Loans and receivables

Unquoted loan stock, loan receivables in development projects and the deferred receivable are all classified at amortised cost under IFRS 9 reflecting their held to collect business model. Unquoted loan stock is classified as loans and receivables in accordance with IFRS 9 if it meets the business model and cash characteristics tests. The business model and cash characteristics tests require the objective of owning the financial asset to collect the contractual cash flows of interest and principal over the life of the asset, rather than selling prior to contractual maturity. The financial assets are held at amortised cost, less any loss allowance, which is measured using the expected credit loss impairment model. This assesses the movements in both the amortised cost relating to the interest income and in respect of loss allowances and these are reflected in the Statement of Comprehensive Income.

(k) Exceptional items

The Group presents exceptional items as a non-GAAP measure 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 and liabilities acquired, is capitalised in the Statement of Financial Position. Following initial recognition, goodwill is stated at cost less any accumulated impairment losses.

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

(ii) Management contracts and client relationships

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

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

- → Client relationships arising on acquisition – five years
- → Management contracts arising on acquisition – one to 25 years depending on the specific management contract details

(iii) Website and IT platform development

Costs associated with the development of the Group's website and IT platform are capitalised in the Statement of Financial Position and are amortised over the estimated useful life of four years.

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

At each period end date, reviews are carried out of the carrying amounts of intangible assets to determine whether there is any indication that the assets have suffered an impairment loss. If any such indication exists, the recoverable amount, which is the higher of value in use and fair value less costs to sell, of the asset is estimated in order to determine the extent, if any, of the impairment loss.

If the recoverable amount of an asset or cash-generating unit (CGU) is estimated to be less than its net carrying amount, the net carrying amount of the asset or CGU is reduced to its recoverable amount. Impairment losses are recognised immediately in the Statement of Comprehensive Income. The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of that asset. In assessing whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased, the Group considers, as a minimum, the following indications:

(a) Whether the asset's market value has increased significantly during the period;

(b) Whether any significant changes with a favourable effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated; and

(c) Whether market interest rates or other market rates of return on investments have decreased during the period, and those decreases are likely to affect the discount rate used in calculating the asset's value in use and increase the asset's recoverable amount materially.

Principal accounting policies (continued)

(m) Financial instruments

Financial assets and financial liabilities are recognised on the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, and the net amount reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to settle on a net basis or realise the asset and liability simultaneously and where the Group intends to net settle.

(i) Trade and other receivables

Receivables are short-term in nature. Trade and other receivables are recognised and carried at the lower of their invoiced value and recoverable amount. Expected credit losses are recognised in respect of each trade receivable and remeasured at each report date based on the expected credit losses at that time. The expected credit losses are estimated using a provision matrix by reference to past default experience and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

(ii) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(iii) Non-current receivables

Deferred receivables are recognised at the discounted value of those receipts.

(iv) Dividends payable

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

(v) Bank borrowings

Bank borrowings are initially recognised at fair value, net of transaction costs incurred. Bank borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(vi) Trade and other payables

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

(vii) Borrowing costs

Unless capitalised under IAS 23 Borrowing Costs, all borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the period in which they are incurred. Finance charges, including premiums paid on settlement or redemption and direct issue costs and discounts related to borrowings, are accounted for on an accruals basis and charged to the Consolidated Statement of Comprehensive Income using the effective interest method.

(viii) Contingent consideration

Contingent consideration arises when settlement of all or any part of the cost of a business combination or other acquisition, for example management contract, is deferred. It is stated at fair value at the date of acquisition, which is determined by discounting the amount due to present value at that date.

Estimates are required in respect of the amount of contingent consideration payable on acquisitions, which is determined according to formulae agreed at the time of the business combination, and normally related to the future earnings of the acquired business. The Directors review the amount of contingent consideration likely to become payable at each period end date, the major assumption being the level of future profits of the acquired business. Contingent consideration payable is discounted to its fair value in accordance with applicable International Financial Reporting Standards.

(n) Pensions

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

(o) Share-based payments

The Group issued equity-settled share-based payments to certain Directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured using either a Black-Scholes or Monte-Carlo option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each period end date for cash-settled share-based payments.

(p) Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein in accordance with IFRS 10. Non-controlling interests consist of the amount of those interests at the date of the original business combination and for acquisitions post 3 October 2010 following adoption of IAS 27, Consolidated and Separate Financial Statements (Revised 2008), the non-controlling interests' share of changes in equity since the date of the combination.

Prior to the adoption of IAS 27 (Revised 2008) losses attributable to non-controlling interests in excess of the non-controlling interests' share in equity were allocated against the interests of the Group except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover such losses. When the subsidiary subsequently reports profits, the non-controlling interests do not participate until the Group has recovered all of the losses of the non-controlling interests it previously reported.

(q) Business combinations

The Group recognises business combinations when it considers that it has obtained control over a business, which could be an entity or separate business within an entity (for example acquiring management contracts and hiring the team to service those contracts). The fair value of the assets acquired, and the liabilities assumed from the business combination are assessed at acquisition. The fair value of the consideration paid to the sellers of the business is assessed, with particular reference to the classification of payments to employees that could be considered remuneration rather than consideration for a business.

(r) Critical accounting estimates and judgements

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) Revenue recognition, performance fees, management fees and fundraising fees

(ii) Treatment of battery storage development companies

(iii) Accounting for investment in associates – Gresham House Strategic plc (GHS) and Noriker Power Limited (Noriker)

(iv) Consolidation assessment of funds managed and controlled by the Group

(v) Impairment review for Goodwill and Management Contracts from previous acquisitions

(vi) Valuation of contingent consideration

(vii) Valuation of Management Contract and Customer Relationships as part of the TradeRisks acquisition

(i) Revenue recognition, performance, management and fundraising fees

The revenue recognition of the Group is driven by asset management fees, which are recognised in line with the investment management or advisory agreements in place with the appropriate funds. These are typically based on the committed capital of Limited Partnership funds, or Net Asset Values (NAV) for listed vehicles managed or advised by the Group. The NAV is typically the last audited or publicly available NAV announced by the Board of these companies and is therefore independently approved.

Principal accounting policies (continued)

Limited partnerships and other fund management fees are typically based on committed capital, or an independent valuation where appropriate. Where there is an interim close on a Limited Partnership, the equalisation process for new Limited Partners involves catch-up management fees or priority profit shares back to inception of the fund. In this instance, the period the service relates to is assessed and for past service provision the catch-up management fee is recognised when the new Limited Partner joins the fund.

Performance fees are recognised only when the Group is entitled to receive the performance fee per the management contract. This is on achievement of the hurdle rate and the outcome is known. No performance fee was recognised from GHS plc in the year.

Fundraising fees are recognised as a percentage of funds raised, with fundraising being the key performance obligation. The fundraising relates to new share offers in 2020 by the VCTs managed by the Group.

(ii) Treatment of battery storage development companies

The Group has invested in the development of battery storage projects (DevCo Projects), which are part of the exclusive pipeline to be sold to Gresham House Energy Storage Fund plc (GRID) when operational. The DevCo Projects are held in separate SPVs, which the Group entity Devco Limited owns between 60-70% of the equity in the Group has also lent funds for the development of the projects.

There are five key considerations in the accounting treatment of the development companies:

(a) Control (IFRS 10) – Devco Limited holds the majority of the equity in the DevCo Projects and has also loaned capital to fund the development of the DevCo Projects. Devco Limited is considered in control of the DevCo Projects and therefore has consolidated them in the Group financial statements.

(b) Associates (IAS 28) – One of the DevCo Projects (Biggerbrook) is accounted for as an associate as Devco Limited holds only 24% of the equity and is not in a controlling position.

(c) Classification of the assets in each DevCo Project – The SPVs are developing battery storage facilities which are classified as non-current assets under development until these assets become operational. The Group has therefore classified these as non-current assets, akin to tangible fixed assets.

(d) Assets held for sale (IFRS 5) and loss of control – the sale of the DevCo Projects (Wickham and Thurcroft) during the period has been treated as a loss of control transaction under IFRS 10 resulting in a gain on sale being presented net in the Statement on Comprehensive Income. At year end, a sale of an additional DevCo Project has been agreed with GRID and is documented, including price and conditions to complete the sale. It is expected that the sale process will complete within a three to six-month time frame, as such it has been deemed appropriate to treat this DevCo Project as a disposal group held for sale under IFRS 5.

(e) Borrowing costs (IAS 23) – the DevCo Projects have interest payments relating to the amounts lent by GRID to fund the acquisition of the battery assets at the project company level. The DevCo Projects have capitalised finance costs per IAS 23 Borrowing Costs as the characteristics of the development of the projects (such as not generating revenues until operational, loans being procured for the sole purpose of developing the projects and the projects taking a long time to get ready for intended sale) permit this. The capitalisation rate used was the weighted average of the borrowing costs applicable to all relevant borrowings outstanding during 2020.

(iii) Accounting for investment in associates – Gresham House Strategic plc (GHS) and Noriker Power Limited (Noriker)

GHS is managed by GHAM and the Company also holds 23% of the ordinary share capital as at 31 December 2020. The Directors consider that the Company exercises significant influence over GHS, but not control, through its holding and the investment management agreement in place with GHAM. GHS therefore continues to be classified as an associate.

Noriker is 27% owned by the Group and is not an entity managed by GHAM. There are no specific additional rights that the Group have as investors in Noriker, however with a 27% holding, the Board considers this a position of significant influence and has concluded that Noriker should be treated as an associate.

These are included in the table in the consolidation assessment below for completeness.

(iv) Consolidation assessment of funds managed and controlled by the Group

When assessing whether the Group controls funds that are managed on behalf of third parties, the Group is required to assess whether it has power over these funds; exposure, or rights, to variable returns from its involvement with the fund; and has the ability to use its power over the funds to affect the amount of the Group's returns. This can also be considered when the Group is acting in its capacity as agent or principal. An agent is acting on behalf of third-party investors, whereas a principal is acting for its own benefit.

IFRS 10 provides guidance for considering the assessment of whether fund managers are acting as agent or principal, and therefore whether the Group should consolidate the funds that it manages or not. The key considerations when assessing this are decision making authority of the fund manager, rights held by third parties, remuneration and exposure to returns. The following provides further detail on the Directors' assessment of control over the funds that are managed by Gresham House Asset Management Limited (GHAM), the FCA regulated entity within the Group and whether the Company or its subsidiaries are acting as agent or principal:

Fund	Manager/ Adviser	Removal rights of investors	Remuneration basis	Gresham House holding	Agent/ Principal	Accounting treatment
GHS	Yes	Substantive	Market norm	23%	Agent	Associate
Noriker	No	n/a	n/a	27%	Agent	Associate
GHF FF LP	Yes	No	Market norm	71%	Principal	Consolidate
GHFF LP	Yes	Substantive	Market norm	0%	Agent	No consolidation
GRID	Yes	Substantive	Market norm	0.7%	Agent	No consolidation
Residential Secured Income plc	Yes	Substantive	Market norm	0.5%	Agent	No consolidation
BSIF	Yes	Substantive	Market norm	<1%	Agent	No consolidation
SPE LP	Yes	Substantive	Market norm	0%	Agent	No consolidation
Baronsmead VCTs	Yes	Substantive	Market norm	0%	Agent	No consolidation
Strategic Equity Capital plc	Yes	Substantive	Market norm	<1%	Agent	No consolidation
Micro Cap Fund	Yes	Substantive	Market norm	0%	Agent	No consolidation
Multi Cap Income Fund	Yes	Substantive	Market norm	0%	Agent	No consolidation
Gresham House Renewable Energy VCTs	Yes	Substantive	Market norm	0%	Agent	No consolidation
Forestry LP Funds	Yes	Substantive	Market norm	0%	Agent	No consolidation
New Energy LP Funds	Yes	Substantive	Market norm	0%	Agent	No consolidation

Gresham House Forestry Fund LP (GHFF LP) is managed by GHAM. GHAM is exposed to variable returns through its management fee and acquisition fees, as well as the Company's limited partnership interest in Gresham House Forestry Friends and Family LP (GHF FF LP), a vehicle which in turn is a limited partner in GHFF LP.

The limited partners of GHFF LP have the ability to remove the manager without cause, by obtaining limited partner special consent. There are a number of limited partners that would be required to co-ordinate to remove the manager. The Directors' assessment of this right indicates that the manager is acting as agent for GHFF LP and therefore should not consolidate GHFF LP.

The Directors' assessment of GHF FF LP, however, indicates that it is in a controlling position with a 71% holding and therefore should consolidate this in the Group financial statements.

Gresham House Energy Storage Fund plc (GRID) is managed by GHAM and the Company has a direct and indirect investment in GRID totalling 0.7%. The assessment of whether GHAM is acting as agent or principal requires assessing the other entities and individuals that are connected to Gresham House and their investment in GRID. BSIF has a 6% investment in GRID, however the assessment of whether BSIF is controlled by GHAM concluded that GHAM does not control BSIF and therefore should not be included in the proportion of GRID that is under the control of GHAM.

The acquisition of TradeRisks Limited (TradeRisks) in March 2020 included the acquisition of shares in Residential Secured Income plc (ReSI plc), which is now managed by the Group. At the end of 2020 the Group held 0.5% in ReSI plc. The Directors' assessment indicates that GHAM is acting as agent for ReSI plc and therefore should not consolidate ReSI plc.

Gresham House Strategic Public Equity LP (SPE LP) is managed by GHAM, a subsidiary of Gresham House plc. GHAM in its role as investment adviser is exposed to variable returns through its management fee, however the Company is not directly invested in SPE LP. The limited partners of SPE LP have the ability to remove the manager without cause, one year after the final close of SPE LP on obtaining limited partner special consent. The Directors' assessment indicates that GHAM is acting as agent for SPE LP and therefore should not consolidate SPE LP.

Gresham House British Strategic Investment Fund (BSIF) Strategy, which comprises the two sub-funds, Gresham House BSI Infrastructure LP and Gresham House BSI Housing LP, is managed by GHAM. The manager is exposed to variable returns through its management fee and has committed £0.5 million to each sub-fund, making up less than 1.0% of committed capital. While exposed to the variable returns as an investor, this is not considered a material exposure. The limited partners of the BSIF Strategy also have the ability to remove the manager without cause, one year after the final close of the BSIF sub-funds with a special resolution. The Directors' assessment of this right and the fact that the Company is not invested in the BSIF Strategy indicates that the manager is acting as agent for the BSIF Strategy and therefore should not consolidate the BSIF Strategy.

Principal accounting policies (continued)

The remaining funds of the Baronsmead VCTs, Gresham House Renewable Energy VCTs, the LF Gresham House UK Micro Cap Fund (Micro Cap Fund), the LF Gresham House UK Multi Cap Income Fund (Multi Cap Income Fund) and the recently won mandate for Strategic Equity Capital plc (SEC) are managed by GHAM, however are not invested in by the Group (or have less than 1% holding). The Board has therefore concluded that the Group is acting as agent and therefore should not consolidate these funds.

(v) Impairment review for Goodwill and Management Contracts from previous acquisitions

Per IAS 36 Impairment of Assets, the potential impairment of Goodwill and Management Contracts generated by prior acquisitions is reviewed. The WACC rates used for discounting were derived using a CAPM model, accounting for the different risk profile of acquired contracts. No terminal value was assigned for the review.

(a) Goodwill Impairment Testing

The potential value of the acquired cash generating units based on discounted cash flow of potential future performance of the acquired contracts was assessed. It has been assumed that the cash generating unit will continue to grow in line with reasonable assumptions based on historic assumptions and the business model. The revenues and costs were modelled using a discounted cash flow model, with the estimated value compared to the goodwill on the Statement of Financial Position and other intangible assets and acquired assets. Where the value estimated less other intangible and tangible assets is greater than the goodwill amount on the Statement of Financial Position, no impairment is recognised. There were no indications of impairment against all goodwill balances of the Group as at 31 December 2020.

(b) Management Contracts Impairment Review

The management contacts were revalued using a discounted cash flow method to assess the remaining value of the contract to the end of its expected life. This is assumed with no growth from fund raising and costs assumed appropriate in a no growth business. The valuation was compared to the carrying value of the management contracts as at 31 December 2020 and there were no indications of impairment.

(vi) Valuation of contingent consideration

The fair value of contingent consideration payable to the sellers of Livingbridge VC and TradeRisks businesses has been estimated with reference to the contractual requirements as at 31 December 2020.

The remaining Livingbridge VC contingent consideration is driven by the hurdle to deliver revenues of between £30.9 million and £37.2 million in the three years to 31 December 2021. The fair value has been based on a weighted probability of outcomes over the three-year period and discounted by 15%.

The TradeRisks contingent consideration can total a maximum of £6.0 million, payable in cash to the sellers based on the following:

→ 0.5% of funds raised payable in three years, with maximum amount capped at £3.0 million. Any realised synergies payable in three years, capped at £1.0 million.

→ £2.0 million payable within six months post-completion for any inventory true-up.

The fair value of the contingent consideration has been estimated using estimated outcomes, the probability of those outcomes and discounting this at 7.5%. This is cash settled and will therefore be recognised as a liability on the balance sheet and the fair value assessed each reporting period.

(vii) Valuation of Management Contract and Customer Relationships as part of the TradeRisks acquisition

The acquisition of TradeRisks Limited (TradeRisks) in March 2020 is classified as a business combination under IFRS 3: Business Combinations. The management contract of ReSI plc, the listed housing fund, is therefore required to be fair valued. This has been valued using a discounted cash flow model, with assumptions regarding length of contract, appropriate costs and appropriate discount rate applied. Contributory asset charges have also been applied to determine the fair value of the management contract.

TradeRisks also had a number of customer relationships that have been fair valued using the annual retainers in place. A discounted cash flow model has also been used to value these customer relationships factoring in attrition rates, contributory asset charges and a consistent discount rate with the management contract valuation.

(s) Foreign currency

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the Statement of Financial Position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Notes to the accounts

1 Income

	2020 £'000	2019 £'000
Asset management income		
Asset management income	**40,304**	31,427
	40,304	31,427
Dividend and interest income		
Dividend income – Listed UK	**316**	166
Interest receivable: Banks	**69**	52
Other	**169**	60
	554	278
Other operating income		
Other income	**51**	79
DevCo income*	**1,027**	–
	1,078	79
Performance fees		
Performance fees	**–**	1,944
	–	1,944
Total income	**41,936**	33,728
Total income comprises		
Asset management income	**40,304**	31,427
Dividends	**316**	166
Interest	**238**	112
Other operating income	**1,078**	79
Performance fees	**–**	1,944
	41,936	33,728

* DevCo income represents the net operating income in the year from battery storage projects prior to projects being sold to GRID.

Notes to the accounts (continued)

2 Segmental reporting

The Board and management team of the Company have organised and reported the performance of the business by Real Assets, Strategic Equity and Central segments. These have evolved as the business has grown to become a specialist asset manager.

Real Assets includes the Forestry, New Energy and Sustainable Infrastructure and Housing divisions.

Strategic Equity includes the Public Equity and Private Equity divisions.

Central includes the general income created and costs incurred by the central functions of the business that are not directly linked to Real Assets or Strategic Equity.

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

For the year ended 31 December 2020

	Real Assets £'000	Strategic Equity £'000	Central £'000	Consolidated £'000
Gross core income				
Asset management income	26,198	14,106	–	40,304
Interest income	157	19	62	238
Dividend income	314	2	–	316
Other operating income	1,077	–	1	1,078
Dividend income from associates*	–	202	–	202
Rebates, distribution costs and fundraising costs	(190)	(1,174)	–	(1,364)
Net core income	27,556	13,155	63	40,774
Segment expenses	(12,924)	(6,433)	(9,333)	(28,690)
Finance costs	–	–	(25)	(25)
Adjusted operating profit/(loss)	14,632	6,722	(9,295)	12,059
Net performance fees	–	–	–	–
Net realised gains on investments	1,008	–	–	1,008
Adjusted operating profit including performance fees and realised gains on investments	15,640	6,722	(9,295)	13,067
Exceptional items				(1,775)
Depreciation and amortisation				(8,904)
Loss on disposal of tangible fixed assets				(27)
Share of associate's profit/(loss)*				(44)
Share-based payments relating to acquisitions				(593)
Profits on investments at fair value				1,117
Movement in fair value of contingent consideration				(1,163)
Movement in fair value of deferred receivable				224
Profit from continuing operations				1,902

* Share of associate's profit/(loss) of £44,000 excludes dividend income received in the year of £202,000.

2 Segmental reporting (continued)

For the year ended 31 December 2019

	Real Assets £'000	Strategic Equity £'000	Central £'000	Consolidated £'000
Gross core income				
Asset management income	18,483	12,944	–	31,427
Interest income	41	24	47	112
Dividend income	140	25	–	166
Other operating income	47	14	18	79
Dividend income from associates*	1,151	172	–	1,323
Rebates, distribution costs and fundraising costs	(421)	(962)	–	(1,383)
Net core income	19,441	12,218	65	31,724
Segment expenses	(7,698)	(5,010)	(8,339)	(21,047)
Finance costs	–	–	(390)	(390)
Adjusted operating profit/(loss)	11,743	7,208	(8,664)	10,287
Net performance fees	–	200	–	200
Net realised gains on investments	1,332	–	–	1,332
Adjusted operating profit including performance fees and realised gains on investments	13,075	7,408	(8,664)	11,819
Exceptional items				(1,063)
Depreciation and amortisation				(8,484)
Loss on disposal of tangible fixed assets				(43)
Share of associate's profit/(loss)*				(1,077)
Share-based payments relating to acquisitions				(593)
Profits on investments at fair value				679
Movement in fair value of contingent consideration				(2,065)
Loss before taxation from continuing operations				(827)

* Share of associate's profit/(loss) of £1,077,000 excludes dividend income received in the year of £1,323,000.

During the year the Group had one customer accounting for more than 10% of the Group's revenue, totalling £4,631,000 (2019: one customer, totalling £4,610,000).

Other information:

31 December 2020

	Real Assets £'000	Strategic Equity £'000	Central £'000	Consolidated £'000
Segment assets	50,372	36,082	40,652	127,106
Segment liabilities	(8,185)	(1,585)	(20,058)	(29,828)
	42,187	34,497	20,594	97,278
Capital expenditure	–	–	1,215	1,215
Depreciation and amortisation	3,231	4,572	1,128	8,931
Non-cash expenses other than depreciation	–	–	2,268	2,268
Goodwill included within segment assets	17,551	12,167	–	29,718

Notes to the accounts (continued)

2 Segmental reporting (continued)

31 December 2019

	Real Assets £'000	Strategic Equity £'000	Central £'000	Consolidated £'000
Segment assets	46,334	64,241	13,777	124,352
Segment liabilities	(12,371)	(7,025)	(14,137)	(33,533)
	33,963	57,216	(360)	90,819
Capital expenditure	–	–	610	610
Depreciation and amortisation	2,742	4,865	920	8,527
Non-cash expenses other than depreciation	312	–	1,844	2,156
Goodwill included within segment assets	11,896	12,167	–	24,063

3 Operating costs

Administrative overheads comprise the following:

	2020 £'000	2019 £'000
Directors' emoluments (excluding benefits in kind and share-based payments)	**1,898**	1,809
Auditor's remuneration*	**246**	176
Amortisation	**8,033**	7,668
Depreciation	**871**	816
Loss on disposal of assets	**27**	43
Wages and salaries	**17,402**	12,310
Social security costs	**3,575**	1,986
Share-based payments	**2,266**	1,844
Other operating costs	**7,734**	7,478
	42,052	34,130
Staff costs (including Directors' emoluments) were:		
Wages, salaries and fees	**19,237**	14,072
Social security costs	**3,575**	1,986
Pension costs	**716**	539
	23,528	16,597

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

	2020 £'000	2019 £'000
Audit fees – Company and consolidated financial statements	**40**	40
Audit fees – audit of the Company's subsidiaries	**206**	136
	246	176

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

The average number of persons employed by the Group, including the Executive Directors, was 113 (2019: 87). The Company has no employees.

4 Directors' emoluments

The emoluments of the Directors are disclosed in the Remuneration Report on pages 57 to 62.

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 £270,000 (2019: £198,000).

5 Business combinations

(a) TradeRisks Limited

On 5 March 2020 the Group acquired 100% of the issued share capital of TradeRisks Limited (TradeRisks), a company registered in England. TradeRisks is a fund management business and specialist provider of debt structuring and advisory services to the housing and social infrastructure sectors. TradeRisks' wholly owned and separately FCA regulated subsidiary, ReSI Capital Management Limited (RCML), is the manager of Residential Secure Income plc (ReSI plc) (LSE: RESI), a closed-ended investment company which seeks to deliver secured income returns to its shareholders by investing in portfolios of shared ownership, retirement and local authority housing. The management contracts for ReSI plc were acquired as part of the acquisition of TradeRisks.

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

	Net book value £'000	Adjustments £'000	Fair value £'000
Investments	463	–	463
Tangible fixed assets	180	346	526
Intangible fixed assets	97	–	97
Cash	1,639	–	1,639
Trade and other receivables	5,999	–	5,999
Trade and other payables	(410)	(346)	(756)
Management contracts	–	2,886	2,886
Customer relationships	–	263	263
Deferred tax liability	(16)	(598)	(614)
Total identifiable net assets	7,952	2,551	10,503

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

	£'000
Cash	9,684
Shares – 555,555 shares in Gresham House plc valued at 625p per share on 4 March 2020	3,472
Total initial consideration	13,156
Contingent consideration	3,002
Total consideration	16,158

The consideration shares were admitted to trading on AIM on 11 March 2020.

Contingent consideration

Contingent consideration totalling a maximum of £6.0 million will be payable in cash to the sellers based on the following:

- 0.5% of funds raised payable in three years, with maximum amount capped at £3.0 million. The expected fair value at acquisition was £1.6 million.
- Any realised synergies payable in three years, capped at £1.0 million. The expected fair value at acquisition was £0.6 million.
- £2.0 million payable within six months post-completion for any inventory true-up. The expected fair value at acquisition was £0.8 million. £0.6 million was settled in 2020, with £0.8 million payable within the next 12 months.

The fair value of the contingent consideration has been estimated at the date of acquisition using estimated outcomes, the probability of those outcomes and discounting this at 7.5%. This is cash settled and will therefore be recognised as a liability on the balance sheet and the fair value assessed each reporting period. The fair value at the time of acquisition was calculated as £3.0 million.

Notes to the accounts (continued)

5 Business combinations (continued)

Revenue and profits of TradeRisks

TradeRisks was acquired on 5 March 2020. The Group has recognised the following amounts in respect of TradeRisks for the 43-week period ended 31 December 2020:

	£'000
Revenue	2,535
Profit before tax	148

The £148,000 profit for the period of ownership reflects the impact of COVID-19 on the debt arrangement business, which has delayed a number of debt advisory transactions which are now expected to complete in 2021.

Prior to acquisition by the Group, TradeRisks had a 31 July year end. The results for the most recent audited reporting period prior to acquisition were to 31 July 2019.

	£'000
Revenue	5,897
Profit before tax	2,187

Goodwill

Goodwill arises due to the excess of the fair value of the consideration payable over the fair value of the net assets acquired and was calculated as £5.7 million at acquisition. 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 TradeRisks acquisition is not deductible for tax purposes.

Fair value

The fair value of the management contracts and customer relationships have been estimated using a discounted cash flow model. The estimated cash flows have been valued at a discount of 7.5%. This resulted in the fair value of management contracts being recognised at £2,886,000 and the customer relationships at £263,000.

(b) Appian Asset Management Limited

On 17 December 2020 the Group announced the acquisition of Appian Asset Management Limited (Appian) for an initial consideration of €4.55 million, with €3.6 million payable on completion (€2.7 million in cash from existing resources of the Group and €0.9 million in new shares issued by the Company) and including €0.95 million for cash within the business (the Acquisition). Further variable deferred consideration is payable subject to targeted earnings performance up to 31 December 2023, bringing potential total consideration to €10.0 million. The transaction is subject to approval from the Central Bank of Ireland and is expected to complete in the first half of 2021.

Based in the Republic of Ireland, Appian is an active asset manager with c.€330 million in AUM as at 30 September 2020 with €0.4 million normalised EBITDA for the year to 30 November 2020. The firm manages a range of funds which invest globally across traditional and alternative asset classes including equities, property, infrastructure, and forestry.

Appian's funds will complement those offered by Gresham House, with a planned social housing fund in Ireland complementary to Gresham House's Residential Secure Income LP fund to be launched in 2021, targeting the shared ownership housing market and aiming to unlock a supply of more affordable houses.

Acquisition costs in relation to business combinations have been classified as exceptional items (see Note 6).

6 Exceptional items

	2020 £'000	2019 £'000
Acquisition costs		
TradeRisks Limited	**868**	–
Appian Asset Management Limited	**328**	–
FIM Services Limited	**–**	2
Livingbridge VC	**–**	10
Joint Venture costs	**219**	251
Other	**30**	–
	1,445	263
Restructuring costs	**330**	646
Exceptional legal fees	**–**	154
	1,775	1,063

Acquisition, associated restructuring costs and exceptional legal fees are considered exceptional and not part of the normal operating activity of the Group.

7 Finance costs

	2020 £'000	2019 £'000
Interest payable on bank loans	**–**	188
Finance fees	**–**	169
Interest payable on leases	**25**	33
	25	390

See Note 24 for details of borrowings.

8 IFRS 16 leases

IFRS 16 Leases replaced IAS 17 Leases and was effective for annual periods beginning on or after 1 January 2019. The Group has therefore adopted the standard from 1 January 2019.

The only material impact on the Group relates to leases for use of office space at various locations. These were earlier classified as operating leases under IAS 17, with lease rentals charged to operating expenses on a straight-line basis over the lease term. As required by IFRS 16, as a lessee, the Group has recognised a lease liability representing the present value of the obligation to make lease payments, and a related right-of-use (ROU) asset in line with the process explained under the statement of compliance.

The rate implicit in the leases are not evident and so the entities' incremental borrowing rates have been used. The incremental rate referred to by IFRS 16 indicates the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The weighted average incremental borrowing rate used on the date of initial application of the leases is 3.25%.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the ROU asset.

Notes to the accounts (continued)

8 IFRS 16 leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the life of the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

	2020 £'000	2019 £'000
ROU asset cost	**2,221**	1,344
ROU asset accumulated depreciation	**(1,623)**	(896)
Retained reserves*	**(6)**	(6)
Depreciation expense	**666**	665

* representing the net impact of recognising the leases under IFRS 16 as at 1 January 2019 as the Group chose to not restate prior periods as a matter of practical expedience afforded by the standard. The impact on retained reserves was immaterial.

An analysis of the lease liability relating to ROU assets is as follows:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Balance as at 1 January	**445**	–	**243**	–
IFRS 16 restatement	**346**	1,065	**–**	838
Additions	**470**	42	**446**	–
Cash payments	**(645)**	(695)	**(486)**	(618)
Interest expense	**25**	33	**8**	23
As at 31 December	**641**	**445**	**211**	**243**

Please see Note 32 Financial Instruments for the maturity profile of leases.

The Group has elected not to apply IFRS 16 to:

(a) Low value leases for various IT equipment leased across the business. The maximum third-party new item price of any excluded equipment is less than £3,000. The total amount of lease payments for the year ended 31 December 2020 relating to these leases was £21,000.

It is also noted that:

(a) The impact of lease liability and ROU asset on deferred taxes is expected to be immaterial;

(b) There were no material residual value guarantees or contractual dilapidation commitments that impacted the initial recognition value for ROU assets and lease liability;

(c) There were no purchase options for leased assets that was made available to or requested by the Group; and

(d) Lease values do not include any termination penalties as the business intends to use the properties to the end of lease terms.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

9 Taxation

	2020 £'000	2019 £'000
(a) Analysis of credit in period:		
UK Corporation tax at 19% (2019: 19%)	**1,778**	680
(Over)/underprovision in prior year	**(237)**	268
Deferred tax	**(457)**	(925)
Total tax charge	**1,084**	23
(b) Factors affecting tax credit for period:		
Profit/(loss) on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	**361**	(157)
Tax effect of:		
Dividend income not taxable	**(73)**	–
Amortisation not taxable	**617**	945
Other gains and losses not taxable	**(913)**	226
Utilisation of previously unrecognised tax losses	**(11)**	(1,259)
Prior year adjustment	**(237)**	268
Deferred tax not recognised	**(689)**	–
Fixed asset timing differences	**2,029**	–
Actual tax charge	**1,084**	23

The Group has unutilised tax losses of approximately £10.2 million (2019: £10.3 million) available against future corporation tax liabilities. A potential deferred taxation asset of £1.6 million (2019: £1.5 million) in respect of some 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. The Company recognised a deferred tax asset of £0.2 million (2019: £0.3 million) in the current year. No material uncertain tax positions exist as at 31 December 2020. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

10 Earnings per share

(a) Basic and diluted profit/(loss) per share

	2020	2019
Total net profit/(loss) attributable to equity holders of the parent (£'000)	**577**	(850)
Weighted average number of shares in issue during the period	**30,479,015**	26,479,021
Basic profit/(loss) per share attributable to equity holders of the parent (pence)	**1.9**	(3.2)
Diluted profit/(loss) per share attributable to equity holders of the parent (pence)	**1.8**	(3.2)

1,475,509 (2019: 3,491,093) shares were deemed to have been issued at nil consideration as a result of shares which could be issued under the bonus share matching plan, long-term incentive plans and acquisition related share-based payments which, as required under IAS 33, Earnings per Share, were not recognised in the previous year as they would reduce the loss per share (see Note 28).

Notes to the accounts (continued)

10 Earnings per share (continued)

(b) Adjusted earnings per share

Adjusted earnings per share is based on adjusted operating profit after tax, which is stated after charging interest but before depreciation, amortisation, share-based payments relating to acquisitions, profits and losses on disposal of tangible fixed assets, net performance fees, net development gains and exceptional items, to provide the non-GAAP measure of the performance as an asset manager. This includes dividend and income received from investments in associates.

Adjusted profit for calculating adjusted earnings per share:

	2020 £'000	2019 £'000
Net operating loss after exceptional items	**(1,916)**	(2,056)
Add back:		
Exceptional operating expenses	**1,775**	1,063
Depreciation and amortisation	**8,904**	8,484
Loss on disposal of tangible fixed assets	**27**	43
Dividend income received from associates	**202**	1,323
Net performance fees	**–**	(200)
Variable compensation attributable to realised gains on investments	**2,474**	1,037
Share-based payments relating to acquisitions	**593**	593
Adjusted profit attributable to equity holders of the parent before tax	**12,059**	10,287
Corporation tax attributable to adjusted operating profit	**(1,541)**	(948)
Adjusted profit attributable to equity holders of the parent after tax	**10,518**	9,339
Adjusted profit per share (pence) – basic*	**34.5**	35.3
Adjusted profit per share (pence) – diluted*	**32.9**	31.2

* The 2019 adjusted profit per share (basic and diluted) have been restated to include the deduction of corporation tax.

11 Dividends

In May 2020 the Company paid £1,351,000 which represents a final dividend for the year ended 31 December 2019 of 4.5 pence per share. A final dividend for the year ended 31 December 2018 of 3.0 pence per share totalling £795,000 was paid in May 2019.

Set out below is the total dividend payable in respect of the financial year, which is the basis on which the requirements of Section 1158 Corporation Tax Act 2010 are considered.

	2020 £'000	2019 £'000
Proposed final dividend for the year ended 31 December 2020 of 6.0 pence (2019: 4.5 pence) per share	**1,926**	1,252

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

12 Investments

Investments have been classified as follows:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Non-current assets	**9,086**	9,621	**5,342**	7,550
Other debtors due within one year – Investment in development projects (see Note 20)	**551**	1,208	**551**	1,208
	9,637	10,829	**5,893**	8,758

A further analysis of total investments is as follows:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Listed securities – on the London Stock Exchange	**3,991**	5,624	**3,202**	5,624
Securities dealt in under AIM	**950**	531	**950**	531
Securities dealt in under Aquis Exchange	**7**	10	**7**	10
Unlisted securities	**4,689**	4,664	**1,734**	2,593
Closing value at 31 December	**9,637**	10,829	**5,893**	8,758
Investments valued at fair value through profit and loss	**8,874**	8,914	**5,130**	6,843
Loans and receivables carried at amortised cost	**763**	1,915	**763**	1,915
	9,637	10,829	**5,893**	8,758

The movement in investments valued at fair value through profit and loss is:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Opening cost	**8,724**	7,346	**6,975**	5,597
Opening net unrealised losses	**190**	(835)	**(132)**	(950)
Opening value	**8,914**	6,511	**6,843**	4,647
Movements in the year:				
Purchases at cost	**1,309**	1,940	**885**	1,940
Additions through business combinations	**463**	–	**–**	–
Sales – proceeds	**(2,883)**	(257)	**(2,883)**	(257)
Sales – realised gains and (losses) on sales	**226**	(305)	**226**	(305)
Net unrealised gains and (losses)	**845**	1,025	**59**	818
Closing value	**8,874**	8,914	**5,130**	6,843
Closing cost	**7,839**	8,724	**5,203**	6,975
Closing net unrealised gains/(losses)	**1,035**	190	**(73)**	(132)
Closing value	**8,874**	8,914	**5,130**	6,843

Notes to the accounts (continued)

12 Investments (continued)

The movement in loans and receivables carried at amortised cost is:

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Opening value	**1,915**	1,613	**1,915**	1,613
Movements in the year:				
Purchases at cost	**47**	1,332	**47**	1,332
Sales – proceeds	**(1,245)**	(62)	**(1,245)**	(62)
Sales – realised gains and (losses) on sales	**46**	6	**46**	6
Net unrealised gains and (losses)	**–**	(47)	**–**	(47)
Transferred on acquisition of subsidiary undertaking	**–**	(927)	**–**	(927)
Closing value	**763**	1,915	**763**	1,915

Gains and losses on investments held at fair value

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Net realised gains and (losses) on disposal	**272**	(299)	**272**	(299)
Net unrealised gains and (losses)	**845**	978	**59**	771
Profit on disposal of subsidiary undertaking	**3,482**	2,369	**–**	–
Net gains/(losses) on investments	**4,599**	3,048	**331**	472

13 Tangible fixed assets

Group 2020

	Office equipment £'000	Motor vehicles £'000	Leasehold property £'000	Right of use assets £'000	Total £'000
Cost					
As at 1 January	**260**	**289**	**4**	**1,344**	**1,897**
Additions	**95**	**57**	**–**	**470**	**622**
Additions through business combinations	**54**	**–**	**126**	**407**	**587**
As at 31 December	**409**	**346**	**130**	**2,221**	**3,106**
Depreciation					
As at 1 January	**96**	**88**	**4**	**896**	**1,084**
IFRS 16 restatement through business combinations	**–**	**–**	**–**	**61**	**61**
Charge for the year	**99**	**81**	**25**	**666**	**871**
As at 31 December	**195**	**169**	**29**	**1,623**	**2,016**
Net book value as at 31 December	**214**	**177**	**101**	**598**	**1,090**

13 Tangible fixed assets (continued)

Group 2019

	Office equipment £'000	Motor vehicles £'000	Leasehold property £'000	Right of use assets £'000	Total £'000
Cost					
As at 1 January	191	297	4	–	492
IFRS 16 restatement	–	–	–	1,302	1,302
Additions	101	166	–	42	309
Disposals during the year	(32)	(174)	–	–	(206)
As at 31 December	260	289	4	1,344	1,897
Depreciation					
As at 1 January	56	101	3	–	160
IFRS 16 restatement	–	–	–	231	231
Charge for the year	67	83	1	665	816
Disposals during the year	(27)	(96)	–	–	(123)
As at 31 December	96	88	4	896	1,084
Net book value as at 31 December	164	201	–	448	813

Company 2020

	Office equipment £'000	**Motor vehicles £'000**	**Right of use assets £'000**	**Total £'000**
Cost				
As at 1 January	**253**	**235**	**991**	**1,479**
Additions	**95**	**57**	**454**	**606**
As at 31 December	**348**	**292**	**1,445**	**2,085**
Depreciation				
As at 1 January	**89**	**34**	**746**	**869**
Charge for the year	**81**	**81**	**490**	**652**
As at 31 December	**170**	**115**	**1,236**	**1,521**
Net book value as at 31 December	**178**	**177**	**209**	**564**

Company 2019

	Office equipment £'000	Motor vehicles £'000	Right of use assets £'000	Total £'000
Cost				
As at 1 January	178	–	–	178
IFRS 16 restatement	–	–	991	991
Additions	107	284	–	391
Disposals during the year	(32)	(49)	–	(81)
As at 31 December	253	235	991	1,479
Depreciation				
As at 1 January	52	–	–	52
IFRS 16 restatement	–	–	157	157
Charge for the year	64	42	589	695
Disposals during the year	(27)	(8)	–	(35)
As at 31 December	89	34	746	869
Net book value as at 31 December	164	201	245	610

Notes to the accounts (continued)

14 Intangible assets

Group 2020

	Goodwill £'000	Customer Relationships £'000	Contracts £'000	IT platform development £'000	Total £'000
Cost					
As at 1 January	**24,063**	**3,072**	**43,764**	**588**	**71,487**
Additions through business combinations	**5,655**	**263**	**2,886**	**97**	**8,901**
Other additions	**–**	**–**	**–**	**593**	**593**
Disposals	**–**	**–**	**–**	**(36)**	**(36)**
As at 31 December	**29,718**	**3,335**	**46,650**	**1,242**	**80,945**
Amortisation					
As at 1 January	**–**	**2,457**	**10,283**	**202**	**12,942**
Charge for the year	**–**	**659**	**7,128**	**246**	**8,033**
As at 31 December	**–**	**3,116**	**17,411**	**448**	**20,975**
Net book value as at 31 December	**29,718**	**219**	**29,239**	**794**	**59,970**
Remaining amortisation period	**n/a**	**4 years**	**1-23 years**	**1-4 years**	

Group 2019

	Goodwill £'000	Customer Relationships £'000	Contracts £'000	IT platform development £'000	Total £'000
Cost					
As at 1 January	24,063	3,072	43,764	286	71,185
Additions	–	–	–	302	302
As at 31 December	24,063	3,072	43,764	588	71,487
Amortisation					
As at 1 January	–	1,843	3,342	89	5,274
Charge for the year	–	614	6,941	113	7,668
As at 31 December	–	2,457	10,283	202	12,942
Net book value as at 31 December	24,063	615	33,481	386	58,545
Remaining amortisation period	n/a	1 year	1-24 years	1-4 years	

14 Intangible assets (continued)

Company

	2020 IT platform development £'000	2019 IT platform development £'000
Cost		
As at 1 January	**588**	286
Additions	**593**	302
As at 31 December	**1,181**	588
Amortisation		
As at 1 January	**202**	89
Charge for the year	**230**	113
As at 31 December	**432**	202
Net book value as at 31 December	**749**	386
Remaining amortisation period	**1-4 years**	1-4 years

The assumptions used to fair value the contracts, including discount rates, growth rates and cash flow models are described in more detail in the critical accounting estimates and judgements section of the accounting policies.

Goodwill has been assessed for each business acquired for impairment as at 31 December 2020. This assessment includes an analysis of the expected cash flows from the specific businesses based on expected fundraising and other growth factors as well as the associated cost of delivering the planned revenues. A discount has been applied to the cash flows to determine an estimate of the fair value of the business, which is used to assess whether goodwill should be impaired.

No reasonably possible change in any of the variables used in the goodwill impairment tests would give rise to an impairment.

15 Disposal group held for sale

The Group has invested in the development of battery storage projects (DevCo Projects), which are part of the exclusive pipeline to be sold to Gresham House Energy Storage Fund plc (GRID) when operational. The DevCo Projects are held in separate SPVs, which the Group entity Devco Limited owns between 60-70% of the equity in and the Group has also lent funds for the development of the projects.

The sale of the DevCo Projects has been agreed with GRID and is documented, including price and conditions to complete the sale. It is expected that the sale process will complete within a six to 12-month time frame, as such it has been deemed appropriate to treat the DevCo Projects as assets held for sale under IFRS 5. Specifically, they are classified as a "disposal group" held for sale, whose value will be primarily recovered by sale.

The assets and liabilities of those SPVs which have been consolidated by the Group are:

	2020 £'000	2019 £'000
Assets of a disposal group held for sale	**7,363**	12,188
Liabilities of a disposal group classified as held for sale	**(2,072)**	(9,718)
	5,291	2,470

The Group's interest in other DevCo Projects can be summarised as follows:

	2020 £'000	2019 £'000
Loans and receivables brought forward	**1,208**	1,290
Additions – net of abort costs	**–**	2,511
Disposals	**(657)**	–
Transferred on acquisition of subsidiary undertaking*	**–**	(2,593)
Loans and receivables carried forward (Note 12)	**551**	1,208

* During the previous year the Group acquired a controlling interest in HC ESS6 Limited and HC ESS7 Limited. Amounts previously recognised as loans and receivables were therefore eliminated on consolidation of these entities.

Notes to the accounts (continued)

15 Disposal group held for sale (continued)

The Group's total exposure to DevCo Projects is:

	2020 £'000	2019 £'000
Net assets and liabilities of a disposal group held for sale	**5,291**	2,470
Loans and receivables	**551**	1,208
	5,842	3,678

During the year the Group acquired a controlling interest in GridReserve Limited, Lister Battery Limited and Monets Garden Battery Limited.

During the year the Group disposed of HC ESS6 Limited (Wickham Market) and HC ESS7 Limited (Thurcroft), with total net proceeds of £3,740,000 due, realising a net gain on disposal of £3,482,000.

16 Investment in subsidiaries

	Company	
	2020 £'000	2019 £'000
Subsidiary undertakings		
As at 1 January	**79,872**	79,872
Additions	**–**	–
As at 31 December	**79,872**	79,872

The subsidiary undertakings of Gresham House plc are as follows:

	Held by Company %	Held by other Group companies %	Country of incorporation and registered office
Aitchesse Limited	–	100	5 New Street Square, London EC4A 3TW, England
Chartermet Limited	–	95	5 New Street Square, London EC4A 3TW, England
Deacon Commercial Development and Finance Limited	–	100	5 New Street Square, London EC4A 3TW, England
Deacon Knowsley Limited	–	95	5 New Street Square, London EC4A 3TW, England
FIM Services Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Windfarms General Partner 2 Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Windfarms (SC) General Partner Limited	–	100	15 Atholl Crescent, Edinburgh, EH3 8HA, Scotland
GH ReSiHoldings Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Asset Management Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Carry Warehousing Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Capital Partners Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Company Secretarial 1 Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Company Secretarial 2 Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Devco Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House EIS Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Energy Storage Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Finance Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Forestry Limited	–	100	Riverview House, Friarton Road, Perth, PH2 8DF, Scotland
Gresham House Forestry Friends and Family LP	71.4	–	Riverview House, Friarton Road, Perth, PH2 8DF, Scotland
Gresham House Forest Funds General Partner Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House (General Partner) Limited	–	100	Riverview House, Friarton Road, Perth, PH2 8DF, Scotland
Gresham House GP LLP	–	100	Riverview House, Friarton Road, Perth, PH2 8DF, Scotland
Gresham House Holdings Limited	100	–	5 New Street Square, London EC4A 3TW, England
Gresham House Housing Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Initial Partner Limited	–	100	5 New Street Square, London EC4A 3TW, England

16 investment in subsidiaries (continued)

	Held by Company %	Held by other Group companies %	Country of incorporation and registered office
Gresham House Infrastructure Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Investment Management Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Investment Management (Guernsey) Limited	–	100	Dorey Court, Admiral Park, St Peter Port, GY1 2HT, Guernsey
Gresham House Investors Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House New Energy Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House (Nominees) Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Private Capital Solutions Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Private Equity Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Private Wealth Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Real Assets Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Renewable Infrastructure Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Services Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Smaller Companies Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Solar Distribution Designated Member 1 Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Solar Distribution Designated Member 2 Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House SPE Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Special Situations Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Timberland General Partner Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Windfarms General Partner 3 Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Value Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House VCT Limited	–	100	5 New Street Square, London EC4A 3TW, England
GridReserve Limited	–	70	5 New Street Square, London EC4A 3TW, England
Knowsley Industrial Property Limited	–	100	5 New Street Square, London EC4A 3TW, England
Lister Battery Limited	–	100	5 New Street Square, London EC4A 3TW, England
Monets Garden Battery Limited	–	100	5 New Street Square, London EC4A 3TW, England
New Capital Developments Limited	–	95	5 New Street Square, London EC4A 3TW, England
New Capital Holdings Limited	–	95	5 New Street Square, London EC4A 3TW, England
Newton Estate Limited	–	100	5 New Street Square, London EC4A 3TW, England
ReSi Capital Management GP Limited	–	100	5 New Street Square, London EC4A 3TW, England
ReSi Capital Management Limited	–	100	5 New Street Square, London EC4A 3TW, England
ReSi Homes Limited	–	100	5 New Street Square, London EC4A 3TW, England
Security Change Limited	–	100	5 New Street Square, London EC4A 3TW, England
TradeRisks Inc	–	100	9 East Loockerman Street, Dover, DE 19901, United States
TradeRisks Limited	–	100	5 New Street Square, London EC4A 3TW, England
TradeRisks (Luxembourg) S.a.r.l.	–	100	25a, Boulevard Royal, L-2449 Luxembourg
Wolden Estates Limited	–	100	5 New Street Square, London EC4A 3TW, England

Notes to the accounts (continued)

17 Investment in associates

	2020 £'000	2019 £'000
Opening Investment in associates	**9,186**	10,198
Additions	**–**	65
Share of associates' profit	**158**	246
Dividends received from associates	**(202)**	(1,323)
Closing investment in associates	**9,142**	9,186

The above balance consists of the Group's holdings in Gresham House Strategic plc (GHS), Noriker Power Limited (Noriker) and Biggerbrook Limited (Biggerbrook).

The Board believe that Gresham House plc exercises significant influence over GHS, but not control, through its 23.4% equity investment as well as the investment management agreement between GHAM and GHS.

The latest published financial information of GHS was the unaudited interim results for the six months to 30 September 2020. The assets and liabilities at that date are shown below:

	2020 £'000	2019 £'000
Non-current assets	**38,461**	39,128
Current assets	**3,924**	5,520
Current liabilities	**(173)**	(155)
Net assets	**42,212**	44,493

The GHS consolidated unaudited statement of comprehensive income noted realised and unrealised gains from continuing operations on investments at fair value through profit and loss of £5,350,000 and revenues of £1,205,000 for the six months ended 30 September 2020.

The registered office of GHS is 6th Floor, 60 Gracechurch Street, London, EC3V 0HR.

The Board believe that Gresham House plc exercises significant influence over Noriker, but not control, through its 26.6% equity investment.

The registered office of Noriker is Railway House, Bruton Way, Gloucester, GL1 1DG.

The Board believe that Gresham House plc exercises significant influence over Biggerbrook, but not control, through its 21.9% equity investment.

The registered office of Biggerbrook is 5 New Street Square, London, EC4A 3TW.

18 Trade receivables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Amounts receivable within one year:				
Trade receivables	**3,184**	5,334	**–**	–
Less allowance for credit losses	**–**	–	**–**	–
	3,184	5,334	**–**	–

18 Trade receivables (continued)

As at 31 December 2020, trade receivables of £87,000 (2019: £82,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
1-3 months	**53**	53	**–**	–
3-6 months	**26**	10	**–**	–
More than 6 months	**8**	19	**–**	–
	87	82	**–**	–

As at 31 December 2020 there were no provisions against trade receivables (2019: £nil).

The expected credit losses are estimated using a provision matrix by reference to past default experience and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has therefore not recognised a loss allowance because historical experience has indicated that the risk profile of trade receivables is deemed low.

Group balances are not deemed to be impaired and when assessing expected credit losses full recoverability of these balances is expected.

19 Accrued income and prepaid expenses

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Accrued income	**9,124**	3,860	**–**	–
Other debtors	**3,457**	2,582	**642**	–
Prepaid expenses	**1,202**	758	**118**	159
	13,783	7,200	**760**	159

20 Other current assets

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Amounts owed by Group undertakings	**–**	–	**6,334**	2,780
Loan Receivables – Investment in development projects (see Note 12)	**551**	1,208	**551**	1,208
Corporation tax recoverable	**–**	212	**–**	–
	551	1,420	**6,885**	3,988

21 Trade and other payables

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade creditors	**705**	469	**–**	–
IFRS 16 lease creditor	**440**	321	**211**	243
Other creditors	**1,561**	1,228	**14**	23
Accruals	**14,416**	7,730	**18**	17
Corporation tax payable	**273**	801	**–**	–
Contingent consideration (Note 25)	**1,385**	4,661	**–**	–
	18,780	15,210	**243**	283

Notes to the accounts (continued)

22 Short-term borrowings

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Bank loans – within current liabilities (Note 24)	**–**	–	**–**	–
Amounts owed to Group undertakings	**–**	–	**4,651**	5,986
	–	–	**4,651**	5,986

23 Deferred taxation

Under International Accounting Standards (IAS) 12 (Income Taxes) provision is made for the deferred tax liability associated with the recognition of the management contracts and customer relationships as part of the 100% acquisition of FIM and TradeRisks. This has been recognised at 17% for FIM and 19% for TradeRisks of the fair value of the intangible assets at acquisition and reassessed each year end, with the movement being recognised in the income statement. As at 31 December 2020 the deferred tax liability was £3,227,000 (2019: £2,632,000).

The Group has recognised a deferred tax asset of £1,051,000 (2019: £613,000) in relation to 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. The Company has recognised £153,000 (2019: £276,000) in respect of these differences.

The movement on the deferred tax account is as shown below:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Balance as at 1 January	**(2,019)**	(2,944)	**276**	–
Deferred tax recognised in profit and loss	**457**	925	**(123)**	276
	(1,562)	(2,019)	**153**	276
Arising on business combinations	**(614)**	–	**–**	–
Balance as at 31 December	**(2,176)**	(2,019)	**153**	276

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Deferred tax asset	**1,051**	613	**153**	276
Deferred tax liability	**(3,227)**	(2,632)	**–**	–
	(2,176)	(2,019)	**153**	276

24 Long-term borrowings

	Group		Company	
	2020 £'000	**2019 £'000**	**2020 £'000**	2019 £'000
Bank loans	**–**	**–**	**–**	–
	–	**–**	**–**	–

On 21 December 2020, the Company signed a £5.0 million banking facility agreement with Banco Santander SA (the facility). The facility is secured with fixed and floating charges over certain of Company's assets, with cross guarantees provided by Gresham House Asset Management Limited and Gresham House Holdings Limited. The fixed charges relate to certain Group bank accounts with a carrying value of £17.8 million as at the year end.

The facility consists of a £5.0 million two-year revolving credit facility with an option to request an extension of one year. There is a further £5.0 million accordion to increase the size of the facility. No amounts were drawn under this facility at the year end.

The Group has complied with the financial covenants attached to the facility.

The interest payable on the facility is LIBOR plus 3.05%. The Group expects the facility to transition from LIBOR to alternative interest rate benchmarks by the end of 2021.

25 Non-current liabilities – other creditors

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Contingent consideration	**5,548**	5,849	**–**	–
IFRS 16 lease creditor	**201**	124	**–**	–
	5,749	5,973	**–**	–

Contingent consideration

FIM

The contingent consideration payable to the sellers of FIM is based on the combined Forestry division generating revenue of between £13.0 million and £14.0 million over the two years from acquisition on 22 May 2018. No contingent consideration is payable below £13.0 million, a sliding scale from £13.0 million to £14.0 million to receive from zero to £4.0 million.

A further contingent consideration is payable should the combined divisions deliver revenues of greater than £18.0 million over the same two-year period, above which 33% will be payable to the sellers. Actual revenues generated during this period were £20.6 million which resulted in an additional payment of £0.8 million.

Contingent consideration totalling £4.8 million was paid to the sellers of FIM during the year.

Livingbridge VC

The Livingbridge VC contingent consideration has been determined in two parts.

The first being that the VCT boards do not give notice to GHAM within two years of the acquisition. Should this be the case, then a payment of £5.0 million will be made to the sellers of Livingbridge VC. Contingent consideration totalling £5.0 million was paid in respect of this during the year.

The second part of the contingent consideration being the hurdle to deliver revenues from the Livingbridge VC business of between £30.9 million and £37.2 million in the three years to 31 December 2021. The maximum amount payable on achieving the £37.2 million hurdle is £2.5 million and the minimum payable is zero if the £30.9 million hurdle is not achieved. The fair value has been based on a weighted probability of outcomes over the three-year period and discounted by 15% as per above.

The fair value of the remaining contingent consideration payable to the Livingbridge VC sellers as at 31 December 2020 was £1.6 million.

TradeRisks

Contingent consideration totalling a maximum of £6.0 million will be payable in cash to the sellers based on the following:

(a) 0.5% of funds raised payable in three years, with maximum amount capped at £3.0 million.

(b) Any realised synergies payable in three years, capped at £1.0 million.

(c) £2.0 million payable within six months post-completion for any inventory true-up.

Payments totalling £0.6 million relating to part c) were paid during the year.

The fair value of the remaining contingent consideration payable to the TradeRisks sellers as at 31 December 2020 was £3.2 million.

Monets Garden

The Group acquired a controlling interest in Monets Garden Battery Limited, a battery storage development project, during the year. Under the terms of the SPA deferred consideration of £0.3 million was paid in February 2021 and a further amount of £0.75 million is payable by 31 January 2022.

Lister Battery

The Group acquired a controlling interest in Lister Battery Limited, a battery storage development project, during the year. Under the terms of the SPA deferred consideration of £0.3 million was paid in February 2021 and a further amount of £0.75 million is payable by 31 January 2022.

Notes to the accounts (continued)

26 Share capital

	2020 £'000	2019 £'000
Allotted: Ordinary – 32,091,707 (2019: 27,824,222) fully paid shares of 25 pence	**8,023**	6,956

During the year the Company issued the following new ordinary shares:

- 56,302 shares on 14 January 2020 at a price of 323.27 pence per share as a result of the exercise of the remaining shareholder warrants;
- 2,924 shares on 14 January 2020 at a price of 324.8 pence per share to employees under the Company's Save as you earn scheme;
- 555,555 shares on 11 March 2020 at a price of 625.0 pence per share to the vendors of TradeRisks Limited;
- 4,770 shares on 11 March 2020 at a price of 632.5 pence per share to management and employees under the Company's bonus share matching plan;
- 1,568,628 shares on 20 March 2020 at a price of 510.0 pence per share by way of a placing;
- 750,000 shares on 6 July 2020 at par into the Gresham House Employee Benefit Trust; and
- 1,329,306 shares on 31 July 2020 at par into the Gresham House Employee Benefit Trust.

27 Share warrants

	2020		2019		
	Shareholder warrants	Total warrants	Shareholder warrants	Supporter warrants	Total warrants
Group					
Balance as at 1 January	**56,363**	**56,363**	874,485	769,000	1,643,485
Warrants exercised during the year	**(56,302)**	**(56,302)**	(734,182)	(769,000)	(1,503,182)
Warrants lapsed during the year	**(61)**	**(61)**	(83,940)	–	(83,940)
As at 31 December	**–**	**–**	56,363	–	56,363

Shareholder warrants
On 1 December 2014, the Company issued 1,073,904 shareholder warrants to existing shareholders as at the close of business on 28 November 2014 on a 1:5 basis, such warrants having been admitted to trading on AIM. Shareholder warrants were freely transferable, and exercisable at any time between 1 January 2015 and 31 December 2019 at an exercise price of 323.27 pence per ordinary share and were subject to the terms of the shareholder warrant instrument dated 7 October 2014. Shareholder warrants not exercised by 31 December 2019 lapsed.

Supporter warrants
On 1 December 2014, the Company issued 850,000 supporter warrants to the new Directors and certain members of the Investment Committee and Advisory Group, who acquired them at a price of 7.5 pence per warrant. Supporter warrants have the same entitlements as the shareholder warrants save that (i) they were 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) were not exercisable until 1 December 2015; and (iii) were subject to the terms of the supporter warrant instrument dated 7 October 2014. All Supporter warrants were exercised in 2019.

During the year, 56,302 shareholder warrants were converted into ordinary shares resulting in the issue of 56,302 new ordinary shares (2019: 734,182 shareholder warrants and 769,000 supporter warrants). Notice was given by shareholder warrant holders by 31 December 2019 for 56,363 shareholder warrants, of which 56,302 have been exercised, with the remaining 61 shareholder warrants lapsing.

28 Share-based payments

2016 Long-term incentive plan

Following approval from shareholders at the General Meeting of the Company on 20 November 2015, the Directors implemented a long-term incentive plan (2016 LTIP) to incentivise the management team as well as align their interests with those of shareholders on 28 July 2016 through enhancing shareholder value.

For the purposes of the 2016 LTIP, "shareholder value" is the difference between the market capitalisation of the Company at the point in time that any assessment is made and the sum of:

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

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

The beneficiaries of the 2016 LTIP, will in aggregate be entitled to an amount of up to 20.0% of shareholder value created over the exercise period, subject to performance criteria set out below. Individual participation in the shareholder value created will be determined by the Remuneration Committee.

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

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

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

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

IFRS 2: Share-Based Payments sets out the criteria for an equity-settled share-based payment, which has market performance conditions. The 2016 LTIP meets these criteria and should therefore be recognised at award at fair value and amortised over the vesting period of two years. There is no amount payable by the beneficiaries on exercise. The table below details the type and number of shares in Gresham House Holdings Limited issued and exercised in the year:

2020

	A Shares old joiners	A Shares new joiners	B Shares	C Shares	D Shares	Total LTIP
Balance as at 1 January	**870**	**46**	**208**	**104**	**180**	**1,408**
Exercised during the year	**(870)**	**(46)**	**(104)**	**(104)**	**–**	**(1,124)**
As at 31 December	**–**	**–**	**104**	**–**	**180**	**284**
Exercisable at year end	**–**	**–**	**104**	**–**	**–**	**104**
Months to vesting	**–**	**–**	**–**	**–**	**12**	

2019

	A Shares old joiners	A Shares new joiners	B Shares	C Shares	D Shares	Total LTIP
Balance as at 1 January	908	92	208	104	–	1,312
Issued in the year	–	–	–	–	180	180
Exercised during the year	(38)	(46)	–	–	–	(84)
As at 31 December	870	46	208	104	180	1,408
Exercisable at year end	870	46	208	104	–	1,228
Months to vesting	–	–	–	–	24	

Notes to the accounts (continued)

28 Share-based payments (continued)

916 A Shares were exercised during the year. 570 of these were settled in equity and at the Company's discretion 346 were settled in cash. For the cash settled awards the difference between the fair value recognised over the vesting period and the fair value at the date of exercise was recognised in retained reserves.

104 B Shares were exercised during the year and were settled in equity.

104 C Shares were exercised during the year and at the Company's discretion were settled in cash. The difference between the fair value recognised over the vesting period and the fair value at the date of exercise was recognised in retained reserves.

Fair value

The fair value of the award at the date of the award has been determined using an expected returns model, which is based on a number of scenarios and probabilities of the Company's performance for the period when the awards may be exercised. The assumptions in the model have estimated the shareholder value created and applied discounts for liquidity and likelihood of exercise by participants. The weighted average valuation of the Company has been used to calculate the expected shareholder value created and consequently the value of the plan.

2018 Long-term incentive plan

The Remuneration Committee considered and implemented a long-term incentive arrangement in 2018 (2018 LTIP). The 2016 LTIP became exercisable during 2018 and as such the Remuneration Committee introduced the 2018 LTIP to align the management team and wider members of the business for the next three years with shareholders.

The 2018 LTIP is a deferred share award, which vests in three years from the date of award subject to management remaining employed by the Company as at the vesting date. There is no staggered vesting period, vesting is at the end date in three years' time.

During the year ended 31 December 2019, 7,113 awards were exercised and settled by ordinary shares held by the Gresham House Employee Benefit Trust. During the year ended 31 December 2019, 59,353 ordinary shares were issued under the 2018 LTIP with a fair value at exercise of £0.4 million. The weighted average share price at the date of exercise was 740 pence (2019: 622.5 pence).

2019 Long-term incentive plan

The Remuneration Committee considered and implemented a long-term incentive arrangement in 2019 (2019 LTIP).

Under the 2019 LTIP, 274,728 deferred shares were awarded to the management team and 121,063 deferred shares were awarded to the wider members of the business, with a fair value at award of £1.5 million and £0.7 million respectively. The awards to the management team vest in three years from the date of award subject to management remaining employed by the Company as at the vesting date and achievement of performance conditions. There is no staggered vesting period, vesting is at the end date in three years' time. The awards to the wider members of the business also vest in three years from the date of award but there are no performance conditions.

The performance conditions relating to the management team's awards are that in the event that the Company achieves an average mid-market closing price equal to compound growth at 7% per annum over the three-year period from award, or the growth in Adjusted Earnings Per Share has compound growth of 7% per annum or more, 50% of the award will vest.

In the event that the share price of the Company outperforms the FTSE All Share Index from the third anniversary of the date of the award in all other cases, 50% of the award will vest.

The fair value of the 2019 LTIP was measured as the share price at the date of award. The impact of the volatility in the share price has been deemed to be immaterial.

	2018 LTIP	2019 LTIP – management team	2019 LTIP other staff	Total
Balance as at 31 December 2018	488,174	–	–	488,174
Issued in the year	–	274,728	121,064	395,792
Exercised in the year	(59,353)	–	–	(59,353)
Balance as at 31 December 2019	428,821	274,728	121,064	824,613
Exercised in the year	(7,331)	–	(4,504)	(11,835)
Balance as at 31 December 2020	421,490	274,728	116,560	812,778
Exercisable at year end	–	–	–	–

28 Share-based payments (continued)

2020 Long-term incentive plan

The Directors implemented the 2020 long-term incentive plan (2020 LTIP) in December 2020 to incentivise the management team as well as align their interests with those of shareholders through enhancing shareholder value. This scheme replaced the 2016 LTIP which had vested and was exercised by the majority of the management team during 2020.

The 2020 LTIP pool principles state that the value of the awards will be driven by the total return to shareholders over (i) 1 January 2020 to 31 December 2023 (the first measurement period) and (ii) 1 January 2020 to 31 December 2024 (the second measurement period).

In the event that total return to shareholders over the first measurement period is 7% p.a. (Performance Hurdle) or more, a maximum related plan pool of value equal to 7.5% of such total return may arise. In the event that total return to shareholders is more than the Performance Hurdle over the second measurement period, a maximum of 15% of such total return to shareholders may arise (less any pool value distributed under the awards in respect of the first measurement period).

Return to shareholders for such purposes shall be measured from a base value of £165,706,250, being the 90-day average market capitalisation of the Company to 1 January 2020, to the respective 90-day market capitalisation averaging periods at each of the measurement periods and shall include the value of dividends (assumed reinvested) and other capital (if any) returned. Appropriate adjustments to the required minimum 7% p.a. level of growth in return shall be made in respect of any capital raised during the measurement periods.

IFRS 2: Share-Based Payments sets out the criteria for an equity-settled share-based payment, which has market performance conditions. The 2020 LTIP meets these criteria and should therefore be recognised at award at fair value and amortised over the vesting period of four years from the date of award. The fair value of the 2020 LTIP at award was £5.7 million.

There is no amount payable by the beneficiaries on exercise and the number of shares in respect of which the awards may vest when aggregated with those issuable or issued in respect of awards granted under the 2020 LTIP and any other Company employees' share scheme, shall not exceed 20% of prevailing issued share capital in accordance with the AIM Admission circular dated 4 November 2015. Scaling back of awards shall apply to such extent as required to ensure this limit is not breached.

Renewable Energy team long-term incentive plan

The Renewable Energy management team, which joined as part of the acquisition of the asset management business of Hazel Capital LLP, has a long-term incentive plan in place, which granted the team a total of 1,000 A Shares in Gresham House New Energy Limited on 31 October 2017. The plan is an earn out plan following the acquisition of Hazel Capital LLP and is considered an acquisition related share-based payment. The vesting date of the A Shares is 31 December 2020, at which point the holders are entitled to receive either Gresham House plc shares, or cash at the Company's discretion in exchange for their A Shares. Under the guidance in IFRS 2:41, it has been considered that the A Share settlement should be treated as an equity-settled instrument.

The value of the A Shares at vesting is based on a calculation, which is based on the average profits generated by the New Energy division between 31 October 2017 and 31 December 2020, which was £10.2 million at 31 December 2020.

The fair value of the award has been determined using an expected returns model, which is based on a number of scenarios and probabilities of the New Energy division's performance for the period from 31 October 2017 to 31 December 2020. The assumptions in the model have estimated the average profits over the period and applied discounts for liquidity and control and consequently the value of the A Shares. The fair value of the A Shares at award was £276,000 (£276 per share), which will be amortised over the three-year and two-month vesting period.

Livingbridge VC long-term incentive plan

The Livingbridge VC long-term incentive plan is an equity settled incentive scheme and considered an acquisition related share-based payment. The recipients of the scheme will receive up to £2.5 million in aggregate in Gresham House plc shares based on the three-year period to 31 December 2021. There is a hurdle to deliver revenues from the Livingbridge VC business of between £30.9 million and £37.2 million in the three years to 31 December 2021. The maximum amount payable on achieving the £37.2 million hurdle is £2.5 million and the minimum payable is zero if the £30.9 million hurdle is not achieved.

Bonus share matching plan

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

Subject to Remuneration Committee approval, management and employees entitled to a bonus may be permitted (but not required) to defer and reinvest up to 50% 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 2020 the Remuneration Committee approved the reinvestment of up to 50% of annual bonuses into ordinary shares by management and employees (2019: 50%).

Notes to the accounts (continued)

28 Share-based payments (continued)

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 outperforms the FTSE All Share Index from the date of deferral, the participants 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.

The bonus shares to be awarded after the three-year period and subject to performance conditions have been fair valued using a Monte-Carlo simulation. The key variables include the risk-free rate of 0.32% and volatility of the Company share price of 16%. The fair value of the matching shares relating to the 2019 bonuses is £209,000 (£1.46 per share) and will be amortised over the three-year vesting period.

Save as you earn (SAYE) scheme

In 2018 the Remuneration Committee approved a SAYE scheme for the benefit of all employees of the Group whereby employees can save up to £500 per month over a three-year period. At the end of the three-year period the employees have an option to purchase Company shares at the agreed exercise price or receive their savings in cash. The exercise price for the 2020 scheme is 399 pence (2019: 373 pence). The following table outlines the maximum number of shares under the SAYE scheme:

	Shares under option	Fair value of option (pence)	Exercise price (pence)
2018 SAYE scheme	68,707	74	325
2019 SAYE scheme	106,266	85	373
2020 SAYE scheme	74,567	104	399
	249,540		

29 Reserves

	2020			2019		
	Share premium account £'000	**Share warrant reserve £'000**	**Retained reserves £'000**	Share premium account £'000	Share warrant reserve £'000	Retained reserves £'000
Group						
Balance as at 1 January	**69,242**	**–**	**14,039**	57,901	58	15,036
Adjustments for changes in accounting policy	**–**	**–**	**–**	–	–	6
Profit/(loss) and total comprehensive income	**–**	**–**	**577**	–	–	(850)
Issue of shares	**10,762**	**–**	**–**	11,152	(58)	–
Share-based payments	**38**	**–**	**(4,863)**	189	–	642
Dividends paid	**–**	**–**	**(1,351)**	–	–	(795)
As at 31 December	**80,042**	**–**	**8,402**	69,242	–	14,039

	2020			2019		
	Share premium account £'000	**Share warrant reserve £'000**	**Retained reserves £'000**	Share premium account £'000	Share warrant reserve £'000	Retained reserves £'000
Company						
Balance as at 1 January	**69,242**	**–**	**12,379**	57,901	58	13,394
Adjustments for changes in accounting policy	**–**	**–**	**–**	–	–	6
Loss and total comprehensive income	**–**	**–**	**(1,771)**	–	–	(226)
Issue of shares	**10,800**	**–**	**–**	11,341	(58)	–
Dividends paid	**–**	**–**	**(1,351)**	–	–	–
As at 31 December	**80,042**	**–**	**9,257**	69,242	–	12,379

29 Reserves (continued)

	2020 £'000	2019 £'000
Non-controlling interest:		
Balance as at 1 January	**582**	527
Interest in trading result for the year	**(2)**	(4)
Interest in investments – securities	**231**	59
	811	582

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium account	Amount subscribed for share capital in excess of nominal value.
Share warrant reserve	Share warrants for which consideration has been received but which are not exercised yet.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

30 Net asset value per share

	2020	2019
Basic		
Equity attributable to holders of the parent (£'000)	**96,467**	90,237
Number of ordinary shares in issue at the end of the period	**32,091,707**	27,824,222
Basic net asset value per share (pence)	**300.6**	324.3

	2020	2019
Diluted		
Equity attributable to holders of the parent (£'000)	**96,467**	90,237
Number of ordinary shares in issue at the end of the period	**33,567,216**	31,315,093
Basic net asset value per share (pence)	**287.4**	288.2

Diluted net asset value per share is based on the number of shares in issue at the year end together with 1,475,509 shares deemed to have been issued at nil consideration as a result of shares which could be issued under the bonus share matching plan, long-term incentive plans and acquisition related share-based payments.

	£'000
The movement during the year of the assets attributable to ordinary shares were as follows:	
Total net assets attributable at 1 January 2020	90,237
Total recognised gains for the year	577
Share-based payments	(4,823)
Issue of shares	11,827
Dividends paid	(1,351)
Total net assets attributable at 31 December 2020	96,467

Notes to the accounts (continued)

31 Notes to the statements of cash flows

(a) Reconciliation of operating profit to operating cash flows

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Net operating loss after exceptional items	**(1,916)**	(2,056)	**(1,981)**	(974)
(Loss)/profit from discontinued operations	**(12)**	55	**–**	–
Interest payable	**25**	221	**8**	211
Depreciation	**871**	816	**652**	695
Loss/(profit) on disposal of tangible fixed assets	**27**	43	**–**	36
Amortisation	**8,033**	7,668	**230**	113
Share-based payments	**2,262**	1,844	**–**	–
	9,290	8,591	**(1,091)**	81
Decrease in long-term receivables	**–**	78	**–**	78
Decrease/(increase) in current assets	**1,777**	(4,638)	**(81)**	(133)
Increase/(decrease) in current liabilities	**6,525**	5,615	**(8)**	92
	17,592	9,646	**(1,180)**	118

(b) Non-cash investing and financing activities

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Acquisition of right-of-use assets (Notes 8 & 13)	**877**	42	**454**	–
Partial settlement of business combinations through the issue of shares (Notes 5 & 26)	**3,472**	–	**–**	–
	4,349	42	**454**	–

(c) Net debt reconciliation

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash and cash equivalents	**21,886**	19,432	**7,826**	1,940
Borrowings	**–**	–	**(4,651)**	(5,986)
Amounts owed by Group undertakings	**–**	–	**6,334**	2,780
Lease liabilities (Note 8)	**(641)**	(445)	**(211)**	(243)
Net cash/(debt)	**21,245**	18,987	**9,298**	(1,509)

Group

	Leases £'000	Cash £'000	Total £'000
Net cash/(debt) at 1 January 2019	**–**	**13,958**	**13,958**
Cash flows	**662**	**5,474**	**6,136**
IFRS 16 restatement	**(1,065)**	**–**	**(1,065)**
New leases	**(42)**	**–**	**(42)**
Net cash/(debt) at 31 December 2019	**(445)**	**19,432**	**18,987**
Cash flows	**620**	**2,454**	**3,074**
New leases obtained through business combinations	**(346)**	**–**	**(346)**
New leases	**(470)**	**–**	**(470)**
Net cash/(debt) at 31 December 2020	**(641)**	**21,886**	**21,245**

31 Notes to the statements of cash flows (continued)

Company

	Net borrowings £'000	Leases £'000	Cash £'000	Total £'000
Net cash/(debt) at 1 January 2019	(5,144)	–	6,148	1,004
Cash flows	3,923	595	(4,208)	310
Non-cash intercompany movements	(2,335)	–	–	(2,335)
Other movements	350	–	–	350
IFRS 16 restatement	–	(838)	–	(838)
Net cash/(debt) at 31 December 2019	(3,206)	(243)	1,940	(1,509)
Cash flows	7,704	478	5,886	14,068
Non-cash intercompany movements	(6,317)	–	–	(6,317)
Other movements	3,502	–	–	3,502
New leases	–	(446)	–	(446)
Net cash/(debt) at 31 December 2020	1,683	(211)	7,826	9,298

32 Financial instruments

The Group consists of the Company and subsidiary undertakings whose principal activities are asset management.

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 portfolio of listed and unlisted fixed income securities

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

(iv) short-term and long-term borrowings

As at 31 December 2020 the following categories of financial instruments were held by:

Group

	2020		2019	
	Loans and receivables at amortised cost £'000	Assets at fair value through profit or loss £'000	Loans and receivables at amortised cost £'000	Assets at fair value through profit or loss £'000
Financial assets per Statement of Financial Position				
Investments	763	8,874	1,915	8,914
Trade and other receivables – current and non-current	3,184	1,718	5,334	–
Accrued income and other debtors	10,863	–	6,442	–
Cash and cash equivalents	21,886	–	19,432	–
	36,696	10,592	33,123	8,914

Notes to the accounts (continued)

32 Financial instruments (continued)

	2020		2019	
	Other financial liabilities £'000	Liabilities at fair value through profit or loss £'000	Other financial liabilities £'000	Liabilities at fair value through profit or loss £'000
Financial liabilities per Statement of Financial Position				
Trade and other payables – short-term	**15,892**	**1,385**	9,461	4,661
Bank loans – short and long-term	**–**	**–**	–	–
Other creditors – long-term	**201**	**5,548**	124	5,849
	16,093	**6,933**	9,765	10,510

Company

	2020		2019	
	Loans and receivables at amortised cost £'000	Assets at fair value through profit or loss £'000	Loans and receivables at amortised cost £'000	Assets at fair value through profit or loss £'000
Financial assets per Statement of Financial Position				
Investments	**763**	**5,130**	1,915	6,843
Accrued income and other debtors	**643**	**–**	37	–
Amounts owed by Group undertakings	**6,334**	**–**	2,780	–
Cash and cash equivalents	**7,826**	**–**	1,940	–
	15,566	**5,130**	6,672	6,843

	2020		2019	
	Other financial liabilities £'000	Liabilities at fair value through profit or loss £'000	Other financial liabilities £'000	Liabilities at fair value through profit or loss £'000
Financial liabilities per Statement of Financial Position				
Trade and other payables – short-term	**32**	**–**	40	–
Trade and other payables – long-term	**211**	**–**	243	–
Other loans – short and long-term	**4,651**	**–**	5,986	–
Bank loans – short and long-term	**–**	**–**	–	–
	4,894	**–**	6,269	–

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

Market price risk

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

The objective of market price risk management is to manage and control market price exposure, while optimising the return on risk. The Group manages strategic equity funds, which are exposed to market prices. Forestry asset management fees are not linked directly to market prices.

32 Financial instruments (continued)

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.

Foreign currency risk

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

Credit risk

Credit risk is the risk that a 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:

	2020 £'000	2019 £'000
Loan stock investments	**763**	1,915
Deferred receivable – short and long-term	**1,718**	–
Trade and other receivables – short-term	**3,184**	5,334
Accrued income and other debtors	**10,863**	6,442
Cash and cash equivalents	**21,886**	19,432
	38,414	33,123

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 £15,566,000 (2019: £6,672,000).

Cash and cash equivalents consist of cash in hand and balances with banks. To reduce the risk of counterparty default the Group deposits its surplus funds in approved high-quality banks.

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

	2020 £'000	2019 £'000
Loan stock investments		
Repayable within: – 1 year	**763**	1,648
1-2 years	**–**	267
2-3 years	**–**	–
3-4 years	**–**	–
4-5 years	**–**	–
	763	1,915

As at 31 December 2020 loan stock investments totalling £858,000 (2019: £858,000) were impaired and provided for.

As at 31 December 2020 other loans totalling £54,000 (2019: £54,000) were impaired and provided for.

There is potentially a risk whereby a counterparty 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.

Notes to the accounts (continued)

32 Financial instruments (continued)

Interest rate risk

The Group's fixed and floating interest rate securities, its equity, preference equity investments and loans and net revenue may be affected by interest rate movements. Investments in small businesses are relatively high-risk investments which are sensitive to interest rate fluctuations.

The Group's assets include fixed and floating rate interest instruments as detailed below. The Group is exposed to interest rate movements on its floating rate liabilities.

The interest rate exposure profile of the Group's financial assets and liabilities as at 31 December 2020 and 2019 were:

Group

	Non-interest-bearing assets/ liabilities £'000	**Fixed rate assets £'000**	**Floating rate assets £'000**	**Fixed rate liabilities £'000**	**Floating rate liabilities £'000**	**Net total £'000**
As at 31 December 2020						
Investments	**8,874**	**763**	**–**	**–**	**–**	**9,637**
Cash	**–**	**–**	**21,886**	**–**	**–**	**21,886**
Trade and other receivables	**4,902**	**–**	**–**	**–**	**–**	**4,902**
Accrued income and other debtors	**10,863**	**–**	**–**	**–**	**–**	**10,863**
Creditors						
– falling due within 1 year	**(15,452)**	**–**	**–**	**(440)**	**–**	**(15,892)**
– falling due after 1 year	**–**	**–**	**–**	**(201)**	**–**	**(201)**
	9,187	**763**	**21,886**	**(641)**	**–**	**31,195**

	Non-interest-bearing assets/ liabilities £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liabilities £'000	Floating rate liabilities £'000	Net total £'000
As at 31 December 2019						
Investments	8,914	1,915	–	–	–	10,829
Cash	–	–	19,432	–	–	19,432
Trade and other receivables	5,334	–	–	–	–	5,334
Accrued income and other debtors	6,442	–	–	–	–	6,442
Creditors						
– falling due within 1 year	(9,320)	–	–	(321)	–	(9,641)
– falling due after 1 year	–	–	–	(124)	–	(124)
	11,370	1,915	19,432	(445)	–	32,272

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

Fixed rate assets comprise fixed rate loans, unsecured loans and loans repayable on demand, with a weighted average interest rate of 13.2% (2019: 12.3%).

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 lease creditors.

32 Financial instruments (continued)

The interest rate exposure profile of the Company's financial assets and liabilities as at 31 December 2020 and 2019 were:

Company

	Non-interest-bearing assets/liabilities £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liabilities £'000	Floating rate liabilities £'000	Net total £'000
As at 31 December 2020						
Investments – securities	**5,130**	**763**	**–**	**–**	**–**	**5,893**
Cash	**–**	**–**	**7,826**	**–**	**–**	**7,826**
Accrued income and other debtors	**643**	**–**	**–**	**–**	**–**	**643**
Amounts owed by Group undertakings	**6,334**	**–**	**–**	**–**	**–**	**6,334**
Creditors						
– falling due within 1 year	**(32)**	**–**	**–**	**(211)**	**–**	**(243)**
– falling due after 1 year	**–**	**–**	**–**	**–**	**(4,651)**	**(4,651)**
	12,075	**763**	**7,826**	**(211)**	**(4,651)**	**15,802**

	Non-interest-bearing assets/liabilities £'000	Fixed rate assets £'000	Floating rate assets £'000	Fixed rate liabilities £'000	Floating rate liabilities £'000	Net total £'000
As at 31 December 2019						
Investments – securities	6,843	1,915	–	–	–	8,758
Cash	–	–	1,940	–	–	1,940
Accrued income and other debtors	37	–	–	–	–	37
Amounts owed by Group undertakings	2,780	–	–	–	–	2,780
Creditors						
– falling due within 1 year	(40)	–	–	(243)	–	(283)
– falling due after 1 year	–	–	–	–	(5,986)	(5,986)
	9,620	1,915	1,940	(243)	(5,986)	7,246

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. The Group had no bank borrowings at the year end so the sensitivity of interest payable to changes in interest rates was not relevant in 2020.

Liquidity risk

The investments in equity investments in Aquis Exchange traded companies may be difficult to realise at their carrying value, particularly if the investment represents a significant holding in the investee company. Similarly, investments in equity and fixed interest stocks of unquoted companies that the Company holds are only traded infrequently. They are not readily realisable and may not be realised at their carrying value where there are no willing purchasers.

The Group has in place a revolving credit facility which it has available to manage liquidity risk as required.

Notes to the accounts (continued)

32 Financial instruments (continued)

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

	Less than 1 year £'000	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**
As at 31 December 2020			
Leases	**443**	**205**	**14**
Trade payables	**705**	**–**	**–**
Accruals	**14,416**	**–**	**–**
Contingent consideration	**1,385**	**6,247**	**–**
Other creditors	**1,561**	**–**	**–**
	18,510	**6,452**	**14**

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
As at 31 December 2019			
Leases	323	69	72
Trade payables	469	–	–
Accruals	7,730	–	–
Contingent consideration	5,000	5,000	2,032
Other creditors	2,029	–	–
	15,551	5,069	2,104

Capital risk management

The Group manages its capital to ensure that entities within the Group and the Company will be able to continue to trade in an orderly fashion whilst maintaining sustainable returns to shareholders.

The capital structure of the Group and Company consist of short and long-term borrowings as disclosed in Notes 22 and 24, 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 26, 27 and 29. The Board reviews the capital structure of the Group and the Company on a regular basis to ensure it complies with all regulatory capital requirements. 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.

The Group aims to hold sufficient cash to fulfil its requirements with respect to regulatory capital. During the year the Group and its subsidiary entities complied with all regulatory capital requirements.

	Group		**Company**	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Debt	**(641)**	(445)	**(4,862)**	(6,229)
Amounts owed by Group undertakings	**–**	–	**6,334**	2,780
Cash and cash equivalents	**21,886**	19,432	**7,826**	1,940
Net assets	**97,278**	90,819	**97,322**	88,577
Net cash/(debt)	**21,245**	18,987	**9,298**	(1,509)
Net cash/(debt) as a % of net assets	**21.8%**	20.9%	**9.6%**	(1.7%)

33 Fair value measurements

Valuation inputs

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

Quoted market prices – Level 1

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

Valuation technique using observable inputs – Level 2

Financial instruments that have been valued using inputs other than quoted prices as described for Level 1 but which are observable for the asset or liability, either directly or indirectly. The Group had no level 2 investments in both the current and prior year.

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.

Where investments are in a fund, the net asset value of the fund is used to determine the fair value of the investment. The net asset value is typically prepared by the manager of that specific fund and provided to Group as an investor. The Group review the valuation and use this as the Level 3 assessment of fair value.

The valuation techniques used by the Company for Level 3 financial assets can be found in accounting policy (j)(ii).

Investments in the unlisted securities relates to investments in three separate funds where the valuation methodology is considered a Level 3 assessment.

One of the funds invests in a large number of forestry assets. The forestry assets are held at fair value in the underlying fund. An independent valuation of the forests within the underlying fund is performed annually by forestry valuation experts by reference to comparable market transactions for each underlying forestry asset that considers factors including location, maturity of the forest and size. There is no reasonable change in the inputs in each of the underlying assets would give rise to a material adjustment to the fair value of the investment.

However, as a consequence of COVID-19 the external valuer has reported the valuation of the Group's investment in Gresham House Forestry Friends and Family Fund LP (£2.9 million valuation, of which £811,000 is attributable to non-controlling interest) is subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to their valuation than would normally be the case. For the avoidance of doubt the 'material valuation uncertainty' declaration, does not mean that the valuation cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.

The remaining two investments in funds are measured using the fair value of the net asset value provided by the manager of those funds and the inputs used are unobservable.

Further details of the securities portfolio can be found in Note 12 of these financial statements.

Notes to the accounts (continued)

33 Fair value measurements (continued)

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

Group

	31 December 2020 £'000	Level 1 £'000	Level 3 £'000
Financial assets at fair value through profit and loss			
Investments			
– Equities	**8,874**	**4,949**	**3,925**
	8,874	**4,949**	**3,925**

	31 December 2019 £'000	Level 1 £'000	Level 3 £'000
Financial assets at fair value through profit and loss			
Investments			
– Equities	8,914	6,165	2,749
	8,914	6,165	2,749

Company

	31 December 2020 £'000	Level 1 £'000	Level 3 £'000
Financial assets at fair value through profit and loss			
Investments			
– Equities	**5,130**	**4,160**	**970**
	5,130	**4,160**	**970**

	31 December 2019 £'000	Level 1 £'000	Level 3 £'000
Financial assets at fair value through profit and loss			
Investments			
– Equities	6,843	6,165	678
	6,843	6,165	678

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

Group

	Investments – securities £'000	Trade and other receivables £'000	Total £'000
31 December 2020			
Opening balance	**2,749**	**–**	**2,749**
Total gains and (losses):			
In Statement of Comprehensive Income	**875**	**–**	**875**
Additions	**344**	**–**	**344**
Disposals	**(43)**	**–**	**(43)**
Closing balance	**3,925**	**–**	**3,925**
Total gains and (losses) for the year included in comprehensive income for assets held at the end of the reporting period	**878**	**–**	**878**

33 Fair value measurements (continued)

	Investments – securities £'000	Trade and other receivables £'000	Total £'000
31 December 2019			
Opening balance	1,924	1,033	2,957
Total gains and (losses):			
In Statement of Comprehensive Income	339	–	339
Additions	500	–	500
Disposals	(14)	(1,033)	(1,047)
Closing balance	2,749	–	2,749
Total gains and (losses) for the year included in comprehensive income for assets held at the end of the reporting period	340	–	340

Company

	Investments £'000	**Total £'000**
31 December 2020		
Opening balance	**678**	**678**
Total gains and (losses):		
In Statement of Comprehensive Income	**66**	**66**
Additions	**269**	**269**
Disposals	**(43)**	**(43)**
Closing balance	**970**	**970**
Total gains and (losses) for the year included in comprehensive income for assets held at the end of the reporting period	**69**	**69**

	Investments £'000	Total £'000
31 December 2019		
Opening balance	60	60
Total gains and (losses):		
In Statement of Comprehensive Income	132	132
Additions	500	500
Disposals	(14)	(14)
Closing balance	678	678
Total gains and (losses) for the year included in comprehensive income for assets held at the end of the reporting period	132	132

The only financial liabilities held at fair value relates to the deferred consideration on the acquisition of TradeRisks Limited, the Devco projects and the acquisition of the fund and investment management businesses of Livingbridge VC LLP amounting to £6,933,000. This is measured using Level 3 valuation techniques. There were no such financial liabilities held at fair value within the Company.

Price risk sensitivity
Based on values as at 31 December 2020 a 10% movement in the fair values of 100% of the Group's equity investments would be equivalent to a movement of £887,000 in both profit and net assets.

Notes to the accounts (continued)

34 Related party transactions

Group

During the year management fees totalling £672,077 (2019: £693,687) and performance fees of £nil (2019: £1,944,518) were invoiced to Gresham House Strategic plc (GHS), a company in which the Group has a 23.4% interest. At the year end £107,867 (2019: £75,783) was due from GHS.

During the year the Group was invoiced £nil (2019: £85,413) for office and other costs by Corylus Capital LLP (Corylus), an entity in which Ben Guest, head of the New Energy strategy, has a material interest. At the year end £nil (2019: £nil) was due to Corylus. At 31 December 2020 the loan provided by Corylus to HC ESS6 Limited (ESS6) totalled £nil (2019: £3,261,656) Interest totalling £445,014 (2019: £205,079) was charged by Corylus to ESS6.

Company

During the year the Company repaid loans totalling £33,259 from (2019: received £2,121,736 from) Security Change Limited. At the year end £4,651,055 (2019: £4,684,314) was due to Security Change Limited. No interest was charged during the year (2019: £nil).

During the year the Company received £nil (2019: £nil) from Gresham House Finance Limited. At the year end £221,400 (2019: £221,400) was owed by Gresham House Finance Limited. No interest was charged during the year (2019: £nil).

During the year the Company received £25,877 from (2019: advanced £30,079 to) Gresham House (Nominees) Limited. At the year end £4,202 (2019: £30,079) was due from Gresham House (Nominees) Limited. No interest was charged during the year (2019: £nil).

During the year the Company advanced £5,766,306 to (2019: repaid £1,500,561 to) Gresham House Holdings Limited. At the year end £4,464,777 was due from (2019: £1,301,529 due to) Gresham House Holdings Limited. No interest was charged during the year (2019: £nil).

During the year the Company advanced £659,344 (2019: £nil) to GridReserve Limited. Interest totalling £81,808 (2019: £nil) was charged during the year. At the year end £741,152 (2019: £nil) was owed by GridReserve Limited.

During the year the Company advanced £489,865 (2019: £nil) to Lister Battery Limited. Interest totalling £34,077 (2019: £nil) was charged during the year. At the year end £523,942 (2019: £nil) was owed by Lister Battery Limited.

During the year the Company advanced £493,725 (2019: £nil) to Monets Garden Battery Limited. Interest totalling £34,293 (2019: £nil) was charged during the year. At the year end £528,018 (2019: £nil) was owed by Monets Garden Battery Limited.

Corporate information

Company Number	871 incorporated in England	
Directors	Anthony Townsend	Non-Executive Chairman
	Anthony Dalwood	Chief Executive Officer
	Kevin Acton	Chief Financial Officer
	Richard Chadwick	Non-Executive
	Simon Stilwell	Non-Executive
	Rachel Beagles	Non-Executive
	Gareth Davis	Non-Executive
Secretary	Samee Khan	
Registered Office	5 New Street Square London EC4A 3TW	
Auditor	BDO LLP 55 Baker Street London W1U 7EU	
Nominated Adviser and Joint Broker	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR	
Financial Adviser and Joint Broker	Jefferies International Limited 100 Bishopsgate London EC2N 4JL	
Registrars	Neville Registrars Limited Neville House Steelpark Road Halesowen West Midlands B62 8HD	
Solicitors	Eversheds Sutherland (International) LLP One Wood Street London EC2V 7WS	

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Gresham House

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