Since 1857

Gresham House

Specialist asset management

Gresham House plc

Annual Report and Audited Financial Statements for the year ended 31 December 2021

Registered in England with number 871

Capturing the **growth opportunity**

Our purpose and 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, public equity 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

We are **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.

We are **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.

We are **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.

We are **Dynamic**

We act with purpose and urgency and are focused on creating shareholder and investor value through effective investment solutions that tackle some of the many environmental and social challenges.

We are **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.

We are **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.

Capturing the growth opportunity

Financial highlights

- Significant AUM growth of 65% to £6.5 billion (2020: £4.0 billion), with organic growth of £1.9 billion (c.50%) driven by strong fundraising, targeted acquisitions and investment performance
- Strong net core income growth of 51% to £61.6 million (2020: £40.8 million)
- Growth in adjusted operating profit of 67% to £20.2 million (2020: £12.1 million)
- Return on Capital Employed (ROCE) increased to 34.1% (2020: 16.0%)
- Final dividend proposed to increase by 67% to 10.0 pence (2020: 6.0 pence)

Strategic highlights

- Acceleration of progress in the second year of our GH25 five-year strategic plan – AUM upgraded to £8 billion +, ROCE to 20% average over the medium term and dividend policy targeting three times coverage by 2025
- Expanded internationally through the acquisition of Appian Asset Management in Ireland and the completion of a significant international forestry mandate in Australia
- Acquired the Mobeus VCT business adding an additional AUM of £369 million, resulting in significant scale to create a leading player in the VCT private equity market
- Gresham House Asset Management Limited has met the FRC's expected standard of reporting in 2021 and been listed as a signatory to the 2020 UK Stewardship Code
- Sustainability Committee established by the Board chaired by Non-Executive Director Gareth Davis
- Corporate Sustainability Strategy launched
- Strong culture with high levels of employee engagement as recently evidenced by the results of the 2021 Employee Engagement Survey indicating a 96% advocacy rate

Assets under management
as at 31 December 2021

£6.5bn +65%

Net core income
for the year to 31 December 2021

£61.6mn +51%

Adjusted operating profit
for the year to 31 December 2021

£20.2mn +67%

Total comprehensive net income
for the year to 31 December 2021

£12.0mn

Return on capital employed (ROCE)[1]
for the year to 31 December 2021

34.1% +114%

Dividend
(pence)

10.0 +67%

Strategic report

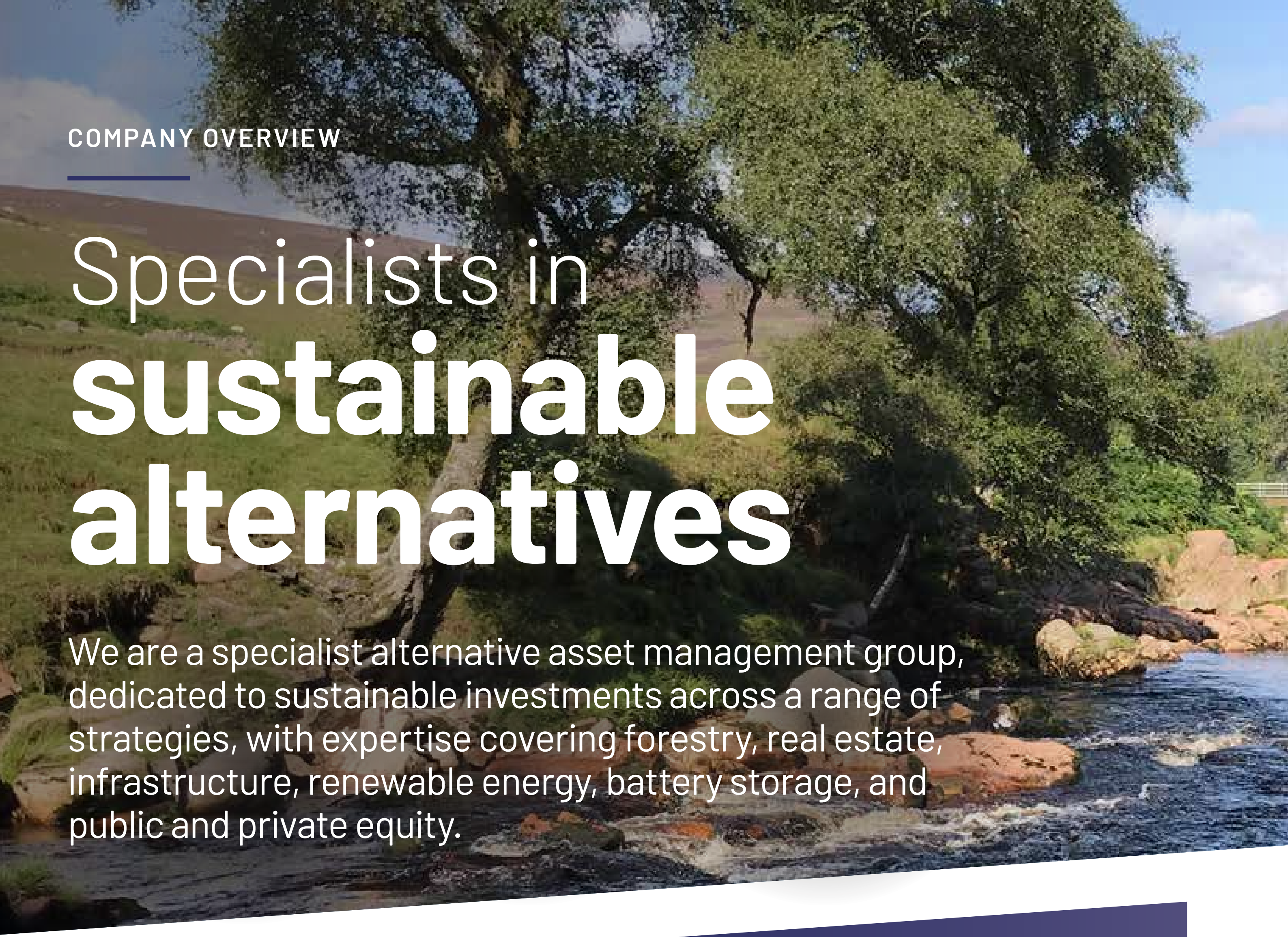
Governance

Financial statements

Additional information

1 Return on capital employed defined as adjusted operating profit, plus net performance fees, net realised gains on development activity and fair value movements in investments, less fair value movement in contingent consideration, divided by opening net assets, adjusted for shares issued in the year.

COMPANY OVERVIEW



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, real estate, infrastructure, renewable energy, battery storage, and public and private equity.

Our origins stretch back to 1857, while our focus now is on 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.

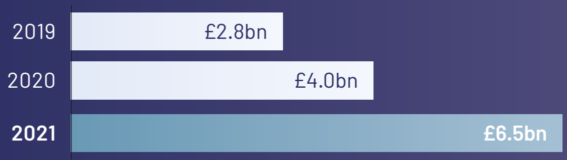
As a signatory to the UN-supported Principles for Responsible Investment, we are committed to operating responsibly and sustainably. We believe taking the long view in delivering sustainable investment solutions will continue to be a growing factor in the strength of our market positioning.

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

Financial overview

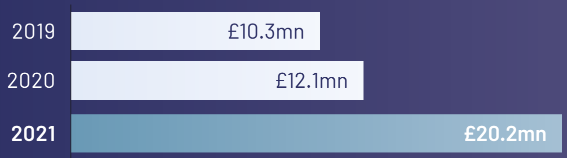
Assets under management
at 31 December 2021

£6.5bn +65%



Adjusted operating profitability
for the year to 31 December 2021

£20.2mn +67%



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. Providing a differentiated platform for companies to evolve from early stage private capital through growth capital to listed capital.

Public Equity — £1,037mn 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.

In Ireland, we are active, long-term investors driven by a fundamental understanding of the quality and valuation of a particular investment.

UK
- 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

Ireland
- Appian Multi-Asset Fund
- Appian Global Dividend Growth Fund
- Appian Global Small Companies Fund
- Appian Euro Liquidity Fund
- Appian Impact Fund

Private Equity — £887mn AUM

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

- Baronsmead Venture Trust plc
- Baronsmead Second Venture Trust plc
- Mobeus Income & Growth VCT plc
- Mobeus Income & Growth VCT 2 plc
- Mobeus Income & Growth VCT 4 plc
- The Income & Growth VCT plc

Strategic Equity AUM

£1,924mn

+109%

Strategic Equity Net core income

£21.8mn

+66%

Real Assets

Our range of real assets investment products provide 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 — £2,953mn 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 Forest Growth & Sustainability LP
- 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 — £1,213mn AUM

Our New Energy & Sustainable Infrastructure investments are focused on transformative technologies and industries that we believe will deliver strong financial, social and environmental returns alongside supporting the 'just transition' to a more sustainable world. They address key environmental and societal 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 BSIF I LP
- Gresham House BSIF II LP
- Gresham House Renewable Energy LP

Real Estate — £448mn 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.

In Ireland, we provide investments in commercial property – office, retail and industrial properties in the greater Dublin area and major regional urban centres – and more recently we launched an exciting opportunity for credit unions to partner with Approved Housing Bodies over the long term to help address the ongoing undersupply of social housing.

UK
- Gresham House BSI Housing LP
- Residential Secure Income plc (ReSI REIT)
- Gresham House Residential Secure Income LP

Ireland
- Gresham House Credit Union Income Fund (launched January 2022)
- Appian Burlington Property Fund

Real Assets AUM

£4,614mn

+51%

Real Assets Net core income

£39.8mn

+44%

Capturing the **growth opportunity**

Gresham House invests in long-term sustainable asset classes, providing long-term visibility of revenue streams.

Gresham House's asset classes are well positioned to capture the drive for investments that deliver both financial returns and sustainable, climate-based solutions for investors. Allocations to alternative asset classes, including those managed by Gresham House, continue to rise.

Gresham House has long and successful track records in these areas of investment, which has resulted in strong market shares in areas such as forestry, battery storage and sustainable infrastructure.

Gresham House has typically "institutionalised" asset classes for investment several years before asset allocation by large investors became the norm, such as battery storage, sustainable infrastructure and forestry.

We also have a wealth of expertise and experience in both public and private equity, investing in smaller companies that will contribute to the UK's economic recovery and future growth.

Of course, investment performance is critical and the teams within Gresham House are proud of their long-term track records of achieving (and exceeding) client objectives.

Quality of earnings and long-term revenue visibility

- Long-term management contracts reflecting long-term private asset classes in niche areas.
- Long-term visibility of contracts – the weighted average life of Limited Partnership contracts is **14 years**
- Long-term visibility of contracts – with **c.90%** of the Group's AUM in long term closed-ended or listed vehicles
- High ROCE – currently **34%**, with increased target 20% over the medium term
- High revenue margins from specialist asset management contracts – targeting **1% gross revenue margin**

Delivering strategic goals

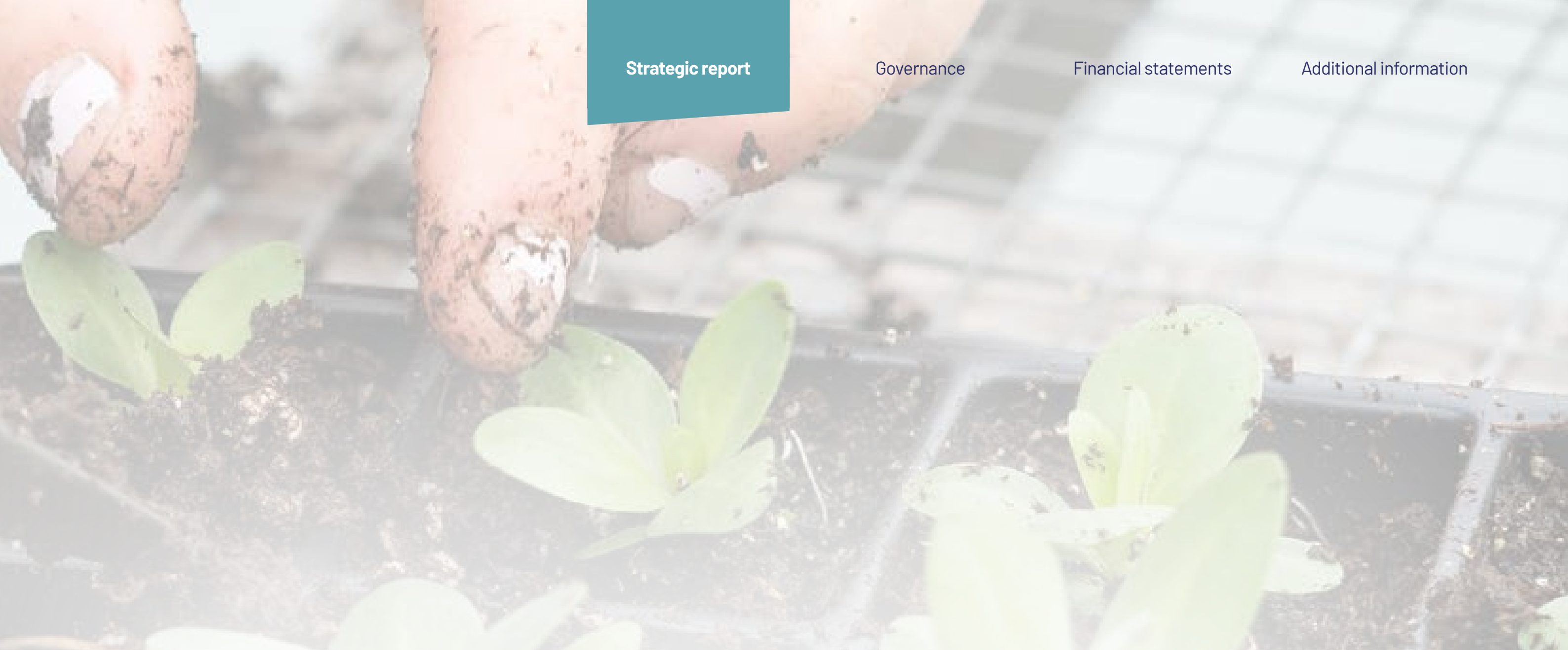
- Organic growth – **50% in 2021**
- Acquisition growth – creating value with typically **c.20% ROCE**
- Sustainability – **leadership in ESG ambitions and investment platforms**
- International expansion – **Ireland and Australasia**

Proven acquisition and investment track record

- Successful acquisition strategy – **clear shareholder value creation from acquisitions**
- Balance sheet capital – **accelerates and supports AUM growth**

Long-term alignment

- Senior management and employees own **c.10%** of the Company
- Senior management LTIP directly aligned to **GH25 five-year strategic plan to deliver shareholder value**
- Gresham House and employees typically invest in the funds managed by the Company alongside our clients



Capturing the growth opportunity – scale potential

The asset classes which Gresham House operate demonstrate considerable potential for market growth, supported by structural trends in asset allocation by investors. The opportunity for scale is evident across our asset classes:

New Energy – Battery storage	Current capacity in GRID of **0.4GW**	Current pipeline in GRID of **1.1GW**	UK market opportunity **15GW** needed by 2025 according to National Grid[1]
Sustainable Infrastructure	Current committed capital of **£0.2bn**	Current pipeline **£1.6bn** of investment	UK market opportunity across all 6 subsectors of **£1tn+**[2]
Real Estate – UK Housing	Current committed capital of **£0.3bn** or **1,499 homes**	Current pipeline **£1.4bn** or **13,000 homes**	Market opportunity of **£1.3tn** or **£10bn per annum**[3]
Forestry	Forests acquired in 2021 **£0.6bn**	Current pipeline **£0.5bn**	UK forestry acquisition market of **£10bn+ p.a.**[4]
Strategic Equity	**Current AUM** Public Equity **£1.0bn** Private Equity **£0.9bn**	**Activity** – Maintain top performance – Investment in distribution function for growth; Continued demand for VCT funds	UK Public Equity capacity in existing products **£2.5bn** UK Private Equity capacity (VCTs) **£1.5bn**[5]

1 National Grid Future Energy Scenarios paper.
2 Estimated investible universe across the six target subsectors of Resource Efficiency, Digital inclusion, Regeneration, Waste Solutions, Decarbonisation and Health & Education.
3 £5bn of shares ownership housing per UK House Price Index for October 2021 - GOV.UK (www.gov.uk) Shared ownership (England): the fourth tenure? - House of Commons Library (parliament.uk) and £5bn of build to rent properties per Build to Rent Q1 2017 Prepared for the British Property Federation (bpf.org.uk)
4 Gresham House estimated international forestry acquisition market.
5 Gresham House estimated market capacity for small cap funds in the UK of £2.5bn and the UK VCT market capacity of £1.5bn.

Executing our strategy – GH25

Introduction

I am pleased to report on a year of exceptionally strong, profitable growth for Gresham House, with substantial increases in assets under management (AUM) and margins complementing both organic and acquisitive progress. The business has adapted and delivered against its targets and made excellent strides against its GH25 ambitions while remaining resilient in the face of the ongoing pandemic and continued uncertainty in the markets. In light of this, we are increasing our GH25 Return on Capital Employed (ROCE) target from 15% to 20% average over the medium term as well as improving our dividend policy to target three times operating profit coverage by the end of GH25.

This resilience and continued growth momentum is a huge testament to our employees' dedication and the excellent performance of the management team, which has contributed to excellent shareholder value creation year after year. The dedication of the senior management team and the capability and integrity with which they lead the business permeates throughout the Group. An internal focus on both financial and strategic metrics has cultivated an ambitious and successful culture, and supported by excellent colleagues, the executive team has sought to establish the Gresham House brand as a symbol of superior investment performance, teamwork and ambition in pursuit of shareholder value creation. Meanwhile, share ownership throughout the organisation has promoted employee belief and alignment with the brand we are building.

Activity in the period

I am delighted to report that we have significantly accelerated our outstanding growth rate in AUM, increasing it 65% over the year. Organic growth included growing demand within the Forestry division resulting in new business AUM growth of over £600 million. As part of this Gresham House saw further international expansion with the completion of an Australian forestry mandate, announced on 9 December 2021, while significant fundraises were achieved across the Group within our British Sustainable Infrastructure Fund II LP, Gresham House Energy Storage Fund plc (GRID), Gresham House Forest Growth & Sustainability LP, and Gresham House Residential Secure Income LP (ReSI LP), as well as in our VCTs and equity funds.

Alongside strong organic growth, we also grew the business further through strategic acquisitions, namely Appian Asset Management Limited in June, as well as the VCT business of Mobeus Equity Partners LLP in October, adding a further £303 million and £369 million respectively in the year.

Given the significant progress made against our five-year strategy, GH25, we revised our AUM target upwards by 33% to £8 billion AUM in November, whilst maintaining the targets of 40% EBITDA margin and 15% ROCE by 2025. As a result of recent strong performance, we continue to track towards or exceed these financial targets with an EBITDA margin of 32.7% (2020: 29.6%) and ROCE[1] of 34.1% for 2021 (2020: 16.0%).

> **The opportunity to scale from our existing platforms should continue with our strong growth momentum generating shareholder value, plus sustainable returns for clients and investors.**
>
> **Anthony Townsend**
> Chairman

For more information visit
www.greshamhouse.com

The Board was pleased to note that the 2021 Employee Engagement Survey demonstrated high levels of satisfaction and commitment amongst staff, with a 96% advocacy rate, against an external benchmark of 73%. The survey also showed a staff alignment score of 80%, against an external benchmark of 66%.

Sustainability

We continue with our aim to be a market leader in sustainability, with assets across battery storage, solar, wind and forestry, as well as housing and sustainable infrastructure. Core to this are the sustainability goals we set out as part of our GH25 strategy, first announced in March 2020, aiming to further develop the business as a leading specialist alternative asset manager with sustainability at its heart.

This year we established our Sustainability Committee, chaired by Gareth Davis, as a subcommittee of the Board to provide oversight and accountability for our sustainability-related practices across the business. The Committee met for the first time in August 2021 where a range of sustainability factors were discussed, including how we will advance our management of climate change-related risks and opportunities.

Going forward, we expect there will be an ever increasing focus on impact and sustainable investments. It is now an important factor for all asset managers and a differentiator for Gresham House in the market.

Financials

I am very proud of the excellent results achieved by the Group this year. Alongside the substantial 65% growth in AUM, we saw net core income increase by 51% to reach £61.6 million (2020: £40.8 million), while adjusted operating profit was £20.2 million, growing by 67% (2020: £12.1 million). Net comprehensive income was up substantially to £12.0 million (2020: £0.8 million) and we also achieved ROCE of 34.1% (2020: 16.0%). Our balance sheet remains strong with £40.3 million of cash, £38.0 million of investments and £20.0 million of undrawn Revolving Credit Facility (RCF), leaving us very well positioned to support our ambitions and continue our exciting growth trajectory in 2022.

Dividend

We intend to increase the dividend for this year to 10.0 pence, an increase of 67% (2020: 6.0 pence). As outlined earlier, and as part of our GH25 strategy, we have reviewed our dividend policy to increase it to target adjusted operating profit coverage of three times by 2025. Shareholders should therefore look towards increasing dividends in the future.

Shareholders

Having raised £42.0 million via a placing alongside our acquisition of the VCT business of Mobeus Equity Partners LLP, we welcomed several new, long-term supportive shareholders to the register. We were delighted with the level of backing and we hope to continue engaging with both our current and new shareholders in the capital markets going forward. The Company has evolved substantially from the sub-£15 million market capitalisation at the time the new management team commenced its plans in December 2014. We have benefited from a broadening of our shareholder base and look forward to attracting further new, long-term shareholders to continue the growth of the business.

1 Return on capital employed defined as adjusted operating profit, plus net performance fees, net realised gains on development activity and fair value movements in investments, less fair value movement in contingent consideration, divided by opening net assets, adjusted for shares issued in the year.

Assets under management
as at 31 December 2021

£6.5bn +65%

2020: £4.0bn

Adjusted operating profit
for the year to 31 December 2021

£20.2mn +67%

2020: £12.1mn

Board

We were delighted to welcome Sarah Ing as the Audit Committee Chair Designate this year, who will take on full responsibility for the role following the retirement of our current Chair, Richard Chadwick, at the conclusion of the 2022 AGM. Sarah is a chartered accountant, with listed company experience as a Non-Executive Director on XPS Pensions Group plc and CMC Markets plc boards and is already adding value to the Board.

Richard leaves us after many years of exceptional service to Gresham House having seen the business go from a property-based investment company to the alternative asset manager we are today, and his knowledge of the corporate history has proved very valuable. We are extremely grateful for his contribution to this growth throughout his tenure and wish him well in his retirement.

Richard also holds the position of Senior Independent Director on the Board. I am pleased to be able to advise that this role will pass to Gareth Davis after the 2022 AGM.

Annual General Meeting

After two years of COVID-19 restrictions, requiring a virtual meeting, we can now at last revert to holding our Annual General Meetings in person again. The intention is therefore to look forward to welcoming shareholders to our 2022 AGM at Eversheds Sutherland (International) LLP, 100 Wood Street, London, on Thursday 12 May 2022.

Outlook

We have continued to establish ourselves as a significant player in alternative assets and sustainable investing, areas which have shown continued resilience during 2021, and we approach the year ahead with confidence. We have made excellent progress against our GH25 objectives and we have revised these upwards as we grow further. I believe that our product offering, and sustainable investment focus will continue to provide attractive investment characteristics to existing and potential clients seeking returns within a sustainability framework.

With the opportunities ahead we are confident that we will continue our strong growth momentum in line with our ambitions, to create shareholder value, and sustainable returns to clients and investors, and add further depth and breadth to our platform. My thanks go to all those within the Company for their hard work and dedication as well as the support from our clients and shareholders.

Anthony Townsend
Chairman
14 March 2022

Providing sustainable asset classes to capture the **growth opportunity**

> A structural shift in asset allocation by investors is driving business momentum.

Tony Dalwood
Chief Executive

Strategic overview

Throughout 2021 we made excellent progress in the delivery of our GH25 five-year strategic plan launched in 2020. As we entered 2021 the UK, and indeed much of the world, was still operating under lockdown conditions. Nevertheless, the entire Gresham House team continued to demonstrate commitment, resilience and resourcefulness in the face of the economic and social challenges that the pandemic has created. We adapted in various ways as a company and continued to drive strong organic growth with progress evident across each of our asset classes. Importantly, investment performance for clients was also something to be proud of.

Gresham House delivered 65% growth in AUM by the year end, rising to £6.5 billion (2020: £4.0 billion). Organic growth represented c.50%, alongside two strategic acquisitions which increased AUM by a further c.15%.

The acquisition of Appian Asset Management, first announced at the end of 2020, completed in June 2021 to establish Gresham House Ireland (GHI). Based in Dublin, GHI is an active asset manager and the acquisition brought c.€350 million of AUM into Gresham House providing a platform for investment outside the UK, with an increasing emphasis on assets with a sustainability focus.

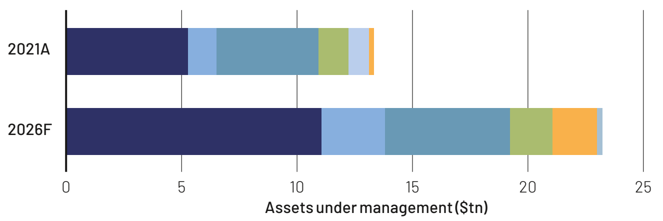
In October, we substantially built out our private equity capability with the acquisition of the VCT business of Mobeus Equity Partners LLP. The four Mobeus VCTs brought a combined AUM of £369 million and a high-quality, experienced team with complementary skills. Following this acquisition, Gresham House has become one of the leading players in the VCT market with combined AUM of £887 million across the Baronsmead and Mobeus VCTs brands.

As a result of both organic growth and these key acquisitions, I am delighted to report that our profitability rose 67%, whilst our margin increased to 33%, marking strong progress towards our GH25 target of 40% margin.

Momentum across the business continues to be buoyed by a structural shift in asset allocation by investors, including appetite for our sustainability-focused asset classes which continues to increase. Alternative assets proved robust during a volatile 2020, and in 2021 showed their ability to perform.

The World Economic Forum's Global Risk Report 2021 highlighted that over the next ten years environmental risks are the five most critical long-term threats to the world, with the three most severe risks identified as climate action failure, extreme weather, and biodiversity loss. Many of our funds are seeking to address these crucial areas.

Alternative assets under management and forecast, 2010 – 2026



Source: Preqin Forecasts.

+65%
growth in AUM

+67%
dividend growth

+67%
growth in adjusted operating profit

34%
ROCE

33%
adjusted operating profit margin

96%
of our employees would recommend Gresham House as a good place to work

Global sustainable fund assets doubled in just a six-month period to reach $3.9 trillion in September 2021, according to financial services information provider Morningstar. Globally, alternative assets under management are set to continue to grow strongly from $13.32 trillion at the end of 2021 to $23.21 trillion by 2026.

Throughout 2021, demand and allocations to Gresham House managed funds with a sustainable investment focus saw significant growth, and this trend is expected to continue into 2022 and beyond.

Throughout the year our market share in these assets continued to expand. We also grew our client base and welcomed new investors across the spectrum of institutional, family office, high net worth, wholesale and retail investors into our specialist and differentiated products and solutions.

The developments outlined above are driving continued shareholder value creation. Crucially, we have also delivered clear strategic progress driven by our ambitious, sustainability-focused culture and underpinned by rigorous internal processes. We ended the year with market-leading positions in several of our asset classes, notably VCT, forestry, housing and battery storage. We also developed our international profile, through an Australian forestry mandate that completed in December.

GH25

Our GH25 strategy was launched in March 2020 to articulate a five-year ambition with sustainability at the heart of our strategy. Within it we targeted long-term shareholder value by more than doubling AUM to over £6.0 billion, increasing operating margins to 40% and generating a target ROCE of 15% or above.

As a result of a very strong year of growth, we announced in November that we would raise our AUM target by 33% to greater than £8.0 billion.

Following continued expansion of the Group, we are proud to announce that we now intend to establish a dividend policy with a medium-term target of three times adjusted operating profits cover by 2025, to underline the increasing quality and profitability of the business alongside a recognition of the importance of income for some shareholders. Separately, we are also aiming to achieve an increased ROCE target to 20% over the medium term, recognising the importance shareholders place on capital returns.

Strategic objectives

As we move into 2022, Gresham House is firmly establishing itself as a leader in sustainable investment and best practice corporate governance.

We launched our inaugural Sustainable Investment Report in March 2021 and delivered a stewardship report, which received Financial Reporting Council approval. We also embedded our commitment to sustainability at the highest level of the business with the creation of our Board level Sustainability Committee. Within the business we also strive to achieve appropriate Diversity, Equity and Inclusion (DEI) objectives.

Gresham House has a leadership position across our specialist alternative investment activities. In battery storage, the Gresham House Energy Storage Fund plc (GRID) secured £280 million in debt and new funding in 2021 making it the largest fund of its kind in the UK. We are also the largest asset manager of forestry in the UK and continue to develop our international franchise with assets in Australia and Ireland. In Strategic Equity, the acquisition of the Mobeus VCTs business has expanded our VCT platform significantly to position us as a leading player in the sector.

The scale and scope of our business, and the central platform infrastructure we provide to support our investment strategies, have enabled us to deliver superior returns on funds managed, and industry leading growth in a number of our asset classes.

As part of the GH25 strategy we are committed to developing the business internationally and have made notable progress in establishing an overseas foothold during 2021 with the completion of the Appian acquisition to establish Gresham House Ireland and the Australian forestry mandate that was secured in December.

The Gresham House brand has continued to grow and to establish itself in the alternative investment sector during 2021. This has been clearly illustrated by the many awards won across the Group during the year, including winning best Alternatives Investment Management at both the Pensions Age Awards and Sustainable & ESG Investment Awards 2021.

Financial objectives

- **AUM growth**
  65% £2.5bn growth in 2021 – organic and acquisitive.
- **Operating margins**
  improved to 33% from 30% – investment in the business, creating a higher quality business, comparable to more mature peers.
- **Maintain ROCE of 15% on balance sheet in the medium term**
  hit 35% in 2021.

Strategic objectives

- **Recognised leader in sustainable investment and governance**
  Multiple award wins, launched Sustainable Investment Report, Stewardship Report approved by the FRC, Sustainability Committee established at Gresham House plc Board level, DEI committee and actions being taken.
- **Superior returns for funds managed**
  Top quartile – LF Gresham House UK Multi Cap Income Fund ranked second out of 84 funds in the UK Equity Income sector over three years to 31 December 2021 and remains number one in the sector since launch in June 2017.
- Long-term performance – Forestry as an asset class continues to show very strong performance, with our mature retail forestry funds reporting an average return in excess of 13.6% since inception.
- Outperforming target returns – GRID achieved a total return of 14.2% since IPO in 2018. BSIF Infrastructure achieved an IRR of 16.2% to 31 December 2021. ReSI plc total return of 27.0% in 2021.
- **Leaders in our specialist areas**
  Largest battery storage investment trust in the UK and Europe, GRID.
- Largest commercial forestry asset manager in the UK and now operating in Australia.
- Second largest VCT player in the UK: Baronsmead and Mobeus VCTs.
- **Develop the business internationally**
  Appian acquisition and Australian forestry.
- **Enhance Gresham House brand**
  now an established asset manager that has become the go-to on our specialist asset classes (e.g. vertical farming alongside battery storage).

Employees and clients

People and culture

The Gresham House team has grown steadily in recent years and now totals 185 employees in the core asset management business. This expansion has been driven by our focus on investing in talent, bringing leading expertise into the business across all asset classes and activities.

With share ownership across the business, the ambitions of the business and its staff are closely aligned with those of our clients. Employees own c.10% of shares. We value our employees as our greatest asset and were delighted that our latest staff survey at the end of 2021 showed strong levels of advocacy for the business with 96% of staff happy to recommend Gresham House as a good place to work.

A dynamic, entrepreneurial and meritocratic culture is critical to our ongoing success and the significant new hires into the business, including key investment and distribution professionals, have further enhanced this.

Equally, we are committed to increasing Diversity, Equity and Inclusion (DEI) across the business and we have taken steps to achieve this through our participation in the #100BlackInterns programme, and the establishment of the Group's DEI Committee, which has launched a number of key initiatives.

We will continue to invest in our people, developing career aspirations as we consider this to be fundamental to achieving our growth ambitions for the business.

Clients

During 2021 we further expanded and diversified our client base at both an institutional and wholesale level and welcomed James Lindsay as Head of Institutional Business, working alongside Heather Fleming and Catriona Buckley. We were pleased that new corporate pension schemes, such as Centrica invested in ReSI LP and that new institutional clients invested in the Gresham House Forest Growth & Sustainability LP. These are important steps as institutional clients begin to understand the returns and sustainability dynamics of investing in forestry. This highlights our ability to be able to increase the coverage of our fund offerings across wider distribution channels, carefully packaging our products into relevant fund structures for a wider range of clients.

We have also developed a number of relationships in the Strategic Equity division to provide access to a wider client base through platforms and wealth manager connections.

Sustainability

We are committed to embedding sustainability throughout the business to underpin the ESG focus of our investment approach.

In 2021 we established the Sustainability Committee as a sub-committee of the Board, chaired by Gareth Davis, to provide leadership for the implementation of this commitment with objectives for every employee across Gresham House.

We are also proud to be publishing our second annual Sustainable Investment Report.

We are focused on investments that both yield tangible and reliable returns for investors in our funds, whilst delivering positive social and environmental gains in areas that include battery storage, forestry and affordable housing.

We have set out a new Corporate Sustainability Strategy, with our ambitions built on three key pillars: Gresham House as a sustainable business and employer; a sustainable corporate citizen; and a sustainable investor.

> Capturing the growth opportunity – 15GW of battery storage will be needed in the UK by 2025, Gresham House currently manage 425MW and are a leader in this space.

Sustainable business and employer

Our growth will be influenced by our ability to successfully integrate sustainability authentically into our day-to-day business activities and our investment decisions. A key progressive step for this is our commitment to the Task Force on Climate-related Financial Disclosure (TCFD) reporting to assess our carbon footprint and continuously assess the measures we are taking to reduce it.

Sustainable corporate citizenship

We are fostering a commitment to corporate citizenship across the business through community and charitable initiatives including our support of the British Heart Foundation and Centrepoint.

We are also committed to giving all employees two days volunteering leave per year to support employee engagement across the business but also to ensure our colleagues are contributing to wider society through charitable initiatives.

Sustainable investor

Solving some of the world's greatest challenges – climate change, biodiversity loss and social inequality – can be achieved through the creation of new innovative solutions and technology with private market capital investing in real assets. Private markets are widely considered to offer growth opportunities in sustainable investment alongside attractive financial returns. With sustainability as a core element of our investment activities, we are committed to achieving attractive financial returns for our clients whilst delivering sustainability -focused investment solutions and strategies.

We ensure best practice throughout our investment activities through constant assessment and evaluation.

More information on these three pillars can be found on pages 25 to 29.

AUM

	AUM as at 31 December 2020 £mn	Net fund flows[1] £mn	Performance £mn	Net funds won/acquired £mn	AUM as at 31 December 2021 £mn	AUM movement £mn	AUM movement %
Strategic Equity							
Strategic Public Equity	508	179	162	188	1,037	529	104%
Private Equity	412	27	60	388	887	475	115%
Subtotal	**920**	**206**	**222**	**576**	**1,924**	**1,004**	**109%**
Real Assets							
Forestry	1,811	611	531	—	2,953	1,142	63%
New Energy & Sustainable Infrastructure	932	258	23	—	1,213	281	30%
Real Estate	307	91	1	49	448	141	46%
Subtotal	**3,050**	**960**	**555**	**49**	**4,614**	**1,564**	**51%**
Total AUM	**3,970**	**1,166**	**777**	**625**	**6,538**	**2,568**	**65%**

[1]Includes funds raised, redemptions and distributions.

AUM growth in the year totalled 65%, closing the year out at £6.5 billion (2020: £4.0 billion). This was driven by organic growth of £1.9 billion (c.50% growth) and acquisitions which added a further £0.6 billion.

Net inflows in the year of £1.2 billion (2020: £0.4 billion) represented a great year for fundraising across all of the Group's strategies, ranging from net inflows in the Strategic Equity open-ended funds to consistent fundraising for GRID (£100 million), new forestry funds such as the Gresham House Forest Growth & Sustainability LP (£202 million) and BSIF II LP, our second sustainable infrastructure fund (£150 million).

The underlying funds have continued to perform well with performance driving AUM up by £0.8 billion (2020: £0.4 billion). This was notable in the Forestry strategy, where the independent valuations of the forests managed by the Group continued to rise in value, generating a further £0.5 billion in AUM.

We also added £0.6 billion in AUM through the acquisition of Appian Asset Management Limited (Appian), now Gresham House Ireland, which added £303 million across the Strategic Equity and Real Estate strategies, and £369 million through the acquisition of the Mobeus VCT business in October 2021.

Strategic Equity

In 2021, we significantly increased the scale and scope of the Gresham House VCT business through the acquisition of the Mobeus VCT business, alongside the Baronsmead VCTs, which raised £71 million in new funds. In combination with Baronsmead, the Gresham House VCT platform had AUM of £887 million at the end of December, the second largest manager in the UK. We welcome Trevor Hope, and Clive Austin, joining the Strategic Equity Executive Committee with Tania Hayes, Bevan Duncan and Ken Wotton.

We also delivered a very strong performance in 2021 from our open-ended funds, which nearly doubled in size, with growth driven by our substantially enhanced distribution capabilities.

Performance across all funds was strong. Strategic Equity Capital plc (SEC) delivered 27.8% growth in the year. There was 24.6% growth in the Gresham House UK Micro Cap Fund, and 26.5% growth in the Gresham House UK Smaller Companies Fund. The performance of Gresham House Strategic under our management over the six years delivered a total return of 141%, a substantial outperformance versus the 74% of its benchmark. As a result, our fund managers are widely recognised across the industry for their investment capabilities and our LF Gresham House UK Multi Cap Income Fund won the UK Equity Income category at the Investment Week Fund Manager of the Year Awards 2021.

Real Assets

Forestry

Through 2021, Forestry remained a compelling asset class for patient capital and we were pleased to see increasing appetite from UK institutional investors for our forestry funds. During the year, we launched the Gresham House Forest Growth & Sustainability LP. The fund raised £202 million over the year and will invest in forestry that addresses demand for timber and for carbon credits.

We also expanded our international footprint, establishing a foothold in Australia with the acquisition of Green Triangle Forest Products on behalf of AXA IM Alts. Building on this momentum, we intend to launch a dedicated International Forestry Fund in 2022.

New Energy – Battery Storage

Gresham House invests in battery storage via Gresham House Energy Storage Fund plc (GRID), the UK's largest fund investing in utility-scale battery energy storage systems.

During 2021, GRID raised £280 million, incorporating £100 million in an oversubscribed equity raise in July and a £180 million, five-year, debt facility secured in September 2021. GRID is seeing favourable developments in the battery storage market driven by Ofgem and National Grid and is very well funded to address these opportunities. During the year, the Group was able to develop and sell 50MW of operational utility-scale battery storage projects to GRID from the in-house battery storage project development pipeline.

GRID has also signed agreements for the acquisition of a further 425MW of shovel-ready capacity across seven projects during the period, which have, or shall, complete subject to certain conditions being met. These projects progress our ambitions towards its target of c.1.3GW of operational capacity by H1 2023.

New Energy – Solar and Wind

In New Energy, Gresham House are investing in a range of assets including wind farms and solar parks. We manage 150MW of wind farms in the UK through Limited Partnership (LP) and unlisted structures and in 2021 acquired the 24MW Inverclyde Wind Farm in Scotland, which has a 15-year Power Purchase Agreement with Tesco.

In Solar, Gresham House is managing 92MW of solar parks – both roof and ground mounted solar assets – across 17 ground mounted sites and four companies owning many roof mounted assets. We also partnered with Anesco on a 200MW ground mounted solar portfolio pipeline.

Sustainable Infrastructure

We were pleased to raise £150 million for our second sustainable infrastructure fund, BSIF II LP, and deployment has been strong under Peter Bachmann and team.

Our investments directly address key sustainability challenges and provide innovative solutions that seek to enable a new, more sustainable, way of living. Areas within which we source investable solutions include: decarbonisation; digital inclusion; health and education; regeneration; resource efficiency; and waste solutions. In addition to funds already deployed, the team has an identified pipeline of £1.6 billion.

As part of our digital inclusion investment strategy, we have invested in three full fibre network providers: Borderlink, which targets the hard-to-reach parts of the Scottish and English Borders; Wildanet, which is focused on the rural areas of Cornwall and Devon; and Telcom, which focuses on apartment blocks and office buildings across the 'Northern Powerhouse' cities and towns.

We have also made notable headway in our resource efficiency investments, in particular in vertical farming with Fischer Farms, which is in the process of developing the world's largest vertical farm in Norfolk. This opens the potential to fund multiple replicas across the UK to meet high supermarket demand for leafy greens with strong sustainability credentials.

Real Estate - Housing

Our Real Estate funds (formerly known as Housing) saw strong fund inflows in 2021, with investors attracted to their stable and secure inflation-linked returns, alongside the clear social benefits of affordable housing. We closed a new shared ownership housing fund, ReSI LP led by Ben Fry, with commitments of £120.0 million at the end of 2021, and we have a strong investment pipeline in place for these funds.

Our listed vehicle, Residential Secure Income plc (ReSI plc), which invests in independent retirement living and shared ownership, introduced charters in 2021 for the acquired shared ownership portfolios we own and manage, to ensure we embed best practice across our activities, and we also established a resident welfare team that supports digitally excluded residents.

The UK's shortage of affordable housing is well documented and caused by demographic trends and historic undersupply of new homes and Gresham House's listed and unlisted housing investment vehicles – Gresham House BSI Housing LP, ReSI plc and ReSI LP – address a range of affordable housing problems.

Moving into the current year, ReSI plc completed a £15.0 million equity raise on 3 February 2022, which together with existing capital resources and an ultra-long-term debt facility, will allow the fund to fully finance £39.0 million of accretive shared ownership transactions currently underway.

The Appian Burlington Property Fund, now managed by Gresham House Ireland, won the MSCI European Property Investment Award for the second year running, and under the leadership of Patrick Lawless, our business in Ireland is well positioned. We are pleased to see the launch of the Credit Union Income Fund post year end. This fund invests in loans to Approved Housing Bodies (AHBs) to generate a secure and steady income from social housing.

Capturing the growth opportunity

We have established various platforms which will benefit from the increase in asset allocation to our areas of expertise. Our focus is on organic growth in these existing platforms, supplemented by our clear capability to add value through selective acquisitions. The strategy is to capture this potential through client service, investment performance, business and product development. Successful execution will require continued focus by the Gresham House team throughout the Group. Fortunately, through working collaboratively we have shown that we have a capable team with high integrity and capability to pursue what is in the best interests of clients over the long term.

Outlook

We are entering the third year of our GH25 five-year plan with an enhanced investment platform supported by strong performances across all asset classes which has driven the increase in our ROCE target over the medium term to 20% as well as the announcement of our dividend policy to reach three times coverage by 2025. The five-year plan exists to provide a clear framework for shareholder value creation. We are pleased to be successfully executing on that ambition and have plans to capture the increasing growth opportunities.

We approach 2022 with the world facing different challenges than those seen in 2021 as we hopefully move through the COVID-19 pandemic. However, we have to operate in a world coping with the Russian invasion of Ukraine alongside increasing inflationary pressures. The Group does not manage or own any Russian assets and has minimal exposure to assets that are exposed to Russian sanctions and we believe that we do not have any Russian shareholders. These issues will see risk premia rise and have consequent impacts on valuations. It is important to remember that our asset classes and philosophy are long term. With that investment horizon in mind, the growth in demand for our product areas should continue its positive momentum.

We have a dynamic programme of fundraising mapped out for 2022 across all areas of the business, which will be well supported by our strong and diversified distribution channels, spanning institutional, wholesale, retail and high net worth investors and family offices.

We are committed to delivering a sustainable investment framework that will generate returns for both our investors and the wider environment, economy and society and anticipate further growth in investor appetite across new energy, sustainable infrastructure, forestry, real estate, and public and private equity.

With improved margins and higher quality AUM, as we move into 2022, we are well positioned to benefit from investors' increasing demands for investment opportunities that address the most pressing issues of our time. The increased globalisation of investment allows our strategic positions in these specialist asset classes to scale substantially from this point. The Board is confident that the Group is on track for further growth in the coming year and beyond and will continue to deliver value for all our stakeholders.

Tony Dalwood
Chief Executive
14 March 2022

STRATEGIC FRAMEWORK

GH25

Outperforming in year two

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

Financial targets

1. AUM target increased from £6bn to £8bn+

Progress in 2021

Delivered organic growth in AUM of £1.9bn (c.50%)

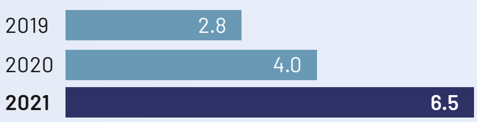
- Raised further equity of £100mn in GRID
- First close for BSIF II LP at £150mn as well as a £10mn segregated mandate
- Raised £120mn of committed capital for ReSI LP, the shared ownership housing fund (£91mn deployed/committed by end of 2021)
- Forestry fundraising of £202mn for Gresham House Forest Growth & Sustainability LP
- Acquisition and subsequent management of Australian forest on behalf of AXA IM Alts for over £400mn
- Equity Funds raised £72mn gross for the Baronsmead VCTs in 2021, alongside net inflows into the open-ended funds of £179mn

Deliver acquisition growth in AUM of £0.6bn (15%)

- Acquired Mobeus VCT business in October 2021. Increased AUM by £369mn adding four VCT contracts. Completed the acquisition of Appian Asset Management Limited, the Irish regulated AIFM with AUM of c.€350mn

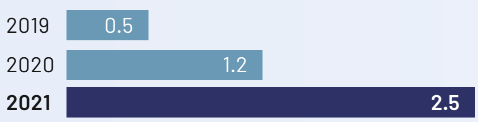
KPIs

AUM (£bn)



£6.5bn +65%

AUM growth (£bn)

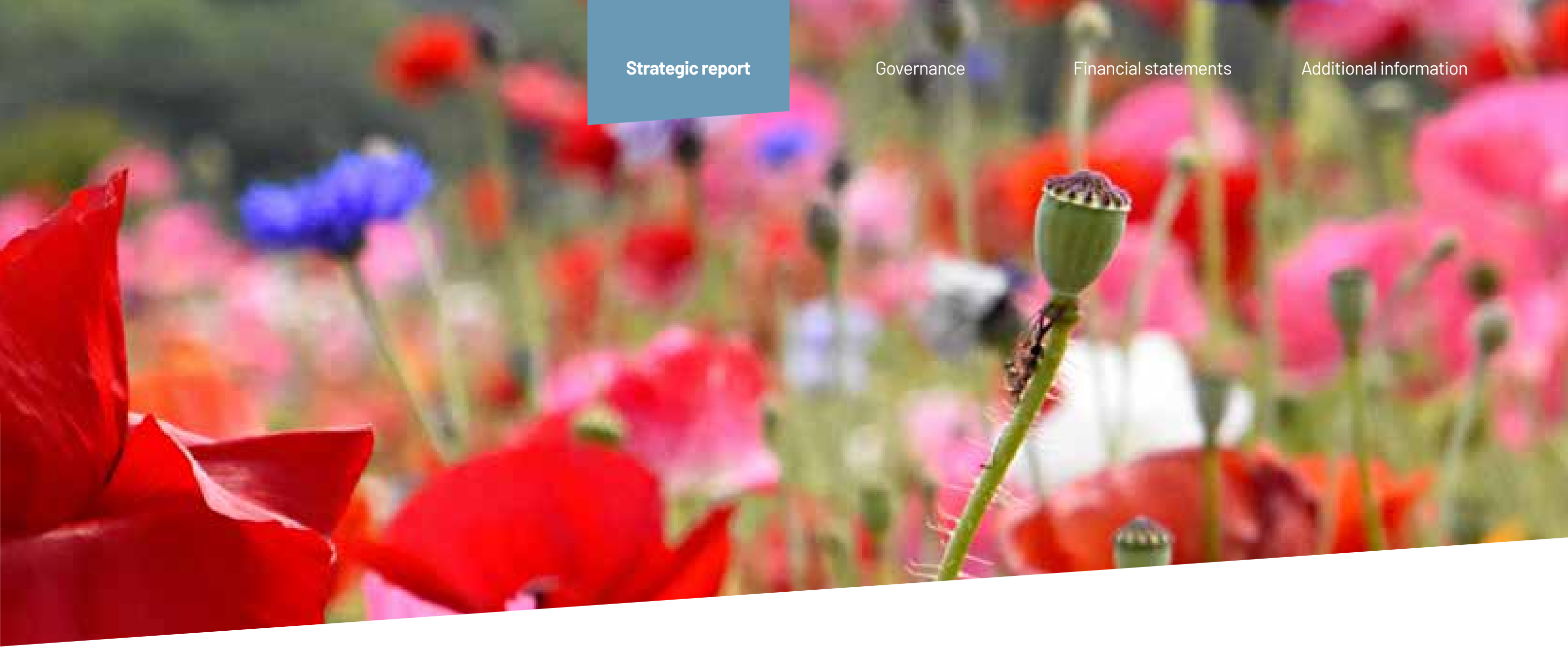


£2.5bn +65%

2022 priorities[1]

- Continue to grow GRID in 2022 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, Gresham House Forestry Fund VI LP (UK fund), Sustainable International Forestry Fund LP and acquisition of forests for clients
- Final close for Gresham House British Sustainable Infrastructure Fund II LP (BSIF II), the follow-on infrastructure LP fund to BSIF
- Secure further commitments to ReSI LP fund, the shared ownership housing fund targeting institutional investors
- Secure new mandates with strategic 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 and winning further business through segregated mandates
- Fundraising for Baronsmead and Mobeus VCTs alongside successful deployment of capital
- Grow the Irish business through fundraising and deployment in the new Credit Union Income Fund and existing commercial property fund

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 £1,426mn



2. EBITDA margins of 40%+

- Outperformed adjusted operating profit targets for 2021
- Delivered revenue growth through both organic and acquisition growth in AUM
- Managing cost base and invested in team to support long-term growth
- Improved adjusted operating margins of 32.7% in 2021 (2020: 29.6%), 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 (£mn)

2019	10.3
2020	12.1
2021	**20.2**

£20.2mn +67%

Adjusted operating margin (%)

2019	32.4
2020	29.6
2021	**32.7**

32.7% +3.1% points

- Deliver growth in operating profitability in 2022 through revenue growth and management of cost base
- Enhance operating margins in 2022
- Build AUM whilst investing in the platform

3. ROCE of 15%+ increased to 20%

- ROCE[1] improved to 34% for 2021
- ROCE target increased to 20% average over the medium term
- ROCE for acquisitions over the medium term delivering in excess of 15% ROIC hurdle

ROCE (%)

2019	14.7
2020	16.0
2021	**35.2**

34.1% +113.5% points

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

1 Return on capital employed defined as adjusted operating profit, plus net performance fee, net realised gains on development activity, and fair value movements in investments less fair value movement in contingent consideration, divided by opening net assets, adjusted for shares issued in the year, and target is measured over the medium term.

GH25

Outperforming in year two

Strategic targets	4. Leaders in sustainable investment including ESG	5. Majority investment products outperforming	6. Significant market share in specialist products
Progress in 2021	▪ Sustainability Committee at Gresham House plc level established ▪ Corporate Sustainability Strategy established with three pillars to act as: 1. Sustainable business and employer; 2. Sustainable corporate citizen; and 3. Sustainable investor. ▪ First Sustainable Investment Report published ▪ Set out our first TCFD reporting strategy ▪ Stewardship Report approved by the FRC ▪ Recognised leadership through winning Pensions Age Awards and Sustainable & ESG Investment Awards 2021	▪ Forestry LP fund returns on long-established forestry funds average 13.6% IRR since inception ▪ GRID total return on share price of 23.0% ▪ UK Multi Cap Income Fund number one performing fund in its sector since inception in 2017 ▪ UK Micro Cap Fund has delivered positive returns every year for over a decade ▪ Strategic Equity Capital plc performance delivered total return of 26.6% in 2021	▪ Continued growth of GRID as the largest listed utility scale battery storage fund in the UK and Europe ▪ Continued growth as the UK's largest Forestry Asset Manager ▪ Significant manager in the VCT industry, managing AUM of £887mn
2022 priorities[1]	▪ Deliver on our Corporate Sustainability Strategy ▪ Deliver full TCFD reporting and metrics in 2022 ▪ Set Science Based Targets for net zero ▪ Continue to develop and deliver sustainability themed funds and solutions for clients ▪ Continue to be at the forefront of sustainable investment and ESG leadership ▪ Deliver on commitments made in our Diversity, Equity and Inclusion strategy ▪ 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 ▪ Invest in high quality individuals with the capability to work in a team and successful process	▪ Continue to develop utility-scale battery storage development projects to support the growth of GRID ▪ Review acquisition opportunities against the 15%+ ROCE 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

- Completed the acquisition of Appian Asset Management Limited (Appian), the Irish-based EU regulated asset manager in June 2021
- International forestry enhanced with the acquisition on behalf of AXA IM Alts of an Australian forestry in excess of £400mn of AUM alongside further developments in Australia and Ireland

- Launch international forestry fund
- Target further international forestry acquisitions in Australasia on behalf of clients
- Work on cross-selling products with the Appian EU client base

8. Gresham House brand and goodwill recognition

- Enhanced Group's social media profile through website, LinkedIn and broader marketing activity
- Recognition of Gresham House brand growing through industry award wins, e.g. UK Equity Income winner of both the Investment Week Fund Manager of the Year Awards and the Citywire UK Awards; also won VCT Generalist at the Investment Week Company of the Year Awards
- High staff survey advocacy score – 96% of employees would recommend Gresham House as a place to work.
- Increased charity contributions in the year with the continuation of the Give As You Earn matching scheme and contributions to two dedicated charities, the British Heart Foundation and Centrepoint

- 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 and 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 Local Government Pension Schemes (LGPS) investors, with six of the top ten UK LGPS now invested in Gresham House managed funds
- Added corporate pension fund clients to our Real Estate business through ReSI LP
- Added new institutional and international 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 including being on the panel with St James' Place

- Launch new funds across a number of our strategies, namely:
  - Real Estate – Build to Rent LP;
  - New Energy – Sustainable Income from Renewable Energy and Storage Fund – unsubsidised renewables; and
  - Forestry – Gresham House Forestry Fund VI LP – UK Forestry
  - Forestry – International Forestry offering
- Continued investment in our distribution team to raise new funds as well as attract new clients

Engagement with **stakeholders – S172**

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

Shareholders

We maintain regular and open communication with shareholders through investor roadshows and other shareholder communications. This includes a regular and open dialogue with shareholders through one-to-one meetings and we have actively engaged with shareholders who have focused on specific areas such as climate change and governance.

With the pandemic restrictions making a traditional AGM untenable in 2021, 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 providing 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.

We also held our first Capital Markets Day to provide a deeper dive into the divisions and activity across the business. This was held as a live broadcast online and included interactive questions and answers sessions.

Clients

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. We continue to report in a transparent and clear manner to investors whose capital we are managing and utilise investor meetings, seminars and site visits to engage with investors.

Staff
91%
staff survey completion rate

Community
£80k
raised for charities in 2021

Employees
38%
of staff are female

Employees

Overall staff numbers increased from 122 to 185 in 2021, 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 autumn of 2021, achieving very high engagement at 91% of staff, and the results included a number of positive enforcements of the business and the culture, such as a 96% advocacy rate for Gresham House as a good place to work. 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.

We maintained a regular and active communication plan throughout the year with the continuation of the weekly Company-wide calls to keep the team up to date on the latest developments and also showcase specific areas of interest or activity.

Community

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

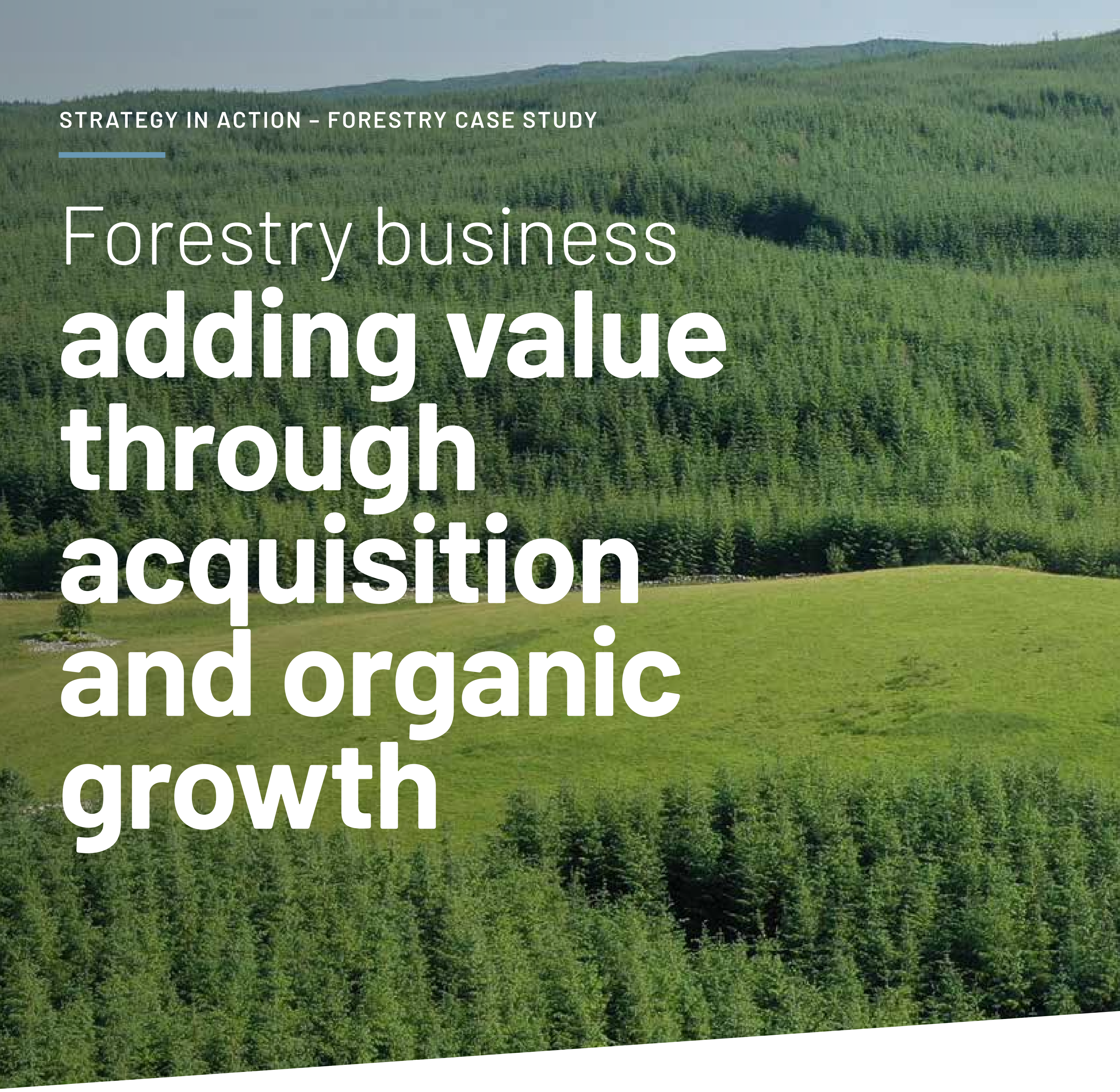
We continue to engage with and support communities and charities, with the British Heart Foundation and Centrepoint being the charities selected by employees to support in 2021. We have raised £30k in the year through events such as the Big Sleep Out, the Blenheim Palace Triathlon and Race the Thames, and Gresham House contributed £25k to each charity in the year. Not only have these been excellent opportunities to raise money and awareness of these good causes, but they were also a great opportunity for the team to build strong relationships within and outside Gresham House.

We continued 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 had three interns experience work at Gresham House as part of 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. We have maintained an open and responsive dialogue with the FCA through the regulatory reporting and general compliance framework.



STRATEGY IN ACTION – FORESTRY CASE STUDY

Forestry business **adding value through acquisition and organic growth**

Overview

The Gresham House Forestry strategy is a great example of how we have grown the business in line with our financial and strategic targets with the aim of delivering shareholder value. Gresham House Forestry is the largest forestry asset manager in the UK and is growing internationally. We have taken two separate businesses and transformed the client base from predominantly private clients, family offices and endowments to generate growth through attracting institutional investors such as Local Government Pension Schemes, European insurance and investment managers.

Aitchesse

In November 2015, Gresham House made its first acquisition, the forestry business Aitchesse Limited (Aitchesse). Aitchesse was a Scottish-based forestry asset manager with £192 million of assets under management and a range of clients including a large endowment fund.

Gresham House integrated the business fully and as a combined business was able to launch the Gresham House Forestry Fund LP, with commitments of £21 million. This Fund has since delivered an annual compound return of 17% to investors highlighting the strong performance of the team and the asset class.

FIM

In May 2018, Gresham House acquired FIM Services Limited (FIM), the forestry and renewables asset management business based in Oxfordshire. At the time of acquisition FIM had £893 million of total assets managed, of which £698 million was forestry and £196 million was renewable assets. These were managed through "retail" limited partnerships, individual client accounts and segregated mandates.

Delivering growth

Post acquisition the combined Forestry business has grown from £979 million in June 2018 to £2,953 million at December 2021.

With nearly £2.0 billion of organic growth over 3.5 years, this equates to a cumulative annual growth rate of 37%. This has been driven by fundraising and new business won of £935 million and performance of £1,040 million.

The successful integration of Aitchesse and FIM with Gresham House is a reflection of the very detailed and targeted acquisition and integration approach we operate at Gresham House. The best parts of all businesses are kept and learned from to create a business which is worth more than the sum of its parts.

We have completed seven business acquisitions aside from Forestry to date with all delivering above the expected ROIC hurdle of 15% in the medium term (excluding acquisitions made in the last 12 months).

We are very proud of the work that goes into integrating a business successfully and note that this is not easy, as the Harvard Business School studies have shown that 25-30% of business acquisitions fail. We work hard to make every acquisition a success.

GH25 strategic targets

The Forestry business clearly demonstrates the execution of the GH25 strategy across both financial and strategic targets.

Financial targets

- AUM growth – AUM has grown as a combined Forestry business from June 2018 to December 2021 by £2.0bn
- EBITDA margins of 40%+ – high-margin mature business contributing to operating margin growth in excess of 40%
- ROCE – Aitchesse and FIM acquisitions ROCE in excess of 20%

Strategic targets

- Leaders in sustainable investment and ESG – natural asset class, funds focussed on forestry, planting and carbon sequestration
- Funds performing – average IRR of 13.6% for our long-established forestry funds, from inception to 31 December 2021
- Significant market share – market leader in forestry asset management in the UK
- International expansion – utilising existing expertise expanded into Ireland, Australia and New Zealand
- Gresham House brand and goodwill – viewed as the go-to UK forestry asset manager
- Client depth and diversification – shift from High Net Worth Individuals and family offices with specific mandates to an institutional product adding UK Local Government Pension Schemes and other institutional investors

AUM growth +£2.0bn ✓

+37% CAGR ✓

+20% ROCE ✓

International expansion ✓

New institutional clients ✓

Delivering value for shareholders

Gresham House acquired the Aitchesse business at an EBITDA multiple of 5.4x and the FIM business at 8.1x. Following the successful integration of these businesses and value created by the combined business, Gresham House has demonstrated the team's ability to grow the business and add value for shareholders.

Capturing the growth opportunity

It is an exciting time for the Forestry business. We have a number of funds being raised during 2022, for example, Gresham House Forest Fund VI LP (UK forestry) and the Gresham House Sustainable International Forestry Fund LP (international forestry) as well as other opportunities for planting schemes, carbon credit capture, and commercial forestry mandates in both the UK and internationally. We are set up well to capture the growth opportunity in the Forestry division.

Our people are **our best assets**

Our culture **sets expectations** for how people behave, respect each other, work together, and how we function as a team.

Louise Richards
HR Director

Our best assets are our people

We are proud to have a strong and highly experienced team with exceptional industry knowledge and capabilities. Our people are creative, entrepreneurial and ultimately focused on delivering results for investors and are the foundation of our success.

We are creating a culture where people can thrive, introduce innovative ideas and where they are appropriately resourced to implement them. Our culture sets expectations for how people behave, respect each other, work together, and how well we function as a team. It revolves around six values that are deeply rooted across the business and in everything we do. We are Ambitious, Authentic, Collaborative, Dynamic, Empowered and Meritocratic.

We believe that our values are critical to our ongoing success 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.

During 2021, we welcomed 85 new employees – 49 people joined through recruitment and building out of teams and functions and 36 via two acquisitions. It is important to ensure that whichever route an employee joins, they feel fully integrated, and valued and are clear on how their role contributes to our success and growth.

An inclusive workplace

We are seeking to build and maintain a diverse and inclusive team and work environment, to attract and retain the best individuals. Helping everyone across the business achieve their full potential is our aim, supported through the development and integration of inclusive and equitable practices within all relevant aspects of our work.

Our Diversity, Equity and Inclusion (DEI) strategy comprises a set of goals and identifies the priorities and actions we all have a responsibility to take. It outlines key roles and responsibilities and how we will track progress and measure success and supports the D&I policy already in place.

One strand of our GH25 strategy is for Gresham House to become a leader in ESG and sustainable investing and the DEI strategy is an important component of this plan supporting us to build a successful culture and environment which is diverse, inclusive and equitable, empowering employees to reach their potential.

As part of our commitment, in 2021 we were delighted to have three interns join us from #100BlackInterns – 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. We also established our DEI Committee with employees volunteering to join and be part of driving the actions and initiatives of our DEI strategy.

Our commitment to DEI and making a positive change can only come about through determined, meaningful and authentic action, alongside the achievement of our corporate and sustainability ambitions.

Listening to our people

We ensure that employees are able to express their views through regular two-way communication, including employee surveys and performance review discussions.

Our 2021 Employee Engagement Survey called 'We are listening' was completed by 91% of members of staff. These responses are representative of the whole business and demonstrate that there is a strong connection between the Company and its staff.

96% of employees recommend us as a good place to work

85% of employees were encouraged to take an entrepreneurial approach

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, and alignment between the organisation's long-term goals and employees' commitment. Topics covered included:

- communication on direction and culture;
- teamwork and collaboration and championing each other;
- performance driven, make things happen, innovative;
- hiring quality people; and
- providing sustainable solutions.

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 to strengthen or improve.

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

COVID-19 and hybrid working

Protecting and ensuring our employees' safety and wellbeing has been our priority during the business challenges that arose as a result of COVID-19, and our employees' commitment ensured that we were able to maintain business as usual during the various working guidance changes during 2021.

We have seen the benefits that moving to a blend of remote and office-based working offers. As a result, we introduced our new hybrid working model that incorporates the best elements of both. This approach allows employees the flexibility of combining remote and office working within the parameters of core days and ensuring teamwork and collaboration are championed. This was supported by a large majority of employees as their preferred method of working and we will continue to keep the model under review to ensure we optimise the approach.

We already had in place policies that support more flexible working, such as our Homeworking and Flexible Working policies and to augment the support we offer to employees we have added a Wellbeing Framework, a Give As You Earn scheme for charitable donations and a Cycle to Work scheme.

Louise Richards
HR Director

Sustainable investment: **a partner for the future**

Our GH25 strategic objective:
Becoming a recognised leader in sustainable investment.

Our GH25 Corporate Sustainability Strategy

In this year's reporting suite, we are proud to introduce our first Corporate Sustainability Strategy which supports our GH25 strategic objective 'to become a recognised leader in sustainable investment, including Environmental, Social and Governance (ESG)'. Our aim is to lead by example through our internal commitments to sustainability and align our actions with our corporate purpose.

Our purpose: "to 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."

The Corporate Sustainability Strategy was developed through an internal research, analysis and strategic process and aims to identify underlying objectives, as well as set out the actions we will take to meet our sustainability goals. We have aligned the Corporate Sustainability Strategy to our wider GH25 strategy which means all objectives set are targeted to be achieved by 2025. We see this as distant enough for us to set ambitious targets, but near-term enough that those targets are on the horizon and can drive our motivation.

Between now and 2025, the implementation of the Corporate Sustainability Strategy will see us enhance our position as a recognised leader in sustainable investment, which in our sector means a core focus on ESG investment goals. ESG factors are increasingly considered to be key value drivers, both in the investment world, and in policy and business. As an asset manager, being able to stand up with a strategy which is based on meaningful and impactful targets is vital to demonstrate expertise and integrity in this evolving landscape.

The Corporate Sustainability Strategy has been built on a robust methodology, informed by stakeholder expectations as well as emerging regulatory and legal requirements, a detailed materiality assessment of Gresham House, and peer analysis.

Five drivers for the Corporate Sustainability Strategy

1. Growth creation

Sustainability drives innovation, enabling us to access new markets, products and customers

2. License to operate

Sustainability strategies and a focus on ESG are increasingly viewed as a license to operate for asset managers

3. Value protection

A robust strategy mitigates against sustainability-related risk, including regulatory and reputational risk

4. Efficiency improvements

Sustainability-related costs, including water and waste, and employee turnover and recruitment costs, can be decreased

5. Stakeholder requirements

Our commitments support and reassure stakeholders in the delivery of their own sustainability strategies

Three strategic pillars

The Corporate Sustainability Strategy has been shaped around three interconnected and mutually reinforcing pillars, based on our roles as an organisation. Our Corporate Sustainability Strategy clearly distinguishes between the approach to sustainability we take within our investments, Gresham House as a sustainable investor, and that of our own operations and business, Gresham House as a sustainable employer and business.

We also separated our charitable approach into a third pillar, Gresham House as a sustainable corporate citizen, to highlight the contribution Gresham House offers to the society it is a part of through donations and volunteering. We took this three-pillar approach to ensure we can demonstrate that Gresham House is a business which cares about how it interacts with society and the environment which it both relies on and impacts. Further details on all three pillars can be found in our 2021 Sustainable Investment Report.

Priority topics

Across each pillar, we identified a range of priority topics that form the basis of the Corporate Sustainability Strategy. The topics have been selected as they are the most material to our business and how we invest. Reflecting the holistic approach we take to sustainability, each priority can be linked back to one of the ten ESG themes in our Sustainable Investment Framework.

Gresham House as a sustainable investor

Operational

- Commitment to sustainability
- Risk and compliance
- Marketplace responsibility
- Governance and ethics

Thematic

- Climate change and pollution
- Natural capital
- Supply chain management
- Employment, health, safety and wellbeing

These eight priority topics influence the way we invest and the way we work with underlying investment stakeholders. Each investment we make will have differing material ESG factors to consider, but we believe the eight priority topics we have identified are relevant across the majority of our investments and will therefore form the basis of much of our work in sustainability over the next few years.

Gresham House as a sustainable employer and business

Gresham House as a sustainable corporate citizen

1. Climate change and pollution
2. Natural capital
3. Employment, health, safety, and wellbeing
4. Diversity, Equity and Inclusion (DEI)
5. Commitment to sustainability
6. Community care and engagement

As a sustainable employer and business, we work across six priorities, the same priorities that guide our work as a sustainable corporate citizen. We believe these are the issues most material to the Group whilst also helping us to differentiate ourselves from our peers.

For each priority topic we have set a core objective to be achieved by 2025 (see our 2021 Sustainable Investment Report for more details), core KPIs to be used to measure success, short-term actions to be completed in 2022 and medium-term actions to be completed between 2023 and 2025.

Key actions and achievements

Here we set out selected key items from our Corporate Sustainability Strategy, highlighting the longer-term objective alongside progress we made in 2021 to move closer towards achieving our strategic objective to become a leader in sustainable investment by 2025.

Pillar 1 – Gresham House as a sustainable investor

E: Climate change and other pollution

2025 strategic objective: Set Science Based Targets on climate change for each division[1].

2021 actions: We are working with a specialist consultant to calculate the emissions of our investments. This project started at the end of 2021 and we hope to disclose findings in client reports during 2022 and in our 2023 reporting.

Many of our asset classes positively contribute to the transition to a low carbon economy either through the sequestration of carbon or through avoiding the production of carbon within the energy sector.

- **4.5 million new trees planted, covering over 2,200 hectares** – 16.5% of all UK new created woodland in the UK in 2020-21[2]
- **1.5 million tCO_2e sequestered by forests under management** – equivalent to c.0.5% of the UK's total carbon emissions in 2020[3]
- **490 GWh renewable energy generated in 2021 –** equivalent to powering 130,860 homes avoiding 215,800 tCO_2e[4]
- **340 GWh of energy discharged into the Grid by batteries** – equivalent to powering 90,640 homes[5]

E: Natural capital

2025 strategic objective: Assess natural capital impact and dependencies across our assets, and develop market leading reporting and solutions to meet clients' requirements.

2021 actions: We established a Biodiversity Committee for the New Energy area of the business to measure, manage, and report biodiversity dependencies and impacts at all our sites. In 2022, we intend to identify and implement a framework with which to measure the impact of our biodiversity actions over an asset's lifetime.

Our Sustainable Infrastructure division invested in an asset that is expected to **create 4,000 hectares of land for biodiversity purposes** over the next five years which will include tree planting, as well as planting grassland and meadows.

Our Forestry business carried out a biodiversity survey of all our managed forests in the UK. The results of the survey demonstrated that there is considerable biodiversity of species across our forests under management. This has enabled us to establish an understanding of the biodiversity across our assets.

The survey found that over a third of our sites have native red squirrels, officially classified as endangered in Britain, living within the forests[6].

S: Supply chain sustainability

2025 strategic objective: Understand material ESG risks across the supply chain of our investments and to establish policies and processes to manage and mitigate these where possible.

2021 actions: We established a Supply Chain Committee to develop and enhance our understanding and processes regarding supply chain management for New Energy assets. We took the following steps to enhance our supply chain due diligence and to tighten human rights-related requirements of suppliers:

- included clauses in all new renewable contracts mandating suppliers to declare that they have not been involved in any practices linked to modern slavery and that they will permit on-site audits at any time should we have reason to suspect instances of slavery or human trafficking;
- updated our battery storage Supply Chain Policy to enhance the language around forced labour and discrimination;
- moved towards using Lithium Iron Phosphate (LFP) battery chemistry instead of Nickel Manganese Cobalt (NMC) with the aim of reducing human rights risks linked to the extraction of cobalt in the Democratic Republic of Congo; and
- initiated a process to appoint a third-party provider to carry out a battery system supply chain audit for GRID to identify material risks.

G: Risk and compliance: data, systems and reporting

2025 strategic objective: Comprehensive ESG data is set and monitored to drive investment decision making, engagement planning and enhance stakeholder reporting.

2021 actions: We developed a Key Performance Indicator (KPI) bank for each division that draws on existing sustainability frameworks and our own materiality analysis for each division. These provide a powerful but succinct list of ESG KPIs that will influence investment decision making, engagement planning and enhance stakeholder reporting.

1 This will be dependent on the development of Science Based Targets releasing appropriate guidance for our assets.

2 13,300 hectares of new woodland were created in the UK in 2020-21 (Forestry Commission, 20 September 2021).

3 Expected annual carbon sequestration based on the area (ha) of forests under management in 2021 and expected forest growth levels. UK annual carbon emissions were 329.58mn tCO_2e (Our World in Data,2021).

4 Assuming an average annual household usage of 3.748 MWh, BEIS December 2021 statistics and assuming an "all non-renewable fuels" emissions statistic of 440tCO_2/GWh of electricity supplied, BEIS statistics. "Carbon avoided" calculated using Renewable UK methodology.

5 "Battery Energy Storage Systems" refer to all batteries managed by the Gresham House New Energy team. Metrics assume batteries are operated in a continuous trading mode throughout the year and assuming an average annual household usage of 3.748 MWh,

6 The Mammal Society classified Red Squirrels as endangered across Britain in 2020. The Red Squirrel is estimated to have lost >60% of its range in England and Wales in the last 13 years.

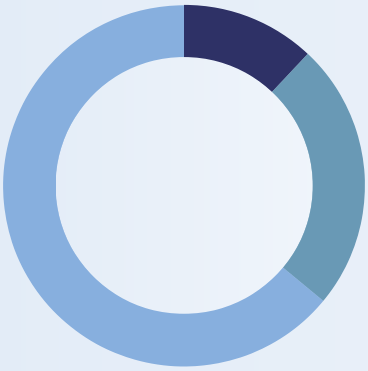
Pillar 2 - Gresham House as a sustainable business and employer

E: Climate change and other pollution

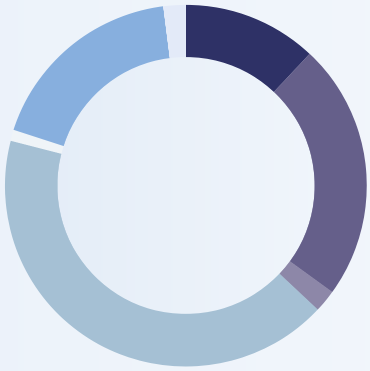
2025 strategic objective: Set a Science Based Target and use our industry position to encourage the transition to a low carbon economy.

2021 Actions: We worked with a specialist consultant to calculate our corporate carbon emissions for the first time. The output of this analysis is shown below and it highlights that the majority of our emissions are Scope 3 and come from the use of third-party vehicles. We note that this analysis is an initial estimate and as we refine and improve on this estimate over the coming months we expect this number will increase. As such we will re-state this baseline once we have concluded that piece of work and will continue to seek to improve the quality, collation and measurement of carbon data across our operations.

Corporate carbon emissions 2021



Scope 1	12%	10.93 tCO_2e
Scope 2	24%	21.77 tCO_2e
Scope 3	64%	59.01 tCO_2e
Total	**100%**	**91.71 tCO_2e**



Fuel use	11.9%	10.93 tCO_2e
Electricity	23.7%	21.77 tCO_2e
Electricity T&D loss	2.1%	1.89 tCO_2e
Third-party vehicle use	41.6%	38.16 tCO_2e
Water	0.1%	0.13 tCO_2e
Business travel & hotel stay	18.3%	16.82 tCO_2e
Waste	2.2%	2.01 tCO_2e
Total	**100%**	**91.71 tCO_2e**

Total tons of CO_2e emissions from all data provided:	**91.71**
Return on carbon: Revenue (£mn) per one tonne of CO_2e emitted	**0.77**
Carbon intensity; tons of CO_2e per £1mn of revenue	**1.30**
Carbon intensity; tons of CO_2e per FTE (based on 173 FTE)	**0.53**
Electricity usage kWh	**Scope 1 – 42,070** **Scope 2 – 99,199** **Scope 3 – 155,951**
Water supply and treatment: cubic metres	**624**
Waste disposal: tonnes	**15**

Source: This data was prepared by Carbon Responsible using the GHG Corporate Reporting and Accounting Standard, using UK Government Reporting and Conversion methodology and conversion factors, on the 8 February 2022.

Pillar 2 - Gresham House as a sustainable business and employer *continued*

S: Employment, health, safety and wellbeing

2025 strategic objective: Place our colleagues' wellbeing and development at the heart of our growth.

2021 actions: The COVID-19 pandemic provided an opportunity to reassess our operating model and the role of office and home-based working. We recognise many benefits of both office and home working and have therefore put in place a Hybrid and Home Working Policy.

In addition, given our increasing headcount in London, we moved offices and took the opportunity to find an office that supports our new hybrid working approach and provides staff with a social place to work on the days they are in the office. Two key metrics for our new London office are:

1. **0% of waste** sent to landfill
2. Committed to a **C Energy Performance Certificate rating by 2026** (currently a D)

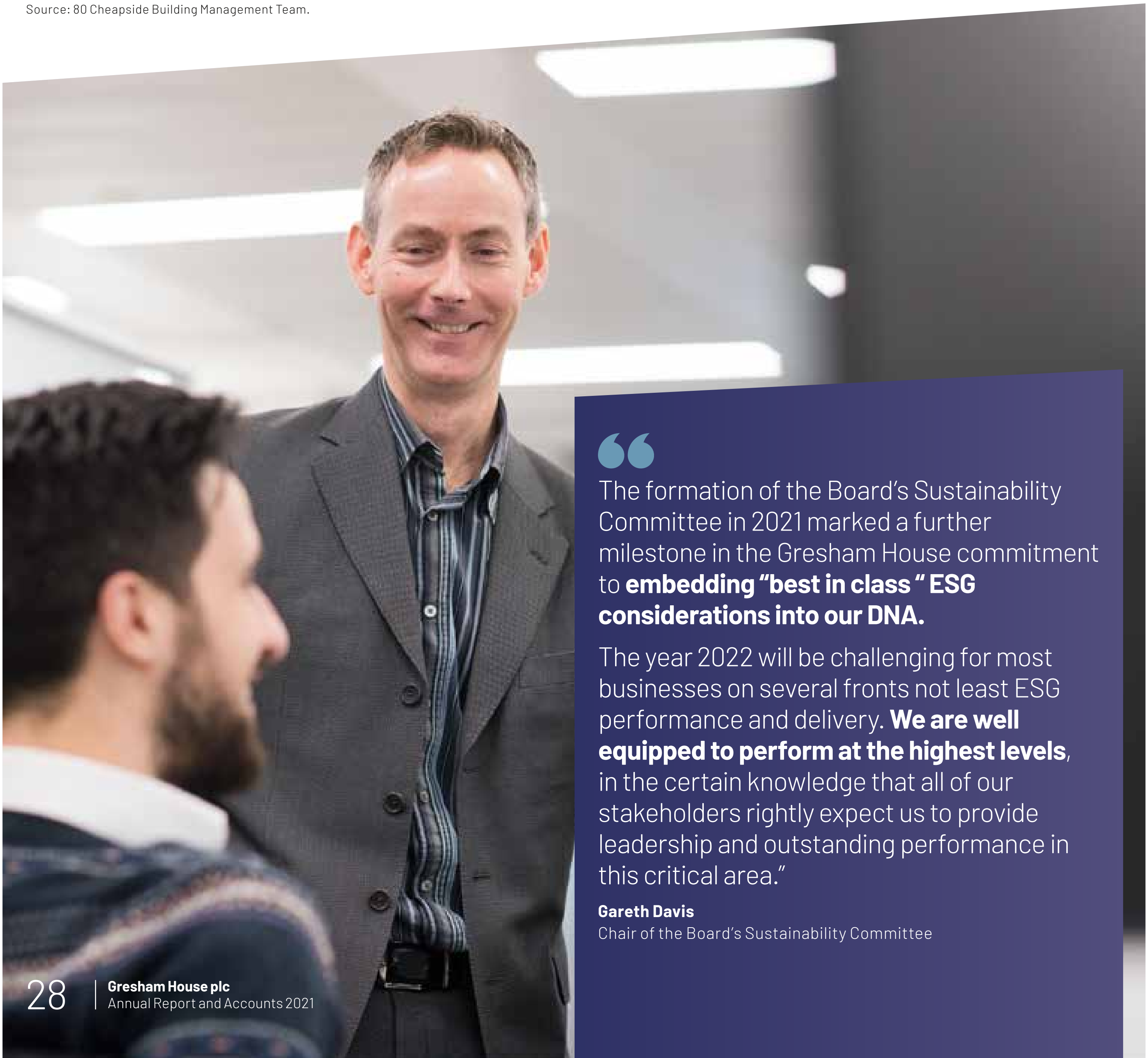
Source: 80 Cheapside Building Management Team.

G: Commitment to sustainability

2021 strategic objective: Hold ourselves to the highest standards and commit to authenticity in the way we operate.

2021 actions: We made two major improvements to enhance internal governance to ensure we achieve our sustainability ambitions:

1. The Board established a new Sustainability Committee providing oversight and accountability for Gresham House plc's Corporate Sustainability Strategy.
2. The Group Management Committee established the Sustainability Executive Committee which aims to elevate responsibility for sustainability to executive level, reflecting the importance and materiality of sustainability to the business.



"The formation of the Board's Sustainability Committee in 2021 marked a further milestone in the Gresham House commitment to **embedding "best in class" ESG considerations into our DNA.**

The year 2022 will be challenging for most businesses on several fronts not least ESG performance and delivery. **We are well equipped to perform at the highest levels**, in the certain knowledge that all of our stakeholders rightly expect us to provide leadership and outstanding performance in this critical area."

Gareth Davis
Chair of the Board's Sustainability Committee

Staff in Dublin take part in a charity sleepout event

Pillar 3 – Gresham House as a sustainable corporate citizen

S: Community care and engagement

2025 strategic objective: Have a positive impact on the communities of which we are a part.

2021 actions: We selected two charities to support: Centrepoint and the British Heart Foundation. Gresham House plc donated £25,000 to each charity and we took part in a range of events throughout the year raising further funds for the charities. A large number of employees across all Gresham House's offices have taken part in these events.

Charity fundraising events in 2021

Four main charity events:

- **Centrepoint sleepout**
  31 Gresham House employees across four locations raised **£17,000,** while seven employees from our Dublin office raised **€4,225** for the Dublin Simon Community in their own sleepout
- **Blenheim Triathlon**
  11 employees ran, swam and cycled to raise almost £6,000 for the British Heart Foundation (half from employee fundraising and half donated by Gresham House plc)
- **Race the Thames**
  41 Gresham House employees raised **£6,865** split equally between British Heart Foundation and London Youth Rowing
- **Christmas Jumper Day**
  Employees raised **£215** for Save the Children

Corporate donations

- British Heart Foundation **£25,000** corporate donation
- Centrepoint **£25,000** corporate donation

Give As You Earn

- **12%** of employees use Give As You Earn
- the Company matches employee charitable contributions made through payroll to encourage charitable giving across the team

Next steps

Throughout 2022 we will be progressing the range of actions we have identified for each priority area across the three pillars of our Corporate Sustainability Strategy. Although we are focused on delivering our GH25 ambition to become a leader in sustainable investment, we do not see 2025 as an end in itself. This is just a starting point, and our strategy will be key to us achieving even more ambitious targets over the longer term.

> **Gresham House are a wonderful partner for Centrepoint.** Their involvement in our flagship Sleep-out event last year was really successful and shows their commitment to staff fundraising. Alongside a generous company grant their contributions will really make a difference to the lives of homeless young people.

Rosie Field
Corporate Partnerships Officer, Centrepoint

> From tackling a Triathlon at Blenheim Palace to taking part in the virtual Race the Thames event. **The money raised by Gresham House is helping us turn mind-blowing ideas and theories from the realms of science fiction into life-saving treatments and potential cures for heart patients across the UK.**
>
> Not only that, but this year we will be supporting Gresham House's teams in gaining the confidence and skills to save a life through CPR and know that this will be a lasting legacy of our partnership together.

Julie Holland
Fundraising Manager – London, British Heart Foundation

Our TCFD disclosure: **setting a baseline with high ambitions**

In line with the yearly aims of our GH25 plan, we have this year begun the alignment and reporting process with the Task Force on Climate-related Financial Disclosures (TCFD). Here, we share our considerations of climate-related risks and opportunities in our business operations, and how these are embedded in our operational approach to the four TCFD thematic areas of Governance, Strategy, Risk Management and Metrics and Targets. Wherever possible we align further with the TCFD's eleven underlying recommendations, and we are committed to year-on-year improvement in both disclosure quality and granularity.

This disclosure comprises our operational approach to climate change; our intention for our 2023 reporting is to add further disclosure on the climate risks our AUM is exposed to.

In addition, the Company holds direct investments in our funds and products. These are not included in the scope of our TCFD disclosure this year.

Strategy

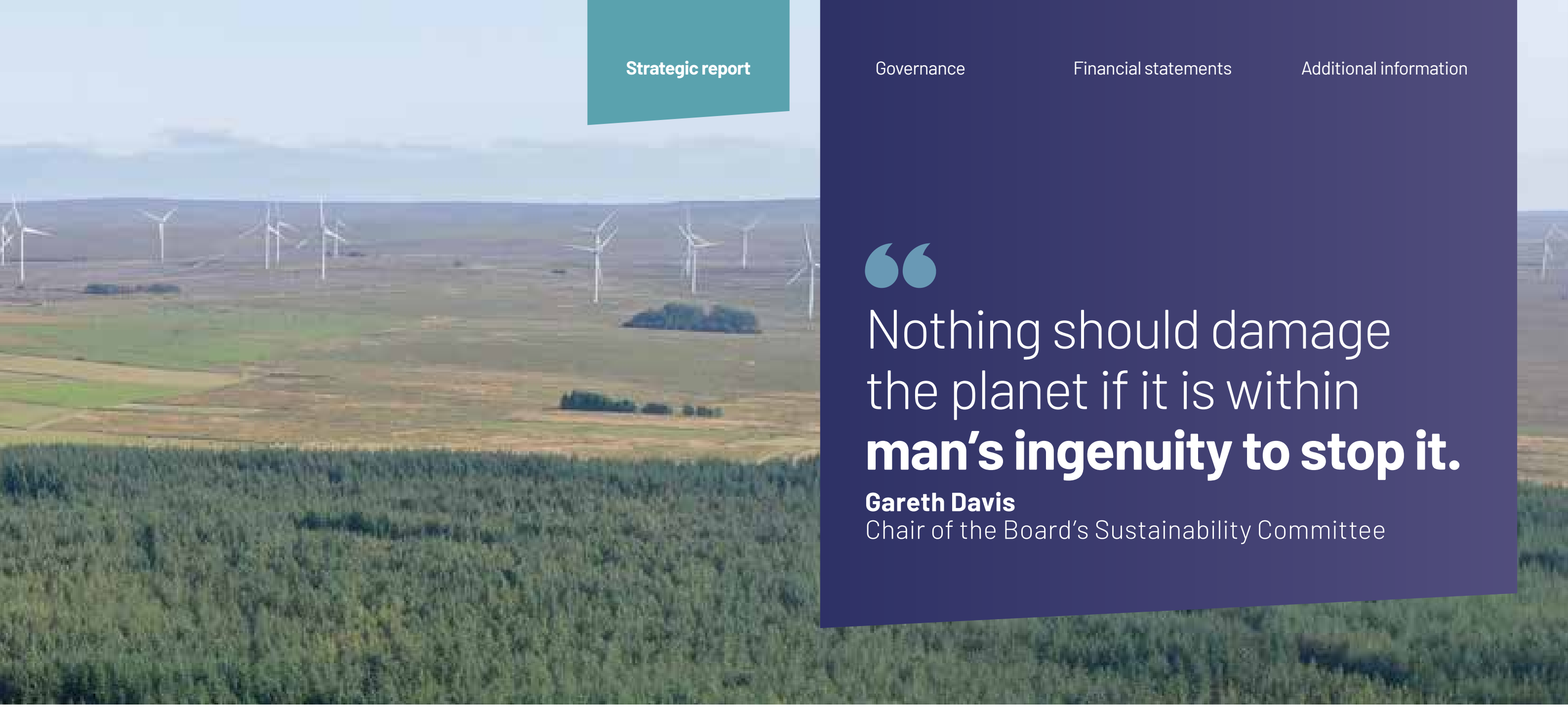
Gresham House as a business is inherently aligned with climate-oriented, long-term approaches to risk and opportunity. Our role as specialists in sustainable alternatives means that we are committed to assets such as new energy, sustainable infrastructure and forestry, characterised by long-term investment horizons averaging between 8 and 30 years and by positive contributions to the transition to a low carbon economy.

Strategic alignment

As discussed in the previous section, we developed our Corporate Sustainability Strategy in 2021 which identifies climate change as a priority area and we recognise our creation of stakeholder value is contingent on our delivery of services supporting climate change mitigation and resilience.

We also differentiate our proposition by providing investments that demonstrate additionality. Many of our Real Asset investments aim to provide additionality by constructing new assets that positively contribute to climate resilience and mitigation instead of buying existing assets, adding to the aggregate and supporting the decarbonisation of the UK's economy.

Strategically, as we grow through corporate acquisitions, we take acquisition decisions based on the degree of alignment with our sustainability objectives, and the extent to which we can augment the sustainability credentials of acquired companies. Both considerations include climate change as part of our wider Sustainable Investment Framework. As part of our Corporate Sustainability Strategy, we plan to review our acquisition process to enhance our assessment of climate-related criteria.



> Nothing should damage the planet if it is within **man's ingenuity to stop it.**
>
> **Gareth Davis**
> Chair of the Board's Sustainability Committee

Climate change and decarbonisation strategy

Our internal decarbonisation strategy is a high priority for our senior team and developed significantly in 2021:

(i) We appointed Carbon Responsible to calculate the operational emissions of Gresham House plc. An analysis for 2021 was completed and is included on page 27 of this report.

(ii) We appointed Carbon Trust to calculate the emissions of the underlying investments in the funds we manage which will be calculated in line with the Partnership for Carbon Accounting Financials (PCAF). This project is ongoing, and we expect to provide reporting to clients during 2022.

(iii) Agree to develop a net zero target and timeline for both elements in 2022 and to submit these for accreditation to the Science Based Targets initiative (SBTi) to ensure they are aligned to a 1.5-degree transition pathway.

Our first Sustainable Investment Report, published in 2021, and available on our website supports greater information sharing about our funds and assets, and we will supplement this over coming years with specific decarbonisation and emissions data.

Climate-related risk

Climate risks are captured in the item labelled 'ESG risk' in our Enterprise Risk Management (ERM) Framework. The climate-related risks we discuss at Board level which we have identified as impacting our operations include:

- **physical risks** causing disruptions due to extreme weather events, changes in temperature, water stress, pollution and biodiversity loss;
- **transition risks** including policy shifts such as climate-related regulations and the UK's net zero commitments; and
- **reputational risks** such as Group failure to deliver on our climate commitments and respond to climate-related challenges.

We are aiming to develop a climate risk assessment for our operations, as well as for each asset class. The climate-related risks for forestry will differ significantly from the climate-related risks for our private equity portfolio for example. Our Sustainable Investment team will be working with each division to develop a climate risk and opportunity assessment.

In addition, we intend to implement climate scenario analysis over the next few years and are considering scenarios from a range of international frameworks. For Gresham House plc, we are aiming to complete this process in 2022-23, followed by assessment of our assets, increasing the ability for our clients to make considered choices on climate-related risks and opportunities.

We aim for this to include considerations around the intersection between expected climate impacts and social impacts of physical risk, and we will consider inputs around the 'just' transition.

Climate-related opportunities

We believe Gresham House plc is well positioned to take advantage of increasing investor focus on the transition to a low carbon economy. This is emphasised by Gresham House plc being awarded the London Stock Exchange's Green Economy Mark for two years running, confirming that over 50% of our revenues come from environmental solutions. Many of our investment solutions offer investors the ability to meet their financial objectives, whilst also providing environmental or social benefit.

We provide investors with the opportunity to invest in a range of asset classes that have a long-term investment horizon and returns linked with climate-related opportunities such as:

- renewable energy generation and battery storage;
- carbon sequestration from forestry; and
- innovative agricultural practices with reduced environmental impact.

More investors are beginning to set their own climate-related targets. As such they are wanting to work with asset managers who offer solutions which support their ambitions to reduce or avoid carbon emissions across their investment portfolios. Given the types of assets we invest in, most institutional client enquiries are related to how our investment funds can contribute to their climate-related targets. To meet increased demand for climate-related opportunities across our client base, we continue to invest in new product development to offer clients the ability to meet their financial objectives as well as their environmental objectives.

Governance

Risk and opportunities oversight

Gresham House plc Board

ESG risks, including climate-related risks, are overseen at Board level, and therefore have a direct impact on strategic decision making and financial planning. We expect climate risk to incur even greater focus in 2022 at a corporate level and additional risk assessments to be completed at asset level.

The work we have done to calculate our operational emissions was a high priority for the Board and Group Management Committee in 2021. The outcomes of this analysis and any Science-Based Targets set will be used by the Board to monitor progress as well as set relevant objectives.

Gresham House plc Executives

Beyond the Board, a key forum on climate-related risk is the Sustainability Executive Committee, chaired by our Sustainable Investment Director. Members of this Committee includes two Group Management Committee (GMC) members, the Head of Compliance, and two Divisional Heads. The Sustainability Executive Committee was established in 2021 following agreement that responsibility for sustainability should be elevated to executive level to reflect its importance and materiality to the business. The Sustainability Executive Committee replaces the Sustainable Investing Committee that was established in 2020.

Climate-related opportunities are similarly discussed at a senior level, with all fund development decisions taken by the GMC. As part of this process, alignment to our Sustainable Investment Framework is included in the development of any new fund.

Sustainability Governance Structure

Board
Oversees our overall business strategy and management, including sustainability matters.

Sustainability Committee
Oversees and reviews the Corporate Sustainability Strategy and sustainable investment strategy.

Remuneration Committee
Completes annual remuneration reviews including an assessment of individuals' sustainable investment objectives.

Audit Committee
Responsible for identification and monitoring of business risks, including ESG and climate change.

Group Management Committee
The delivery of the business strategy has been delegated to the Group Management Committee, which regularly reviews performance against our strategic targets, including our approach and implementation of sustainable investment practices.

Conflicts Committee
Considers conflicts arising in relation to investment activities for clients and the exercise of voting rights.

Risk Committee
ESG risks are included in our risk register and divisions are required to report on ESG-related risks to this Committee each quarter.

Sustainability Executive Committee (Sustainability ExCo)
Drives sustainability-related deliverables to ensure the business, its staff and the investments made demonstrate best practice and leadership. Also owns delivery and oversight of the Corporate Sustainability Strategy.

Sustainability-linked remuneration

For the last two years we have developed requirements for all our people to set sustainability-related objectives within their yearly performance appraisals. Variable remuneration for all team members at all levels is derived in part from alignment with these objectives. As we start building out our climate change strategy, including measurement and putting in place related policies, we will incorporate more climate-specific remuneration targets across individuals' objectives, including the Group Management Committee (GMC).

Risk management

Risk identification

Our business

Discussion and assessment of operational climate-related risk takes place through the same risk identification process as other risks using our ERM Framework. This framework assesses and manages Group-wide risks based on the likelihood of the risk materialising and the business exposures faced if it does.

Internal research has been started to set out climate-related risk categories and their sub-categories across the short, medium and long term, and to develop our climate risk assessment. This work is designed to build on the learnings from our decarbonisation strategy.

We have forecast market, physical, reputational, regulatory and legal and technology risks as the most likely Group-wide climate-related risk categories, which will feed into our scenario analysis and internal capital adequacy and risk assessment (ICARA) processes. These risks will be incorporated into our risk taxonomy and form part of our ERM risk assessment processes, controls, mitigation strategies and risk reporting.

Management of risk takes place at several levels. Group-wide risk ownership responsibilities are allocated to our senior management team by the Board with the support of the Audit Committee. In addition, risk management is embedded into the activities of each business unit and/or divisions, to monitor risks and report on a quarterly basis to the Alternative Investment Fund Managers (AIFM) Committee, chaired by our CFO.

The allocation for oversight of climate-related risks and opportunities currently sits with our CFO, whilst the wider climate change strategy is led by our Sustainable Investment Director and is overseen by our Managing Director through his role on the Group Management Committee.

Our investments

For our assets, ESG risk is assessed as part of the due diligence process prior to investment. We have developed asset-specific ESG Decision Tools which specifically requires investment teams to identify how material particular environmental risks are to the investment. The ESG Decision Tools ask about various environmental risks including, but not limited to, physical climate risks, policy risks, e.g. changing consumer behaviour, and regulatory risks. Outcomes of the ESG Decision Tool are used by the investment teams to identify actions that must be taken to mitigate and monitor any material risks on an ongoing basis.

Secondary risk

We also consider how we can support our clients to mitigate their climate-related risk through the investment solutions we offer, and how we can offer better outcomes for our clients through disclosure. Most of our institutional clients approach us to help them meet their environmental and financial objectives. Our work to calculate the emissions of the underlying investment in the funds we manage will provide our clients with important measures they can use to calculate the total emissions from their investment portfolios. We hope to evolve our climate related reporting for our clients over time.

Metrics and targets

Metrics for assessing risk and opportunity

Our ERM Framework assesses risks in terms of likelihood and magnitude. We currently do not have a specific methodology for measuring climate-related risks. However, as we build our monitoring of carbon emissions across our operations and our underlying investments, as well as completing climate scenario analysis, climate-related risks will be monitored and measured via the same framework as other Group-wide risks. Key risk indicators will be set against each of the risks identified and reported on.

Opportunities to develop new investment solutions aligned to climate mitigation or resilience are assessed by the Group Management Committee and decisions on investing in new assets within existing funds are assessed as part of the due diligence process using our ESG Decision Tools.

Emissions and other carbon disclosures

We disclose our entity-level emissions on page 27. This includes our Scope 1 and 2 emissions, as well as Scope 3 emissions where available, for our operations. In our 2022 Annual Report we will expand this disclosure to include the emissions of the investments held within the funds we manage, metrics which will directly support on investment decisions.

In addition to our emissions data, we report on three key KPIs to help us manage our climate impact:

- **return on carbon;**
- **CO_2e per full time employee and CO_2e per £mn of revenue; and**
- **annual energy use (kWh) and energy type.**

Measuring risk offsetting

Our view is that we will only use carbon offsetting as a tool if we cannot first avoid or reduce emissions. However, Gresham House plc owns high-quality assets that may have the ability to act as carbon offsets or sinks. We are currently assessing how we can approach risk mitigation using these assets, with an aim to incorporate into our decarbonisation and risk management strategy by 2023.

Exceptional AUM growth generating **long-term revenue streams**

> We continued to face challenges from the COVID-19 pandemic in 2021; however, we demonstrated the quality of the business and the team, operating in an agile manner to deliver returns for shareholders and clients.

Kevin Acton
Chief Financial Officer

The Group has continued its momentum in 2021, building on the foundations laid in 2020 and delivering exceptional growth in AUM and profits. We continued to face challenges from the COVID-19 pandemic in 2021; however, we demonstrated the quality of the business and the team, operating in an agile manner to deliver returns for shareholders and clients.

The Group has grown AUM by 65% in the year to 31 December 2021, with a closing AUM of £6.5 billion, up £2.5 billion in the year (2020: £4.0 billion). The AUM growth was driven by strong organic growth of c.50% (£1.9 billion), alongside the acquisitions of the Mobeus VCT business and Appian Asset Management Limited (Appian), the EU-based AIFM, adding a further £0.6 billion in the year. This growth has helped to increase net core income in the year by 51% to £61.6 million (2020: £40.8 million) and deliver an adjusted operating profit of £20.2 million, up 67% in the year (2020: £12.1 million).

The performance of funds managed by the Group has also delivered net performance fees of £1.7 million (2020: £nil) highlighting the team's strong performance for clients in the year.

The Group has continued to use its balance sheet to develop projects and support the growth of the business, with the sale of battery storage projects and other development activity delivering an additional £1.8 million in net gains in the year (2020: £1.0 million).

Total comprehensive net income after the deduction of tax, amortisation and other acquisition-related costs has delivered a profit of £12.0 million (2020: £0.8 million). As a result of the improvement in the Group's profitability and growth in the business, we have reviewed the dividend policy and are looking to target dividend cover of three times by the end of the GH25 strategic plan in 2025. We are therefore pleased to announce our intention to increase the final dividend by 67% to 10.0 pence for the year ended 31 December 2021, building on the Group's 2020 final dividend of 6.0 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 gains on the sale of development projects. The performance fees and gains on the sale of development projects 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 and remuneration, as they are effectively an earn out paid to the sellers of businesses acquired rather than an operating expense.

Adjusted operating profit

	2021 £'000	2020 £'000
Income	**63,060**	41,936
Dividend income from associates	**285**	202
Gross core income	**63,345**	42,138
Rebates, distribution costs and fundraising costs	**(1,736)**	(1,364)
Net core income	**61,609**	40,774
Administration overheads (excluding amortisation, depreciation, exceptional items and acquisition-related share-based payment charges)	**(41,128)**	(28,690)
Finance costs	**(311)**	(25)
Adjusted operating profit	**20,170**	12,059
Adjusted operating margin	**32.7%**	29.6%
Performance fees (gross)	**6,163**	–
Variable compensation attributable to performance fees	**(4,449)**	–
Performance fees net of costs	**1,714**	–
Gains on development projects	**2,932**	3,482
Variable compensation attributable to gains on development projects	**(689)**	(2,474)
Development project costs	**(470)**	–
Net development gains	**1,773**	1,008
Performance fees and development gains net of costs	**3,487**	1,008
Adjusted operating profit, performance fees and development project gains net of costs	**23,657**	13,067
Non-core operating revenues	**1,140**	–
Costs relating to non-core operating revenues	**(1,102)**	–
Net non-core activity	**38**	–
Amortisation and depreciation	**(9,475)**	(8,931)
Exceptional items	**(3,215)**	(1,775)
Acquisition related share-based payment and remuneration charges	**(1,067)**	(593)
Net gains/(losses) on investments and fair value movements*	**6,224**	134
Tax	**(4,107)**	(1,084)
Operating profit after tax	**12,055**	818
Loss from discontinued operations	**(14)**	(12)
Total comprehensive net income	**12,041**	806

* Excluding dividend income from associates of £0.3 million (2020: £0.2 million) and gains on development projects of £2.9 million (2020: £3.5 million).

The adjusted operating profit metric has increased to £20.2 million (2020: £12.1 million) and the adjusted operating margin based on net core income increased to 32.7% (2020: 29.6%) showing the operating model of the business coming through in margin improvement as we target a 40% operating margin as part of the GH25 strategy.

Income

	2021 £'000	2020 £'000
Asset management income	**62,162**	40,304
Dividend and investment income	**590**	554
Other income	**308**	1,078
Total income	**63,060**	41,936
Dividend income from associates	**285**	202
Gross core income	**63,345**	42,138
Rebates, distribution costs and fundraising costs	**(1,736)**	(1,364)
Net core income	**61,609**	40,774

Net core income

Total net core income has increased by 51% in the year to £61.6 million (2020: £40.8 million), driven by the strong c.50% organic growth in AUM in the year to £6.5 billion (2020: £4.0 billion). This increase includes the revenues generated by the acquisition of the Mobeus VCT business from October 2021 and Appian, the EU-based AIFM from June 2021. We present 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 our 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, with c.90% of AUM being in closed-ended funds and structures which provide a stable view on future revenue streams. This is demonstrated through the weighted average life of limited partner management contracts accounting for £2.0 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 £800 million at the end of the year (2020: £269 million), reflecting the addition of the funds managed by Appian of £284 million alongside strong inflows and performance from the open-ended equity funds, which added a further £247 million.

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 2021 to £590,000 (2020: £554,000), primarily due to interest earned on a development project of £279,000, offsetting reduced dividends from Gresham House Energy Storage Fund plc (GRID) as the Group traded out of its holding to recycle capital elsewhere in the business.

Other income of £308,000 (2020: £1,078,000) principally reflects the net operating income earned from a battery storage project while under the Group's ownership, prior to being sold to GRID. Two projects were sold in the prior year, which were revenue generating for a period of time before their sale process completed with GRID.

Dividend income from associates relates to dividends recognised for Gresham House Strategic plc (GHS, now known as Rockwood Realisation plc) of £125,000 in the year (2020: £202,000) and Noriker Power Limited of £160,000 (2020: £nil). 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 up 43% in the year to £41.1 million (2020: £28.7 million). The increase in cost base includes three months of the Mobeus VCT business' cost totalling £0.6 million and six months of costs for Appian totalling £1.5 million.

The Group continues to focus its efforts on maximising profit growth and increasing shareholder value and as such invested further in the core functions of the business in 2021. Whilst doing this we focused on the operating margin target of 40% and were pleased to note the improvement in operating margin from 29.6% to 32.7% at the end of 2021. We are starting to see the operating leverage come through the business as we grow AUM at a faster rate than the cost base required to service the increased level of AUM and as such remain on track to achieve 40% operating margins over the medium term.

The investment in key team members across the Group in 2021 led to the Group's full-time equivalent headcount standing at 185 at the end of the year, up from 122 at the end of 2020. This included 16 people joining with the Mobeus VCT business, 22 with the Appian business and 64 new hires as we focused on the key roles needed to grow the business. People costs have consequently increased in the year to £34.8 million from £23.3 million in 2020, alongside variable compensation relating to performance fees and development gains of £5.1 million (2020: £2.5 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 £1.6 million (2020: £0.8 million), reflecting the London office move to 80 Cheapside as well as the additional office costs from the acquisition of Appian.

We operate with offices in London, Dublin, Oxford, Dumfries and Perth and continue to operate a hybrid working approach, which provides flexibility to our growth plans and the team alike.

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 increased the size of its revolving credit facility (RCF) with Santander in December 2021 to £20.0 million (2020: £5.0 million facility size). RCF interest and finance fees over the year were £244,000 (2020: £nil) with the remaining £67,000 relating to IFRS 16 lease interest (2020: £25,000).

Amortisation and depreciation

Amortisation of management contracts, customer relationships, the website and IT platform development accounted for £8.5 million (2020: £8.0 million) as these intangible assets continue to be amortised over their useful lives. The increase in the year reflects the acquisition of the Mobeus VCT business in October 2021 and Appian in June 2021. This required the assessment of the fair value of the management contracts and brand acquired within the businesses, which are being amortised over their useful lives and are the main drivers for the increase in the year.

Depreciation of £959,000 in the year (2020: £871,000) 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 2021 were £3.2 million compared to £1.8 million in 2020. These include the acquisition costs associated with the Mobeus VCT business, as well as Appian, which completed in June 2021, alongside restructuring costs. This also includes £1.2 million of DevCo-related acquisition and disposal costs that are required to be expenses in the year under IFRS, rather than capitalised as development activity.

Gains/(losses) on investments

	2021 £'000	2020 £'000
Share of associates' profits	**4,955**	158
Profit on disposal of associate	**461**	—
Gains/(losses) in investments held at fair value	**5,842**	4,599
Fair value movement in deferred receivable	**–**	224
Movement in fair value of contingent consideration	**(1,659)**	(1,163)
Foreign exchange movements on translation of foreign subsidiary	**(158)**	—
Total gains on investments	**9,441**	3,818
Less realised gains on development projects	**(2,932)**	(3,482)
Less dividend income from associates	**(285)**	(202)
Net gains/(losses) on investments	**6,224**	(134)

The Group has made gains on its investments and fair value movements in acquisition-related contingent consideration totalling £9.4 million in 2021 (2020: £3.8 million).

The share of associates' profits relates to the 23% holding that the Group has in GHS. The last results announcement from GHS was on 7 December 2021 for the six-month period to 30 September 2021. Under associate accounting, the Group has therefore recognised its share of the profits over GHS's last 12 months' reported profits of £5.8 million (2020: £133,000 profit), which included dividends received in the year of £125,000 (2020: £202,000).

The Group sold its investment in Noriker Power Limited in December 2021 and as such has recognised a profit on disposal of £0.5 million. The gain of £5.8 million from investments held at fair value in the year (2020: £4.6 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 gains recognised on the sale of the Byers Brae and Enderby battery storage projects to GRID, making a gross profit on sale of £2.9 million (2020: £3.5 million gross gain on sale of Thurcroft and Wickham Market battery projects). Both these battery storage development projects sales 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 projects and costs associated with development activity was £1.8 million for the Group (2020: £1.0 million).

The other notable unrealised value increase in the year was the £0.9 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 alongside unrealised valuation increases totalling a further £2.0 million in funds and co-investments managed by the Group.

Fair value movement in contingent consideration

The Livingbridge VC business, TradeRisks, Mobeus VCT business and Appian acquisitions have contingent payment elements which are driven by AUM growth, maintaining management contracts or revenue performance over a three-year period since acquisition. The contingent consideration payments have been fair valued at each reporting period end with the movement in the fair value recognised in the income statement.

The Livingbridge VC business' revenue performance to December 2021 has been used to estimate the fair value of the contingent consideration, which reached its maximum pay-out of £2.5 million as a result of delivering revenues in excess of the business plan at the time of acquisition. 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 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 Appian and Mobeus VCT business contingent considerations have been fair valued as part of the acquisition process, with limited fair value movement noted since acquisition in June and October 2021 respectively.

Tax

The Group continues to utilise the losses available against the current trading activity. The tax charge noted reflects taxable profits within the Group partially offset by the unwinding of the deferred tax liability recognised on the acquisition of the FIM, Livingbridge, TradeRisks, Mobeus VCT and Appian businesses and the impact of the movement in the fair value of the management contracts.

Financial position

	2021 £'000	2020 £'000
Assets		
Investments*	**38,023**	23,259
Cash	**40,252**	21,886
Tangible/realisable assets	**78,275**	45,145
Intangible assets	**95,012**	59,970
Other assets	**36,259**	18,057
Total assets	**209,546**	123,172
Liabilities		
Borrowing	**–**	–
Contingent consideration	**22,659**	6,933
Other creditors	**40,425**	19,772
Total Liabilities	**63,084**	26,705
Net assets	**146,462**	96,467

* 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 £17,545,000 (2020: £7,363,000) and "Liabilities of a disposal group classified as held for sale" of £7,499,000 (2020: £2,072,000) and replaced with the investment exposure in "investments in securities" £13,921,000 (2020: £5,842,000).

Gresham House Forestry Friends and Family Fund LP – reduced the value by the non-controlling interest amount of £1,075,000 (2020: £811,000) 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 2021. The tangible/realisable assets supporting this total £78.3 million (2020: £45.1 million), comprising 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

	2021 £'000	2020 £'000
Investment in associates		
Rockwood Realisation plc (formerly Gresham House Strategic plc or GHS)	**11,459**	8,456
Environment Bank Limited	**496**	
Noriker Power Limited	**–**	666
DevCo Projects	**–**	20
	11,955	9,142
Investment in securities		
DevCo Projects	**13,583**	5,842
Strategic Equity Capital plc (SEC)	**3,349**	173
Gresham House Forestry Fund LP	**2,739**	2,068
Residential Secure Income plc (ReSI plc)	**1,438**	864
Gresham House Strategic Public Equity LP	**1,363**	1,162
Gresham House Forestry Growth and Sustainability Fund LP	**1,000**	–
LF Gresham House Smaller Companies Fund	**882**	703
Gresham House British Strategic Investment Fund (BSIF)	**864**	269
Residential Secured Income LP	**639**	–
Other investments	**211**	177
Gresham House Energy Storage Fund plc (GRID)	**–**	2,859
	26,068	14,117
Total investments (excluding non-controlling interests)	**38,023**	23,259

Investments in associates

GHS changed its name to Rockwood Realisation plc (Rockwood) and changed its investment strategy in line with results from the extraordinary general meeting held in December 2021. Rockwood has since been in the process of realising its portfolio and returning capital to shareholders, with £2.4 million being returned to the Company in 2021.

The Group maintained its holding in Rockwood in the year at 23%. The last publicly available results for the six months to 30 September 2020 have led to an increase in the recognised value as an associate of £5.8 million (2020: £133,000 decrease), which after adjusting for the dividend payment of £125,000 (2020: £202,000) in the year results in a value of £11,458,000 (2020: £8,456,000).

The Group supported the early investment into Environment Bank Limited, an entity focused on creating habitat land banks to support rewilding in the UK. It is envisaged that the Group's holding will be sold to BSIF II LP when Environment Bank Limited is operational and generating cash flows. This is an example of the Group using its balance sheet to support the growth of assets to be sold into funds managed by the Group, ultimately growing the AUM of the Group.

In December 2021 the Group sold its interest in Noriker realising a gain of £729,000.

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 £13.6 million (2020: £5.8 million) at the end of 2021 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 2022 and 2023. During the year, the Group sold seven projects, Byers Brae and six Statera projects, which delivered a net gain of £1.8 million to the Group.

Investments in securities *continued*

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 2021, the Group realised its direct investment in GRID 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 £2.7 million (2020: £2.1 million), excluding non-controlling interests.

Gresham House Strategic Public Equity LP continued to invest during 2021 and generated realised and unrealised gains of £430,000 (2020: £197,000).

The other investments demonstrate the Group's ability to co-invest alongside the funds that it manages and provides alignment with clients, for example investing £1.0 million into the Gresham House Forest Growth & Sustainability LP as well as committing up to £1.0 million to ReSI LP, the shared ownership housing fund. These are investments where, as general partner, Gresham House uses its balance sheet to align itself with its clients.

Cash and borrowing

The cash balance of the Group was £40.3 million at the end of the year (2020: £21.9 million) and reflected operating cash profits generated in the year as well as a number of significant cash movements such as equity fundraising and capital returned on the sale of investments.

The Company issued new equity with a value of £42.0 million (gross) for cash in September 2021 (£40.5 million net of fees). This equity raise was to fund the acquisition of the Mobeus VCT business as well as provide capital to support the Group's ambitious development activities.

The acquisition of the Mobeus VCT business in October 2021 incurred an initial consideration of £20.0 million in cash, with deferred and contingent consideration to follow in the coming years. The acquisition of Appian in June 2021 required a net payment of £3.1 million (€3.6 million).

The deferred consideration element of the Hazel Capital acquisition completed in the year with a cash payment of £5.3 million under the Hazel LTIP.

Investment and development activity in the year totalled £18.9 million which included commitments to new funds launched by the Group of £1.6 million (such as ReSI LP, and Gresham House Forest Growth & Sustainability LP), capital investments to win new mandates of £3.0 million (SEC) and development projects such as battery storage and other renewable energy projects of £12.3 million.

The Group also benefited from the sale of a number of battery storage projects delivering £3.6 million and, the sale of its stake in Noriker of £0.8 million.

Finally, to provide flexibility as the Group enters 2022 with a range of opportunities to grow the business, we have increased the size of the RCF with Santander to £20.0 million, with a three-year term. The Group is therefore well positioned with cash and available facilities to take advantage of opportunities as they arise in 2022.

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 2021, the net book value of management contracts and other intangible assets was £46.2 million (2020: £30.3 million), reflecting the amortisation of the management contracts over their useful lives, and the addition of the management contracts, customer relationships and Mobeus brand following the acquisitions of the Mobeus VCT business and Appian. 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 £48.8 million (2020: £29.7 million). Further details are included in the notes to the financial statements.

Contingent consideration

Contingent consideration increased from £6.9 million to £22.7 million in the year, reflecting the acquisition of the Mobeus VCT business and Appian alongside the impact of the time value of money as future contingent consideration amounts become more certain.

Outlook

The balance sheet is well positioned to capture the growth opportunity in front of us with cash of £40.3 million and investments of £38.0 million providing a solid platform. We have laid further foundations in 2021 and look forward to growing the business further in 2022.

Kevin Acton
Chief Financial Officer
14 March 2022


23,150
23,100
23,050

DIVISIONAL REVIEW

Strategic Equity

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

AUM
as at 31 December 2021

£1.9bn +109%

Net core income
for the year to 31 December 2021

£21.8mn +66%

Strategy

The UK arm of the Gresham House Strategic Equity division targets superior long-term returns in a range of public and private equity investments, by employing a thematic and sector driven approach, actively engaging with companies' management teams and applying rigorous due diligence to develop a deep understanding of each company. The Strategic Equity division consists of the following strategies:

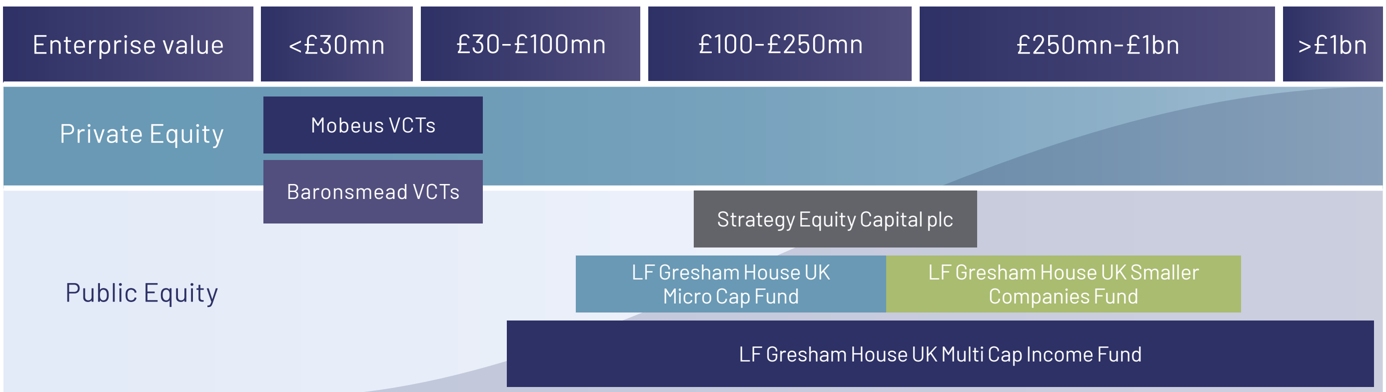
Public Equity

- Strategic Public Equity
- UK Micro Cap, UK Multi Cap Income and UK Smaller Companies

Private Equity

- Venture Capital
- Private Equity

The division has a unique suite of investment fund products that invest across the business lifecycle from relatively early-stage private growth businesses within the Baronsmead and Mobeus VCTs; in microcap and small-cap public companies in our public equity funds; and right through to more mature businesses in the FTSE 100 within our LF Gresham House UK Multi Cap Income Fund which has the flexibility to seek the best income and growth opportunities right across the market cap spectrum. The breadth of touchpoints with companies of all sizes, public and private, gives the team an excellent perspective of the UK market and enables them to share insights, a talent network and expertise to enhance the overall investment process.



2021 was another eventful year with markets and the economy driven by the aftershocks of the pandemic, geopolitical tensions and the ongoing uncertainty around new COVID-19 variants and related policy responses. Stock markets delivered a strong year overall but with heightened volatility and ended the year more muted. Supply chain disruptions, rising and widespread inflationary pressures and expectations of the most material interest rate rises for well over a decade all dampened market enthusiasm and moderated valuations, particularly for the most highly rated growth companies. Over 2021 markets grew with the FTSE All Share returning +18.3%, NSCI + AIM (ex IC) +21.9% and FTSE AIM indices increasing +6.1%.

Despite the considerable market noise, our Strategic Equity team focused on its core principles of seeking out resilient businesses with strong management teams and sustainable competitive advantage in areas of the market seeing structural growth or more limited cyclical exposure. The team's investment process is designed to deliver attractive through-the-cycle returns regardless of short-term economic conditions. Periods of market and economic discontinuity often produce attractive long-term investment opportunities for those investors prepared to undertake the hard work to unearth them and then support those companies to deliver their strategies to create value.

Ireland

In Ireland we manage a number of open-ended funds including two multi-asset funds, two equity funds, a cash fund under our Strategic Equity division and a property fund under the Real Estate division.

Our multi-asset funds, the Appian Multi-Asset Fund and the Appian Impact Fund are invested across a range of assets including equities, bonds, cash and alternative assets such as property, forestry and infrastructure.

The funds performed strongly last year, generating returns of 15.8% and 17.2% respectively, and are positioned to perform strongly in an inflationary environment by holding alternative assets that offer inflation protection as opposed to fixed interest bonds.

The equity funds are value in style with the Appian Global Dividend Growth Fund focused on large cap equities within developed markets and the Appian Global Small Cap Opportunities Fund is focused on small and mid-cap equities.

2021 was a positive year for the equity funds as they returned 24.4% and 21.6% respectively. They will benefit from any rotation within the equity market away from growth back towards value and the move to a more inflationary environment may be the catalyst for this rotation.

The Appian Euro Liquidity Fund is a Euro cash fund which gave a negative return of 1.5% in 2021 and is likely to give similar negative returns until the rate environment in Europe becomes positive.

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 team's expertise at the smaller end of the public markets enables them to apply their differentiated specialist investment approach to an underserved part of the market. This has delivered strong growth in AUM for the division in 2021. The core funds managed by the team have considerable capacity to grow over the next few years powered by a strong investment track record and a recently strengthened distribution capability. The team ended 2021 with strong AUM growth momentum.

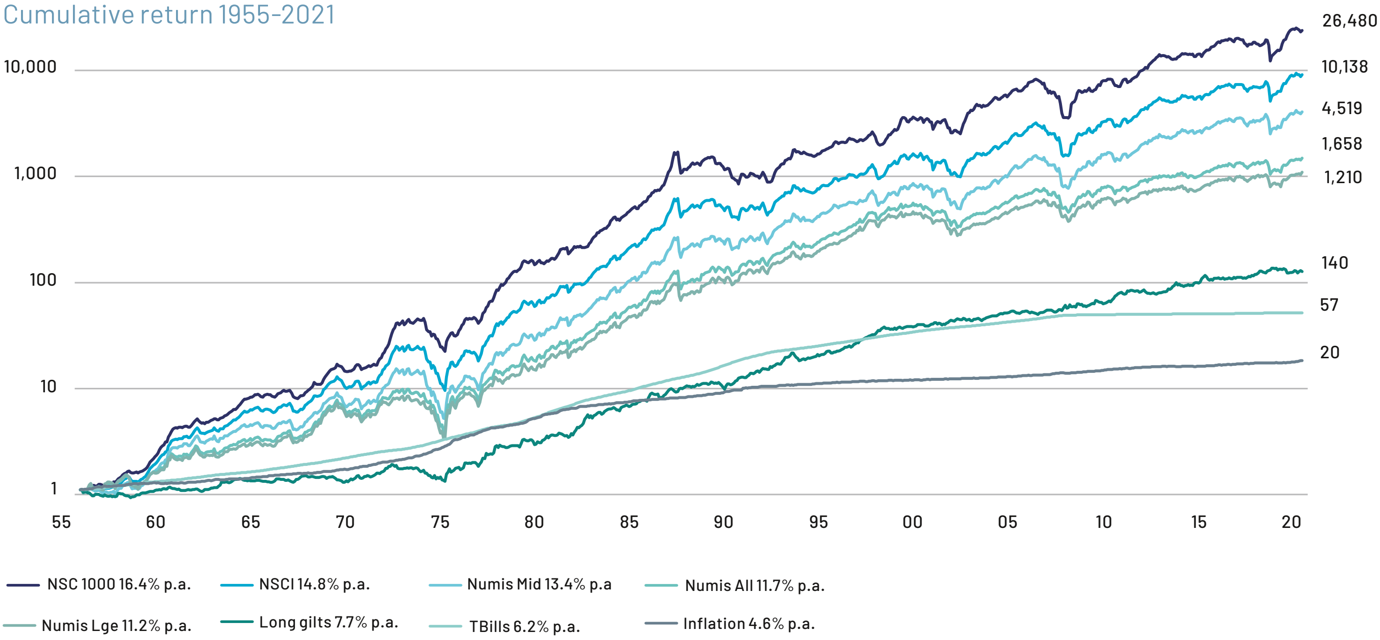
The investment opportunity for our strategies

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; and

Long-term performance

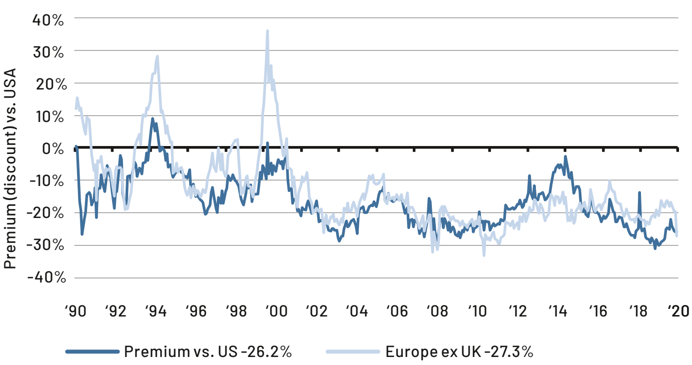
Cumulative return 1955-2021



Source: Scott Evans, Paul Marsh, Numis Indices 2022 Annual Review, 13 January 2022.

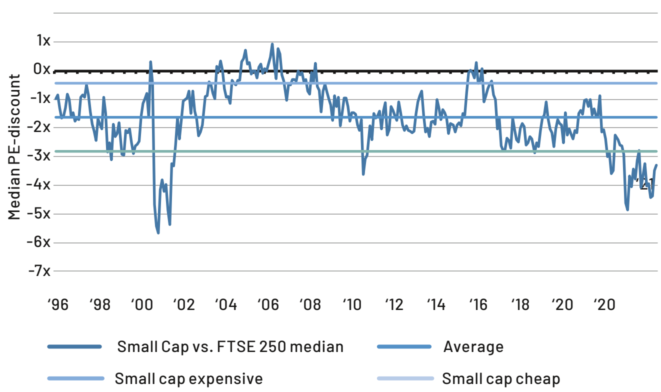
- the significant valuation discount that has emerged between UK and overseas equities and the valuation of small compared to large companies as observed in the charts below:

UK & Europe ex UK vs USA



Source: Liberum, Datastream, 31 December 2021.

'Small-cap discount' Median SC P/E – FTSE 250



Source: Liberum, Datastream, 31 December 2021.

We seek to maximise 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 £mn	Number of Holdings	Size Focus £mn	2021 return %
Strategic Equity Capital plc (SEC)	Closed-ended Investment Company	225	18	100-1,000	26.6
Strategic Public Equity LP (SPE)	Limited Partnership	10	8	<100	33.7
LF Gresham House UK Micro Cap Fund	Open-ended Investment Company	312	51	50-500	25.4
LF Gresham House UK Multi Cap Income Fund	Open-ended Investment Company	205	47	All cap	26.3
LF Gresham House UK Smaller Companies Fund	Open-ended Investment Company	39	47	100-2,500	25.5

Investment strategy

Our Public Equity team applies a private equity approach to investing in public markets. At its core this is an active approach to stewardship and a desire to contribute to building better businesses through the provision of capital, strategic advice, good governance and access to a high-quality network of experts that can add value across a wide range of operational and functional areas.

Our differentiated investment strategy has built on its private equity and smaller company heritage to develop a process designed to find and evaluate opportunities right across the market cap spectrum. This has delivered market-leading long-term investment performance and a number of industry awards across its suite of funds.

We maintain a focus on companies with high-quality management teams and attractive business fundamentals. They take a long-term perspective and wherever possible seek to leverage Gresham House's extensive network of experts to assist in their due diligence process to build a high-conviction view of the value-creation opportunity and also to mitigate downside risks.

Closed-ended funds

During 2021, the team managed three closed-ended funds employing Gresham House's proprietary Strategic Public Equity (SPE) investment strategy that applies private equity techniques to investing in UK public companies, typically below £300 million in size. The strategy utilises the liquidity advantages of a closed-ended structure to create a highly concentrated portfolio of smaller companies where we, following thorough due diligence, 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. We have a clear focus on intrinsically undervalued, cash-generative companies with excellent prospects for profit growth over the investment time horizon.

The funds managed during the year were:

- **Strategic Equity Capital plc** (SEC) – the mandate to manage the company was awarded to Gresham House in May 2020. Ken Wotton, Managing Director, Public Equity was appointed as lead manager in September 2020 to drive the investment performance of the Trust. Over the 15 months since Ken's appointment the portfolio has materially evolved and performance has been strong with the portfolio delivering a NAV total return of 26.6% in 2021.
- Having successfully managed **Gresham House Strategic plc (GHS)** since 2015, outperforming the FTSE Small Cap by 100% and following a strategic review initiated by the Board of GHS, shareholders approved plans for a managed wind-down of the company, and a return of capital to shareholders. The Trust is now known as Rockwood Realisation plc and is no longer managed by Gresham House.
- **SPE LP** – the investment policy and mandate remains unchanged and as at 31 December 2021, the SPE LP portfolio valuation indicated a 19.8% IRR with the fund being 99.2% drawn.

Open-ended funds

The team manages three open-ended funds ranging across the market cap spectrum. These funds are more diversified than the SPE products, reflecting their open-ended structure, but still apply a private equity approach to building high-conviction portfolios that reflect the team's quality fundamentals-focused investment strategy:

- **LF Gresham House UK Micro Cap Fund** – 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 returns to its peer group via a focus on 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 a constant pipeline of opportunities available.
  - The team has 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 decile IA UK Smaller Companies fund over the past ten years, targeting double digit annual total returns over the market cycle.
  - For the year to 31 December 2021, the Fund outperformed the IA UK Smaller Companies sector, returning 25.4% versus 22.9%. Over ten years, the fund is ranked fourth out of 42 funds and has delivered an impressive cumulative returns total of 433.9% versus 278.1% in the IA UK Smaller Companies sector.

Open-ended funds *continued*

- **LF Gresham House UK Multi Cap Income Fund** – investing 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 won the prestigious Investment Week Fund Manager of the Year award for the UK Equity Income category during 2021 as well as the Citywire Best Fund Manager 2021 in the same category.
  - The Fund ranked second out of 84 funds in the UK Equity Income sector over three years to 31 December 2021 and remains number one in the sector since launch in June 2017.
- **LF Gresham House UK Smaller Companies Fund** – launched in February 2019, and 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' in size. During the period, Laurence Hulse became co-manager of the Fund alongside Ken Wotton.
  - For the year to 31 December 2021, the Fund outperformed the IA UK Smaller Companies sector, returning 25.5% versus 22.9%.

Growth opportunity in Public Equity

We strengthened our fundraising capability with the strategic hire of Chris Elliott as Head of Wholesale Retail Funds to lead distribution of its suite of products to the multi-manager, wealth manager and IFA market. Chris's introduction has accelerated the pace of asset growth across the open-ended products. Fund flow momentum is strong entering 2022 despite market headwinds.

In the medium term there is significant capacity for growth within the existing suite of Gresham House Public Equity products. Strong and consistent long-term risk-adjusted returns; a maturing product set with all products now demonstrating a three-year or greater track record; and external validation in the form of industry awards, rating agency endorsement and in particular, the addition of the LF Gresham House UK Multi Cap Income Fund to the buy lists of key UK national wealth managers; all provide a solid foundation for future growth.

Into 2022, our focus will be on maintaining assets at close to capacity in the LF Gresham House UK Micro Cap Fund, scaling the LF Gresham House UK Multi Cap Income Fund, building on recent momentum, and initiating a wider active marketing campaign for the LF Gresham House UK Smaller Companies Fund having recently passed its three-year anniversary in February 2022 and having attracted cornerstone investors during 2021.

Finally, we will be actively promoting Strategic Equity Capital plc into the UK wealth management market in a co-ordinated sales and marketing campaign alongside new corporate broker Liberum Capital in order to reduce the discount to NAV and thereby to create optionality for future fundraising to scale the trust.

Private Equity

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

On 30 September 2021, we completed the acquisition of the venture capital trust business of Mobeus Equity Partners. The transaction comprised the four Mobeus VCT contracts as well as the transfer of 16 full-time employees and three consultants.

This acquisition has resulted in Gresham House becoming a leading player in the VCT segment, with approximately £887 million of assets across its VCT range at the end of 2021. There is a growing demand for funding from high-growth, early-stage companies which are looking for capital to take advantage of the disruption in traditional value chains and structural shifts in the economy.

The VCTs managed by Gresham House are well capitalised and resourced to support these innovative and entrepreneurial companies who will play a key part in driving the UK economy forward.

Both the Mobeus and Baronsmead VCTs invest in high-growth, early-stage companies. The investment strategy is focused on parts of the economy that are experiencing structural growth and where we have deep sector expertise and networks. After investing, our investment team works closely with the investee management teams actively supporting them to deliver their growth plans. We have invested heavily in its investment platform over the past three years including building specialist in-house portfolio talent and technology teams. The talent and technology expertise are key differentiators for us, helping to win new deals and add value post investment.

Baronsmead

Baronsmead VCTs

The Baronsmead brand was established over 25 years ago (November 1995) when VCTs were first launched in the UK. The Baronsmead VCTs invest in both public and private equity backed businesses. Since joining the Gresham House platform in 2018, the Baronsmead VCTs have grown well through a combination of robust investment performance and several successful new share issues. At 31 December 2021, the two Baronsmead VCTs have a Net Asset Value of c.£500 million.

All parts of the Baronsmead VCTs investment portfolio delivered positive performance during 2021. Niche software and technology enabled services companies were key contributors to performance; however, the multi-site casual dining and nursery chain assets within the portfolio also positively contributed following a challenging 2020 for both sectors. Combined, the portfolios increased in value by £72 million.

mobeus
Venture Capital Trusts

Mobeus VCTs

The four Mobeus VCTs have a similar investment mandate to the Baronsmead funds but focus solely on unquoted companies. Mobeus is another long-standing, well-respected brand in the VCT market. The first Mobeus VCT was launched in 1998.

The Mobeus VCTs delivered another year of market-leading fund performance in 2021. The cumulative NAV total return of the VCTs during 2021 ranged from 34.2% to 42.7%. Performance was led by several high-growth software companies together with the VCTs' investment in Virgin Wines, a private equity investment, which Mobeus helped float on the AIM market in March 2021.

Growth opportunity in Private Equity

As the demand from entrepreneurs for growth equity provided by VCTs continues to grow, the Baronsmead VCTs completed one fundraise and launched another during 2021. The fundraise for the FY21 tax year successfully closed at £65 million. Following a year of strong deployment and performance a new share offer raising up to £75 million in the FY22 tax year was opened in November 2021 and closed at £75 million in March 2022.

The Mobeus VCTs also launched a fundraise in January 2022. There was exceptionally strong demand for the £35 million offer, which closed within 24 hours of opening.

The VCT funds deployed increasing levels of capital into both new and existing portfolio companies during 2021. The Baronsmead VCTs invested £41 million into quoted and unquoted companies. The Mobeus VCTs invested just over £28 million. The rate of investment reflects the very positive levels of new deal opportunities being originated by the Private Equity team. We expect this trend to continue into 2022, as ambitious and innovative SMEs look to partner with experienced investors to grow.

We anticipate the economic environment to be more challenging in 2022 as inflation, supply chain disruption and tight labour markets impact consumer confidence and slow GDP growth. However, we expect it to remain a positive market to be investing in early-stage companies which can more readily position themselves in the growing segments of the economy and deliver superior value to customers by being more innovative and agile than competitors with legacy business models. Following the integration of the Mobeus VCT team, we have a substantial private equity platform, and are well placed to continue delivering growth in AUM through strong investment performance and fundraising.

Real Assets

Protection from inflation through proven, sustainable asset-backed investments.

AUM
as at 31 December 2021

£4,614mn +51%

Net core income
for the year to 31 December 2021

£39.8mn +44%

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, Real Estate, 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.

Forestry

Strategy

The global focus on forestry and forestry investment opportunities continues to grow. Post COP26, the subjects of woodland creation, natural capital and carbon sequestration have become ever more relevant topics for discussion and new investment from both private and institutional investors.

2021 marked another significant period of growth for the Gresham House Forestry team, with the acquisition of £175 million of UK forest and new planting assets in the year, increasing the area we manage in the UK and Ireland to around 141,500 hectares. In total, Gresham House manage over 166,000 hectares of forestry globally. The current value of these assets is in excess of £3.0 billion. We had a very successful fundraise through our £200 million launch for our Gresham House Forest Growth & Sustainability LP, a combined forest and carbon fund.

Internationally we have also made significant progress with the acquisition of a substantial forest in southern Australia, an area of 24,800 hectares for an undisclosed sum in excess of £400 million on behalf of AXA Investment Managers. We look forward to developing the ongoing management of this and other assets in Australia and New Zealand and continue to build the team there around these activities.

Performance across the whole portfolio has been very strong. The growth in timber prices in the UK and globally in 2020 was sustained in 2021 and we have seen revenues and forest values continue to rise significantly. In the UK, portfolio values have risen between 25% and 30% year-on-year and all our funds have delivered inflation-linked distributions.

As timber values continue to increase and appetite for sustainable real assets develop, we see a very positive outlook for our forestry portfolio. Additional value will be attributed to the natural carbon sequestering capabilities of our portfolios as carbon markets develop and mature.

Product overview

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

- **Limited Partnership fund structures:** provide investors access to an institutional grade forestry portfolio over a long time frame and can form part of a balanced portfolio at an accessible scale. Under these structures, our Forestry team manages the whole fundraising, investment and management of the portfolio and targets a distribution to investors as well as long-term capital growth and valuable tax incentives
- **Non-discretionary managed accounts:** we 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 we 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.

We continue to look at evergreen open-ended fund structures as there is significant demand for such products. However, for the time being we remain convinced that the long-term nature of these assets best suits closed-ended fund structures; however, as markets evolve we will continue to test and assess this.

Growth opportunity in Forestry

The investment appetite for forestry globally continues to grow and while there is a deep level of asset management experience in the US, elsewhere alternative global managers are less well developed. The Gresham House Forestry team is rapidly building its reputation in this space. With a long-term track record in the UK, Ireland, the Baltics and New Zealand as well as the recent transaction in Australia, we have a very strong platform to build out our global management platform further.

Following our recent international asset acquisitions, we will be launching our first global fund – the Gresham House Sustainable International Forest Fund LP. This will focus on sustainable forest assets in well-established softwood timber growing areas coupled with a significant allocation to forest assets which generate carbon credits.

Global annual institutional investment in the forestry sector is growing year on year as greater levels of afforestation are attained; this will continue to rise. Our ability to further develop investment management skills and products in this arena will be a core focus for growth over the next year.

Historically, timber investment has focused almost exclusively on the planting of trees for the long-term production of sustainable timber products for sawn timber and fibre for the panel and pulp and paper markets. Our focus continues to be on the management and delivery of long-term sustainable timber production for the construction industry. Based on our 2020 Global Timber Outlook, a long-term sustainable supply of timber is key to enabling the world to transition to a lower carbon, sustainable model through the continued replacement of concrete and steel as building materials.

There is a recognition that forest management can and should be done in an even more sustainable and environmentally sympathetic manner and that forests and tree planting can make a significant contribution to global net zero carbon targets.

This means that forest management will change. We continue to target significant new planting and woodland creation but we aim to do this in a more biodiverse, sustainable manner for the long term. We have also spent a significant amount of resource on reviewing our current forest assets, measuring the natural capital contained therein, and looking at ways that we can enhance biodiversity and sustainability measures. We have commenced a programme of development that will evolve over time to make this a reality.

This will not only benefit the environment and the long-term viability of the assets themselves, but it will also increase the long-term attractiveness and value of the assets to a wider array of investors.

We will also continue to look for forest carbon investment opportunities. These investments will take advantage of the evolving and exciting carbon markets and will add further diversification to our portfolios in the future.

While these ambitions should be at the heart of our management strategy, they will only have true benefit if we create our own verifiable commitment to such targets. We have recently launched the Gresham House Forestry Charter. This is a document which outlines our targets for management and our commitments to sustainable and natural capital development. It confirms the key performance indicators that we and our investors can measure us by, going above and beyond existing national and international standards. Access to the Forest Charter is available through the website and all reporting moving forwards will make reference to and measure against our charter commitments.

Gresham House Forestry is now the sixth largest Timber Investment Management Organisation (TIMO) in the world by value of assets under management. With our focus on afforestation, natural capital and global expansion we see considerable opportunity for growth – our current £3 billion AUM set against an estimated total TIMO global market of c. £75 billion highlights the huge scope and opportunity for expansion.

Forestry AUM
at 31 December 2021

£2,953mn +63%

Current pipeline of

£0.5bn

Market opportunity of

£10bn+ p.a.

New Energy & Sustainable Infrastructure

Strategy

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.

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:

Decarbonisation: we seek to invest in projects that enable the transition from fossil fuels to clean energy. This includes both the construction and operation of renewable energy generation projects (solar and wind) and other infrastructure that enables the energy transition; the latter includes Battery Energy Storage Systems (BESS) where we lead with a c.25% market share in the UK via the Gresham House Energy Storage Fund plc. BESS address the intermittent nature of renewable energy generation, reducing the overall cost and carbon intensity of using more renewables.

Digital inclusion: with increased reliance on home working and the need to cater for remote schooling as well as new telehealth services, the need for improved access to high-speed data connectivity for all parts of society across the country is clear. By investing in projects and companies that build high-speed networks and provide improved digital access, particularly in hard to reach and rural communities, we aim to reduce the 'digital desert' that exists.

Health and education: supporting a wide range of activities to enable people to live fulfilled lives through better access to high-quality education and healthcare. Investments in this area cover infrastructure businesses that cater for dementia and specialised healthcare through to nurseries, special educational needs and specialist schools to vocational training.

Regeneration: we have identified the opportunity to fund a new asset class of land that delivers biodiversity net gain. We will invest in buying or leasing land for at least 30 years and redeveloping the land to create new wild-land meadows, wetlands and forests. The increased biodiversity created is monetised and sold to developers who require it to comply with new planning obligations arising from the Environment Act or corporates who wish to mitigate their environmental impact. These solutions can go beyond carbon abatement and offer tangible enhancement to our nature.

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 alternative proteins that make much better use of both land and water while also reducing chemical use and 'food miles' and associated pollution and emissions.

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.

Returns are supported by strong asset backing, a sustainable income yield, and the potential for capital growth. Our team has an impressive track record and includes 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.

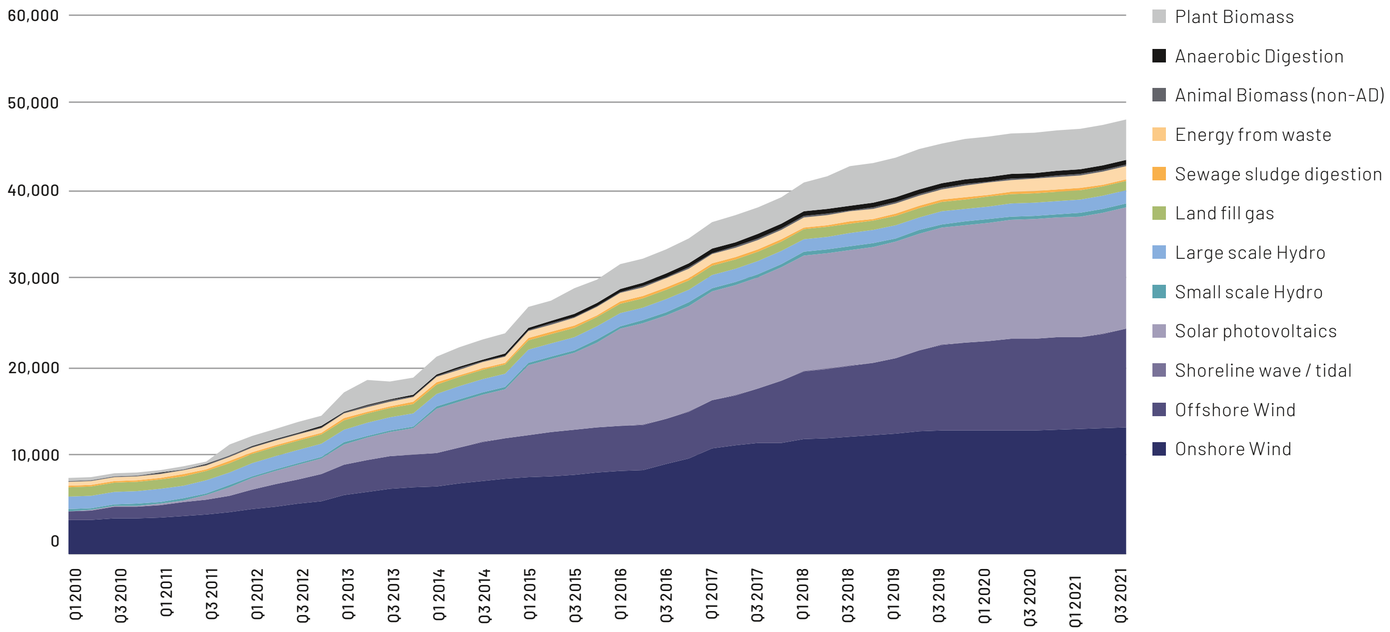
The New Energy & Sustainable Infrastructure teams have been investing in the rapidly changing energy landscape, tackling regulatory uncertainty and other complexities, for over a decade. They have harnessed their technical and investment expertise to produce a strong track record of investing in new 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 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 competencies and expand during 2021.

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 team backs 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 Battery Energy Storage Systems (BESS) located in Great Britain (and with pipeline located in GB and Ireland), providing key, flexible energy infrastructure that addresses the intermittency challenges introduced by renewables. Following on from the successful £100 million launch at the IPO in November 2018, a further £353 million has been raised by GRID in equity funds (of which c.£150 million in 2020 and £100 million in July 2021), making it the largest fund of its kind in the UK. In addition, the fund secured £180 million in debt in September 2021 at a rate of 300bp over SONIA. The fund 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 7.0 pence[1] (4.5 pence was paid in its first financial year). To date, the realised NAV total return has exceeded the target return and the dividend has been fully covered since Q4 2020. The fund is expecting further NAV growth from projects acquired at IRRs greater than the weighted average discount rate (WADR) and subsequently revalued at the WADR.

UK Installed Renewable Capacity (MW)



The ability to incrementally fund projects substantially with debt (while maintaining leverage below 30% for the foreseeable future) is also value enhancing.

The investment team built out projects considerably over 2020 and through H1 2021, and the portfolio now includes 17 operational sites across the UK with a total capacity of 425MW as at 30 June 2021. As of the end of 2021 the fund has announced that there are a further eight projects under construction totalling 415MW while the current portfolio and pipeline point to a target of over 1.5GW in the next two years.

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.

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.

New Energy – Solar

Managing 92MW of solar parks these assets comprise both roof and ground mounted solar assets across 17 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 VCT1 and Gresham House Renewable Energy VCT2 (VCTs) with a total market capitalisation of c.£50 million. These VCTs were launched in 2010 generating a strong track record over the next 11 years, and own a portfolio of 12 large scale renewable generation assets as well as two investments in innovative clean energy businesses.

The VCTs were raised on the basis that there would be a continuation vote in 2021 to determine whether to realise the investments and wind up the VCTs. With 90% of revenues being provided by inflation-linked Feed-in-Tariffs and the sale of Renewable Obligation Certificates, the predictable, government backed revenue streams are valued highly and so the shareholders opted to realise the assets. The VCTs are in the process of selling their assets to return tax-free proceeds to shareholders.

Battery Storage

Current pipeline

1.1GW

UK market opportunity

15GW

by 2025[1]

Sustainable infrastructure

Current pipeline

£1.6bn

of investment

UK market opportunity

£1.0trn[2]

1 National Grid Future Energy Scenarios paper

2 Source: estimated investible universe across the six target subsectors of Resource Efficiency, Digital inclusion, Regeneration, Waste Solutions, Decarbonisation and Health & Education

Gresham House Sustainable Infrastructure

For our Sustainable Infrastructure team, humanity's sustainability is the biggest challenge we all face.

The Sustainable Infrastructure division is focused on investing in innovative real asset-based solutions to key environmental and societal problems. Our view is that the extent of the challenges we are facing is at an existential stage, but we are highly optimistic that there are many opportunities to create the robust financial returns we are seeking because of the impact we can create from our new real asset based solutions.

We have identified the following six target sub-sectors where innovative real asset-based solutions have the potential to create the biggest impact and the biggest financial reward: Decarbonisation; Digital Inclusion; Health & Education; Regeneration; Resource Efficiency; and Waste Solutions. These sectors address our pressing need for new infrastructure that would allow a more sustainable way of life. We believe that by addressing these needs we will generate attractive, long-term financial returns that are driven by – not despite – the positive impact delivered by the new sustainable infrastructure.

The strategy targets investment into 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.

This approach delivers intentional, measurable impact and is closely aligned with the UN's Sustainable Development Goals and their underlying targets. The team's approach also aligns very well with place-based investments and the Government's recently announced 'Levelling Up' agenda.

We are making investments in sustainable infrastructure through two main funds that can co-invest together: Gresham House BSI Infrastructure LP (BSIF) and its follow-on fund, the British Sustainable Infrastructure Fund II LP (BSIF II). BSIF closed in May 2020 with commitments totalling £182.5 million. In December 2021 we achieved a second close of BSIF II, with total commitments of £150 million. Final close is expected in early 2023 and is targeted at up to £500 million.

During 2021, BSIF was fully committed across ten platform investments. At the end of the year it was 91% drawn with the balance due to be deployed as its portfolio continues to build out new assets in 2022. BSIF II is already fully committed and will commence drawdowns in 2022.

Growth opportunity in New Energy and Sustainable Infrastructure

In 2022 GRID plans to continue to acquire new operational projects and further develop existing projects that the team has identified within its exclusivity pipeline. The New Energy team is working on the launch of a new unsubsidised renewable energy LP fund with the aim of a first close in 2022.

Within the Sustainable Infrastructure division, the existing 11 platform investments have an identified capital requirement of over £500 million for known projects or commitments, with the potential to build further assets under the portfolio which could absorb a total of over £1.6 billion of investment. Examples of these opportunities include:

- **Digital inclusion:** opportunities to support the rapid roll-out of gigabit broadband across its three alt-net businesses:
  - Borderlink as it targets the Government's Project Gigabit procurements for new gigabit network installations along with its continued focus on the hard-to-reach parts of the Scottish and English Borders;
  - Wildanet, which is focused on the rural areas of Cornwall and Devon; and
  - Telcom, which focuses on apartment blocks and office buildings across the 'Northern Powerhouse' cities and towns.
- **Resource efficiency:** following on from the success of building the world's largest vertical farm in Norfolk with Fischer Farms[1], there is the potential to fund multiple replicas across the UK to meet high supermarket demand for leafy greens with strong sustainability credentials;
- **Regeneration:** working with Environment Bank to create over 4,000 hectares of new habitat banks that will deliver huge biodiversity net gains for unproductive land across the UK;
- **Health & Education:** a large opportunity to invest in a platform to buy and build specialist aged and dementia care facilities across the UK with a large and experienced specialist accommodation provider; and
- **Waste solutions:** investments to scale up our specialist waste platforms Waste Knot and Fornax. Waste Knot plays into the huge sectoral need to decarbonise the cement and steel industries and Fornax into the huge need for clinical waste disposal caused by COVID-19 and the large backlog of elective surgeries.

The Sustainable Infrastructure team will continue to raise new capital for BSIF II and seek to create more locally focused co-investment vehicles and direct investments from the BSIF I and II LPs. The team is also assessing new vehicles that appeal to the Defined Contribution pensions and wealth/wholesale markets to capture the large, defined pipeline from the existing 11 platform businesses along with the deep pipeline of new Sustainable Infrastructure assets that the team is pursuing.

1 Based on the Norfolk site being 25,000m^2 and the Company not being aware of any larger vertical farm globally at the time of writing.

New Energy and Sustainable Infrastructure AUM
as at 31 December 2021

£1,213mn +30%

Real Estate

Overview

There is a well-documented and long-standing shortfall in housing delivery in the UK, meaning that:

- many people in the UK can no longer afford to purchase their first home; and
- current rental offerings are often poorly managed and low quality, or non-existent for older people.

Meanwhile institutional investment penetration is low providing an attractive entry point whilst providing an opportunity to deliver measurable positive social and environmental impact.

Our Real Estate team has had an exciting year of delivery in 2021, committing more than £275 million to deliver 1,499 homes by working in partnership with housing associations, local authorities and private developers. Marking a first for the team, this includes more than 100 operational carbon neutral houses with ilke Homes.

In Ireland, we provide investments in both commercial property and social housing. Our commercial property fund, the Appian Burlington Property Fund, is focused on investing in properties in suburban Dublin and major regional centres which offer substantial potential rental and value increases compared to the Dublin city market which has recovered since the financial crises and is now seen as fully valued.

More recently we moved into the social housing market with the launch of our Gresham House Ireland Credit Union Fund in early 2022 providing an opportunity for Approved Housing Bodies (AHBs) with a new, attractive source of loan capital as they address the ongoing undersupply of social housing in Ireland. This will be through a combination of acquisitions and construction projects, in line with delivery targets in the Government's 'Housing for All' strategy. The Fund provides an exciting opportunity for credit unions to partner with AHBs over the long term to deliver on their common mission of improving the wellbeing of their clients within their homes and communities.

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 our UK funds 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. We also benefit from an in-house debt capital market team to structure and source best bespoke debt terms for the different funds and asset classes, to be either long-term RPI-linked debt matching shared ownership rental income, or development debt for Private Rental Sector schemes under construction.

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 to the highest standards of governance, financial viability and resident welfare. We have our Housing Charter in place to ensure the highest standards of quality in our housing offering.

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 which 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.

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 22-year average maturity. ReSI plc targets an inflation linked 5% dividend yield and a total return in excess of 8%. ReSI plc has a NAV as at 31 December 2021 of £182 million. ReSI plc raised a further £15 million in February 2022 to be used to invest in up to £39 million of 272 shared ownership homes. The raise will increase the fund's exposure to shared ownership and provides a great platform for future growth.

Gresham House Residential Secure Income LP (ReSI LP)

ReSI LP is a limited partnership fund targeting institutional investors. It looks to provide stable and secure long-term inflation-linked returns at an attractive premium to fixed income investments with an exclusive focus on providing access to new-build modern shared ownership homes. The fund raised £121 million during 2021 which is already 70% deployed, with further funds being raised.

Gresham House BSI Housing LP (BSI Housing LP)

BSI Housing LP had a final close in May 2020 with total commitments of £128 million including a local place-based investment sleeve. The Fund is fully deployed, with a focus on the delivery of 568 homes for mainstream private rental accommodation with a heavy focus on affordability, and energy efficiency and in 'Levelling Up' regions. Following the great success in build-to-rent we are launching a follow-on fund to continue our growth in this area.

Growth opportunity in Real Estate

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] of the forecast 300,000 homes required were delivered in 2019/2020, which in itself was a 33-year high[2]. 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[3].

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 to require 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 investments include shared ownership, affordable private rented, retirement, temporary accommodation and social housing. Investments in these areas 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:

1. secure and sustainable rental stream of individual residents;
2. inflation-linked income;
3. long-term capital appreciation through rental growth;
4. downside protection through alternative uses;
5. low volatility, in many cases, through below market rents and a proven counter-cyclicality of rental accommodation in the UK and overseas;
6. 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
7. diversification versus traditional real estate investment classes real estate, infrastructure, fixed income and equity investment.

As well as 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.

1 National Infrastructure Delivery Plan and Pipeline

2 Ministry of Housing, Communities & Local Government

3 Department for Communities and Local Government – "Fixing our broken housing market'

Real Estate AUM
as at 31 December 2021

£448mn +46%

Size of investable universe per year

£10bn

Size of current pipeline

£1.4bn
13,000 homes

Effective 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. Risks and opportunities are integral to the business model of the Group and the Board oversees the parameters of acceptable risk taking while encouraging a culture of risk ownership and accountability.

The global financial markets can play a crucial role in assessing businesses' risks and opportunities brought by climate change and supporting the transition to a low-carbon economy through businesses and society's investments in low-carbon infrastructure and technologies and new sustainable and resilient solutions and business models. As a Group, we are developing a climate strategy in line with the Task Force on Climate-Related Financial Disclosures (TCFD).

Our Enterprise Risk Management Framework (ERM Framework) sets out our risk governance structure for monitoring our risk landscape and enables the assessment of residual risks within our risk appetite across all of our divisions. We have commenced internal research aimed at setting out climate-related risk categories and sub-categories and to develop our corporate level climate risk assessment. These risks will be incorporated into our risk taxonomy and form part of our ERM risk assessment processes, controls, mitigation strategies and risk reporting.

Risk developments

During 2021, the global pandemic continued to impact the risk environment across the financial sector due to COVID-19 cases resulting in staff absences, labour shortages and supply chain disruptions alongside increased cyber-attacks. Consequently, the threat of possible variants may continue and we will be assessing any supply bottlenecks, shortages of materials and equipment's, timber, energy and goods prices while the economic recovery continues.

Sustainable and responsible investment have experienced accelerated growth over the past few years and the UK Government Green Financing Framework ambition is for the UK to be a global leader in green finance. Gresham House will monitor current and future investment opportunities and pressures on business and investors, especially in the current economic environment of higher inflation and the balance of demand and supply in the economy. Our ability to anticipate and respond appropriately to external influences enables our risk planning processes and ultimately our business success.

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 a portfolio management function. Risk ownership and risk oversight are fully 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 is delivered through our ERM Framework and is overseen by the Board and the senior management team in accordance with the Senior Managers and Certification Regime (SMCR).

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 the potential dimensions of the exposures the Group faces. Our risk prioritisation reflects an understanding of risk exposures relative to each other and 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 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. They are used to support the monitoring and reporting of risk and when evaluating actions deciding what mitigation controls are 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 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 is 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, therefore 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 is being integrated into our ERM Framework taking both a top-down and bottom-up risk management approach and is based on selecting and assessing our business and sustainable investment risks and opportunities over the short, medium and long term using our ESG Decision Tools. We expect climate risk to become an independent risk in 2022 at a corporate level and additional risk assessments to be completed at asset level.

Risk reporting and assurance – risk reporting is an integral part of the ERM Framework and 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.

> “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.

Internal Capital Adequacy Assessment Process (ICAAP)

The regulated entities within the Group undergo an annual capital adequacy risk 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 ISO 9001 Quality System Certification. The ISO 9001 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.

All businesses in the UK are experiencing increased risks and uncertainties due to economical, societal, technological and environmental risks. We therefore will continue to review our overall risk profile alongside the assessment of our climate risk scenario analysis during 2022. 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.

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

Description of Risks	Direction 2021
1 Strategic and Business Risk	Flat
2 Regulatory and Governance Risk	Higher
3 Macroeconomic Risk	Higher
4 Investment Risk	Flat
5 Operational Risk	Flat
6 Financial Risk	Flat
7 ESG Risk	Higher

Before controls

After controls

Key
Increased | Decreased | No change

1. Strategic and business risks

Risk description	Mitigation controls	Trend
Strategy failure risk The Board pursues a strategy that fails to meet shareholder objectives or fails to execute the stated business strategy. Our strategic risks also include external risks posed by technological innovation and market competition. **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 strategic plan, GH25, was updated during 2021 to increase the AUM target to in excess of £8 billion (previously £6 billion). Our strategic and financial targets have been communicated to shareholders and stakeholders as reviewed and approved by the Board. ■ An annual business plan is defined at the start of the new financial year and included financial and sustainability targets and 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 Group Management Committee and Divisional Heads. ■ Proactive engagement with new and existing shareholders to understand their key drivers and needs for investing in the Group. ■ The Group offers a diversified and broad range of products which reduces potential markets dependencies and continually strives to enhance operational efficiency. ■ Regular and open communications take place between the Board, Group Management Committee, shareholders and stakeholders to manage any potential or actual strategic risk.	No change
Loss of key personal 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.	■ 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. ■ 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.	No change

1. Strategic and business risks *continued*

Risk description	Mitigation controls	Trend
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 Appian Asset Management Limited and the VCT business of Mobeus Equity Partners LLP during 2021. **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 ensure minimal levels of 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 led from the top by the Board. ■ The FCA regulated entities in the Group have a board made up of division leaders and the Group Management Committee. Quarterly board meetings are used to review breaches, updates in the compliance environment, capital adequacy, FCA reporting (RegDATA) 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. ■ The Group's acquisition of Appian Asset Management Limited (Appian) in June 2021 increased the Group's regulatory risk exposure as Appian is regulated in Ireland by the Central Bank of Ireland.	↑

Key
Increased | Decreased | No change

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 global pandemic has caused high human costs worldwide, and impacted economic activities which are now facing a high inflationary period, supply chain disruption, high energy prices and geopolitical tension. The more recent invasion of the Ukraine by Russia adds to this tension and increased risk. The Group is cognisant of the slow recovery for many sectors. The top three most severe global risks on a ten-year horizon are linked to the health of our planet as per the World Economic Forum Report 2022. The Group's Corporate Sustainability Strategy aims to contribute to the reduction in climate action failure and biodiversity loss. The Group has exposure to the UK, Irish and Australian economy. **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, Renewables, and Sustainable Infrastructure which continue to attract investors interested in making a positive impact on the climate. 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 managed assets are primarily domiciled in the UK and also in Ireland and Australia.	Increased

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 current economic and geopolitical environment has led to market volatility in investment markets. The UK and global economic recovery may continue to impact business' growth and investment values. **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 risk, the Group increases its monitoring activities, especially across portfolios which may be impacted by the effects of the global 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.	No change

4. Investment risk *continued*

Risk description	Mitigation controls	Trend
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 including monitoring the sunset clause for income tax relief.	↔

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 efficiencies 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 and ongoing cyber security monitoring with monthly reports. 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. ■ Maintenance of ISO 9001 certification ensuring documentation and consistent application of processes across the Group. ■ Worldwide cyber risk has increased considerably over the past two years. However, with appropriate systems and controls and employee training this risk was mitigated during 2021. We manage cyber risk as part of the operational resilience of our overall security plans.	↔
Health and safety risk Due to the Group's management of alternative assets including forestry and energy, there is the risk of injury or ill health to employees arising in the course of the execution of day-to-day responsibilities. **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 is overseen by our Health & Safety committee. We have implemented all the necessary systems and processes to manage this risk on an ongoing basis. ■ The Health & Safety Committee and the AIFM Risk Management Committee review any health and safety issues on a quarterly basis. ■ Training is provided to the Board of Gresham House plc, Directors, employees and contractors on appropriate conduct at these sites as well as when working from home.	↔

Key
Increased | Decreased | No change

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. ■ Financial planning processes include both AUM growth and diversification of revenue streams. 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 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.	No change

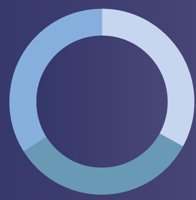
7. ESG risk

Risk description	Mitigation controls	Trend
ESG risk The risk of inappropriate ESG risk management at Group level. ESG risks have increased across the financial industry in 2021 due to ESG-related commitments and management controls needed, compliance requirements and stakeholders' expectations in "meeting the needs of the present without compromising the ability of future generations to meet their own needs". We aim to be able to report corporate level climate risk independently in 2023 and additional risk assessments to be completed at asset level. **Potential impact** The risk that the Group does not deliver against the GH25 Corporate Sustainability Strategy. A failure to deliver our GH25 Sustainability objectives via our products, business and operations could impact the Group reputation, profitability, and growth ambition.	■ During 2021 the Group has made significant progress in its sustainability goals and our first Sustainable Investment Report was published. Two new personnel joined the sustainability team . ■ The Group also revised the sustainability governance structure and created a Board level Sustainability Committee to oversee our Corporate Sustainability Strategy. ■ Our Sustainability Executive Committee is responsible for driving the Group's sustainability-related deliverables to ensure its staff and investments demonstrate best practice and leadership. ■ We have appointed Carbon Responsible to calculate our operational emissions and also Carbon Trust to calculate the emissions of the underlying investments in the funds we managed in line with the Partnership for Carbon Accounting Financials (PCAF). Over the next few years, climate scenario analysis will be used to assess our climate change risks. As the UK transitions towards a net zero economy, we are developing a net zero target and timeline at entity and asset level in 2022 and shall submit these for accreditation to the Science Based Targets initiative (SBTi) to ensure they are aligned to a 1.5-degree transition pathway. ■ 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. ■ During 2021, the GH ESG KPI bank was created and it will enable our divisions to assess and manage the sustainability performance of the assets and also represents our sustainable risks taxonomy which will be used as part of our quarterly risk monitoring and reporting activities. ■ Our 2020 PRI report was submitted during 2021 and the report outputs will be shared when these become available.	Increased

Expertise and **experience**

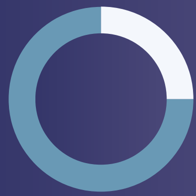
Details of the Directors' emoluments together with the Directors' interests in shares are provided in the Remuneration Report. There were no contracts of significance in which the Directors have a material interest.

Non-Executive Directors' tenure



1-3 years	2
4-6 years	2
7+ years	2

Board gender diversity



Female	2
Male	6

Anthony Townsend
Non-Executive Chairman

A R N S

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 was until recently 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.

Anthony (Tony) Dalwood
Chief Executive Officer (CEO)
Executive Director

I

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 and Board member of Gresham House Ireland. 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), and an adviser to St. Edmund's College, Cambridge Endowment Fund.

Kevin Acton
Chief Financial Officer (CFO)
Executive Director

I

Kevin was appointed as an Executive Director in June 2016 and is the Company's CFO. He has over 20 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.

Key

- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- I Investment Committee
- S Sustainability Committee
- Chair of Committee

Richard Chadwick
Non-Executive Director
Senior Independent Director

A R N S

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.

Simon Stilwell
Non-Executive Director

A R N I S

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.

Rachel Beagles
Non-Executive Director

A R N S

Rachel joined the Company as a Non-Executive Director in March 2018 and is a member of the Audit, Remuneration, Sustainability and Nomination Committees. Rachel is currently a Non-Executive Director of Witan Investment Trust plc, and The Mercantile Investment Trust plc. She is also Chair of Parkinsons UK Investment Committee, and NewlonBuild Limited, which is the private sale development subsidiary of Newlon Housing Trust, and was previously Chair of the Association of Investment Companies. She spent her executive career in equity research and sales and was 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 financial services housing and investment company sectors.

Gareth Davis
Non-Executive Director

A R N S

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 and Chairman of the Sustainability Committee. Gareth was appointed Chairman of M&C Saatchi with effect from 1 January 2021 and PodPoint plc in November 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.

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.

Sarah Ing
Non-Executive Director

A R N S

Sarah will be appointed as a Non-Executive Director and Audit Committee Chair of the Company following the conclusion of the Company's 2022 AGM. Sarah will also be a member of the Sustainability, Nominee and Remuneration Committees. Richard Chadwick, has appointed Sarah as his alternate until the Company's 2022 AGM, effective 15 September 2021. Richard will remain as Chair of the Company's Audit Committee until he retires following the conclusion of the Company's 2022 AGM.

Sarah is a qualified chartered accountant and brings to the Board over 30 years' experience in financial services including audit, corporate finance, investment banking and asset management. During her executive career, she was a top-rated equity research analyst covering the UK general financial services sector and also founded and ran a hedge fund investment management business.

Sarah is Non-Executive Director at CMC Markets plc, the FTSE Small Cap UK-based global provider of online retail trading, where she chairs the Group Remuneration Committee and sits on the Audit, Risk and Nomination Committees. Sarah is also a Non-Executive Director of Marex Group plc and XPS Pensions Group plc. At Marex Group plc Sarah is chair of the Audit & Compliance committee (subject to FCA approval) and sits on the Remuneration, Audit & Compliance, Risk, and Acquisitions & Disposal Committees. At XPS Pensions Group plc she sits on the Audit & Risk, Remuneration and Nomination Committees and also chairs the Sustainability Committee.

Governance

Anthony Townsend
Chairman, Gresham House plc

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 in the Shareholder Information section on our website.

The Board

The Board currently comprises two Executive and six Non-Executive Directors (including one alternate Director) as described on pages 64 to 65.

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 2021. 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.

Our Corporate Governance framework

The Board

The Board has established four Committees to deal with specific aspects of the Group's affairs: the Audit Committee, the Nomination Committee, the Remuneration Committee and the Sustainability 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	Sustainability Committee
Richard Chadwick (Chairman)	Anthony Townsend (Chairman)	Simon Stilwell (Chairman)	Tony Dalwood (Chairman)	Gareth Davis (Chairman)
Rachel Beagles	Rachel Beagles	Rachel Beagles	Kevin Acton	Anthony Townsend
Gareth Davis	Richard Chadwick	Richard Chadwick	Bruce Carnegie-Brown	Richard Chadwick
Simon Stilwell	Gareth Davis	Gareth Davis	Rupert Robinson	Rachel Beagles
Anthony Townsend	Simon Stilwell	Anthony Townsend	Simon Stilwell	Simon Stilwell
Sarah Ing	Sarah Ing	Sarah Ing		Sarah Ing

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 are matters for the Board as a whole. Richard Chadwick is the Senior Independent Director (SID), who is available to the other Non-Executive Directors and shareholders, should they wish to discuss matters in an alternative forum. Richard has announced his intention to retire at the conclusion of the Company's AGM in 2022 and, following his retirement, Gareth Davis is expected to take over as SID. The QCA Code states that a SID can act as the Deputy Chairman and that is very much the expectation of the Board once Gareth Davis becomes the SID.

The SID's role is to act as a sounding board for the Chairman, providing him with support in delivering his objectives and leading the evaluation of the Chairman's performance on the other Directors' behalf. He is responsible for the Chairman's succession, working closely with the Nomination Committee. The SID is also available as an additional point of contact for shareholders should they wish to raise matters with him rather than the Chairman or Chief Executive Officer. The Board has established four Committees to deal with specific aspects of the Group's affairs: the Audit Committee, the Nomination Committee, the Remuneration Committee and the Sustainability Committee.

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

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, Gareth Davis and Sarah Ing to be independent.

Richard Chadwick has served on the Board for more than ten 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. Richard Chadwick will retire at the conclusion of the forthcoming Annual General Meeting of the Company. Richard Chadwick's alternate Director, Sarah Ing, will be appointed as a Non-Executive Director and Audit Committee Chair of the Company following the conclusion of the Company's 2022 AGM.

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 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 retires 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.

Tony Dalwood, Anthony Townsend and Gareth Davis will be retiring at the 2022 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. Richard Chadwick will retire at the conclusion of the Company's 2022 AGM and will not seek 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 the 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 July 2021 and was externally facilitated by NuReview. It focused on the core areas of strategy and business, risk management and ESG, Board dynamics and processes and composition and diversity.

The July 2021 evaluation noted that the Board has the right strategy to fulfil the Company's purpose and that the Board is independent and provides healthy challenge to the Executive Directors. It also noted that ESG considerations are integral to the long-term strategy and risks are clearly communicated to investors and the main drivers for shareholder value are clearly connected to the Company's strategy. The Board will regularly assess its skill sets to ensure they are up to date and will focus on ESG professional development.

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 were twelve ad hoc Board meetings held during the year which were attended by at least two Directors. There were three meetings of the Audit Committee, one meeting of the Remuneration Committee, two ad hoc Remuneration Committee meetings, one meeting of the Nomination Committee and one meeting of the Sustainability Committee held during the year. The attendance of the Directors was as follows:

Director

	Board[1]	Remuneration Committee[1]	Audit Committee	Nomination Committee	Sustainability Committee
Anthony Townsend	7/7[2]	1/1	3/3	1/1[2]	0/1
Tony Dalwood	7/7	–	–	–	–
Kevin Acton	7/7	–	–	–	–
Richard Chadwick	7/7	1/1	3/3[2]	1/1	1/1
Rachel Beagles	7/7	1/1	3/3	1/1	1/1
Simon Stilwell	7/7	1/1[2]	3/3	1/1	1/1
Gareth Davis	7/7	1/1	3/3	1/1	1/1[2]
Sarah Ing[3]	2/2	–	1/1	–	1/1

1. Twelve ad hoc meetings were also held during the year and they were attended by the requisite number of Directors/Members.
2. Denotes Chair.
3. Sarah Ing was appointed as Richard Chadwick's alternate Director effective 15 September 2021 and attended the meetings in the above table in her capacity as an alternate Director.

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 six Non-Executive Directors of the Company (including one alternate Director) 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 are 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.

Richard Chadwick has appointed Sarah Ing as his alternate until the conclusion of the Company's 2022 AGM. Sarah Ing will be appointed as a Non-Executive Director and Audit Committee Chair of the Company following the retirement of Richard Chadwick at the conclusion of the Company's 2022 AGM.

Sarah Ing's appointment followed a rigorous search and selection process led by a Board appointed Selection Committee (comprising Anthony Townsend, Kevin Acton, Richard Chadwick and Rachel Beagles) and the Nomination Committee. External recruitment company, Nurole Ltd was engaged to attract a shortlist of high calibre candidates. Nurole Ltd is a specialist platform that focuses on attracting high quality, diverse candidates. The Selection Committee considered five candidates on merit and against objective criteria covering the four key areas of the role of: Audit Chair readiness; AIM-listed corporate governance experience; Environmental, Social and Governance (ESG) investment acumen; and UK asset management experience. The final two candidates met with the remaining members of the Board (with Kevin Acton in attendance) and a separate meeting with Tony Dalwood. This round concluded with Kevin Acton meeting both candidates in person, to build a relationship and to inform how each candidate would work with the Board. After careful review of the candidates, the Selection Committee and the remaining members of the Board believed Sarah Ing was the outstanding candidate for the role and the most appropriate successor for Richard Chadwick as Chair of the Audit Committee and recommended her appointment to the Nomination Committee. The Nomination Committee considered the merits of the appointment and recommended to the Board, that Sarah Ing be approved to act as an alternate Non-Executive Director for Richard Chadwick; and be appointed as Non-Executive Director and Audit Committee Chair following the conclusion of the Company's 2022 AGM. Sarah Ing's appointment was subsequently approved by the Board.

Further information can be found in the Audit Committee Report on pages 70 to 72.

Nomination Committee

The Nomination Committee comprises the six Non-Executive Directors (including one alternate Director) 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 Nomination Committee. When considering Board appointments and succession planning, the Committee will have regard to the composition and structure of the Board, including diversity, and the balance of skills and experience of the Directors. The experience and skills of the Directors are set out on pages 64 to 65. 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 six Non-Executive Directors (including one alternate Director) under the chairmanship of Simon Stilwell. The CEO and CFO are also invited to attend the meetings. The Committee meets at least once 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 73 to 78.

Sustainability Committee

In July 2021, the Company established a Sustainability Committee which comprises all the six Non-Executive Directors (including one alternate Director) and is chaired by Gareth Davis. The Committee is constituted under a defined terms of reference and will meet at least twice a year. The Committee's principal duties are to understand ESG risks and opportunities within the overall context of materiality to the Group and its clients, agree targets with the Board on ESG outputs and monitor performance against these, ensure communication of the Corporate Sustainability Strategy for the Company is articulated to shareholders and appropriate stakeholders and engage with shareholders and appropriate stakeholders to understand their views on ESG risks and ensure alignment.

Further information can be found in the Sustainability section of this report on pages 24 to 33.

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. It is available to provide industry insights for our investment appraisals and 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 controls, 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 controls, which safeguards shareholders' investment and the Group's assets, is in place. An internal audit function was considered unnecessary in 2021 and this is reviewed annually.

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 ensuring that internal policies and procedures outlining the standards of conduct for Directors and employees are at all times implemented.

Management is 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 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. There have been no conduct complaints received during the period.

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. This will be my last year as Audit Committee Chairman as I will be retiring from the Board at the 2022 AGM. Sarah Ing will be taking up the role of Audit Committee Chair at the conclusion of the Company's 2022 AGM.

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 2021.

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 – now known as Rockwood Realisation plc), and Environment Bank Limited (EBL)
- consolidation assessment of funds managed and controlled by the Group
- impairment review for Goodwill and Management Contracts from previous acquisitions
- Mobeus VCT business acquisition – valuation of management contracts and brand
- Appian Asset Management Limited business acquisition – valuation of management contracts
- 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 fees are typically calculated 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 entities and is therefore independently approved. Limited Partnerships and other fund management or advisory mandates 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. Performance fees were recognised on GHS in the period relating to performance for the year to 31 March 2021 and for the period from 1 April 2021 to 11 October 2021, when the Board of GHS terminated the management contract with Gresham House, thereby triggering a further performance fee as the GHS NAV was above the performance fee hurdle at that the point of termination. The Baronsmead VCT NAV was also ahead of its performance fee hurdle as at 30 September 2021. All performance fees have been verified by external auditors of those funds and were paid in the year.

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 Gresham House Devco Limited (DevCo Limited) owns between 60 and 100% of the equity in and the Group has also lent funds for the development of the DevCo Projects.

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

i. 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.

ii. Associates (IAS 28) – one of the DevCo Projects (Biggerbrook) was accounted for as an associate in the prior year as Devco Limited holds only 24% of the equity and is not in a controlling position. This project was sold during the year, so no DevCo Projects are recognised as associates.

iii. 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 property, plant and equipment.

iv. Assets held for sale (IFRS 5) and loss of control – the sale of the DevCo Projects, Byers Brae and Enderby 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 of Comprehensive Income. The fair value of deferred consideration has been reviewed and estimated with reference to how close it is before the project becomes operational. It is expected that the sale process for DevCo Projects held by the Group will complete within a six to 12-month time frame; as such it has been deemed appropriate to treat these DevCo Projects as a disposal group held for sale under IFRS 5.

v. 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 2021.

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

Gresham House Strategic plc (GHS – now known as Rockwood Realisation plc)

The Board remains satisfied that the Group did not exercise control over GHS, which has a majority independent board, and our stake and investment management agreement does not give rise to control. The management contract with GHS was terminated by the Board of GHS on 11 October 2021, thereby reducing any influence Gresham House Asset Management (GHAM) has over GHS.

Nonetheless, the Board has concluded that the Group's 23% equity stake in GHS indicates that 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 from an accounting perspective over GHS.

Noriker Power Limited (Noriker)

On 8 June 2018, the Group acquired a 28% investment in Noriker, the battery storage developer, which was fully sold in December 2021. The Group has treated this as the disposal of an associate in the year.

Environment Bank Limited

On 7 May 2021, the Group acquired a 50% investment in Environment Bank Limited (EBL), the habitat bank development company. The Group has also entered into an option agreement with Gresham House BSI Infrastructure LP and Gresham House British Sustainable Infrastructure Fund II LP (BSIF funds) for the BSIF funds to acquire 25% from the Group. The Group does not have the ability to control the board of EBL through majority voting rights or the ability to appoint or remove the majority of the board of directors. The Director's assessment is that the Group can exercise significant influence over EBL and has treated it as an associate.

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; and

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 has been assessed and the Group is considered in a position of significant influence from an accounting perspective and this has 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 a 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 2021.

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 fundraising and costs assumed appropriate in a no growth business. The valuation was compared to the carrying value of the management contracts at 31 December 2021 and there were no indications of impairment.

Mobeus VCT business acquisition – valuation of management contracts and brand

The acquisition of the Mobeus VCT business in October 2021 is classified as a business combination under IFRS3: Business Combinations. The management contracts of the four VCTs novated across to GHAM were therefore required to be valued at acquisition. These have 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.

Gresham House also entered into a brand licence arrangement to use the Mobeus brand name for up to four years from acquisition. This has been fair valued using the royalty relief method and will be amortised over the four year period.

Appian Asset Management Limited (Appian) acquisition – valuation of management contracts

The acquisition of Appian in June 2021 is classified as a business combination under IFRS3: Business Combinations. The management contracts of the funds managed by Appian were therefore required to be valued at acquisition. These have 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.

Valuation of contingent consideration

The fair value of contingent consideration payable to the sellers of TradeRisks, Livingbridge VC, Mobeus VCT and Appian businesses has been estimated with reference to the contractual requirements as at 31 December 2021.

The TradeRisks contingent consideration is in two remaining parts, with the inventory true-up having been settled in the year. The first is 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 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 revenues delivered over the period are in excess of the £37.2 million and therefore the maximum payout of £2.5 million will be made in March 2022.

The Mobeus VCT business contingent consideration is based on the Mobeus VCTs maintaining the VCT investment advisory agreements with Gresham House over the three years post acquisition (maximum £8.9 million payable as deferred consideration) and achieving certain AUM growth targets over the three-year period (maximum £0.8 million). The contingent consideration for maintaining the VCT contracts has been considered a reasonable likelihood and this amount has therefore been discounted for the time value of money. The contingent consideration for achieving the AUM targets has been probability weighted and discounted for the time value of money.

The Appian deferred consideration is driven by applying a multiple of 1.4x to the probability weighted earnings to be delivered in the year to 30 June 2023 and 30 June 2024.

Having challenged management on the assumptions used, the Audit Committee confirms that it is not aware of any material misstatements and is satisfied that the key areas of risk and judgement have been addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust. 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 2022 AGM, BDO LLP, having indicated its 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
14 March 2022

Remuneration report

Simon Stilwell
Chairman, Remuneration Committee

On behalf of the Board, I am pleased to present the 2021 Directors' Remuneration Report, which sets out the remuneration policy and remuneration paid to the Directors for the year.

Gresham House had a very strong year, growing AUM to £6.5 billion, up 65% in the year, and resetting the Group's GH25 AUM target to £8.0 billion up from £6.0 billion. This growth was recognised with the Group outperforming market expectations for adjusted operating profit a number of times in the year to deliver £20.2 million for the year versus expectations of £13.0 million at the beginning of the year. It remains 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 and also the niche specialist areas in which we operate. The pay awards in 2021 reflect the significant developments made by the business in the period, both financial and strategic. The 2020 LTIP (utilising the last of the dilution % agreed as part of the Company's readmission in 2015), uses the Company's Performance Share Plan (PSP) and clearly aligns the management team with the execution of the five-year strategy, GH25, and beyond.

The Remuneration Committee consists of the five Non-Executive Directors and one alternate Director 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 has 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 is 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 2021 are set out below:

	2021 Number of shares	2020 Number of shares
Anthony Townsend	34,855	34,855
Tony Dalwood	918,737	880,234
Kevin Acton	249,889	190,407
Rachel Beagles	10,975	10,975
Richard Chadwick	–	–
Gareth Davis	16,400	16,400
Sarah Ing*	–	–
Simon Stilwell	16,000	5,000

* Sarah Ing is an alternate Director for Richard Chadwick until he retires from the Board following the conclusion of the 2022 AGM.

The Remuneration Committee has 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 2021, both Tony Dalwood and Kevin Acton held in excess of 200% of their basic salaries in directly held shares.

Directors' share interests *continued*

Directors' service contracts are governed by the following policies:

a. The notice period required by either the Company or the Director to terminate the contract is 12 months for Tony Dalwood, six months for Kevin Acton and three months for Anthony Townsend, Rachel Beagles, Richard Chadwick, Gareth Davis, Sarah Ing 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.

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 strategic objectives of our Group and must also ensure that the interests of our stakeholders including shareholders, employees, clients and regulators among others are observed.

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. This includes malus and clawback provisions in our LTIPs.

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 its 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 is fairly remunerated considering the in-year growth in profitability of the business and the market capitalisation and the 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. The Executive Directors have had an inflationary salary increase in 2021 of 3%, which has been broadly applied to the wider team across the Group.

Pensions and benefits

The Company provides for the auto-enrolment into a pension scheme for the benefit of Executive Directors and 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 is 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 in 2021 were measured against 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 strategic objectives. The Group significantly outperformed the financial targets through its growth in AUM to £6.5 billion, increased adjusted operating profit of £20.2 million and achieved an adjusted operating margin of 32.7% in the year and also delivered on its strategic targets which are focused on building a robust sustainable business.

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 employees to invest in the long-term growth of the Company.

Subject to Remuneration Committee approval, 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 2021, the Remuneration Committee approved the reinvestment of up to 50% of annual bonuses into ordinary shares by management and employees subject to a cap generally of £100,000 (2020: 50% and capped at £100,000).

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. As at 31 December 2021, the dilutive impact based on the fair value of existing long-term incentive plans is 14.2% of the 20.0% dilution limit, with 9.3% having already been issued.

Long-term incentive plans

2020 LTIP

On 23 December 2020, the Company made 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. This process included consultation with shareholders and the use of an independent remuneration consultant.

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 five years, 2020 to 2024. In line with GH25's aspiration to double shareholder value in that period, that level of growth is required for maximum 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 (9.3% has already been utilised).
- For the duration of the plan, the management team who received 2020 LTIP awards will not receive any new allocations to 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 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.

The 2020 LTIP consists of awards, which if they vest may be exercised at any date up to the tenth 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 in the spring of 2025 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.

As at 31 December 2021, the incremental value created for shareholders since the start of the GH25 plan on 1 January 2020 is £112.8 million, which implies a value of the 2020 LTIP of £16.9 million.

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. The majority of this award has vested and been exercised, with only the D Share (awarded to joiners post the original 2014 buy-in) element remaining unexercised at 31 December 2021.

Long-term incentive plans *continued*

2016 LTIP *continued*

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 ten 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.

In the event that the share price of the Company outperforms the FTSE All Share Index in the ten-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 are settled in equity of the Company at the Board's discretion.

As at 31 December 2021, under the rules of the 2016 LTIP, the value created by the management team for the remaining D Share awards was £104.7 million, based on a closing market value of the Company of £274.4 million (share price of £9.00). The remaining 2016 LTIP share of this is estimated at £1.9 million, which will be settled in equity or cash at the Company's discretion when exercised by the participants. The D Shares awarded under the 2016 LTIP are the only remaining awards unexercised under the scheme and these vested and passed the performance hurdles on 31 December 2021 and are exercisable up until 31 December 2023.

In December 2021, the final B Share awards under the 2016 LTIP were exercised and settled in cash for £2.4 million having passed all the required hurdles.

Performance Share Plan – 2018 LTIP and 2019 LTIP

The 2018 LTIP and 2019 LTIP were 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. This was introduced as the 2016 LTIP had vested and was designed to provide a long-term incentive and alignment for the management team during this period. 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. The 2018 LTIP award vested in 2021, with participants receiving shares net of tax liabilities.

Under the 2019 LTIP, 274,728 deferred shares were awarded to the management team, with a fair value at award of £1.5 million. The 2019 LTIP vests in September 2022.

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%.

These schemes were established in the early years of Gresham House's development and these schemes rewarded the management team based on performance where it added value in the initial stages of the funds' development. Carry points were allocated to the plc and to individual members of the management team involved in working on these funds using a points system which is typical in long-term asset classes (such as private equity). The points allocations were approved by the Remuneration Committee on an annual basis with any payout in a particular year reflecting the four-year rolling average of an individual's points.

As part of the implementation of the 2020 LTIP, the management team will no longer be eligible to receive allocations to future new performance fees and carried interest schemes but are eligible to receive the benefit of any reward that has been already granted prior to the new implementation of the new 2020 LTIP. For example, awards made 2017, 2018 and 2019 have been paid in 2021.

Gresham House Strategic plc (GHS, now known as Rockwood Realisation plc) had a performance fee arrangement with its investment manager, Gresham House Asset Management (GHAM), which subject to GHS achieving a 7% NAV growth return hurdle, triggered 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.

Due to the strong investment performance generated by the GHAM team over the long term, the NAV of GHS as at 31 March 2021 was above the hurdle rate and generated a gross performance fee of £1.9 million, of which £1.5 million was paid to the investment and management team, less allowable, required and approved deductions as determined by the Remuneration Committee (2020: £nil) as per the points system framework established in 2015, covering the four years' points allocated to 31 March 2021.

On 11 October 2021 the Board of GHS terminated the management contract with GHAM, thereby triggering the calculation of a final performance fee under the management contract. The GHS NAV was ahead of the hurdle, which resulted in a final performance fee being paid to GHAM of £2.3 million, of which £1.8 million was paid to the investment and management team less allowable, required and approved deductions as determined by the Remuneration Committee and as per the points system framework established in 2015 covering the four years points allocated to 11 October 2021.

Directors' emoluments (audited)

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

Year ended 31 December 2021	**Basic salary £'000**	**Benefits £'000**	**Cash bonuses £'000**	**Bonus share matching[ii] £'000**	**Penions[i] £'000**	**2021 £'000**
Executive:						
Tony Dalwood	**386**	**3**	**866**	**100**	**39**	**1,394**
Kevin Acton	**258**	**2**	**351**	**100**	**26**	**737**
Non-Executive:						
Anthony Townsend	**60**	**–**	**–**	**–**	**–**	**60**
Rachel Beagles	**35**	**–**	**–**	**–**	**–**	**35**
Richard Chadwick	**40**	**–**	**–**	**–**	**–**	**40**
Gareth Davis	**35**	**–**	**–**	**–**	**–**	**35**
Sarah Ing [iii]	**-**	**–**	**–**	**–**	**–**	**–**
Simon Stilwell	**40**	**–**	**–**	**–**	**–**	**40**
Total	**854**	**5**	**1,217**	**200**	**65**	**2,341**

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

ii. The Executive Directors have elected to reinvest their bonus in the Company's ordinary shares through the Bonus Share Matching plan.

iii. Sarah Ing has joined the Board as an alternate Director and will be appointed as a Director at the conclusion of the 2022 AGM. No fees were earned in the year to 31 December 2021.

Year ended 31 December 2020	Basic salary £'000	Benefits £'000	Cash bonuses £'000	Bonus share matching [i] £'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 the pension scheme.

ii. The Executive Directors have elected to reinvest part of their bonuses in the Company's ordinary shares through the bonus share matching plan.

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 2021 (number of ordinary shares):

Number of ordinary shares [iv]	Ordinary shares held[i]	2016 LTIP - D	Bonus share matching[ii] 2018	Bonus share matching[ii] 2019	Bonus share matching[ii] 2020	Bonus share matching[ii] 2021	2019 LTIP	2020 LTIP[iii]	Total
Awarded		2019	2019	2020	2021	2022	2019	2020	
Vesting date		2021	2022	2023	2024	2025	2022	2023/24	
Tony Dalwood	918,737	—	—	34,416	12,296	11,372	68,943	617,990	1,663,754
Kevin Acton	249,889	70,575	6,737	—	12,296	11,372	55,154	313,748	719,771

i. Includes shares held directly, by family members and deferred shares purchased under the bonus share matching plan.

ii. Bonus share matching 2018, 2019, 2020 and 2021 are the result of the Executive Directors 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 number of shares disclosed above reflects the matching shares that would be received should the hurdles be achieved.

iii. The value of the 2020 LTIP as at 31 December 2021, based on the creation of £112.8 million of shareholder value, and assuming it vested and had achieved all performance hurdles, generates the gross number of shares.

iv. These share awards are disclosed before tax.

Long-term incentive plans and share ownership of Executive Directors *continued*

Ordinary shares held and 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.

iv. These share awards are disclosed before tax.

Long-term incentive plans vested or exercised in the year to 31 December 2021:

	2018 LTIP shares received[i]	Bonus share matching 2017 shares received[ii]	Total shares received in 2020	GHS performance fees	Total cash settled from LTIPs in 2021
Tony Dalwood	58,166	—	58,166	£552,599	£552,599
Kevin Acton	36,192	5,161	41,353	£94,132	£94,132

i. The 2018 LTIP fully vested and was exercised during 2021 and is the net number of shares delivered to the individuals.

ii. The bonus share matching plan from 2017 fully vested in May 2021, 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.

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

The performance fees earned by GHAM from GHS in the year to 31 December 2021 reflected the outperformance of the NAV hurdles for the year to 31 March 2021 (2021 performance fee of £1.9 million) and 1 April 2021 to 11 October 2021 on termination of the management contract by the Board of GHS (termination performance fee of £2.3 million). The performance of GHS over the period from 1 April 2021 to 11 October 2021 was a 27% growth in GHS's NAV, which meant the termination performance fee was payable. There were no performance fees earned in 2020.

This fee has been allocated using an annual points allocation system to individuals and the Group as part of the annual Remuneration Committee approval process and is typical for the more private equity-based approach to investing used in the Company's Strategic Equity division. The long-term nature of the investments made by GHS has been reflected through the allocation of the performance fee using a rolling four-year average points allocation. During the years to the end of 2019 the management team was awarded allocations; however, post 2019 the management team have received zero points allocations. Tony Dalwood received 16.0% of the 2021 performance fee and 10.7% of the termination performance fee, totalling £552,599 and Kevin Acton received 2.6% of the 2021 performance fee and 2.0% of the termination performance fee, totalling £94,132. All payments are gross and subject to income tax.

VCT co-invest scheme

The Baronsmead VCTs have in place a co-invest scheme for the investment team and management to invest alongside the Baronsmead VCTs in their unquoted investment portfolio. During the year to 31 December 2021 Tony Dalwood and Kevin Acton did not participate in the co-invest scheme (2020: £137 each).

On behalf of the Board,

Simon Stilwell
Chairman, Remuneration Committee
14 March 2022

Sustainability Committee report

Gareth Davis
Chairman, Sustainability Committee

On behalf of the Board, I am pleased to present the 2021 Directors' Sustainability Report. As the Committee was newly formed mid-way through the year this report is more limited in its update and instead sets out the purpose and direction of this committee.

Central to the Group's strategy, as set out in the GH25 strategic plan that was launched in 2020, is the ambition to be a leader in sustainable investment.

In July 2021, the Board established a Sustainability Committee whose purpose and remit is to:

- understand ESG risks and opportunities, within the overall context of materiality to the Company, its subsidiaries and its clients;
- report to the Board on these so that it can put into place infrastructure to manage these risks and plan to capture the opportunities;
- agree targets with the Board on ESG outputs and monitor performance;
- ensure communication of ESG strategy for the Company (including its investment processes) is articulated to shareholders and appropriate stakeholders; and
- engage with shareholders and appropriate stakeholders to understand their views on ESG risks and ensure alignment.

Given the importance of sustainable investment, including ESG, to Gresham House plc the Committee comprises all six Non-Executive Directors (including one alternate Director) with Rupert Robinson, Managing Director, and Rebecca Craddock-Taylor, Director, Sustainable Investment, as standing attendees. The Committee will meet at least twice a year, but will be meeting more regularly in the immediate term to better establish the Committee's understanding of the business' current approach and ongoing work. The first meeting of the Committee took place in August.

The Committee will draw on the existing and well-functioning internal Sustainability Executive Committee which has been focused most recently on the development of the Group's first Corporate Sustainability Strategy and developing processes to monitor ESG metrics. As a Committee we will be examining progress against the Group's corporate sustainability objectives. More detail about the Corporate Sustainability Strategy can be found on pages 24 to 29.

A key consideration for the Committee will be to focus on reporting and disclosures and on pages 30 to 33 earlier in this report we set out our roadmap in relation to the Task Force on Climate-related Financial Disclosures ("TCFD"). The Board agreed to move ahead with the Group's climate-related financial reporting before new legislation requires us to do so.

In this report next year we will provide a more comprehensive review including quantifiable metrics by which we are able to measure progress.

Gareth Davis
Chairman, Sustainability Committee
14 March 2022

Directors' report

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2021.

Results and dividends

The Group Statement of Comprehensive Income is set out on page 90 and shows the results for the year ended 31 December 2021.

The Directors recommend that the Company pay a final dividend for the year ended 31 December 2021 of 10.0 pence per share to be paid on 27 May 2022 (2020: 6.0 pence). The record date will be 12 May 2022 and the ex-dividend date will be 13 May 2022.

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 6 to 7 and the Chief Executive's Report on pages 8 to 13.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group are explained in the Risk Management section on pages 56 to 63.

Directors

The present Directors are listed on pages 64 to 65 together with brief biographical details. The Directors who served during the period under review were:

Name	Position
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
Sarah Ing	Alternate Director to Richard Chadwick, effective 15 September 2021

In accordance with the Company's Articles of Association, Tony Dalwood, Anthony Townsend and Gareth Davis will stand for re-election at the forthcoming Annual General Meeting of the Company. Richard Chadwick will retire following the conclusion of the Company's 2022 AGM.

The Board confirms that the performance of each of the Directors seeking re-election continues to be effective and demonstrates commitment to the role, and the Board believes that it is therefore in the best interests of shareholders that the Directors be re-elected.

Directors' indemnity

The Company has, as permitted by the Companies Act 2006 and the Company's Articles of Association, maintained a Directors' and officers' liability insurance policy on behalf of the Directors, indemnifying them in respect of certain liabilities which may be incurred by them in connection with the activities of the Company. This policy does not provide cover for fraudulent or dishonest actions by the Directors.

Share capital and voting rights

As at 1 January 2021 and 31 December 2021 there were 32,091,707 and 38,000,819 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:

1. participate in distributions of profits in proportion to the nominal capital paid up on the shares held;
2. 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;
3. 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
4. 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 ongoing programme of individual meetings with institutional shareholders and analysts following the preliminary and half-year results presentations. The Company also held its first Capital Markets Day in November 2021, providing greater insight to the divisions and activity of the business.

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 (20%) 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.

Substantial interests

As at 31 December 2021 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	12.3%
Liontrust Investment Partners LLP	3,691,090	9.7%
Franklin Templeton Fund Management	1,726,271	4.5%
Aviva Investors	1,567,777	4.1%
Amati Global Investors	1,550,000	4.1%
Fidelity International	1,456,628	3.8%
Canaccord Genuity Wealth Management	1,388,664	3.7%
Hargreaves Lansdown	1,342,620	3.5%
abrdn	1,309,598	3.5%
Richard Crosbie Dawson	1,299,081	3.4%
Directors	1,235,881	3.3%

As at 11 March 2022, being the latest practicable date prior to the publication of this Report, there has been no change reported to the Company in these figures.

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:

1. 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 to 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;
2. there exist no securities carrying special rights with regard to the control of the Company;
3. the provisions concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and the Companies Act 2006;
4. the Articles of Association of the Company may be changed by special resolution;
5. no agreements exist to which the Company is a party that may affect its control following a takeover bid; and
6. 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 pages 18 and 19, 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 UK 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:

1. select suitable accounting policies and then apply them consistently;
2. make judgements and accounting estimates that are reasonable and prudent;
3. state whether the financial statements have been prepared in accordance with IFRSs as adopted by the UK, subject to any material departures disclosed and explained in the financial statements; and
4. 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

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, stress tested 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.

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
14 March 2022

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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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 2021 which comprise the Group statement of comprehensive income, the Group and Parent Company statements of changes in equity, the Group and Parent Company statement of financial position, the Group and Parent 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 their preparation is applicable law and UK adopted international accounting standards 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 Directors' assessment of going concern, including detailed cash flow forecasts up to and including June 2023, which was presented and approved by the Board. Where applicable agreed information in the forecasts to third party documentation including signed agreements regarding banking facilities, signed commitments regarding future assets under management, investment purchase and sale agreements and agreements for deferred and contingent consideration.
- Challenging the Directors assumptions and judgements made with regards to their forecast. This included evaluation of growth rates applied to the different revenue streams, consideration of additional assets under management, consideration of the historical accuracy of management's forecasts, comparing the current forecasts against post year end actual results and committed transactions, and taking into consideration the Directors' commitment to their strategic objectives.
- The consideration of committed cost of new hires, other expenditure projections and the projected investment pipeline to determine if the Group and Parent Company has sufficient cash resources to support these planned cash flows.
- Challenged the Directors on the timing and amount of cash flows related to potential acquisitions and disposals in their pipeline to June 2023.
- Considered the available undrawn finance facilities and whether there are any likelihood of a breach of the covenants, with reference to the signed banking facility agreements.
- Stress tests of the Directors assessment and assessed any possible adverse effects of movements in revenue and an increase in expenditure to determine the sufficiency of available cash resources required to settle short-term liabilities as they fall due over the next 12 months.
- We have considered the inter-company debtors owed to the Parent Company for recoverability with reference to the liquidity position of the related party.
- Considered current cash and cash equivalents on hand with reference to post year end bank statements.

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 the 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

Coverage[1]	100% (2020: 98%) of Group profit before tax 94% (2020: 91%) of Group revenue 72% (2020: 68%) of Group total assets		
Key audit matters		**2021**	2020
	Revenue Recognition	**Yes**	Yes
	Acquisition Accounting	**Yes***	Yes
	* In the current year this is a key audit matter based on the acquisition of Gresham House Asset Management Ireland Ltd (previously Appian Asset Management Limited) and Mobeus Equity Partners' VCTs.		
Materiality	**Group financial statements as a whole** £630,000 (2020: £630,000) based on 3.9% (2020: 1.5%) of profit before tax (2020: Revenue)		

1 Coverage for Group Revenue and Group total assets is determined by including those accounts which have been included in our substantive audit testing approach.

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 nature and size of each component, geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The components identified to be significant were the Parent Company, Gresham House Asset Management Limited and Gresham House Holdings Limited. The significant components were subject to full scope audits. All work for the significant components was undertaken by the Group audit team ("BDO LLP"). For all other non-significant components the Group audit team performed a detailed analytical review of which all material balances identified were scoped in to perform specified audit procedures on, excluding Gresham House Asset Management Ireland Ltd, for which and analytical review and specified audit procedures were performed by the component auditor BDO Ireland.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole.

Our involvement with component auditors included the following:

- issue of detailed Group reporting instructions, which included the significant areas to be covered by their specified audit procedures, and set out the information required to be reported to the Group audit team;
- regular communication with the component auditors throughout the planning, execution and completion phases of the audit;
- members of the Group audit team virtually engaged in detailed discussions with the component auditors throughout the audit process; and
- review of their working papers with additional challenge and specific work requests to ensure alignment with conclusions drawn.

An overview of the scope of our audit *continued*

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 101 to 105, Note (r).	Gresham House plc manages numerous funds from which it collects performance and management fees. The inputs and calculations vary 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. 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. A fund which is actively managed by the Group is 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 where cash has not been received this applies to cases where the entity has satisfied all the performance obligations relating to the fee or revenue is recognised to the extent that it is highly likely that the performance conditions will be met. The recognition and calculation of revenue was identified as a key audit matter because it was identified as having significant risk and had a large effect on our audit strategy and allocation of resources in planning and completing our audit of the Group.	We recalculated all three performance fees and sampled management fee in accordance with the underlying asset management agreements; including tracing revenue raised/paid based on NAV to funds under management or commitments to the latest valuation reports, management accounts and/or signed financial statements. We verified a sample of revenue amounts recognised to invoice, underlying calculations from administrators and cash receipts from clients. For funds managed where a controls report was not obtained or where these funds were internally administered, we performed backtesting to signed financial statements, performed a benchmarking analysis on the movements of NAV or funds under management, confirming the accuracy and valuation of the inputs to the calculations. 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 supporting documentation. For a sample of fixed fee revenue streams we have agreed the amounts to the underlying contracts and ensured apportionment is done accurately. Where payment has been made by the client, we have agreed to cash receipts. **Key observations:** Based on our testing, we are satisfied that revenue has been recognised and measured in accordance with the accounting standards, based on the underlying agreements tested and the terms and conditions of all material revenue streams.

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 101 to 105, Note (r) and Note 5).	In July 2021 the Group announced the acquisition of Gresham House Asset Management Ireland ('GHAM Ireland')(formally Appian Asset Management Ltd). The total consideration for the acquisition of £23.5 million was funded through a combination of existing cash resources, deferred consideration and newly issued shares. In October 2021 the Group announced the acquisition of Mobeus Equity Partners VCT's ('Mobeus') trading assets and management contracts. The total consideration for the acquisition of £7 million was funded through a combination of existing cash resources, deferred 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. 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 deferred and 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 GHAM Ireland and Mobeus 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 accounted for appropriately. We have evaluated management's determination of the fair values of the assets and liabilities acquired, including the allocation of the purchase price. This included considerations regarding the correct identification of separate identifiable intangible assets and accurate recognition of goodwill. With the support of BDO valuation experts, we have ensured that the appropriate valuations method has been used (Excess Earnings for Contract Valuation & Relief from Royalty for Brand Valuation). We have challenged management's key assumptions made such as the useful economic lives, discount rates applied, contributory asset charges and the forecast future cash flows within the identified cash generating unit ('CGU'). We have obtained and reviewed management's assessment of total consideration at acquisition. In doing so, we ensured that the treatment of Consideration versus Remuneration applied by management agrees to guidance set out by IFRS 3. We also reviewed the treatment of any restricted shares given in consideration for the purchase of the business and reviewed if these have been correctly fair valued with the support of BDO valuation experts. 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 BDO 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:** Based on our testing, we are satisfied that the business combinations have been recognised and measured in accordance with the accounting standards, based on the underlying share purchase agreements tested, our work over the net asset value acquired, the consideration and the purchase price allocation supported by valuations.

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	
	2021 £mn	2020 £mn	2021 £mn	2020 £mn
Materiality	£630,000	£630,000	£120,000	£555,000
Basis for determining Materiality	Materiality was calculated using Revenue as a basis for materiality.	Materiality was calculated using revenue as a basis for materiality.	Materiality was calculated using Total Assets as a basis for materiality.	Materiality was calculated using Total Assets as a basis for materiality.
Rationale for the benchmark applied	Group materiality was determined using 5% of Profit before tax, the audit team had however capped this amount to the amount determined at the planning stage which is equal to 3.9% of Profit before tax. This was considered appropriate due to the change in benchmark applied in the current year*.	Group Materiality was capped at 1.8% of total revenue.	Parent Company materiality was capped at 19% of the Group Materiality due to its contribution to the materiality benchmark in the current year.	Parent Company Materiality was capped at 88% of the Group Materiality.
Performance Materiality	£441,000	£441,000	£84,000	£385,000
Basis for determining performance Materiality	We have set Performance Materiality at 70% taking into account the acquisition of the GHAM Ireland and Mobeus including our risk assessment and assessment of the Group's overall control environment and history of misstatements.	In the prior year, 70% of Overall Materiality was used to calculate Performance Materiality. This took 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.	We have capped Performance Materiality at 70% to be in line with the calculation of Group Materiality.	In the prior year, 70% of Overall Materiality was used to calculate Performance Materiality. This was in line with the calculation of Group Materiality.

* The benchmark used in the current year has changed to profit before tax on the basis that the Group is maturing with more stability in profit and in consideration of what stakeholders would focus on when looking at this type of business.

Our application of materiality *continued*

Component materiality

We set materiality for each component of the Group based on a percentage of between 19% to 98% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £120,000 to £620,000. 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 (2020: £12,600). 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 Audited Financial Statements 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 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 the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 Parent Company, and the industry in which it operates and considered the risk of acts by the Group and Parent Company which would be contrary to applicable laws and regulations, including fraud.

These included but were not limited to compliance with the Companies Act 2006, Accounting standards, AIM Rules, Corporation Tax Act 2010 and the Financial Conduct Authority (FCA) regulations.

We assessed compliance with applicable laws and regulations and performed audit procedures on these areas as considered necessary. Our procedures involved:

- enquiry with the management and the Audit Committee regarding how the Group and Parent Company is complying with those legal and regulatory frameworks and whether there were any known instances of non-compliance, or any actual, suspected or alleged fraud;
- review of the reporting to the Directors with respect to compliance with laws and regulations;
- review of board and audit committee meeting minutes;
- review of legal correspondence and those from the FCA; and
- we have also incorporated unpredictability procedures as part of our response to the risk of management override.

We assessed the risk of susceptibility of the Group and Parent Company's financial statements to material misstatement, including how fraud might occur and determined the principle risks related to revenue recognition and business combinations.

We considered the Group and Parent Company's control environment that has been established to prevent, detect and deter fraud, in particular in relation to the appropriateness of revenue recognition and acquisition accounting.

In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments in the general ledger and evaluated the business rationale of any significant transactions that were unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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
14 March 2022

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	2021 £'000	2020 £'000
Income			
Asset management income		**62,162**	40,304
Dividend and interest income		**590**	554
Other operating income		**1,448**	1,078
Performance fees and carried interest		**6,163**	–
Total income	1	**70,363**	41,936
Operating costs		**(63,331)**	(43,827)
Administrative overheads	3	**(60,116)**	(42,052)
Exceptional items	6	**(3,215)**	(1,775)
Net operating profit/(loss)		**7,032**	(116)
Finance costs	7	**(311)**	(25)
Net operating profit/(loss) after finance costs		**6,721**	(1,916)
Gains and losses on investments and fair value movements			
Share of associates' profits	18	**4,955**	158
Profit on disposal of associate		**461**	–
Gains and losses on investments held at fair value	12	**5,842**	4,599
Movement in fair value of contingent consideration		**(1,659)**	(1,163)
Movement in value of deferred receivable		**–**	224
Operating profit before taxation		**16,320**	1,902
Taxation	9	**(4,107)**	(1,084)
Operating profit from continuing operations		**12,213**	818
Loss from discontinued operations		**(14)**	(12)
Profit for the year		**12,199**	806
Foreign exchange losses on translation of a foreign subsidiary		**(158)**	–
Profit and total comprehensive income		**12,041**	806
Attributable to:			
Equity holders of the parent		**11,777**	577
Non-controlling interest		**264**	229
		12,041	806
Basic profit per ordinary share (pence)	10	**34.8**	1.9
Diluted profit per ordinary share (pence)	10	**32.7**	1.8
Basic adjusted profit per ordinary share (pence)	10	**52.6**	34.5
Diluted adjusted profit per ordinary share (pence)	10	**49.4**	32.9

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER

Group

2021

	Notes	Ordinary share capital £'000	Share premium £'000	Merger reserve £'000	Treasury shares £'000	Retained reserves £'000	Foreign exchange reserve £'000	**Equity attributable to equity shareholders of the Parent Company £'000**	Non-controlling interest £'000	**Total equity £'000**
Balance at 31 December 2020		8,023	60,061	19,981	—	8,402	—	**96,467**	811	**97,278**
Profit and total comprehensive income for the year		—	—	—	—	11,935	(158)	**11,777**	264	**12,041**
Contributions by and distributions to owners										
Share-based payments	29	—	—	—	—	(5,424)		**(5,424)**	—	**(5,424)**
Issue of shares	27	1,477	39,267	4,830	(51)	—	—	**45,523**	—	**45,523**
Cancellation of share premium		—	(60,000)	—	—	60,000	—	**—**	—	**—**
Dividends paid	11	—	—	—	—	(1,881)	—	**(1,881)**	—	**(1,881)**
Total contributions by and distributions to owners		1,477	(20,733)	4,830	(51)	52,695	—	**38,218**	—	**38,218**
Balance at 31 December 2021		9,500	39,328	24,811	(51)	73,032	(158)	**146,462**	1,075	**147,537**

Group

2020

	Notes	Ordinary share capital £'000	Share premium (restated) £'000	Merger reserve (restated) £'000	Retained reserves £'000	Equity attributable to equity shareholders of the Parent Company £'000	Non-controlling interest £'000	Total equity £'000
Balance at 31 December 2019		6,956	52,594	16,648	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	7,429	3,333	—	11,827	—	11,827
Dividends paid	11	—	—	—	(1,351)	(1,351)	—	(1,351)
Total contributions by and distributions to owners		1,067	7,467	3,333	(6,214)	5,653	—	5,653
Balance at 31 December 2020		8,023	60,061	19,981	8,402	96,467	811	97,278

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER

Company

2021

	Notes	Ordinary share capital £'000	Share premium £'000	Merger reserve £'000	Retained reserves £'000	**Total equity £'000**
Balance at 31 December 2020		8,023	60,061	19,981	9,257	**97,322**
Loss and total comprehensive income for the year		–	–	–	(1,695)	**(1,695)**
Contributions by and distributions to owners						
Share-based payments		–	–	–	(4,977)	**(4,977)**
Issue of shares	27	1,477	39,267	4,830	–	**45,574**
Cancellation of share premium		–	(60,000)	–	60,000	**–**
Dividends paid	11	–	–	–	(1,881)	**(1,881)**
Total contributions by and distributions to owners		1,477	(20,733)	4,830	53,142	**38,716**
Balance at 31 December 2021		9,500	39,328	24,811	60,704	**134,343**

Company

2020

	Notes	Ordinary share capital £'000	Share premium (restated) £'000	Merger reserve (restated) £'000	Share warrant reserve £'000	Retained reserves £'000	Total equity £'000
Balance at 31 December 2019		6,956	52,594	16,648	–	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	7,467	3,333	–	–	11,867
Dividends paid	11	–	–	–	–	(1,351)	(1,351)
Total contributions by and distributions to owners		1,067	7,467	3,333	–	(1,351)	10,516
Balance at 31 December 2020		8,023	60,061	19,981	–	9,257	97,322

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER

	Notes	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Assets					
Non-current assets					
Investments	12	**13,560**	9,086	**8,308**	5,342
Property, plant and equipment	13	**2,927**	1,090	**1,912**	564
Investment in subsidiaries	17	**–**	–	**80,148**	79,872
Investment in associates	18	**11,955**	9,142	**–**	65
Intangible assets	14	**95,012**	59,970	**1,100**	749
Long-term receivables	15	**492**	–	**492**	–
Deferred tax	24	**2,197**	1,051	**92**	153
		126,143	80,339	**92,052**	86,745
Current assets					
Trade receivables	19	**11,135**	3,184	**–**	–
Accrued income and prepaid expenses	20	**21,705**	13,783	**1,157**	760
Other current assets	21	**3,537**	551	**20,047**	6,885
Cash and cash equivalents		**40,252**	21,886	**23,800**	7,826
Non-current assets held for sale					
Assets of a disposal group held for sale	16	**17,545**	7,363	**–**	–
Total current assets and non-current assets held for sale		**94,174**	46,767	**45,004**	15,471
Total assets		**220,317**	127,106	**137,056**	102,216
Current liabilities					
Trade and other payables	22	**42,721**	18,780	**519**	243
Short-term borrowings	23	**–**	–	**1,136**	4,651
Liabilities of a disposal group classified as held for sale					
Liabilities of a disposal group classified as held for sale	16	**7,499**	2,072	**–**	–
Total liabilities and liabilities of a disposal classified as group held for sale		**50,220**	20,852	**1,655**	4,894
Total assets less current liabilities		**170,097**	106,254	**135,401**	97,322
Non-current liabilities					
Deferred taxation	24	**10,597**	3,227	**–**	–
Long-term borrowings	25	**–**	–	**–**	–
Other creditors	26	**11,963**	5,749	**1,058**	–
		22,560	8,976	**1,058**	–
Net assets		**147,537**	97,278	**134,343**	97,322
Capital and reserves					
Ordinary share capital	27	**9,500**	8,023	**9,500**	8,023
Share premium	30	**39,328**	60,061	**39,328**	60,061
Merger reserve	30	**24,811**	19,981	**24,811**	19,981
Treasury shares	30	**(51)**	–	**–**	–
Retained reserves	30	**73,032**	8,402	**60,704**	9,257
Foreign exchange reserve	30	**(158)**	–	**–**	–
Equity attributable to equity shareholders of the Parent Company		**146,462**	96,467	**134,343**	97,322
Non-controlling interest	30	**1,075**	811	**–**	–
Total equity		**147,537**	97,278	**134,343**	97,322
Basic net asset value per ordinary share (pence)	31	**387.5**	300.6	**353.5**	303.6
Diluted net asset value per ordinary share (pence)	31	**366.6**	287.4	**334.6**	290.3

The loss after tax for the Company for the year ended 31 December 2021 was £1,695,000. The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 14 March 2022.

Kevin Acton
Chief Financial Officer

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2021 £'000	2020 £'000
Cash flow from operating activities			
Net cash generated from operations	32	**21,130**	17,592
Corporation tax paid		**(968)**	(1,856)
Interest paid on loans		**(187)**	(25)
Net cash flow from operating activities		**19,975**	15,711
Cash flow from investing activities			
Acquisition of Appian Asset Management Limited		**(841)**	–
Acquisition of Mobeus VCT business		**514**	–
Acquisition of TradeRisks Limited		**–**	(8,045)
Deferred consideration paid		**(1,409)**	(9,842)
Investment in associates		**(1,165)**	–
Sale of associates		**3,296**	–
Dividends received from associates		**383**	186
Purchase of investments		**(5,409)**	(1,007)
Sale of investments		**4,287**	3,032
Investment in DevCo Projects		**(12,349)**	(1,271)
DevCo loans repaid		**551**	1,096
Proceeds received on sale of DevCo Projects		**3,551**	4,581
Purchase of fixed assets		**(327)**	(152)
Sale of fixed assets		**6**	–
Purchase of intangible assets		**(724)**	(584)
Total cash flow from investing activities		**(9,636)**	(12,006)
Cash flow from financing activities			
Receipt of loans		**10,000**	–
Repayment of loans		**(10,000)**	–
Share issue proceeds		**22,000**	8,010
Share issue costs		**(1,513)**	(347)
Share warrants exercised		**–**	182
Share-based payments settled		**(9,734)**	(7,125)
Dividends paid		**(1,881)**	(1,351)
Capital element of lease payments		**(845)**	(620)
Total cash flow from financing activities		**8,027**	(1,251)
Increase in cash and cash equivalents		**18,366**	2,454
Cash and cash equivalents at start of year		**21,886**	19,432
Cash and cash equivalents at end of year		**40,252**	21,886

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

	Notes	**2021 £'000**	2020 £'000
Cash flow from operating activities			
Net cash generated from operations	32	**(1,911)**	(1,180)
Interest paid on loans		**(142)**	(8)
Net cash flow from operating activities		**(2,053)**	(1,188)
Cash flow from investing activities			
Purchase of investments		**(5,203)**	(930)
Sale of investments		**3,284**	3,032
DevCo loans repaid		**551**	1,096
Investment in DevCo Projects		**(3,537)**	–
Sale of associates		**65**	–
Purchase of fixed assets		**(371)**	(152)
Sale of fixed assets		**6**	–
Purchase of intangible assets		**(725)**	(593)
Total cash flow from investing activities		**(5,930)**	2,453
Cash flow from financing activities			
Receipt of loans		**10,000**	–
Repayment of loans		**(10,000)**	–
Net repayments from/(advances to) Group undertakings		**11,208**	(1,387)
Share issue proceeds		**22,000**	8,010
Share issue costs		**(1,513)**	(347)
Share warrants exercised		–	182
Share-based payments settled		**(5,253)**	–
Dividends paid		**(1,881)**	(1,351)
Capital element of lease payments		**(604)**	(486)
Total cash flow from financing activities		**23,957**	4,621
Increase in cash and cash equivalents		**15,974**	5,886
Cash and cash equivalents at start of year		**7,826**	1,940
Cash and cash equivalents at end of year		**23,800**	7,826

PRINCIPAL ACCOUNTING POLICIES

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 United Kingdom adopted 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 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 2021 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. Downside scenario stress tests included a material reduction in revenues from reducing net asset values of the funds managed by the Group as well as reviews of variable costs and discretionary investment. Whilst Brexit and COVID-19 have impacted the environment in which the Group operates they have not had a material impact on the Group's resources. The downside scenarios also reviewed the revolving credit facility covenants, which were not breached as the revolving credit facility was undrawn at the year end. 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. At the Company level investments in subsidiaries are carried at cost less impairment.

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 associates 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 30, the loss for the year being £1,695,000 (2020: £1,771,000).

(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 Real Estate, 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.

Catch-up management fees or equalisation fees are calculated as the management fee payable from the date of commitment to the fund as if an investor had joined the fund at inception of the fund and are typically calculated on the investor's commitments to the limited partnership at the appropriate management fee or priority profit share.

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. Performance fees are payable when a certain hurdle rate has been achieved on a specific date, typically an NAV amount on the year end reporting date of the specific fund. The potential for the NAV to decrease from a reporting period end to the measurement date means that the performance fee 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.

Fundraising fees are earned by the Group for providing fund raising services, typically to the VCTs. This includes promoting the fund raise, legal documentation and other administrative tasks of executing the fund raise. Fundraising fees are typically paid on a percentage of the funds raised, i.e. equity invested into the fund.

The costs associated with fund raising, distribution and rebates to investors as part of a fund raising are recognised as they are incurred or over the service period provided and are presented as part of the net core income disclosure. These costs are incurred with the Group acting as principal.

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 and by using the effective interest rate method.

(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. This includes non-core operating income which relates to income earned from property services, which are not considered core asset management services to the Group.

(f) Expenses

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

(g) Property, plan and equipment

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

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

The depreciable amount of all property, plant and equipment 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.

(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 or 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.

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.

(j) Investments *continued*

(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.

(iv) Brands

Brands 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 brand can be measured reliably.

They are recorded initially at fair value and then amortised 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 brands at the date of acquisition. The brands 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 of five 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.

(l) Intangible assets *continued*

(iv) Brands *continued*

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.

(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.

(m) Financial instruments *continued*

(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, revenues or fund raising targets 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

The Group operates defined contribution pension schemes where payments to such 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 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.

(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 fund-raising fees

(ii) treatment of battery storage development companies

(ii) accounting for investment in associates – Gresham House Strategic plc (GHS) – now known as Rockwood Realisation plc

(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) Mobeus VCT business acquisition – valuation of management contracts and brand

(viii) Appian Asset Management Limited acquisition – valuation of management contracts

(r) Critical accounting estimates and judgements *continued*

(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. As a result there is limited uncertainty in the amount of revenue to be recognised.

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 judgement relates to the assessment of service period, which represents past service provision for management fees as if the new Limited Partner joined at inception.

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 as set out in the management or advisory agreements and the outcome is known as it is based on the audited NAV of the fund. Performance fees were recognised and paid by GHS plc and Baronsmead VCT 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 2021 by the VCTs managed by the Group. Judgement is applied at the end of the period, should the issuance date for new investors fall after the period end. The commitments received by the receiving agent are used to estimate the amount of funds raise and consequently the amount of fund raising fee to be recognised at the period end. This is confirmed post period through the share allotment process run by the registrar of the VCTs.

(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 60-100% 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) was accounted for as an associate in the prior year as Devco Limited held only 24% of the equity and was 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 property plant and equipment.

d) Assets held for sale (IFRS 5) and loss of control – the sale of the DevCo Projects (Byers Brae and Enderby) 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 of Comprehensive Income. It is expected that the sale process will complete within a 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 2021.

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

The Board remains satisfied that the Group did not exercise control over GHS, based on the Group's stake and the fact that the management contract with GHS was terminated by the Board of GHS on 11 October 2021, thereby reducing any influence GHAM has over GHS.

Nonetheless, the Board has concluded that the Group does exercise significant influence over GHS due to its 23% equity stake. 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

On 8 June 2018, the Group acquired a 28% investment in Noriker, the battery storage developer, which was fully sold in December 2021. The Group has treated this as the disposal of an associate in the year.

GHS is included in the table in the consolidation assessment below for completeness.

(r) Critical accounting estimates and judgements *continued*

(iii) Accounting for investment in associates – Gresham House Strategic plc (GHS), Environment Bank Limited (EBL) and Noriker Power Limited (Noriker) *continued*

EBL

On 7 May 2021, the Group acquired a 50% investment in Environment Bank Limited (EBL), the habitat bank development company. The Group has also entered into an option agreement with Gresham House BSI Infrastructure LP and Gresham House British Sustainable Infrastructure Fund II LP (BSIF funds) for the BSIF funds to acquire 25% from the Group. The Group does not have the ability to control the board of EBL through majority voting rights or the ability to appoint or remove the majority of the board of directors. The Director's assessment is that the Group can exercise significant influence over EBL and has treated it as an associate.

(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
Rockwood Realisation (formerly GHS)	No	Substantive	n/a	23%	Agent	Associate
EBL	No	n/a	n/a	50%	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%	Agent	No consolidation
Residential Secured Income plc	Yes	Substantive	Market norm	<1%	Agent	No consolidation
BSIF LP	Yes	Substantive	Market norm	<1%	Agent	No consolidation
BSIF II LP	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
Mobeus 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.

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 2021 the Group held less than 1% in ReSI plc. The Directors' assessment indicates that GHAM is acting as agent for ReSI plc and therefore should not consolidate ReSI plc.

(r) Critical accounting estimates and judgements *continued*

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

Gresham House Energy Storage Fund plc (GRID) is managed by GHAM and the Company sold its direct investment in GRID in 2021. 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 5% 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.

Gresham House British Strategic Investment Fund (BSIF Strategy), which comprises 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.

BSIF II LP has the same assessment as BSIF LP, with the manager acting as agent and therefore should not consolidate BSIF II LP.

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.

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

The remaining funds of the Baronsmead VCTs, Mobeus 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 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. The cash generating units are defined as the collection of management contracts generating revenues which have a clearly allocated cost base and relate to the businesses that have been acquired by the Group. The cash generating units are the businesses formerly known as Aitrchesse, Hazel Capital, FIM, Livingbridge VCT business, Mobeus VCT business, TradeRisks and Appian Asset Management. 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 2021 (2020: No impairment).

(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 2021 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, TradeRisks, Mobeus VCT and Appian businesses has been estimated with reference to the contractual requirements as at 31 December 2021.

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 revenues delivered over the period are in excess of the £37.2 million and therefore the maximum payout of £2.5 million will be made in March 2022.

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

(r) Critical accounting estimates and judgements *continued*

(vi) Valuation of contingent consideration *continued*

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.

The Mobeus VCT business contingent consideration is based on the Mobeus VCTs maintaining the VCT investment advisory agreements with Gresham House over the three years post acquisition (maximum £8.9 million payable as deferred consideration) and achieving certain AUM growth targets over the three year period (maximum £0.8 million). The contingent consideration for maintaining the VCT contracts has been considered a reasonable likelihood and this amount has therefore been discounted for the time value of money. The contingent consideration for achieving the AUM targets has been probability weighted and discounted using the appropriate WACC.

The Appian deferred consideration is driven by applying a multiple of 1.4x to the probability weighted earnings to be delivered in the year to 30 June 2023 and 30 June 2024. This outcome could range from zero deferred consideration up to the estimated €6.4 million.

(vii) Mobeus VCT business acquisition – valuation of management contracts and brand

The acquisition of the Mobeus VCT business in October 2021 is classified as a business combination under IFRS 3, Business Combinations. The acquisition involved the novation of the investment advisory agreements for the four Mobeus VCTs and a brand licence agreement and the transfer in of the team into the Group.

The investment advisory agreements for the four VCTs are therefore required to be fair valued at acquisition. This has been valued using a discounted cash flow model, with assumptions regarding length of contracts of 7.7 years, appropriate costs and appropriate discount rate applied. Contributory asset charges have also been applied to determine the fair value of the management contract. Deferred tax liabilities have also been recognised to reflect the temporary timing differences as the management contracts are amortised over their useful lives.

The brand licence agreement allows the Group to use the Mobeus brand name on the VCTs for up to four years from acquisition. This has been fair valued using the royalty relief method and will be amortised over the four year period.

(viii) Appian Asset Management Limited business acquisition – valuation of management contracts

The acquisition of Appian Asset Management Limited in June 2021 is classified as a business combination under IFRS 3, Business Combinations. The acquisition involved the purchase of 100% of the share capital of Appian Asset Management Limited, which includes the management contracts of a number of funds.

The management agreements are therefore required to be fair valued at acquisition. 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. Deferred tax liabilities have also been recognised to reflect the temporary timing differences as the management contracts are amortised over their useful lives.

(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.

Exchange gains and losses arising on the retranslation of monetary financial assets are treated as a separate component of the change in fair value and recognised in profit or loss. Exchange gains and losses on non-monetary OCI financial assets form part of the overall gain or loss in OCI recognised in respect of that financial instrument.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

(t) Treasury shares

Consideration paid/received for the purchase/sale of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve (the "treasury share reserve"). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to retained earnings.

(u) Gresham House Employee Benefit Trust (GH EBT)

As the Company is deemed to have control of the GH EBT, it is treated as a subsidiary and consolidated for the purposes of the Consolidated Financial Statements. The GH EBT's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the Consolidated Financial Statements. The GH EBT's investment in the Company's shares is deducted from equity in the consolidated statement of financial position as if they were treasury shares.

1 Income

	2021 £'000	2020 £'000
Asset management income		
Asset management income	**62,162**	40,304
	62,162	40,304
Dividend and interest income		
Dividend income – Listed UK	**173**	316
Interest receivable: Banks	**8**	69
Other	**409**	169
	590	554
Other operating income		
Other income	**15**	51
DevCo income**	**293**	1,027
Non-core operating income*	**1,140**	–
	1,448	1,078
Performance fees		
Performance fees	**6,163**	–
	6,163	–
Total income	**70,363**	41,936
Total income comprises		
Asset management income	**62,162**	40,304
Dividends	**173**	316
Interest	**417**	238
Other operating income*	**308**	1,078
Non-core operating income*	**1,140**	–
Performance fees	**6,163**	–
	70,363	41,936

* Non-core operating income relates to income earned from Residential Property Management Limited for property services, which are not considered core asset management services to the Group.

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

Gross core revenue as disclosed in the adjusted operating profit metric:

	2021 £'000	2020 £'000
Asset management income	**62,162**	40,304
Dividend and interest income	**590**	554
Other operating income	**308**	1,078
Dividend income from associates	**285**	202
Gross core revenue	**63,345**	42,138

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 & Sustainable Infrastructure and Real Estate 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 2021

	Real Assets £'000	Strategic Equity £'000	Central £'000	Consolidated £'000
Gross core income				
Asset management income	38,947	23,215	–	62,162
Interest income	406	7	4	417
Dividend income	146	27	–	173
Other operating income	293	–	15	308
Dividend income from associates*	160	125	–	285
Rebates, distribution costs and fundraising costs	(142)	(1,594)	–	(1,736)
Net core income	39,810	21,780	19	61,609
Segment expenses	(17,562)	(5,644)	(17,922)	(41,128)
Finance costs	–	–	(311)	(311)
Adjusted operating profit/(loss)	22,248	16,136	(18,214)	20,170
Net performance fees	–	1,714	–	1,714
Net DevCo gains	1,773	–	–	1,773
Net non-core activities	38	–	–	38
Adjusted operating profit including performance fees and realised gains on investments	24,059	17,850	(18,214)	23,695
Exceptional items				(3,215)
Depreciation and amortisation				(9,475)
Loss on disposal of property, plant and equipment				–
Share of associates profit/(loss)*				4,670
Profit on disposal of associate				461
Share-based payments relating to acquisitions				(615)
Acquisition related remuneration				(452)
Profits on investments at fair value				2,910
Movement in fair value of contingent consideration				(1,659)
Profit from continuing operations				16,320

* Share of associates profit of £4,670,000 excludes dividend income received in the year of £285,000.

2 Segmental reporting *continued*

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 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 property, plant and equipment				(27)
Share of associates 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 associates profit/(loss) of £44,000 excludes dividend income received in the year of £202,000.

During the year the Group had no customers accounting for more than 10% of the Group's revenue (2020: one customer, totalling £4,631,000).

Other information:
31 December 2021

	Real Assets £'000	**Strategic Equity £'000**	**Central £'000**	**Consolidated £'000**
Segment assets	**75.856**	**78,460**	**66,001**	**220,317**
Segment liabilities	**(20,909)**	**(22,613)**	**(29,258)**	**(72,780)**
	54.947	**55,847**	**36,743**	**147.537**
Capital expenditure	**1**	**54**	**2,985**	**3,040**
Depreciation and amortisation	**2,828**	**5,549**	**1,098**	**9,475**
Non-cash expenses other than depreciation	**–**	**–**	**3,788**	**3,788**
Goodwill included within segment assets	**17,552**	**31,244**	**–**	**48,794**

2 Segmental reporting *continued*

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

3 Operating costs

Administrative overheads comprise the following:

	2021			2020
	Core activities £'000	**Non-core activities £'000**	**Total £'000**	Total £'000
Directors' emoluments (excluding benefits in kind and share-based payments)	**2,982**	**–**	**2,982**	1,898
Auditor's remuneration *	**360**	**–**	**360**	246
Amortisation	**8,516**	**–**	**8,516**	8,033
Depreciation	**950**	**9**	**959**	871
Loss on disposal of assets	**–**	**–**	**–**	27
Wages and salaries	**26,713**	**644**	**27,357**	17,402
Social security costs	**4,757**	**60**	**4,817**	3,575
Share-based payments	**3,788**	**–**	**3,788**	2,266
Other operating costs	**10,939**	**398**	**11,337**	7,734
	59,005	**1,111**	**60,116**	42,052
Staff costs (including Directors' emoluments) were:				
Wages, salaries and fees	**29,631**	**644**	**30,275**	19,237
Social security costs	**4,757**	**60**	**4,817**	3,575
Pension costs	**1,008**	**30**	**1,038**	716
	35,396	**734**	**36,130**	23,528

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

	2021 £'000	2020 £'000
Audit fees – Company and consolidated financial statements	**40**	40
Audit fees – audit of the Company's subsidiaries	**298**	186
Non audit services - CASS reporting to the FCA	**22**	20
	360	246

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 173 (2020: 113), including 22 employees relating to non-core activities (2020: nil). The Company has no employees.

4 Directors' emoluments

The audited emoluments of the Directors are disclosed in the Remuneration Report on pages 73 to 78.

The Directors are considered to be the Group's only key management personnel. Employer's National Insurance contributions in respect of the Directors for the year were £505,000 (2020: £270,000).

5 Business combinations

a) Appian Asset Management Limited

On 29 June 2021 the Group acquired 100% of the issued share capital of Appian Asset Management Limited (Appian), a company registered in Ireland. Appian is an active asset manager with around €350 million in Assets Under Management (AUM) as at 31 December 2020. The acquisition enhances the Group's capabilities to develop existing strategies in Ireland and Europe, particularly those with a sustainability focus including Forestry, Sustainable Infrastructure, and Real Estate. Appian was subsequently renamed Gresham House Asset Management Ireland Limited.

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

	Net book value £'000	Adjustments £'000	Fair value £'000
Property, plant and equipment	54	441	495
Cash	2,305	–	2,305
Trade and other receivables	604	–	604
Trade and other payables	(1,464)	(690)	(2,154)
Management contracts	–	2,231	2,231
Deferred tax liability	–	(511)	(511)
Goodwill	–	4,044	4,044
Total identifiable net assets	1,499	5,515	7,014

The adjustments relate to the recognition of management contracts and associated deferred tax, goodwill and the IFRS 16 lease asset and liability.

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

	£'000
Cash	3,146
Shares – 104,168 shares in Gresham House plc valued at 940p per share on 29 June 2021	979
Total initial consideration	4,125
Contingent consideration	2,889
Total consideration	7,014

The consideration shares were admitted to trading on AIM on 5 July 2021.

Contingent consideration

Contingent consideration with an expected fair value of €4.6 million will be payable in cash to the sellers based on the following:

- 1.4 times year two earnings, payable in two years. The expected fair value at acquisition was £1.1 million;
- 1.4 times year three earnings, payable in three years. The expected fair value at acquisition was £1.4 million; and
- up to €0.75 million payable in three years based on certain AUM and earnings targets. The expected fair value at acquisition was £0.4 million

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 13.0%. Up to 50% of the contingent consideration may be settled in Gresham House plc shares at the Company's discretion. As such this will 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 £2.9 million. The potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangement is between €nil and €6.4 million.

5 Business combinations *continued*

Revenue and profits of Appian

The actual revenues and profits that have been generated since the acquisition of Appian on 29 June 2021 to 31 December 2021 were:

	£'000
Revenue	1,988
Profit before tax	190

Prior to acquisition by the Group, Appian had a 31 December year end. The results for the most recent audited reporting period prior to acquisition were to 31 December 2020. Had Appian been part of the Group for the entire reporting period the following sums would have been consolidated:

	£'000
Revenue	3,403
Profit before tax	284

Goodwill

Goodwill arises due to the excess of the fair value of the consideration payable over the fair value of the net assets acquired. It is mainly attributable to the skills of the team acquired, the synergies expected to be achieved from the acquisition and the business development potential. Goodwill arising on the Appian 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 13.0%.

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

b) Mobeus VCT business

On 1 October 2021 the Company acquired the VCT business of Mobeus Equity Partners LLP (Mobeus), a UK-based investment firm managing assets across two distinct client groups, one of which is the VCT business acquired by the Company. The acquisition of Mobeus included the novation and acquisition of investment advisory contracts for Mobeus Income & Growth VCT plc, Mobeus Income & Growth 2 VCT plc, Mobeus Income & Growth 4 VCT plc and The Income & Growth VCT plc (together, the "Mobeus VCTs"), with a combined AUM of £369 million as at March 2021, and the hiring of the Mobeus VCT team. The acquisition of Mobeus was to build out the Group's existing VCT business.

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

	Fair value £'000
Management contracts	21,115
Brand	456
Goodwill	15,118
Liabilities assumed	(514)
Deferred tax liability	(5,031)
Total identifiable net assets	31,144

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

	£'000
Vendor placing shares – 2,197,802 shares in Gresham House plc valued at 907.0p per share on 1 October 2021	19,934
Consideration shares – 439,560 shares in Gresham House plc valued at 907.0p per share on 1 October 2021	3,986
Excess cash and net working capital	(514)
Total initial consideration	23,406
Contingent consideration	7,738
Total consideration	31,144

The vendor placing and consideration shares were admitted to trading on AIM on 1 October 2021.

5 Business combinations *continued*

Contingent consideration

Contingent consideration with an expected fair value of £7.7 million will be payable in cash to the sellers over a three-year period conditional on contract retention and fundraising and AUM targets.

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 12.0%. As such this will be recognised as a liability on the balance sheet and the fair value assessed each reporting period.

The potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangement is between £nil and £12.1 million.

Goodwill

Goodwill arises due to the excess of the fair value of the consideration payable over the fair value of the net assets acquired. It is mainly attributable to the skills of the team acquired, the synergies expected to be achieved from the acquisition and the business development potential.

None of the goodwill is expected to be deductible for income tax purposes.

Actual revenue and profits of Mobeus

The actual revenues and profits that have been generated since the acquisition of Mobeus on 1 October 2021 to 31 December 2021 were:

	£'000
Revenue	2,588
Profit before tax	1,917

The disclosure of hypothetical revenues and profits of Mobeus for the year ended 31 December 2021 is not considered relevant due to the nature of the transaction. The entire Mobeus business was not acquired and there will be revenues and expenses not relevant to the business acquired.

Fair value

The fair value of the management contracts has been estimated using a discounted cash flow model. The estimated cash flows have been valued at a discount of 12.0%. This resulted in fair value of management contracts totalling £21,115,000 being recognised at acquisition. The fair value of the brand has been estimated using a relief from royalty approach which resulted in a value of £456,000 being recognised at acquisition.

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

c) 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 is as follows:

	Net book value £'000	Adjustments £'000	Fair value £'000
Investments	463	–	463
Property, plant and equipment	180	346	526
Intangible 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

5 Business combinations *continued*

c) TradeRisks Limited *continued*

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; and
- £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 settled during the current year.

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.

Revenue and profits of TradeRisks

TradeRisks was acquired on 5 March 2020. The Group 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 delayed a number of debt advisory transactions which have since completed 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 has 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. The net book value of the management contracts and customer relationships has been reviewed for impairment and no impairment has been recognised as at 31 December 2021.

6 Exceptional items

	2021 £'000	2020 £'000
Acquisition costs		
TradeRisks Limited	**19**	868
Appian Asset Management Limited	**187**	328
Mobeus	**1,141**	–
Joint Venture costs	**4**	219
Other	**79**	30
	1,430	1,445
Restructuring costs	**633**	330
DevCo acquisition and disposal costs	**1,152**	–
	3,215	1,775

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

	2021 £'000	2020 £'000
Interest payable on bank loans	**148**	–
Finance fees	**96**	–
Interest payable on leases	**67**	25
	311	25

See Note 25 for details of borrowings.

8 IFRS 16 Leases

IFRS 16 Leases relates to leases for use of office space at various locations. 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 is 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%, which refers to the interest charge on the Group's revolving credit facility.

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.

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.

	2021 £'000	2020 £'000
ROU asset cost	**3,526**	2,221
ROU asset accumulated depreciation	**(1,220)**	(1,623)
Retained reserves *	**(6)**	(6)
Depreciation expense	**713**	666

* 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.

8 IFRS 16 leases *continued*

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

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Balance as at 1 January	**641**	445	**211**	243
IFRS 16 restatement	**689**	346	**–**	–
Additions	**1,970**	470	**1,734**	446
Cash payments	**(912)**	(645)	**(625)**	(486)
Foreign exchange movements	**(14)**	–	**–**	–
Interest expense	**67**	25	**21**	8
As at 31 December	**2,441**	641	**1,341**	211

Please see Note 33 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 2021 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 across all seven leases 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. No rent concessions were applied and all lease payments are considered fixed per the lease agreement.

9 Taxation

	2021 £'000	2020 £'000
(a) Analysis of credit in period:		
UK Corporation tax at 19% (2020: 19%)	**2,883**	1,778
Over provision in prior year	**(520)**	(237)
Deferred tax	**1,744**	(457)
Total tax charge	**4,107**	1,084
(b) Factors affecting tax charge for period:		
Profit/(loss) on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	**3,101**	361
Tax effect of:		
Dividend income not taxable	**–**	(73)
Amortisation not taxable	**261**	617
Disallowable expenses/non-taxable income	**(2,468)**	(913)
Recognition on previously unrecognised deferred tax liabilities	**2,071**	–
Utilisation of previously unrecognised tax losses	**(449)**	(11)
Over provision in prior year	**(520)**	(237)
Deferred tax not recognised	**–**	(689)
Effect of tax rate change on opening balances	**2,328**	2,029
Remeasurement of deferred tax	**(217)**	–
Actual tax charge	**4,107**	1,084

9 Taxation *continued*

The Group has unutilised tax losses of approximately £10.2 million (2020: £10.2 million) available against future corporation tax liabilities. A potential deferred taxation asset of £2.6 million (2020: £1.6 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 £0.1 million (2020: £0.2 million) in the current year. No material uncertain tax positions exist as at 31 December 2021. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different from 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 per share

	2021	2020
Total net profit attributable to equity holders of the parent (£'000)	**11,777**	577
Weighted average number of shares in issue during the period	**34,083,582**	30,479,015
Number of shares held by the Gresham House Employee Benefit Trust	**(204,007)**	–
	33,879,575	30,479,015
Basic profit per share attributable to equity holders of the parent (pence)	**34.8**	1.9
Diluted profit per share attributable to equity holders of the parent (pence)	**32.7**	1.8

2,229,892 (2020: 1,475,509) 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.

(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 and remuneration relating to acquisitions, profits and losses on disposal of property, plant and equipment, net performance fees, net non-core activities, 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:

	2021 £'000	2020 £'000
Net operating profit / (loss) after finance costs	**6,721**	(1,916)
Add back:		
Exceptional operating expenses	**3,215**	1,775
Depreciation and amortisation	**9,475**	8,904
Loss on disposal of property, plant and equipment	**–**	27
Dividend income received from associates	**285**	202
Net performance fees	**(1,714)**	–
Variable compensation attributable to gains on development projects	**689**	2,474
Development project costs	**470**	–
Net non-core activity	**(38)**	–
Share-based payments relating to acquisitions	**615**	593
Acquisition related remuneration	**452**	–
Adjusted profit attributable to equity holders of the parent before tax	**20,170**	12,059
Corporation tax attributable to adjusted operating profit	**(2,363)**	(1,541)
Adjusted profit attributable to equity holders of the parent after tax	**17,807**	10,518
Adjusted profit per share (pence) – basic	**52.6**	34.5
Adjusted profit per share (pence) – diluted	**49.4**	32.9

11 Dividends

In May 2021 the Company paid £1,881,000 which represents a final dividend for the year ended 31 December 2020 of 6.0 pence per share. A final dividend for the year ended 31 December 2019 of 4.5 pence per share totalling £1,351,000 was paid in May 2020.

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.

	2021 £'000	2020 £'000
Proposed final dividend for the year ended 31 December 2021 of 10.0 pence (2020: 6.0 pence) per share	**3,800**	1,926

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	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Non-current assets	**13,560**	9,086	**8,308**	5,342
Other debtors due within one year – Investment in development projects (see Note 21)	**3,537**	551	**3,537**	551
	17,097	9,637	**11,845**	5,893

A further analysis of total investments is as follows:

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Listed securities – on the London Stock Exchange	**4,993**	3,991	**3,555**	3,202
Securities dealt in under AIM	**1,363**	950	**1,363**	950
Securities dealt in under Aquis Exchange	**5**	7	**5**	7
Unlisted securities	**10,736**	4,689	**6,922**	1,734
Closing value at 31 December	**17,097**	9,637	**11,845**	5,893
Investments valued at fair value through profit and loss	**13,560**	8,874	**8,308**	5,130
Loans and receivables carried at amortised cost	**3,537**	763	**3,537**	763
	17,097	9,637	**11,845**	5,893

The movement in investments valued at fair value through profit and loss is:

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Opening cost	**7,839**	8,724	**5,203**	6,975
Opening net unrealised losses	**1,035**	190	**(73)**	(132)
Opening value	**8,874**	8,914	**5,130**	6,843
Movements in the year:				
Purchases at cost	**5,851**	1,309	**5,203**	885
Additions through business combinations	**–**	463	**–**	–
Sales – proceeds	**(4,047)**	(2,883)	**(3,045)**	(2,883)
Sales – realised gains and (losses) on sales	**1,081**	226	**361**	226
Net unrealised gains and (losses)	**1,801**	845	**659**	59
Closing value	**13,560**	8,874	**8,308**	5,130
Closing cost	**10,724**	7,839	**7,722**	5,203
Closing net unrealised gains/(losses)	**2,836**	1,035	**586**	(73)
Closing value	**13,560**	8,874	**8,308**	5,130

12 Investments *continued*

The movement in loans and receivables carried at amortised cost is:

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Opening value	**763**	1,915	**763**	1,915
Movements in the year:				
Purchases at cost	**6,296**	47	**6,296**	47
Sales – proceeds	**(3,550)**	(1,245)	**(3,550)**	(1,245)
Sales – realised gains and (losses) on sales	**28**	46	**28**	46
Net unrealised gains and (losses)	**–**	–	**–**	–
Transferred on acquisition of subsidiary undertaking	**–**	–	**–**	–
Closing value	**3,537**	763	**3,537**	763

Gains and losses on investments held at fair value:

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Net realised gains on disposal	**1,109**	272	**389**	272
Net unrealised gains and (losses)	**1,801**	845	**659**	59
Profit on disposal of subsidiary undertaking	**2,932**	3,482	**–**	–
Net gains on investments	**5,842**	4,599	**1,048**	331

13 Property, plant and equipment

Group 2021

	Office equipment £'000	**Motor vehicles £'000**	**Leasehold property £'000**	**Right of use assets £'000**	**Total £'000**
Cost					
As at 1 January	**409**	**346**	**130**	**2,221**	**3,106**
Additions	**289**	**38**	**–**	**1,988**	**2,315**
Additions through business combinations	**54**	**–**	**–**	**806**	**860**
Disposals during the year	**(99)**	**(26)**	**–**	**(1,472)**	**(1,597)**
Foreign exchange movements	**–**	**–**	**–**	**(17)**	**(17)**
As at 31 December	**653**	**358**	**130**	**3,526**	**4,667**
Depreciation					
As at 1 January	**195**	**169**	**29**	**1,623**	**2,016**
IFRS 16 restatement through business combinations	**–**	**–**	**–**	**365**	**365**
Charge for the year	**138**	**80**	**28**	**713**	**959**
Disposals during the year	**(96)**	**(23)**	**–**	**(1,472)**	**(1,591)**
Foreign exchange movements	**–**	**–**	**–**	**(9)**	**(9)**
As at 31 December	**237**	**226**	**57**	**1,220**	**1,740**
Net book value as at 31 December	**416**	**132**	**73**	**2,306**	**2,927**

13 Property, plant and equipment *continued*

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

Company 2021

	Office equipment £'000	**Motor vehicles £'000**	**Right of use assets £'000**	**Total £'000**
Cost				
As at 1 January	**348**	**292**	**1,445**	**2,085**
Additions	**211**	**38**	**1,752**	**2,001**
Disposals during the year	**(92)**	**(26)**	**(1,472)**	**(1,590)**
As at 31 December	**467**	**304**	**1,725**	**2,496**
Depreciation				
As at 1 January	**170**	**115**	**1,236**	**1,521**
Charge for the year	**98**	**80**	**469**	**647**
Disposals during the year	**(89)**	**(23)**	**(1,472)**	**(1,584)**
As at 31 December	**179**	**172**	**233**	**584**
Net book value as at 31 December	**288**	**132**	**1,492**	**1,912**

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

14 Intangible assets

Group 2021

	Goodwill £'000	Customer relationships £'000	Contracts £'000	Brands £'000	IT platform development £'000	Total £'000
Cost						
As at 1 January	**29,718**	**3,335**	**46,650**	**–**	**1,242**	**80,945**
Additions through business combinations	**19,162**	**–**	**23,346**	**456**	**–**	**42,964**
Other additions	**–**	**–**	**–**	**–**	**725**	**725**
Disposals during the year	**–**	**–**	**(1,406)**	**–**	**(9)**	**(1,415)**
Foreign exchange movements	**(86)**	**–**	**(47)**	**–**	**–**	**(133)**
As at 31 December	**48,794**	**3,335**	**68,543**	**456**	**1,958**	**123,086**
Amortisation						
As at 1 January	**–**	**3,116**	**17,411**	**–**	**448**	**20,975**
Charge for the year	**–**	**54**	**8,047**	**29**	**386**	**8,516**
Disposals during the year	**–**	**–**	**(1,406)**	**–**	**(8)**	**(1,414)**
Foreign exchange movements	**–**	**–**	**(3)**	**–**	**–**	**(3)**
As at 31 December	**–**	**3,170**	**24,049**	**29**	**826**	**28,074**
Net book value as at 31 December	**48,794**	**165**	**44,494**	**427**	**1,132**	**95,012**
Remaining amortisation period	**n/a**	**3 years**	**1–22 years**	**4 years**	**1–4 years**	

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	

Goodwill can be allocated to CGUs as follows:

	2021 £'000	2020 £'000
Appian Asset Management Limited	**3,958**	–
Livingbridge VCT business	**12,167**	12,167
Mobeus VCT business	**15,118**	–
TradeRisks Limited	**5,655**	5,655
FIM Limited, Hazel Capital, Aitchesse Limited	**11,896**	11,896
Total Goodwill	**48,794**	29,718

14 Intangible assets *continued*

Company

	2021 IT platform development £'000	2020 IT platform development £'000
Cost		
As at 1 January	**1,181**	588
Additions	**725**	593
As at 31 December	**1,906**	1,181
Amortisation		
As at 1 January	**432**	202
Charge for the year	**374**	230
As at 31 December	**806**	432
Net book value as at 31 December	**1,100**	749
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 2021. 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.

The discount rates applied by CGU in 2021 and 2020 is as follows:

Appian Asset Management Limited	12.3%
Livingbridge VCT business	15.0%
Mobeus VCT business	12.0%
TradeRisks Limited	7.5%
FIM, Hazel Capital and Aitchesse	7.5%

No reasonably possible change in any of the variables used in the goodwill impairment tests would give rise to an impairment.

15 Long-term receivables

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Other debtors	**492**	–	**492**	–
	492	–	**492**	–

Other debtors consist of rental deposits.

16 Disposal group held for sale

The Group has invested in the development of battery storage projects, which are part of the exclusive pipeline to be sold to Gresham House Energy Storage Fund plc (GRID) when operational, and the development of solar projects (collectively known as DevCo Projects). In some instances DevCo Projects have been sold prior to being operational, with deferred consideration payable when the project becomes operational. The DevCo Projects are held in separate SPVs, which the Group entity Gresham House Devco Limited owns 100% of the equity in, and the Group has also lent funds for the development of the projects.

The sale of certain 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:

	2021 £'000	2020 £'000
Assets of a disposal group held for sale	**17,545**	7,363
Liabilities of a disposal group classified as held for sale	**(7,499)**	(2,072)
	10,046	5,291

The Group's interest in other DevCo Projects can be summarised as follows:

	2021 £'000	2020 £'000
Loans and receivables brought forward	**551**	1,208
Additions	**3,537**	–
Disposals	**(551)**	(657)
Loans and receivables carried forward (Note 12)	**3,537**	551

The Group's total exposure to DevCo Projects is:

	2021 £'000	2020 £'000
Net assets and liabilities of a disposal group held for sale	**10,046**	5,291
Loans and receivables	**3,537**	551
	13,583	5,842

During the year the Group acquired a controlling interest in Arbroath Limited, Coupar Limited, Penwortham Storage Limited, Grendon Storage Limited, Melksham West Storage Limited, Melksham East Storage Limited, West Didsbury Storage Limited, Enderby Storage Limited, Low Farm Solar Limited and Siddington Solar Farm Limited.

During the year the Group disposed of GridReserve Limited (Byers Brae), Penwortham Storage Limited, Grendon Storage Limited, Melksham West Storage Limited, Melksham East Storage Limited, West Didsbury Storage Limited and Enderby Storage Limited, with total net proceeds of £11,583,000 due, realising a net gain on disposal of £2,932,000.

17 Investment in subsidiaries

	Company	
	2021 £'000	2020 £'000
Subsidiary undertakings		
As at 1 January	**79,872**	79,872
Additions	**276**	–
As at 31 December	**80,148**	79,872

17 Investment in subsidiaries *continued*

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
Arbroath Limited	–	100	5 New Street Square, London EC4A 3TW, England
Chartermet Limited	–	95	5 New Street Square, London EC4A 3TW, England
Coupar Limited	–	100	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 (SC) General Partner Limited	–	100	58 Morrison Street, Glasgow EH3 8BP, Scotland
Gresham House Asset Management Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House Asset Management Ireland Limited	–	100	42 Fitzwilliam Place, Dublin 2, Ireland
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
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

17 Investment in subsidiaries *continued*

	Held by Company %	Held by other Group companies %	Country of incorporation and registered office
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
Lister Battery Limited	–	100	5 New Street Square, London EC4A 3TW, England
Low Farm Solar Limited	–	100	5 New Street Square, London EC4A 3TW, England
Monets Garden Battery Limited	–	100	5 New Street Square, London EC4A 3TW, England
MyFutureLiving Limited	–	100	80 Cheapside, London EC2V 6EE, England
My ReSI Home Limited	–	100	80 Cheapside, London EC2V 6EE, 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 Property Management Limited	–	100	1st Floor, 2 Castle Street, Taunton TA1 AS4 England
Retirement Rentals Limited	–	100	1st Floor, 2 Castle Street, Taunton TA1 AS4 England
Retirement Rentals Nominee Company 1 Limited	–	100	1st Floor, 2 Castle Street, Taunton TA1 AS4 England
Security Change Limited	–	100	5 New Street Square, London EC4A 3TW, England
Siddington Solar Farm 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
Your ReSI Home Limited	–	100	80 Cheapside, London EC2V 6EE, England

Gresham House Holdings Limited is the employing entity for the Group. Gresham House Asset Management Limited, TradeRisks Limited and ReSI Capital Management Limited are the FCA regulated entities.

18 Investment in associates

	2021 £'000	2020 £'000
Opening Investment in associates	**9,142**	9,186
Share of associates' profit	**4,955**	158
Dividends received from associates	**(285)**	(202)
Additions	**1,165**	–
Return of capital	**(2,441)**	–
Disposals	**(371)**	–
Redesignation	**(210)**	–
Closing investment in associates	**11,955**	9,142

The above balance consists of the Group's holdings in Gresham House Strategic plc (GHS, now known as Rockwood Realisation plc) and Environment Bank Limited (EBL). The Group's holdings in Noriker Power Limited (Noriker) and Biggerbrook Limited (Biggerbrook) were disposed of during the year.

The Board believe that Gresham House plc exercises significant influence over GHS, but not control, through its 23.4% equity investment.

18 Investment in associates *continued*

The latest published financial information of GHS was the unaudited interim results for the six months to 30 September 2021. The assets and liabilities at that date are shown below:

	2021 £'000	2020 £'000
Non-current assets	**67,987**	38,461
Current assets	**1,938**	3,924
Current liabilities	**(4,916)**	(173)
Net assets	**65,009**	42,212

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 £17,845,000, revenues of £367,000 and total comprehensive income of £12,887,000 for the six months ended 30 September 2021.

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 EBL, but not control, through its 50% equity investment.

The latest financial information of EBL was the unaudited results for the eight month period to 31 December 2021. The assets and liabilities at that date are shown below:

	2021 £'000
Non-current assets	**34**
Current assets	**1,048**
Current liabilities	**(607)**
Long-term liabilities	**(670)**
Net liabilities	**(195)**

The EBL unaudited statement of comprehensive income noted revenues of £345,000 and a loss before tax and total comprehensive loss of £1,308,000 for the period ended 31 December 2021.

The registered office of EBL is Central House, 20 Central Avenue, St Andrews Business Park, Norwich, NR7 0HR.

19 Trade receivables

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Amounts receivable within one year:				
Trade receivables	**11,135**	3,184	**–**	–
Less allowance for credit losses	**–**	–	**–**	–
	11,135	3,184	**–**	–

19 Trade receivables *continued*

As at 31 December 2021, trade receivables of £614,000 (2020: £87,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
1-3 months	**516**	53	**–**	–
3-6 months	**67**	26	**–**	–
More than 6 months	**31**	8	**–**	–
	614	87	**–**	–

As at 31 December 2021 there were no provisions against trade receivables (2020: £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.

20 Accrued income and prepaid expenses

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Accrued income	**9,561**	9,124	**75**	–
Other debtors	**10,794**	3,457	**713**	642
Prepaid expenses	**1,350**	1,202	**369**	118
	21,705	13,783	**1,157**	760

The movement in other debtors includes an increase in deferred consideration receivable from DevCo Projects to £9,748,000 at 31 December 2021 from £1,748,000 at 31 December 2020.

21 Other current assets

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Amounts owed by Group undertakings	**–**	–	**16,510**	6,334
Loan Receivables - Investment in development projects (see Note 12)	**3,537**	551	**3,537**	551
Corporation tax recoverable	**–**	–	**–**	–
	3,537	551	**20,047**	6,885

Amounts owed by Group undertakings are repayable on demand and attract interest of between 0% and 15% per annum.

22 Trade and other payables

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Trade creditors	**742**	705	**–**	–
IFRS 16 lease creditor	**643**	440	**283**	211
Other creditors	**2,955**	1,561	**32**	14
Accruals and deferred income	**24,195**	14,416	**204**	18
Corporation tax payable	**1,692**	273	**–**	–
Contingent consideration (Note 26)	**12,494**	1,385	**–**	–
	42,721	18,780	**519**	243

23 Short-term borrowings

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Bank loans – within current liabilities (Note 25)	**–**	–	**–**	–
Amounts owed to Group undertakings	**–**	–	**1,136**	4,651
	–	–	**1,136**	4,651

24 Deferred taxation

Under International Accounting Standard (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 and the acquisition of the Mobeus VCT business. This has been initially recognised at 17% for FIM, 19% for TradeRisks, 24% for Appian and 24% for Mobeus of the fair value of the intangible assets at acquisition and reassessed each year end, with the movement being recognised in the income statement.

During the year the Group reassessed the assumptions made at the time of the acquisition of the Livingbridge VC management contracts. This resulted in a deferred tax liability of £2,071,000 being recognised at a rate of 221% on 1 October 2021.

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2020: 19%). The increase in the main rate of corporation tax to 25% was substantively enacted with effect from April 2023. This new rate has been applied to deferred tax balances which are expected to reverse after 1 April 2023.

As at 31 December 2021 the deferred tax liability was £8,743,000 (2020: £3,227,000).

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that these assets will be recovered.

The Group has recognised a deferred tax asset of £2,197,000 (2020: £1,051,000) 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 £92,000 (2020: £153,000) in respect of these differences.

The movement on the deferred tax account is as shown below:

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Balance as at 1 January	**(2,176)**	(2,019)	**153**	276
Deferred tax recognised in profit and loss	**(1,744)**	457	**(61)**	(123)
Deferred tax recognised in equity	**1,062**	–	**–**	–
	(2,858)	(1,562)	**92**	153
Arising on business combinations	**(5,542)**	(614)	**–**	–
Balance as at 31 December	**(8,400)**	(2,176)	**92**	153

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Deferred tax asset	**2,197**	1,051	**92**	153
Deferred tax liability	**(10,597)**	(3,227)	**–**	–
	(8,400)	(2,176)	**92**	153

25 Long-term borrowings

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Bank loans	**–**	–	**–**	–
	–	–	**–**	–

On 31 December 2021, the Company signed an amendment and restatement agreement relating to the facility agreement originally dated 21 December 2020 with Banco Santander SA (the facility), increasing the facility size from £5.0 million to £20.0 million. The facility is secured with fixed and floating charges over certain of the 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 £32.3 million as at the year end.

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 SONIA plus 3.05%.

26 Non-current liabilities – other creditors

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Contingent consideration	**10,165**	5,548	**–**	–
IFRS 16 lease creditor	**1,798**	201	**1,058**	–
	11,963	5,749	**1,058**	–

Contingent consideration

Livingbridge VC

The Livingbridge VC contingent consideration has been determined in two parts.

The first is 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 previous year.

The second part of the contingent consideration is 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 of the remaining contingent consideration payable to the Livingbridge VC sellers as at 31 December 2021 was £2.4 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; and

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

Payments totalling £0.8 million relating to part c) were paid during the year (2020: £0.6 million).

The fair value of the remaining contingent consideration payable to the TradeRisks sellers as at 31 December 2021 was £2.7 million.

Monets Garden

The Group acquired a controlling interest in Monets Garden Battery Limited, a battery storage development project, during the previous 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 was paid in February 2022.

Lister Battery

The Group acquired a controlling interest in Lister Battery Limited, a battery storage development project, during the previous 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 was paid in February 2022.

Arbroath Limited

The Group acquired a controlling interest in Arbroath Limited, a battery storage development project, during the year. Under the terms of the SPA deferred consideration of £0.18 million is payable by 31 March 2022.

26 Non-current liabilities – other creditors *continued*

Contingent consideration *continued*

Coupar Limited

The Group acquired a controlling interest in Coupar Limited, a battery storage development project, during the year. Under the terms of the SPA deferred consideration of £0.375 million is payable by 31 March 2022.

Statera Projects

The Group acquired a controlling interest in Penwortham Storage Limited, Grendon Storage Limited, Melksham West Storage Limited, Melksham East Storage Limited, West Didsbury Storage Limited and Enderby Storage Limited, battery storage development projects collectively known as the Statera Projects, during the year. Under the terms of the SPA deferred consideration of £4.037 million is payable by 30 June 2022.

Appian

Contingent consideration with an expected fair value of £4.0 million will be payable in cash to the sellers based on the following:

- 1.4 times year two earnings, payable on 30 June 2023. The expected fair value as at 31 December 2021 is £1.1 million;
- 1.4 times year three earnings, payable on 30 June 2024. The expected fair value as at 31 December 2021 is £1.5 million; and
- up to €0.75 million payable on 30 June 2024 based on certain AUM and earnings targets. The expected fair value as at 31 December 2021 is £0.4 million.

The fair value of the contingent consideration has been estimated using expected outcomes, the probability of those outcomes and discounting this at 13.0%. Up to 50% of the contingent consideration may be settled in Gresham House plc shares at the Company's discretion.

Mobeus

Contingent consideration totalling a maximum of £9.7 million will be payable in cash to the sellers based on the following:

- £4.1 million payable on 31 December 2022 subject to the retention of the management contracts;
- £2.9 million payable on 31 December 2023 subject to the retention of the management contracts;
- a maximum of £1.9 million payable after three years subject to the retention of the management contracts; and
- a maximum of £0.8 million payable in three years subject to fundraising and AUM targets.

The fair value of the contingent consideration has been estimated using expected outcomes, the probability of those outcomes and discounting this at 12.0%. The expected fair value as at 31 December 2021 is £8.0 million.

27 Share capital

	2021 **£'000**	2020 £'000
Allotted: Ordinary – 38,000,819 (2020: 32,091,707) fully paid shares of 25 pence	**9,500**	8,023

During the year the Company issued the following new ordinary shares:

- 750,000 shares on 26 March 2021 at par into the Gresham House Employee Benefit Trust;
- 104,168 shares on 29 June 2021 at a price of 940.0 pence per share to the vendors of Appian Asset Management Limited;
- 2,197,802 shares on 17 September 2021 at a price of 910.0 pence per share by way of a placing;
- 219,780 shares on 17 September 2021 at a price of 910.0 pence per share by way of a retail placing;
- 439,560 shares on 1 October 2021 at a price of 895.0 pence per share to the vendors of the Mobeus VCT business; and
- 2,197,802 shares on 1 October 2021 at a price of 907.0 pence per share by way of a vendor placing.

The Gresham House Employee Benefit Trust (EBT) held 204,007 shares at 31 December 2021, with a par value of £51,000 (2020: nil). The shares held by the GH EBT are expected to be issued under share option contracts. The shares were acquired during the year. In 2021, 1,287,450 shares were issued to employees.

28 Share warrants

	2021		2020	
	Shareholder warrants	**Total warrants**	Shareholder warrants	Total warrants
Group				
Balance as at 1 January	**–**	**–**	56,363	56,363
Warrants exercised during the year	**–**	**–**	(56,302)	(56,302)
Warrants lapsed during the year	**–**	**–**	(61)	(61)
As at 31 December	**–**	**–**	–	–

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, exercisable at any time between 1 January 2015 and 31 December 2019 at an exercise price of 323.27 pence per ordinary share and subject to the terms of the shareholder warrant instrument dated 7 October 2014. Shareholder warrants not exercised by 31 December 2019 lapsed.

During the previous year, 56,302 shareholder warrants were converted into ordinary shares resulting in the issue of 56,302 new ordinary shares. 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.

29 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 ten 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:

29 Share-based payments *continued*

2021

	A Shares old joiners	A Shares new joiners	B Shares	C Shares	D Shares	Total LTIP
Balance as at 1 January	–	–	104	–	180	284
Exercised during the year	–	–	(104)	–	–	(104)
As at 31 December	–	–	–	–	180	180
Exercisable at year end	–	–	–	–	180	180
Months to vesting	–	–	–	–	–	

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	

104 B 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 of £2.4 million was recognised in retained reserves. The fair value of the remaining D Shares at the year end was £1.9 million which could result in the issuance of 211,724 shares in Gresham House plc based on the year end share price of 900 pence.

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 2021, 421,805 awards were exercised and net-settled by ordinary shares held by the Gresham House Employee Benefit Trust. During the year ended 31 December 2020, 7,331 awards were exercised and net-settled by ordinary shares held by the Gresham House Employee Benefit Trust. The weighted average share price at the date of exercise was 887 pence (2020: 740 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.

29 Share-based payments - *continued*

2021 Long-term incentive plan

The Remuneration Committee considered and implemented a long-term incentive arrangement in 2021 (2021 LTIP).

Under the 2021 LTIP, 109,448 deferred shares were awarded to the wider members of the business, with a fair value at award of £0.9 million. The 2021 LTIP is a deferred share award, which vests in three years from the date of award subject to the team 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.

	2018 LTIP	2019 LTIP – management team	2019 LTIP other staff	2021 LTIP	Total
Balance as at 31 December 2019	429,136	274,728	121,064	–	824,928
Exercised in the year	(7,331)	–	(4,504)	–	(11,835)
Balance as at 31 December 2020	421,805	274,728	116,560	–	813,093
Issued in the year	–	–	–	109,448	109,448
Exercised in the year	(421,805)	–	–	–	(421,805)
Lapsed in the year	–	–	(9,009)	–	(9,009)
Balance as at 31 December 2021	–	274,728	107,551	109,448	491,727
Exercisable at year end	–	–	–	–	–

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 and at year end was £16.9 million, which equates to 1,901,586 Gresham House plc shares at 900 pence.

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, had 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 was 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 was 31 December 2020, when 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 A Shares vested on 31 December 2020 with a valuation, based on the average profits generated by the New Energy division between 31 October 2017 and 31 December 2020, of £13.0 million. The award was partially settled with 984,124 shares in Gresham House plc, with a fair value of 787.5 pence per share and, at the Company's discretion, the balance of £5.3 million was 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.

The fair value of the A Shares at award was £276,000 (£276 per share), which was amortised over the three-year and two-month vesting period.

29 Share-based payments *continued*

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. As at 31 December 2021 the hurdle had been reached and the full £2.5 million will be settled in Gresham House plc shares or cash in March 2022.

Mobeus VC long-term incentive plan

The Mobeus 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 £1.3 million in aggregate in Gresham House plc shares based on the three-year period to 1 October 2024.

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 2021 the Remuneration Committee approved the reinvestment of up to 50% of annual bonuses into ordinary shares by management and employees subject to a maximum amount of £100,000 (2020: 50% subject to a maximum amount of £100,000).

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 2020 bonuses is £316,000 (£1.57 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. The following table outlines the maximum number of shares under the SAYE scheme:

	Shares under option	Fair value of option (pence)	Exercise price (pence)
2019 SAYE scheme	106,266	85	373
2020 SAYE scheme	74,567	104	399
2021 SAYE scheme	—	—	—
	180,833		

68,707 SAYE options in relation to the 2018 SAYE scheme were exercised in the year at an exercise price of 325 pence.

For all share-based payment awards the performance conditions and employment conditions as specified per scheme are required to be met at the vesting dates otherwise the awards lapse or are forfeited accordingly. Specific details are included in the schemes above.

30 Reserves

	2021					2020 (restated)		
	Share premium account £'000	**Merger reserve £'000**	**Treasury shares £'000**	**Foreign exchange reserve £'000**	**Retained reserves £'000**	Share premium account £'000	Merger reserve £'000	Retained reserves £'000
Group								
Balance as at 1 January	**60,061**	**19,981**	**–**	**–**	**8,402**	52,594	16,648	14,039
(Loss)/profit and total comprehensive income	**–**	**–**	**–**	**(158)**	**12,500**	–	–	577
Issue of shares	**39,267**	**4,830**	**(51)**	**–**	**–**	7,429	3,333	–
Share-based payments	**–**	**–**	**–**	**–**	**(5,424)**	38	–	(4,863)
Cancellation of share premium	**(60,000)**	**–**	**–**	**–**	**60,000**	–	–	–
Dividends paid	**–**	**–**	**–**	**–**	**(1,881)**	–	–	(1,351)
As at 31 December	**39,328**	**24,811**	**(51)**	**(158)**	**73,597**	60,061	19,981	8,402

	2021			2020 (restated)		
	Share premium account £'000	**Merger reserve £'000**	**Retained reserves £'000**	Share premium account £'000	Merger reserve £'000	Retained reserves £'000
Company						
Balance as at 1 January	**60,061**	**19,981**	**9,257**	69,242	16,648	12,379
Loss and total comprehensive income	**–**	–	**(1,695)**	–	–	(1,771)
Issue of shares	**39,267**	**4,830**	**–**	10,800	3,333	–
Share-based payments	**(60,000)**	–	**60,000**	–	–	–
Cancellation of share premium	**–**	–	**(4,977)**	–	–	–
Dividends paid	**–**	–	**(1,881)**	–	–	(1,351)
As at 31 December	**39,328**	**24,811**	**60,704**	80,042	19,981	9,257

	2021 £'000	2020 £'000
Non-controlling interest:		
Balance as at 1 January	**811**	582
Interest in trading result for the year	**(3)**	(2)
Interest in investments - securities	**267**	231
As at 31 December	**1,075**	811

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.
Merger reserve	Represents the difference between the value of shares issued by the Company in exchange for the value of shares acquired in respect of the acquisition of subsidiaries accounted for under the acquisition method.
Treasury shares	Weighted average cost of own shares held in treasury and by the GH EBT
Foreign exchange reserve	Gains and losses arising on retranslating the net assets of overseas operations into Sterling.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

30 Reserves *continued*

Restatement of share premium

In the prior years when there had been the acquisitions of the below entities, shares in the Group were issued in exchange for obtaining the shareholding in the entity being acquired. S612 of the Companies Act of 2006 indicates that when these shares are issued at a premium, then S610 of the Companies Act of 2006 does not apply, hence any excess over par shouldn't be taken to share premium. In these cases merger relief applies and the excess above par value should be allocated to a separate merger reserve. In the prior year financial statements this excess above par value had not been taken to a separate merger reserve.

Acquisitions:

- 2018 – FIM and Livingbridge
- 2020 – TradeRisks

The effect of the change is as follows and has had no impact on the prior year's profit, total assets, total liabilities or total equity. The change is a reclassification to a separate merger reserve within equity.

	Share premium as presented £'000	Change £'000	Restated share premium £'000	New merger reserve £'000
31 December 2019	69,242	(16,648)	52,594	16,648
31 December 2020	80,042	(19,981)	60,016	19,981

31 Net asset value per share

	2021	2020
Basic		
Equity attributable to holders of the parent (£'000)	**146,462**	96,467
Number of ordinary shares in issue at the end of the period	**38,000,819**	32,091,707
Number of shares held by the Gresham House Employee Benefit Trust	**(204,007)**	–
	37,796,812	32,091,707
Basic net asset value per share (pence)	**387.5**	300.6

	2021	2020
Diluted		
Equity attributable to holders of the parent (£'000)	**146,462**	96,467
Number of ordinary shares in issue at the end of the period	**40,151,526**	33,567,216
Number of shares held by the Gresham House Employee Benefit Trust	**(204,007)**	–
	39,937,519	33,567,216
Basic net asset value per share (pence)	**366.6**	287.4

Diluted net asset value per share is based on the number of shares in issue at the year end together with 2,150,707 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 2021	96,467
Total recognised gains for the year	11,777
Share-based payments	(5,424)
Issue of shares	45,523
Dividends paid	(1,881)
Total net assets attributable at 31 December 2021	146,462

32 Notes to the statements of cash flows

a) Reconciliation of operating profit to operating cash flows

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Net operating profit/(loss) after finance costs	**6,721**	(1,916)	**(2,680)**	(1,981)
Loss from discontinued operations	**(14)**	(12)	**–**	–
Interest payable	**214**	25	**169**	8
Depreciation	**959**	871	**648**	652
Loss on disposal of property, plant and equipment	**–**	27	**(1)**	–
Amortisation	**8,516**	8,033	**374**	230
Share-based payments	**3,788**	2,262	**–**	–
Acquisition related remuneration	**452**	–	**–**	–
	20,636	9,290	**(1,490)**	(1,091)
Increase in long-term receivables	**(492)**	–	**(492)**	–
(Increase)/decrease in current assets	**(7,745)**	1,777	**(87)**	(81)
Increase/(decrease) in current liabilities	**8,731**	6,525	**158**	(8)
	21,130	17,592	**(1,911)**	(1,180)

b) Non-cash investing and financing activities

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Acquisition of right-of-use assets (Notes 8 and 13)	**2,794**	877	**1,752**	454
Partial settlement of business combinations through the issue of shares (Notes 5 and 27)	**24,899**	3,472	**–**	–
	27,693	4,349	**1,752**	454

c) Net debt reconciliation

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Cash and cash equivalents	**40,252**	21,886	**23,800**	7,826
Borrowings	**–**	–	**(1,136)**	(4,651)
Amounts owed by Group undertakings	**–**	–	**16,510**	6,334
Lease liabilities (Note 8)	**(2,441)**	(641)	**(1,341)**	(211)
Net cash	**37,811**	21,245	**37,833**	9,298

32 Notes to the statements of cash flows *continued*

c) Net debt reconciliation *continued*

Group

	Leases £'000	Cash £'000	Total £'000
Net (debt)/cash at 1 January 2020	(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 (debt)/cash at 31 December 2020	(641)	21,886	21,245
Cash flows	845	18,366	19,211
New leases obtained through business combinations	(689)	–	(689)
New leases	(1,970)	–	(1,970)
Foreign exchange movements	14	–	14
Net (debt)/cash at 31 December 2021	(2,441)	40,252	37,811

Company

	Net borrowings £'000	Leases £'000	Cash £'000	Total £'000
Net (debt)/cash at 1 January 2020	(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
Cash flows	11,578	604	15,974	28,156
Non-cash intercompany movements	(22,786)	–	–	(22,786)
Other movements	24,899	–	–	24,899
New leases	–	(1,734)	–	(1,734)
Net cash/(debt) at 31 December 2021	15,374	(1,341)	23,800	37,833

33 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; and

(iv) short-term and long-term borrowings.

As at 31 December 2021 the following categories of financial instruments were held by:

Group

	2021		2020	
	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	**3,537**	**13,560**	763	8,874
Trade and other receivables – current and non-current	**11,627**	**9,748**	3,184	1,718
Accrued income and other debtors	**10,608**	**–**	10,863	–
Cash and cash equivalents	**40,252**	**–**	21,886	–
	66,024	**23,308**	36,696	10,592

	2021		2020	
	Other financial liabilities at amortised cost £'000	Liabilities at fair value through profit or loss £'000	Other financial liabilities at amortised cost £'000	Liabilities at fair value through profit or loss £'000
Financial liabilities per Statement of Financial Position				
Trade and other payables – short-term	**27,950**	**12,494**	15,892	1,385
Other creditors - long-term	**1,798**	**10,165**	201	5,548
	29,748	**22,659**	16,093	6,933

33 Financial instruments *continued*

Company

	2021		2020	
	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	**3,537**	**8,308**	763	5,130
Accrued income and other debtors	**1,280**	**–**	643	–
Amounts owed by Group undertakings	**16,510**	**–**	6,334	–
Cash and cash equivalents	**23,800**	**–**	7,826	–
	45,127	**8,308**	15,566	5,130

	2021		2020	
	Other financial liabilities at amortised cost £'000	**Liabilities at fair value through profit or loss £'000**	Other financial liabilities at amortised cost £'000	Liabilities at fair value through profit or loss £'000
Financial liabilities per Statement of Financial Position				
Trade and other payables – short-term	**519**	**–**	243	–
Trade and other payables – long-term	**1,058**	**–**	–	–
Other loans – short and long-term	**1,136**	**–**	4,651	–
Bank loans – short and long-term	**–**	**–**	–	–
	2,713	**–**	4,894	–

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.

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.

33 Financial instruments *continued*

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:

	2021 £'000	2020 £'000
Loan stock investments	**3,537**	763
Deferred receivable – short and long-term	**9,748**	1,718
Trade and other receivables – short-term	**11,627**	3,184
Accrued income and other debtors	**10,608**	10,863
Cash and cash equivalents	**40,252**	21,886
	75,772	38,414

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 £45,127,000 (2020: £15,566,000).

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:

Loan stock investments	2021 £'000	2020 £'000
Repayable within: - 1 year	**3,537**	763
1-2 years	**–**	–
2-3 years	**–**	–
3-4 years	**–**	–
4-5 years	**–**	–
	3,537	763

As at 31 December 2021 loan stock investments totalling £858,000 (2020: £858,000) were impaired and provided for.

As at 31 December 2021 other loans totalling £54,000 (2020: £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.

Interest rate risk

The Group's fixed and floating interest rate securities, 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.

33 Financial instruments *continued*

The interest rate exposure profile of the Group's financial assets and liabilities as at 31 December 2021 and 2020 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 2021						
Investments	**13,560**	**3,537**	**–**	**–**	**–**	**17,097**
Cash	**–**	**–**	**40,252**	**–**	**–**	**40,252**
Trade and other receivables	**21,375**	**–**	**–**	**–**	**–**	**21,375**
Accrued income and other debtors	**10,608**	**–**	**–**	**–**	**–**	**10,608**
Creditors						
– falling due within 1 year	**(27,307)**	**–**	**–**	**(643)**	**–**	**(27,950)**
– falling due after 1 year	**–**	**–**	**–**	**(1,798)**	**–**	**(1,798)**
	18,236	**3,537**	**40,252**	**(2,441)**	**–**	**59,584**

	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 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 15.0% (2020: 13.2%).

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

Fixed rate liabilities include lease creditors.

33 Financial instruments *continued*

The interest rate exposure profile of the Company's financial assets and liabilities as at 31 December 2021 and 2020 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 2021						
Investments - securities	**8,308**	**3,537**	**–**	**–**	**–**	**11,845**
Cash	**–**	**–**	**23,800**	**–**	**–**	**23,800**
Accrued income and other debtors	**1,280**	**–**	**–**	**–**	**–**	**1,280**
Amounts owed by Group undertakings	**16,510**	**–**	**–**	**–**	**–**	**16,510**
Creditors						
– falling due within 1 year	**(236)**	**–**	**–**	**(283)**	**(1,136)**	**(1,655)**
– falling due after 1 year	**–**	**–**	**–**	**(1,058)**	**–**	**(1,058)**
	25,862	**3,537**	**23,800**	**(1,341)**	**(1,136)**	**50,722**

	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

Although the Group 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 2021. Any change to the interest rates on the floating rate assets and liabilities is immaterial to the Group.

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.

33 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	Over 5 years £'000
As at 31 December 2021				
Leases	**644**	**863**	**947**	**335**
Trade payables	**742**	**–**	**–**	**–**
Accruals	**24,195**	**–**	**–**	**–**
Contingent consideration	**8,955**	**7,195**	**5,361**	**–**
Other creditors	**2,955**	**–**	**–**	**–**
	37,491	**8,058**	**6,308**	**335**

	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

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 the Company consists of short and long-term borrowings as disclosed in Notes 23 and 25, cash and cash equivalents and equity attributable to equity shareholders of the Company comprising issued share capital, share premium, merger reserve, treasury shares, foreign exchange reserve and retained reserves as disclosed in Notes 27, 28 and 30. 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	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Debt	**(2,441)**	(641)	**(2,477)**	(4,862)
Amounts owed by Group undertakings	**–**	–	**16,510**	6,334
Cash and cash equivalents	**40,252**	21,886	**23,800**	7,826
Net assets	**147,537**	97,278	**134,343**	97,322
Net cash	**37,811**	21,245	**37,833**	9,298
Net cash as a % of net assets	**25.6%**	21.8%	**28.2%**	9.6%

34 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 is 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 incorporates 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 the Group as an investor. The Group reviews the valuation and uses 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 includes investments in five 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, which would give rise to a material adjustment to the fair value of the investment.

The remaining four investments in funds are measured using the fair value of the net asset value provided by the manager of those funds, which are reviewed by the appropriate investment committee and the inputs used are unobservable.

Further details of the securities portfolio can be found in Note 12 of these financial statements.

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

Group

	31 December 2021 £'000	**Level 1 £'000**	**Level 3 £'000**
Financial assets at fair value through profit and loss			
Investments			
Equities	**13,560**	**6,361**	**7,199**
	13,560	**6,361**	**7,199**

	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

34 Fair value measurements *continued*

Company

	31 December 2021 £'000	Level 1 £'000	Level 3 £'000
Financial assets at fair value through profit and loss			
Investments			
Equities	**8,308**	**4,923**	**3,385**
	8,308	**4,923**	**3,385**

	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

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 2021			
Opening balance	**3,925**	**–**	**3,925**
Total gains:			
In Statement of Comprehensive Income	**1,956**	**–**	**1,956**
Additions	**2,319**	**–**	**2,319**
Disposals	**(1,001)**	**–**	**(1,001)**
Closing balance	**7,199**	**–**	**7,199**
Total gains/(losses) for the year included in comprehensive income for assets held at the end of the reporting period	**1,227**	**–**	**1,227**

	Investments - securities £'000	Trade and other receivables £'000	Total £'000
31 December 2020			
Opening balance	2,749	–	2,749
Total gains:			
In Statement of Comprehensive Income	875	–	875
Additions	344	–	344
Disposals	(43)	–	(43)
Closing balance	3,925	–	3,925
Total gains/(losses) for the year included in comprehensive income for assets held at the end of the reporting period	878	–	878

34 Fair value measurements *continued*

Company

	Investments £'000	Total £'000
31 December 2021		
Opening balance	**970**	**970**
Total gains		
In Statement of Comprehensive Income	**293**	**293**
Additions	**2,122**	**2,122**
Disposals	**–**	**–**
Closing balance	**3,385**	**3,385**
Total gains for the year included in comprehensive income for assets held at the end of the reporting period	**293**	**293**

	Investments £'000	Total £'000
31 December 2020		
Opening balance	678	678
Total gains:		
In Statement of Comprehensive Income	66	66
Additions	269	269
Disposals	(43)	(43)
Closing balance	970	970
Total gains for the year included in comprehensive income for assets held at the end of the reporting period	69	69

The only financial liabilities held at fair value relates to the deferred consideration on the acquisition of TradeRisks Limited, Appian Asset Management Limited, the DevCo Projects, and the acquisition of the fund and investment management businesses of Livingbridge VC LLP and the acquisition of the VCT business of Mobeus amounting to £22,659,000 (2020: £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 2021 a 10% movement in the fair values of 100% of the Group's equity investments would be equivalent to a movement of £1,471,000 in both profit and net assets.

35 Related party transactions

Group

During the year management fees totalling £690,675 (2020: £672,077) and performance fees of £4,222,289 (2020: £nil) were invoiced to Gresham House Strategic plc (GHS), a company in which the Group has a 23.4% interest. At the year end £nil (2020: £107,867) was due from GHS.

During the previous year a loan was provided to a Group company by Corylus Capital LLP (Corylus), an entity in which Ben Guest, head of the New Energy strategy, has a material interest. Interest totalling £445,014 was charged by Corylus on this loan and no balance was outstanding at the year end.

Company

During the year the following transactions occurred with Group companies:

31 December 2021	**Advanced to £**	**Received from £**	**Interest charged £**	**Balance due from/ (due to) £**
Security Change Limited	**1,909**	**3,517,060**	**–**	**1,135,904**
Gresham House Finance Limited	**–**	**–**	**–**	**221,400**
Gresham House (Nominees) Limited	**7,000**	**–**	**–**	**11,202**
Gresham House Holdings Limited	**44,386,455**	**37,898,090**	**–**	**10,953,142**
GridReserve Limited	**–**	**741,152**	**–**	**–**
Lister Battery Limited	**431,322**	**300,000**	**70,393**	**725,657**
Monets Garden Battery Limited	**554,801**	**300,000**	**73,195**	**856,014**
Arbroath Limited	**626,152**	**612,243**	**20,249**	**34,158**
Coupar Limited	**410,205**	**405,066**	**13,522**	**18,651**
Enderby Storage Limited	**250,563**	**198,433**	**5,313**	**57,443**
Grendon Storage Limited	**276,442**	**–**	**2,499**	**278,941**
Melksham East & West Storage Limited	**1,477,417**	**1,292,833**	**32,674**	**217,258**
Penwortham Storage Limited	**840,879**	**781,857**	**18,900**	**77,922**
West Didsbury Storage Limited	**522,751**	**485,543**	**3,012**	**40,220**
Low Farm Solar Limited	**2,345,000**	**–**	**–**	**2,345,000**
Siddington Solar Farm Limited	**1,345,000**	**–**	**–**	**1,345,000**

31 December 2020	Advanced to £	Received from £	Interest charged £	Balance due from/ (due to) £
Security Change Limited	34,021	762	–	(4,651,055)
Gresham House Finance Limited	–	–	–	221,400
Gresham House (Nominees) Limited	4,100	29,977	–	4,202
Gresham House Holdings Limited	14,579,771	8,813,465	–	4,464,777
GridReserve Limited	659,344	–	81,808	741,152
Lister Battery Limited	947,365	457,500	34,077	523,942
Monets Garden Battery Limited	951,225	457,500	34,293	528,018

36 Post Balance Sheet Events

Gresham House plc strongly denounces Russia's recent invasion of Ukraine. Gresham House plc and funds managed by the Group do not own any Russian assets and have minimal exposure to Russian assets that are subject to sanctions. Gresham House plc does not have any Russian domiciled shareholders on its share register and has not been made aware of any Russian investment in the funds managed by the Group.

CORPORATE INFORMATION

Company Number	871 incorporated in England	
Directors	Anthony Townsend	Non-Executive Chairman
	Anthony Dalwood	Chief Executive Officer
	Kevin Acton	Chief Financial Officer
	Rachel Beagles	Non-Executive
	Richard Chadwick	Non-Executive
	Gareth Davis	Non-Executive
	Sarah Ing	Non-Executive - Alternate Director
	Simon Stilwell	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	

Since 1857

Gresham House

Specialist asset management