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*Since 1857*

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# Gresham House

**Gresham House plc**

**Interim Results 2016**

Registered number: 871 (England)

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## Background

Gresham House plc ("Gresham House") was incorporated in May 1857, with registration number 871 and is one of the oldest companies quoted on the London Stock Exchange.

In December 2014, the new management team, with extensive fund management experience, took the helm with a vision to establish Gresham House as a specialist asset manager focused on alternative investment strategies and illiquid differentiated assets, where there is evidence of increasing asset allocation.

Since then the team is implementing a strategy to grow organically and through acquisition, resulting in significant assets under management ("AUM") growth.

## Strategy

Gresham House, through its wholly owned subsidiary Gresham House Asset Management Limited ("GHAM") the regulated platform, is a specialist asset management group focused on illiquid and differentiated asset classes, aiming to generate superior returns for clients over the longer term. Shareholder value creation will be driven by long-term growth in earnings as a result of increasing AUM and returns from invested capital. Capital allocation is governed by an experienced Investment Committee, applying private equity disciplines to oversee investment decisions.

Gresham House currently manages investments and co-investments through its investment management teams on behalf of institutions, family offices, high-net-worth individuals, charities, endowments and private individuals across its two divisional units, Strategic Equity and Real Assets.

Gresham House's strategy is to grow AUM organically and through appropriate acquisitions, using its balance sheet to acquire businesses, attract talent, seed new funds and create new divisions with the aim of creating a sustainable and profitable business together with carried interests and performance fees.

## Gresham House at a glance

### Financial Highlights

	Six months to/at 30 June 2016 (unaudited) £'000	Six months to/at 30 June 2015 (unaudited) £'000	Year to/at 31 December 2015 (audited) £'000
Assets Under Management	£261m	–	£242m
Adjusted (loss)/profit per share*	(10.6p)	0.9p	(32.2p)
Adjusted (loss)/profit before tax*	(1,035)	63	(3,054)
Operating (loss)/profit before tax	(1,658)	52	(3,831)

\* Adjusted (loss)/profit before the deduction of amortisation, depreciation and exceptional operating expenses

## Corporate Highlights

### Platform

- Revenue during period increases 254% to £1.7 million (30 June 2015: £482k)
- Post period-end fund launch and acquisition results in £359 million of AUM as of 31 August 2016, compared to period end of £261 million (30 June 2015: nil)
- The six-month period to 30 June 2016 has delivered an adjusted loss of £1.0 million (2015: £63k profit), reflecting platform investment to facilitate future scaling of Group AUM and profitability
- Strong asset backing with gross assets of £35.1 million as of 30 June 2016 (31 December 2015: £35.8 million) including cash of £4.8 million (2015: £4.4 million), deferred proceeds of £6.0 million (2015: £5.9 million), legacy property assets of £9.9 million (2015: £9.9 million) and the shareholding in Gresham House Strategic plc of £5.9 million (2015: £5.9 million)

### AUM Growth

- Gresham House Asset Management ("GHAM") appointed investment manager to LMS Capital plc ("LMS") on 16 August 2016 with AUM of £86 million at 31 August 2016
- Gresham House Strategic Public Equity LP ("SPE LP") launched with committed AUM of £24 million at first close on 15 August 2016
- Strong first full year performance of Gresham House Strategic plc ("GHS") with NAV growing by 8.9% to 31 August 2016 from 14 August 2015, outperforming the FTSE Small-Cap Index (ex. Investment Trusts) by 6.0%
- Gresham House Forestry AUM grown by 9.0% from £205 million at 31 December 2015 to £223 million at 31 August 2016
- Expect to launch the Gresham House Forestry Fund LP before the end of this year
- Continuing to see strong pipeline for organic and acquisition growth opportunities to create further shareholder value

### People

- Investment in infrastructure and key talent through appointing a Finance Director, Chief Operating Officer and General Counsel, plus the lead fund manager for Gresham House Forestry and an Investment Director in the Strategic Equity division

## Chairman's Statement

I am pleased to update shareholders that as an established specialist asset management business, Gresham House has continued to build on the significant progress made in 2015. The team has worked hard to maintain momentum with a number of material achievements since we announced our annual results in April 2016. The most notable of these are: the recent appointment as investment manager by LMS Capital plc and the first close of the new Gresham House Strategic Public Equity Limited Partnership in August 2016, which will both result in increased management fee income in the second half of this year.

We have invested in people, process and infrastructure to establish a scalable asset management platform. From a standing start at the end of 2014, Gresham House now has nearly £360 million of third party assets under management, representing an increase of approximately 50% from 31 December 2015 to 31 August 2016.

This interim statement is the first one in which the Company is able to report on the business where, for the whole of the reporting period, we have contributions from both the Strategic Equity and Real Asset divisions. This has a material impact through the management fees and potential for performance fees, that is working towards the Company's profitability objective.

The Brexit vote has created uncertainty and volatility across markets in general. Although it will take some time before the impact of the vote is clear we believe there continue to be good opportunities to invest wisely in quality businesses and asset classes. The Board aims to ensure that the business is run in a way that builds long-term value regardless of the wider backdrop and we are encouraged by the pipeline of organic growth and acquisition opportunities we are seeing. The team has executed efficiently to date and we expect this to continue.

The business continues to take shape in line with management's strategy outlined in December 2014 and I look forward to further progress in the medium term.

Anthony Townsend  
*Chairman*

28 September 2016

## Chief Executive's Report

Last year was a transformative period for Gresham House marked by the conversion from an investment trust to a specialist asset management business. This year will be characterised by the transition from a net asset value (NAV) business model to one of assets under management (AUM) with management fees and performance fees.

### Period to 30 June 2016

Reflecting the investment in talent and infrastructure, the six-month period to 30 June 2016 has delivered a loss of £1,658k (2015: £52k profit), which includes transaction costs plus financing fees, amortisation and depreciation. This period also benefits from a full six months of management fees from both Gresham House Forestry (Real Assets) and Gresham House Strategic plc (Strategic Equity). The investment in talent and the asset management platform are two fundamental pillars to our business, to gain scale and generate future profits.

### Activity since 30 June 2016

We have made further strides with the appointment of Gresham House Asset Management Limited ("GHAM") as the investment manager of LMS Capital plc ("LMS") as well as launching the new Gresham House Strategic Public Equity Limited Partnership ("SPE LP"), and, as a result, third party AUM now stands at £359 million at 31 August 2016. The material increase in revenues associated with this rise in AUM will in part be reflected in the second half of this year and gives additional visibility on future management fee income with gross fees from current AUM of £3.7 million on an annualised basis. We also expect to announce the first close of the Gresham House Forestry Fund LP before the end of 2016.

The existing portfolio managed on behalf of Gresham House Strategic plc ("GHS") has performed well with low volatility in difficult macro-economic and geo-political conditions, with NAV growth to 31 August 2016 of 8.9% since GHAM's appointment on 14 August 2015. The fund outperformed the FTSE Small-Cap excluding investment trusts index by 6.0%, which grew by 2.9% over the same period and the current portfolio, which is cash generative, is attractively valued at 5.6x EV/EBITDA whilst offering forecast growth in excess of 20%.

The executive management team has identified clear metrics to generate long-term shareholder value, which will be delivered through increasing AUM, targeting attractive returns of at least 15% IRR on invested capital and sustainably growing profitability over the longer term.

Gresham House is now generating regular investor communications and materials containing investment insights that are being well received and I would encourage shareholders to visit the website where you can access these ([www.greshamhouse.com](http://www.greshamhouse.com)).

The significant scaling of AUM over the last six months both organically and through acquisition is evidence of an increasing number of stakeholders wanting to be part of the Gresham House Group.

## Financial Review

### Income statement

Income for the six months to 30 June 2016 of £1,706k (2015: £482k) is the first reporting period with management fees from two established divisions. This income includes management fees from Gresham House Forestry of £928k (2015: nil) and GHS of £251k (2015: nil), demonstrating the business now being established as a specialist asset manager.

Rental income primarily from the Southern Gateway site in Speke earned £370k in the period (2015: £329k) as a result of the team carefully managing the site to maximise value for shareholders. More detail can be found in the strategic update section.

Administration overheads of £2,911k (2015: £639k) continue to be in line with expectations as we invest in people, processes and distribution to build the asset management business. Staff costs were £1,479k (2015: £367k) in the period, with other costs and professional fees making up £809k (2015: £271k). Administration overheads also include amortisation of £594k (2015: nil) relating to the intangible assets acquired as part of the Aitchesse transaction and depreciation of £29k (2015: £1k).

Finance costs increased to £155k (2015: £73k) driven by the Kleinwort Benson facility being fully drawn in April 2016. We drew £7.00 million under this facility and used it to repay the existing Co-op facility of £2.85 million as well as the £677k short-term loan notes issued in connection with the acquisition of Aitchesse.

## Chief Executive's Report – continued

The remainder of the legacy portfolio has had a relatively small impact on the period. The fair value movement in investments was an unrealised loss of £29k (2015: £655k gain) and realised gains from the legacy portfolio were £14k (2015: nil). The fair value reduction in investment properties of £154k relates to the Southern Gateway site, where we have invested in capital expenditure to improve future revenues, although there is no current increase in the valuation as at 30 June 2016 of £7.65 million from 31 December 2015.

The loss after tax for the six-month period to 30 June 2016 is £1,658k (2015: £52k profit). However, the adjusted loss before tax for the six-month period to 30 June 2016 was £1,035k (2015: £63k profit). This represents the Group's performance before the deduction of amortisation, depreciation and exceptional costs, which primarily relate to transaction activity, see note 7 for further details. We view the adjusted (loss)/profit before tax as the best measure of performance while the Group continues to grow.

### Financial position

We continue to focus on maximising the value of the legacy portfolio. In the period we received the partial repayment of £649k of the Atilla loan notes, making up the main movement in investments from £1,568k at 31 December 2015 to £895k at 30 June 2016.

The property portfolio valuation has remained stable in the period with the Southern Gateway site valued at £7.65 million (2015: £7.65 million) and the remaining land of the Newton-le-Willows site at £2.25 million (2015: £2.25 million).

Receivables totalling £6.00 million represent the discounted value of proceeds due from Persimmon on the sale of land at Newton-le-Willows (£3.95 million due after one year and £2.05 million due in March 2017).

The Group's 19.2% holding in Gresham House Strategic plc is accounted for as an associate investment, with a carrying value of £5.92 million and share of profits of £18k recognised in the income statement (2015: £5.90 million initial cost).

Intangible assets relate to the Aitchesse transaction with goodwill of £2.94 million (2015: £2.94 million), customer relationships of £2.76 million (2015: £3.07 million) and contracts of £0.29 million (2015: £0.57 million). The customer relationships and contracts have been amortised in line with our accounting policies.

We have maintained a healthy cash position throughout the period and as at 30 June 2016 had cash of £4.80 million (2015: £4.39 million), which with non-core legacy property assets of £9.90 million (2015: £9.90 million) plus the Persimmon deferred proceeds of £6.00 million (2015: £5.92 million) and the GHS plc holding of £5.92 million (2015: £5.90 million) provide a strong balance sheet to grow the business.

Liabilities of £10.95 million at the end of the period (2015: £10.00 million) are mainly represented by the Kleinwort Benson facility, which was fully drawn to £7.00 million and deferred consideration payable to the vendor of Aitchesse of £2.73 million (2015: £2.73 million), based on an agreed earn-out formula at the transaction date in 2015.

### Strategic Update

Since we set out our detailed strategy in the 2015 report and accounts we have been making good progress across all areas of the stated strategy to build a sustainable high margin asset management group:

- SPARK Ventures management contract secured – now Gresham House Strategic plc ("GHS") with NAV performing strongly relative to peers and the market
- Acquired forestry asset management business, Aitchesse, rebranded Gresham House Forestry with growing AUM
- Strategic Public Equity (SPE) Fund LP launched
- LMS investment management mandate won – adding a private equity platform

## Chief Executive's Report – continued

### Platform – AUM

Our two established divisions of Strategic Equity and Real Assets, continue to grow AUM and management fee earnings organically and by acquisition. The table below highlights AUM growth at 30 June 2016 as well as the progress that has been made to 31 August 2016:

Division	AUM 31 December 2015 £ million	AUM 30 June 2016 £ million	AUM 31 August 2016 £ million
<b>Strategic Equity</b>			
Gresham House Strategic Public Equity <sup>(1)</sup>	36.5	37.5	49.7
LMS Capital plc	–	–	86.0
	<u>36.5</u>	<u>37.5</u>	<u>135.7</u>
<b>Real Assets</b>			
Gresham House Forestry	205.0	223.5	223.5
	<u>205.0</u>	<u>223.5</u>	<u>223.5</u>
<b>Total AUM</b>	<u><u>241.5</u></u>	<u><u>261.0</u></u>	<u><u>359.2</u></u>

<sup>(1)</sup> Excluding Gresham House plc and GHS's co-investment alongside SPE LP.

### Strategic Equity

Following the award of our first mandate with GHS, we now have the first full six-month period earning management fees of £251k. We continue to manage GHS carefully to maximise value for its shareholders and have seen NAV grow by 8.9% since Gresham House took over the mandate on 14 August 2015 to 31 August 2016 (outperforming the FTSE Small Cap index excluding investment trusts by 6.0% over the same period).

We were also pleased to announce the first close of the SPE LP fund on 15 August 2016, with £24 million of committed capital and co-investment. SPE LP will invest alongside GHS, focusing on smaller UK and European public companies (with the ability to invest in unquoted securities and directly in private companies) adding value through a high level of engagement with management and stakeholders and the adoption of private equity techniques. We are targeting a final close in 2017.

The first investment made by SPE LP was the purchase of IMI Mobile from GHS on 15 August 2016. This has provided SPE LP with an attractive first investment to reduce the 'J-curve' effect and also allowed GHS to improve the balance of its portfolio.

As mentioned, since the period end, LMS has appointed GHAM as asset manager. With an NAV of £86 million at 31 August 2016 this is a significant management contract adding to AUM and the fee earning capacity of GHAM, whilst importantly providing an initial platform for our future private equity business development. We will start to see the income from this contract coming through in the second half of 2016, although there will be tender offers and repurchases of up to £11 million to return capital to LMS shareholders over the medium term (£6 million was returned by tender offer on 31 August 2016).

### Real Assets

With the Gresham House Forestry business now delivering a full six-month period of income of £928k, this business continues to grow its AUM.

As stated, we expect to launch the Gresham House Forestry Fund during the second half of this year. The fund will be managed by Richard Davidson, who joined the Group in March as Chairman of the Investment Committee of our forestry management subsidiary.

The team continues to appraise and develop a number of forestry investment opportunities. As previously announced, it is intended that the Gresham House Forestry Fund will initially acquire a portfolio of forests in the West of Scotland for £12.1 million. We continue to work with the vendor to progress the transaction.

## Chief Executive's Report – continued

### Legacy assets

We are managing the non-core legacy assets for value and seek exits in due course. The Southern Gateway site in Speke is being carefully managed with additional capital expenditure ensuring that it is operating at near full capacity. There has been good progress in expanding occupancy and extending the leases of a number of tenants, despite the macro uncertainty. The remaining land at Newton-le-Willows is now under review, following house building developments on the adjacent land, and is held at a fair value at the period end of £2.25 million (2015: £2.25 million).

### People

The strength of the team is critical to our success and we now have in place the key people to continue to drive the business forward.

We have the senior management team including Kevin Acton joining as Finance Director in June 2016 and John-Paul Preston joining as Chief Operating Officer in April 2016, and as such we have increased our financial and operation functions to complement the existing team.

Richard Davidson joined in March 2016 as the Chairman of the Investment Committee of the forestry business, and with Pardip Khroud joining in February 2016 as an Investment Director in the Strategic Equity division, we continue to build the senior investment team.

We have also welcomed Nick Friedlos and Tony Sweet, who have joined the investment management team, and Robert Rayne, who has joined the Investment Committee of GHAM as a result of the appointment of GHAM as asset manager to LMS.

### Outlook

Investors have had to deal with the inevitable uncertainty and volatility created in the markets due to various geo-political tensions and extraordinary monetary policy measures. Despite these difficult conditions, we have successfully launched a new limited partnership fund and secured a further "permanent capital" management contract since the period end. We also continue to have meaningful discussions with a number of institutional investors and family offices to invest in new funds and co-investment opportunities as well as exploring a number of acquisition or strategic opportunities.

The extent of quantitative easing and global zero-interest rate policy has supported asset valuations despite the low yields now offered by government bonds or the equity markets. This metric would historically indicate that prospective returns are unlikely to be exciting. However, there exists an opportunity to generate outsized returns through analysis and investment in more inefficient areas of markets and less traditional areas of asset allocation. Gresham House is built on a longer-term investment philosophy to invest in these areas and believes opportunities will become increasingly apparent as markets revert towards longer-term average valuations based on a normalised return on equity.

With the full team in place and committed to growing the business and maximising value for investors alongside a strong balance sheet to support our strategy, I am confident that we will see further opportunities for organic growth, acquisitions and investment in the near future.

Anthony Dalwood  
*Chief Executive*

28 September 2016



# Condensed Group Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Notes	Six months ended 30 June 2016 (unaudited) £'000	Six months ended 30 June 2015 (unaudited) £'000	Year ended 31 December 2015 (audited) £'000
<b>Income:</b>				
Asset management income		1,179	–	333
Rental income		370	329	746
Dividend and interest income		138	143	228
Other operating income		19	10	51
<b>Total Income</b>	5	<u>1,706</u>	<u>482</u>	<u>1,358</u>
<b>Operating costs:</b>				
Property outgoings		(147)	(172)	(339)
Administrative overheads		(2,911)	(639)	(2,704)
<b>Net operating loss</b>		<u>(1,352)</u>	<u>(329)</u>	<u>(1,685)</u>
Finance costs	6	(155)	(73)	(144)
Share of associate's profits		18	–	–
Exceptional items (*)		–	(8)	(773)
<b>Net loss after exceptional items</b>		<u>(1,489)</u>	<u>(410)</u>	<u>(2,602)</u>
<b>(Losses)/gains on investments:</b>				
Fair value movement on investment properties		(154)	(193)	(586)
Fair value movement of investments		(29)	655	(459)
Loss on disposal of investment properties		–	–	(158)
Profit/(loss) on disposal of investments		14	–	(26)
<b>Operating (loss)/profit before taxation</b>		<u>(1,658)</u>	<u>52</u>	<u>(3,831)</u>
Taxation		–	–	–
<b>(Loss)/profit and total comprehensive income</b>		<u><u>(1,658)</u></u>	<u><u>52</u></u>	<u><u>(3,831)</u></u>
Attributable to:				
Equity holders of the parent		(1,664)	76	(3,807)
Non-controlling interest		6	(24)	(24)
		<u><u>(1,658)</u></u>	<u><u>52</u></u>	<u><u>(3,831)</u></u>
<b>Basic and diluted (loss)/earnings per ordinary share (pence)</b>	7	<u><u>(16.9)</u></u>	<u><u>0.8</u></u>	<u><u>(40.5)</u></u>

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

## Condensed Group Statements of Changes in Equity

SIX MONTHS ENDED 30 JUNE 2016 (unaudited)

	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	Equity attributable to equity shareholders £'000	Non- controlling interest £'000	Total equity £'000
Balance at 31 December 2015	2,463	1,688	64	21,611	25,826	–	25,826
Loss for the period being total comprehensive income for the period	–	–	–	(1,664)	(1,664)	6	(1,658)
Transfer of non-controlling interest gain	–	–	–	6	6	(6)	–
Share capital issued	–	6	–	–	6	–	6
Balance at 30 June 2016	<u>2,463</u>	<u>1,694</u>	<u>64</u>	<u>19,953</u>	<u>24,174</u>	<u>–</u>	<u>24,174</u>

SIX MONTHS ENDED 30 JUNE 2015 (unaudited)

	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	Equity attributable to equity shareholders £'000	Non- controlling interest £'000	Total equity £'000
Balance at 31 December 2014	2,336	12,508	64	12,934	27,842	–	27,842
Profit for the period being total comprehensive income for the period	–	–	–	76	76	(24)	52
Transfer of non-controlling interest deficit	–	–	–	(24)	(24)	24	–
Cancellation of share premium	–	(12,508)	–	12,508	–	–	–
Balance at 30 June 2015	<u>2,336</u>	<u>–</u>	<u>64</u>	<u>25,494</u>	<u>27,894</u>	<u>–</u>	<u>27,894</u>

YEAR ENDED 31 DECEMBER 2015 (audited)

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

## Condensed Group Statement of Financial Position

AS AT 30 JUNE 2016

	Notes	30 June 2016 (unaudited) £'000	30 June 2015 (unaudited) £'000	31 December 2015 (audited) £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Investments – securities	9	895	3,610	1,568
Property investments		9,509	9,865	9,559
Tangible fixed assets		213	19	154
Investment in associate		5,920	–	5,902
Intangible assets		5,994	–	6,588
Long-term receivables		3,947	–	5,916
<b>Total non-current assets</b>		<u>26,478</u>	<u>13,494</u>	<u>29,687</u>
<b>Current assets</b>				
Trade and other receivables		667	87	665
Accrued income and prepaid expenses		1,127	715	1,081
Other current assets		2,054	–	–
Cash and cash equivalents		4,797	10,701	4,390
<b>Non-current assets held for sale</b>				
Property investments		–	6,810	–
<b>Total current assets and non-current assets held for sale</b>		<u>8,645</u>	<u>18,313</u>	<u>6,136</u>
<b>Total assets</b>		<u>35,123</u>	<u>31,807</u>	<u>35,823</u>
<b>Current liabilities</b>				
Trade and other payables		1,473	635	4,390
Short term borrowings		–	3,278	2,850
		<u>1,473</u>	<u>3,913</u>	<u>7,240</u>
<b>Total assets less current liabilities</b>		<u>33,650</u>	<u>27,894</u>	<u>28,583</u>
<b>Non-current liabilities</b>				
Long term borrowings		6,715	–	–
Other creditors		2,761	–	2,757
		<u>9,476</u>	<u>–</u>	<u>2,757</u>
<b>Net assets</b>		<u>24,174</u>	<u>27,894</u>	<u>25,826</u>
<b>Capital and reserves</b>				
Ordinary share capital		2,463	2,336	2,463
Share premium		1,694	–	1,688
Share warrant reserve		64	64	64
Retained reserves		19,953	25,494	21,611
<b>Equity attributable to equity shareholders</b>		<u>24,174</u>	<u>27,894</u>	<u>25,826</u>
Non-controlling interest		–	–	–
<b>Total equity</b>		<u>24,174</u>	<u>27,894</u>	<u>25,826</u>
<b>Basic and diluted net asset value per ordinary share</b>	12	<u>245.4p</u>	<u>298.5p</u>	<u>262.2p</u>

# Unaudited Condensed Group Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Notes	Six months ended 30 June 2016 (unaudited) £'000	Six months ended 30 June 2015 (unaudited) £'000	Year ended 31 December 2015 (audited) £'000
<b>Cashflow from operating activities</b>				
Dividend income received		3	45	48
Interest received		2	280	317
Rental income received		303	315	549
Other cash payments		(3,324)	(898)	(2,940)
Net cash utilised from operations	13	(3,016)	(258)	(2,026)
Interest paid on loans		(59)	(74)	(175)
Corporation tax paid		(204)	-	-
Net cash flows in operating activities		<u>(3,279)</u>	<u>(332)</u>	<u>(2,201)</u>
<b>Cash flows from investing activities</b>				
Acquisition of Aitchesse Limited		-	-	(1,074)
Purchase of investments		-	-	(5,000)
Sale of investments		658	-	-
Sale of investment properties		-	-	2,222
Expenditure on investment properties		(104)	(154)	(329)
Purchase of fixed assets		(110)	(22)	(24)
Sale of fixed assets		38	-	15
		<u>482</u>	<u>(176)</u>	<u>(4,190)</u>
<b>Cash flows from financing activities</b>				
Repayment of loans		(2,850)	-	(428)
Repayment of short term loan notes		(667)	-	-
Receipt of loans		7,000	-	-
Finance fees paid		(285)	-	-
Share warrants exercised		6	-	-
		<u>3,204</u>	<u>-</u>	<u>(428)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>		407	(508)	(6,819)
Cash and cash equivalents at start of period		4,390	11,209	11,209
Cash and cash equivalents at end of period		<u>4,797</u>	<u>10,701</u>	<u>4,390</u>

## Notes to the Accounts

### 1 REPORTING ENTITY

Gresham House plc ("the Company") is a company incorporated in England. The unaudited condensed group interim financial statements of the Company as at and for the six months ended 30 June 2016 comprise the Company and its subsidiary undertakings (together referred to as the "Group"). All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### 2 STATEMENT OF COMPLIANCE

The financial information presented in these Interim Results has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted by the European Union. The principal accounting policies adopted in the preparation of the financial information in these Interim Results are unchanged from those used in the Company's financial statements for the year ended 31 December 2015 and are consistent with those that the Company expects to apply in its financial statements for the year ended 31 December 2016.

The financial information for the year ended 31 December 2015 presented in this Interim Report does not constitute the Company's statutory accounts for that period but has been derived from them. The Report and Accounts for the year ended 31 December 2015 were audited and have been filed with the Registrar of Companies. The Independent Auditors' Report on the Report and Accounts for the year ended 31 December 2015 was unqualified and did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006. The financial information for the periods ended 30 June 2015 and 30 June 2016 are unaudited and have not been reviewed by the Company's auditors.

### 3 ESTIMATES

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

In preparing these unaudited condensed group interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the group financial statements as at and for the year ended 31 December 2015.

### 4 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policy are consistent with those disclosed in the group financial statements as at and for the year ended 31 December 2015.

## Notes to the Accounts – continued

## 5 INCOME

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000	Year ended 31 December 2015 £'000
<b>Asset management income</b>			
Fund management income	251	–	127
Forestry management income	928	–	206
	<u>1,179</u>	<u>–</u>	<u>333</u>
<b>Income from investments</b>			
Rental income	370	329	746
Dividend income – Listed UK	3	45	48
Interest receivable – Bank & brokers	3	28	40
– Other	132	70	140
	<u>508</u>	<u>472</u>	<u>974</u>
<b>Other operating income</b>			
Dealing profits and losses	1	–	–
Other fees receivable	18	10	51
	<u>19</u>	<u>10</u>	<u>51</u>
<b>Total income</b>	<u><u>1,706</u></u>	<u><u>482</u></u>	<u><u>1,358</u></u>

## 6 FINANCE COSTS

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000	Year ended 31 December 2015 £'000
Interest payable on loans and overdrafts	125	73	137
Finance fees	30	–	7
	<u>155</u>	<u>73</u>	<u>144</u>

## Notes to the Accounts – continued

### 7 (LOSS)/EARNINGS PER SHARE

#### Basic and diluted (loss)/earnings per share

	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Total net loss attributable to equity holders of the parent (£'000)	(1,664)	76	(3,807)
Weighted average number of ordinary shares in issue during the period	<u>9,852,060</u>	<u>9,343,429</u>	<u>9,404,614</u>
Basic and diluted (loss)/earnings per share to equity holders of the parent (pence)	<u>(16.9)</u>	<u>0.8</u>	<u>(40.5)</u>

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

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

#### Adjusted (loss)/earnings per share

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000	Year ended 31 December 2015 £'000
Operating (loss)/profit before tax	(1,658)	52	(3,831)
Add back:			
Exceptional operating expenses	–	8	773
Depreciation and amortisation	631	3	10
Profit on disposal of tangible fixed assets	(8)	–	(6)
Adjusted (loss)/profit before and after tax	<u>(1,035)</u>	<u>63</u>	<u>(3,054)</u>
Non-controlling interest	(6)	24	24
Adjusted (loss)/profit after tax attributable to equity holders of the parent	<u>(1,041)</u>	<u>87</u>	<u>(3,030)</u>
Adjusted (loss)/earnings per share (pence)	<u>(10.6)</u>	<u>0.9</u>	<u>(32.2)</u>

### 8 DIVIDENDS

No final or interim dividends were proposed or paid for the periods ending 30 June 2016, 31 December 2015 and 30 June 2015.

## Notes to the Accounts – continued

### 9 INVESTMENTS – SECURITIES

An analysis of total investments is as follows:

	30 June 2016 £'000	30 June 2015 £'000	31 December 2015 £'000
Listed securities – on the London Stock Exchange	102	102	105
Securities dealt in under AIM	–	1,599	–
Securities dealt in under ISDX	25	57	51
Unlisted securities	768	1,852	1,412
Carrying value	<u>895</u>	<u>3,610</u>	<u>1,568</u>
Investments valued at fair value through profit or loss	127	2,199	157
Loans and receivables valued at amortised cost	768	1,411	1,411
	<u>895</u>	<u>3,610</u>	<u>1,568</u>

### 10 SHARE CAPITAL

	30 June 2016 £'000	30 June 2015 £'000	31 December 2015 £'000
Allotted: Ordinary – 9,852,461 (30 June 2015: 9,343,439; 31 December 2015: 9,851,041) fully paid shares of 25p each	<u>2,463</u>	<u>2,336</u>	<u>2,463</u>

### 11 SHAREHOLDER AND SUPPORTER WARRANTS

On 1 December 2014 the Company issued:-

- (i) 1,073,904 shareholder warrants to existing shareholders as at the close of business on 28 November 2014 on a 1:5 basis, such warrants having been admitted to trading on AIM; and
- (ii) 850,000 supporter warrants to the new directors and certain members of the Investment Committee and Advisory Group at a price of 7.5p per warrant.

Shareholder warrants are freely transferable, are exercisable at any time between 1 January 2015 and 31 December 2019 at an exercise price of 323.27p per ordinary share and are subject to the terms of the shareholder warrant instrument dated 7 October 2014.

Supporter warrants have the same entitlements as the shareholder warrants save that (i) they are not freely transferable (such supporter warrants only being transferable to certain family members, trusts or companies connected with the relevant warrant holder) and accordingly not quoted on AIM; (ii) are not exercisable until 1 December 2015; and (iii) are subject to the terms of the supporter warrant instrument dated 7 October 2014.

During the period 1,420 shareholder warrants were converted into ordinary shares resulting in the issue of 1,420 new ordinary shares (30 June 2015: 49; 31 December 2015: 129).



## Notes to the Accounts – continued

### 12 NET ASSET VALUE PER SHARE

#### Basic and diluted

	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Equity attributable to holders of the parent (£'000)	24,174	27,894	25,826
Number of ordinary shares in issue at the end of the period	<u>9,852,461</u>	<u>9,343,439</u>	<u>9,851,041</u>
Basic and diluted (loss)/earnings per share to equity holders of the parent (pence)	<u>245.4</u>	<u>298.5</u>	<u>262.2</u>

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

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

### 13 RECONCILIATION OF LOSS BEFORE TAXATION TO OPERATING CASH FLOWS

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000	Year ended 31 December 2015 £'000
Net loss after exceptional items	(1,489)	(410)	(2,602)
Interest payable	125	73	137
Depreciation and amortisation	631	3	10
Profit on disposal of tangible fixed assets	(8)	–	(6)
Share of associate's profit	(18)	–	–
	<u>(759)</u>	<u>(334)</u>	<u>(2,461)</u>
(Increase)/decrease in current assets	(133)	195	(343)
(Decrease)/increase in current liabilities	(2,124)	(119)	778
	<u>(3,016)</u>	<u>(258)</u>	<u>(2,026)</u>

### 14 POST BALANCE SHEET EVENTS

Since the period end, LMS Capital plc ("LMS") has appointed Gresham House Asset Management Limited ("GHAM") as asset manager, with LMS also becoming a strategic investor in the Company. The Company issued 332,484 new ordinary shares to LMS on 16 August 2016 at a value of £1 million. Subject to the satisfaction of certain conditions, the Company have also agreed to issue further new Ordinary Shares on the second anniversary of completion of the appointment with a value of up to £1.25 million.

LMS is entitled to subscribe for new warrants to subscribe for up to 1,379,409 ordinary shares.

GHAM has been appointed as external investment manager to LMS for an initial minimum term of three years and will earn a management fee of 1.5% for NAV up to £100 million, 1.25% for NAV between £100 million and £150 million and 1.0% for NAV over £150 million.

The Company has also announced on 15 August 2016 the first close of the Gresham House Strategic Public Equity LP Fund ("SPE LP"), with £24 million of committed capital and co-investment. This includes co-investment of £1.5 million from the Company, £7.5 million Gresham House Strategic plc and £5 million from an external co-investor.

GHAM as the investment manager of SPE LP will earn a management fee of 1.75% on committed capital of the fund.

