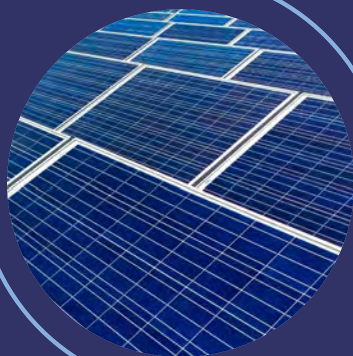
Since 1857
Gresham House
Specialist asset management

Specialists in sustainable alternatives

Gresham House plc
Annual Report & Accounts
as at 31 December 2019



Our purpose

Building a sustainable future for all stakeholders

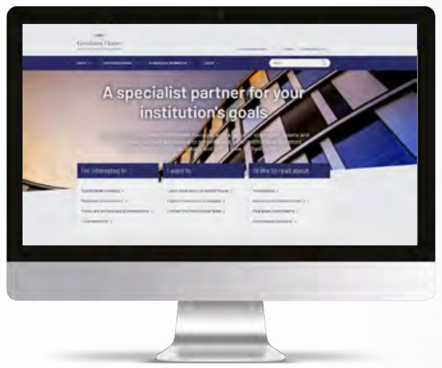
Gresham House is a specialist alternative asset management business that is quoted on the London Stock Exchange AIM *(GHE.LN)*. We deliver a range of sustainable investment products, across real assets, public and private equity, that aim to meet the long-term objectives of clients and shareholders.

We are creating an "asset to covet", for our shareholders, clients and employees, by delivering value through financial and non-financial returns alongside high-quality service provision. Our commitment to integrating sustainable investment practices across our strategies makes an active contribution to the sustainability agenda at a global, local and asset level.

As people, we are driven, ambitious and reflective. We take decisions based on robust analysis and in-depth research, while always ensuring we look back on our results with a critical eye.

We believe our culture of empowerment, individual flair and entrepreneurial thinking enables us to design and implement innovative investment solutions capable of building a sustainable future for all our stakeholders.

Gresham House manages investments and co-investments through its FCA-regulated investment management platform (Gresham House Asset Management) on behalf of institutions, family offices, charities, endowments and private individuals.



For more information visit
www.greshamhouse.com

Financial highlights

£m

Assets Under Management (AUM)
(£million as at 31 December)

£2,797m
+23%

Total core income
(£million for the year to 31 December)

£32.9m
+124%

Adjusted operating profit/(loss)*
(£million for the year to 31 December)

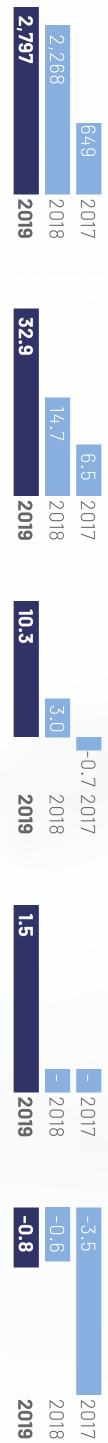
£10.3m
+237%

Net performance fees and realised gains
(£million for the year to 31 December)

£1.5m

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

£(0.8)m
-33%



Operational highlights

- Organic growth in AUM of 23% (£529 million) including contributions from all divisions across the Group
- Revenue, adjusted operating profit and dividend growth of 124%, 237% and 50% respectively
- Successfully integrated the FIM (Forestry) and Livingbridge VC (Strategic Equity) businesses in the year, capturing annualised synergies of £1.0 million
- Executed the Group's first international forestry acquisition in Ireland on behalf of AXA Investment Managers – Real Assets
- Completed the first battery storage development sale to Gresham House Energy Storage plc (GRID) with a net gain of £1.3 million
- Continued investment in the platform and people to support identified future growth from scaling existing investment units plus international opportunities

Sustainability agenda

- Forestry division planted over 4.1 million trees in UKWAS certified forests in 2019. In the year, approximately 1.5 million tonnes of CO_2 were captured, bringing total carbon storage across the portfolio to over 34 million tonnes
- New Energy division operates 195MW of wind farms and solar parks which generate 414,000 MWh per annum, enough power for 111,000 homes and saving 186,000 tonnes of CO_2 emissions per annum

* Adjusted operating profit has been redefined in 2019 as net trading profit of the Group before deducting amortisation, depreciation and exceptional items relating to acquisition (including acquisition related share-based payment charges) and restructuring costs and adding back dividend income received from associates. We have separated performance fees from the adjusted operating profit metric for clarity. The impact of IFRS 16 was to reduce the rent cost included in administration costs by £0.7 million in 2019, which has increased the adjusted operating profit by £0.7 million.

"We have grown the business organically in 2019, demonstrating our ability to integrate acquisitions, alongside driving the sustainability agenda in all that we do.

Tony Dalwood, Chief Executive Officer

The specialist alternative asset manager

We have created a specialist asset management business in the growing alternative investment space, focused on delivering results for both clients and shareholders. We are committed to operating responsibly, taking the long view in delivering sustainable investment solutions.

Financial overview

Total AUM (£m)

£2.8bn

+23%

AUM has grown organically by c.23% over the year with a healthy pipeline for further growth in 2020.

Adjusted operating profitability (£m)

£10.3m

+237%

Adjusted operating profits grown by 237% to £10.3m in 2019.

- Gresham House is an LSE-quoted specialist alternative asset manager, offering funds, direct investments and tailored opportunities, including co-investment, across a range of sustainable strategies
- We have created a specialist asset management business in the growing alternative investment space, focused on delivering results for both clients and shareholders. We are committed to operating responsibly and sustainably, taking the long view in delivering sustainable investment solutions.

For more information
See pages 24 to 29

Divisions and strategies

Strategic Equity

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

Public Equity **£283m AUM**

Applies a private equity approach to quoted equity and includes our open-ended equity funds, plus our strategic public equity listed and LP vehicles.

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

Private Equity **£425m AUM**

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

- Baronsmead Venture Trust plc
- Baronsmead Second Venture Trust plc
- LMS Capital plc

AUM

£708m

Revenue

£13.2m

For more information
See pages 30 to 33

Real Assets

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

Forestry **£1,334m AUM**

A real asset class that both 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.

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

Housing & Infrastructure **£220m AUM**

Investment into these two segments of the UK market facing undersupply and aiming to deliver superior financial returns alongside a positive social and environmental impact. Investments in this area generally benefit from substantial asset-backing and can provide investors with attractive long-term cash flow.

- British Strategic Investment Fund (BSIF) Strategy
  - Gresham House BSI Infrastructure LP
  - Gresham House BSI Housing LP

New Energy **£535m AUM**

Supporting the shift from reliance on finite resources to a new energy world powered by renewables, with the aim of generating sustainable long-term returns. Investments are focused on key transformative technologies: solar, wind and energy storage, 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
- FIM Solar Distribution LLP
- FIM Wind Energy LP
- Gresham House Wind Energy 1 plc

AUM

£2,089m

Revenue

£19.7m

For more information
See pages 34 to 37

Another strong year, continuing momentum and growth to generate long term shareholder value

Anthony Townsend
Chairman

It has been five years since the management buy-in led by CEO Tony Dalwood, with an ambition to transform Gresham House into the dynamic specialist asset management business it is today. The quality of the senior management team has been evidenced over this period and we are pleased to celebrate this anniversary with a year that has beaten expectations and achieved milestones, continuing our momentum and growth to generate long-term shareholder value.

Activity in the period
Over the course of 2019, we have seen good performances across our range of products, complemented by the successful integration of our recent acquisitions. As a result, we have seen strong organic growth of over £0.5 billion in AUM to £2.8 billion in 2019, a 23% organic increase in the year (2018: £2.3 billion). This has helped drive profitability with our revised adjusted operating profits increasing to £10.3 million in the year (2018: £3.0 million).

A key 2019 objective was to demonstrate our ability to manage acquisitions with the successful integration of FIM Services Ltd (FIM) and Livingbridge VC LLP, which included adding the two Baronsmead VCTs to our range. This was the first full year to benefit from these acquisitions where annualised cost savings and acquisition synergies of over £1.0 million have been captured.

We have built strong market positions in our areas of expertise such as forestry, VCT management and energy storage. We have managed growth through prudent financial management and an innovative approach to creating investment opportunities for our clients.

This has been evident from the good performance across our funds, for example the 10-year track record of our LF Gresham House UK Micro Cap Fund is exceptional and, on a risk adjusted basis, it is the number two UK-based fund in its sector. The investment performance in our Strategic Public Equity (SPE) listed product, Gresham House Strategic plc (GHS) has been very strong and the SPE strategy now has a track record of outperformance over many years.

In Real Assets, we are particularly pleased with the growth of our two leading sustainable products, the Gresham House Energy Storage Fund plc (LSE:GRID) and British Strategic Investment Fund (BSIF) Strategy which both completed successful fundraisings in 2019. GRID raised a further £107 million in 2019 and continued to acquire utility-scale battery storage projects in this critical area to support renewable energy generation. The BSIF Strategy held a successful fundraise in September 2019 adding £35 million committed capital and £20 million to a separate fund from local authority investors and continues to deploy in sustainable infrastructure and housing projects.

We also established our first foothold outside of the UK with the expansion of our market-leading forestry investment operations into Ireland through working with AXA Investment Managers – Real Assets.

Gresham House has a talented team and the collaboration across the Company deserves to be recognised for its commitment to success. As such it is gratifying to have been awarded accolades from leading industry publications this year, including Funds Europe, Investment Week and Professional Pensions among others, for our expertise in alternative investments. The culture of the Group continues to be strong and dynamic as the opportunities expand.

Sustainability
Sustainability and Environmental, Social and Governance (ESG) concerns are at the forefront of the minds of both Gresham House and our investors. These issues are embedded in the Gresham House proposition, with assets across solar, wind, battery storage and forestry, as well as housing and agritech, among others. We have also published our Sustainable Investment policy in the year and established our Sustainable Investment Committee to embed this throughout the business.

In December, we demonstrated how we use our balance sheet to align ourselves with clients. Our wholly owned subsidiary Gresham House DevCo Limited sold its first material battery storage development project to GRID for an initial net gain of approximately £1.3 million and we are in advanced negotiations on other projects. We will continue to use our balance sheet to support growth in product development and investing alongside our clients.

Results
The Group has generated core income of £32.9 million, an increase of 124%, reflecting the organic growth in AUM in the year and the first full year including FIM and Livingbridge VC businesses (2018: £14.7 million). Our revised adjusted operating profit has also improved to £10.3 million in the year (2018: £3.0 million) and we were pleased to receive our first net performance fees and realised gains on investments of £1.5 million in the year. Comprehensive net income includes amortisation of management contracts, movements in contingent consideration payments and other items was £0.8 million loss for the year (2018: £0.6 million loss). This has resulted in adjusted diluted EPS growth of 127%.

The key focus remains on growing the business by investing in high-quality people across fund management, distribution and the critical support functions of compliance, legal, HR and finance.

AUM	Adjusted operating profit
£2.8bn	£10.3m
+23%	+237%

With a strong balance sheet, net cash, plus liquid assets of £41.3 million (2018: £32.8 million), the Group is well-positioned for further growth through acquisitions and further investment in the Gresham House platform and people.

Dividend
As indicated in the 2019 interim results, the Board has decided to increase the dividend from the maiden dividend of 3.0 pence paid for the year to 31 December 2018. We are delighted to recommend increasing the dividend by 50% to 4.5 pence in 2019. We intend to pursue a progressive dividend policy subject to building sustainable shareholder value over the long-term.

Shareholders
We are proud of our diversified and prestigious shareholder base and welcome each and every one on our long-term journey to become 'an asset to covet'. The Company has come a long way from the £15 million market capitalisation when this management team took charge in 2014.

Board
The development of a Board possessing the necessary skills to support a growth company at our stage remains highly important and we were pleased to have Gareth Davis join as a Non-Executive Director of the Company on 1 October 2019. Gareth is a former Chief Executive of Imperial Brands where he served for 38 years. More recently he has been Chairman of a number of FTSE 100 companies. We welcome the expertise he will bring to the Board as a highly experienced colleague and one with proven experience in brands, international growth and vision.

Outlook
We have made excellent progress against our objectives set in 2014 and we are well-positioned to meet the challenges of the next five years. The management team has an agreed framework over that period, known as 'GH25', and it is an integral part of the Group to work towards these goals. We have established a quality, diversified asset management business and we now look to the next five years to scale up in areas of alternative asset allocation, with key ESG themes throughout, and with further international ambitions.

We were pleased to announce the acquisition of Trade Risks Limited (Trade Risks), the Housing fund management and corporate finance and advisory business, post year end. Trade Risks complements our existing Housing business and provides a further platform for growth, we welcome the Trade Risks team to the Gresham House family.

We note that at the time of writing there are concerns about an economic downturn as a result of coronavirus and its impact on global stock markets. While we monitor this situation closely, our belief in the long-term nature of the asset classes that we operate in remains. We are optimistic about 2020 as we look beyond the achievements of 2019 and we are now focused on delivering our plan for the next five years.

Anthony Townsend
Chairman
5 March 2020

Future value driven by

- → Growth of AUM in scalable alternative asset management segments both organically and through acquisition
- → Long-term income visibility in high margin products
- → Delivering performance fees and carried interest
- → Achieving operational gains from acquisitions

Read more about GH25
See pages 18 to 19

We have grown our specialist alternative asset management business as the sustainable agenda expands

Tony Dalwood
Chief Executive

2019 was a crucial year for Gresham House, as we celebrated five years since the Management Buy-In (MBI) to transform the Company into a leading specialist alternative asset manager.

Our goal has been to deliver shareholder value through capturing the growth in asset allocation to alternative assets, with increased client alignment. We are creating an "asset to covet" for shareholders, clients and our employees, delivering superior investment performance while providing a highly respected level of service.

As we look to the next five years, our ambitions remain clear, and are captured in our 'GH25' mission statement announced within these results, as we importantly aim to double shareholder value again.

We remain committed to a sustainable future through specialist alternative investment. We have integrated investment practices across our strategies that make an active contribution to the sustainability agenda at a global, local and asset level. This is fundamental to our proposition and our clients alongside shareholders continue to benefit from (and demand) a focus on this area of growing interest.

In 2019, we demonstrated our capability in two key strategic areas – organic growth plus acquisition integration. Both factors have been in evidence with the successful integration of FIM Services Ltd (FIM) and Livingbridge VC LLP, alongside growing AUM by over £0.5 billion, with new investors encouraged by our investment performance, specialist investment products and brand recognition.

GH25 – the 5-year strategy
Our goal is to further develop the business as a leading specialist alternative asset manager, utilising the highly scalable platforms in place and the talented people across the Group.

We aim to double shareholder value[1] over the next five years through the execution of a number of identified objectives. These include doubling AUM and a dedicated focus on delivering clear financial and strategic targets.

Our financial targets aiming to double shareholder value[1]:
- → Grow AUM to over £6 billion
- → Increase operating margins* to greater than 40%
- → Maintain target Returns on Invested Capital of 15% or above

Our strategic objectives to support these financial targets are to:
- → Become a recognised leader in Sustainable and Governance investment objectives
- → Ensure the funds we manage maintain superior returns compared to the market
- → Build market share in our niche product areas
- → Develop the business internationally, through investment, products and clients
- → Further enhance the Gresham House brand to create significant goodwill

[1] This is a target, not a profit forecast. There can be no assurance that this target will be met. This target should not be taken as an indication of the Company's expected or actual current or future results.
* Adjusted operating profit

Gresham House has established a number of differentiated asset management platforms, each with the ability to scale alongside existing product, new product development, and international potential. Impact and sustainable asset management requires an element of disruption – to evolve current methods. We believe we have demonstrated this capability through investment platforms such as Gresham House Energy Storage Fund plc (GRID), the British Strategic Investment Fund (BSIF) Strategy and the Baronsmead VCTs.

Critical to the Group's success is delivering a partnership approach with our clients through excellent service and quality investment solutions.

Disciplined use of the balance sheet to make strategic acquisitions that are aligned with our platform and shareholder value creation in line with our track record and future goals remain at the core of our ambitions. Through scaling the business, we anticipate the shareholder benefits of operational gearing and margin expansion, whilst continuing to prioritise investment in our platform and people.

Creating shareholder value
2019 saw the various elements intrinsic to the Gresham House story begin to manifest, namely: value-add through organic growth, balance sheet capital utilisation, product development, investment performance, and acquisitions. These have all contributed to growing shareholder value, building the brand, growing earnings, and generating AUM growth and cash.

Our acquisitions continue to deliver against their 15% return-on-capital-invested targets and we have identified and captured over £1 million of annualised cost synergies from the FIM and Livingbridge transactions. We have also benefited from additional revenue synergies, whereby clients that have joined through acquisitions are now investing in other areas of the business; such as forestry investors now investing in GRID as well as in Gresham House plc – evidence of partnership and alignment.

Operational efficiencies have been achieved across a number of areas, from systems and processes to shared central functions like compliance, finance, marketing and distribution. Examples include the establishment of the divisional management committees in new combined areas, such as FIM and the original Gresham House Forestry businesses operating as a single unit, plus the Livingbridge team now operating as a combined unit with the Strategic Public Equity team within the Strategic Equity division. We are pleased that the teams have continued their momentum after joining Gresham House, embracing the entrepreneurial spirit to grow their business divisions with the support of the Group, be it through the product development process, the provision of seed capital to launch new funds, or simply additional sales and marketing investment.

2019 also saw effective use of the balance sheet to align us with our clients and the funds we manage or advise. We were pleased to announce the first Gresham House DevCo Limited transaction, with the sale of the Red Scar battery storage development to GRID in December 2019. This is one of the exclusive portfolio projects being developed by subsidiaries and associates of Gresham House for sale to GRID and is consistent with exceeding our 15% return on balance sheet capital threshold. We are targeting this area to generate additional long-term shareholder value from sustainable investments. The prudent deployment of the balance sheet will continue to contribute to our strategy with a disciplined approach that fully exploits the opportunities available to us.

Sustainability
Gresham House has placed sustainability at the heart of its culture and our Environmental, Social and Governance (ESG) framework is structured to encompass all of our investment strategies, as well as our role as an employer and community member.

Whether it is investment in renewable infrastructure such as solar, wind and battery storage, or our commitment to forestry and investment in social housing and sustainable infrastructure, Gresham House is aiming to move these asset classes forward for investors.

Our approach was codified with the establishment of our Sustainable Investment Committee which ensures delivery against a Sustainable Investment Policy that has evolved through our extensive experience in the area. We are also proud signatories of the United Nations Principles of Responsible Investment (UNPRI).

The Management Committee and each investment division input to the evolution of our approach and we believe we can make a strong positive contribution to creating a sustainable future through specialist alternative investment asset classes.

Organic growth in 2019 and beyond
We are well-positioned to benefit from the increasing demand in alternative investments among investors as well as the wave of demand for sustainable investment products. We have attractive market shares in a number of areas and our approach has been successful, with fundraising being a focus for platform investment.

GRID has now successfully raised the £200 million outlined in its IPO prospectus, demonstrating its appeal to the market as battery storage becomes an essential feature of the UK's critical national infrastructure. Since the year end, GRID has completed an additional equity raise of £31.2 million, confirming the long-term growth prospects in this area.

We also continue to see good progress in the British Strategic Investment Fund Strategy, which had a further close with new institutional clients in September 2019, bringing committed capital to £200 million. The BSIF Strategy remains an attractive investment proposition with assets in essential sustainable infrastructure and housing classes that have a positive impact, as well as possessing defensive qualities and attractive long-term cash flow characteristics.

We are delighted to have expanded our market-leading forestry operations into Ireland, working with AXA Investment Managers – Real Assets to manage a 4,074-hectare forestry portfolio. This gives the Group the potential to establish a presence in Europe from which to develop a variety of other new opportunities following Britain's exit from the European Union. The Forestry division also continued to acquire forests in the UK on behalf of clients and raised £35 million in the FIM Timberland LP in 2019. Our No.1 position in UK commercial forestry investment management allows our forestry operations to generate data and insights for the benefit of our clients.

Chief Executive's Report

The Baronsmead VCTs both undertook top-up fundraisings in January 2019, totalling £25 million to invest in new and existing opportunities across their earlier stage company portfolios. The rapid close of these offers, both within ten days, demonstrates the depth of the appetite for this investment approach. The Baronsmead VCTs were also fundraising in the later part of the year, closing out 2019 with a further £19 million raised, bringing the total raised in 2019 to £44 million, and with more in the pipeline for 2020. Importantly, we are investing in our sales platform and are pleased with our Equity Funds recruitment, which, alongside the very strong performance of our UK Micro Cap and UK Multi Cap Income funds, should continue to support a positive AUM growth outlook.

Strategic Equity
Our Strategic Equity division comprises public equity and private equity units, each being highly differentiated within their investment worlds. The Baronsmead VCTs are a long-term brand within the private equity universe. Alongside these, capturing intellectual and investment synergies, are the public equity funds including our top-performing Strategic Public Equity vehicle, Gresham House Strategic plc (GHS), and the LF Gresham House UK Micro Cap Fund and LF Gresham House UK Multi Cap Income Fund.

GHS's active approach to investing in overlooked and unloved UK small companies continues to prove successful against a background of political, regulatory and economic uncertainty affecting the market. We are well-placed to exploit the investment opportunities available, having an experienced and passionate team in place, which has now been augmented with the hire of Richard Staveley, a specialist small-cap manager with expertise garnered over 20 years in the business.

GHS continues to be a top performing "investment trust" and was cited at number 10 in Ian Cowie's article '21st Century's Top 20 Investment Trusts so far' in January 2020. Net Asset Value (NAV) performance remains strong in volatile market conditions, with a NAV Total Return since inception of 50.5% versus the FTSE Small Cap Total Return of 31.2%.

The UK has been a difficult place for investment over the past year, with geopolitical events alongside multiple expansion in some narrow areas of the equity market. However, the LF Gresham House UK Micro Cap Fund and the LF Gresham House UK Multi Cap Income Fund have continued to generate strong performance under the leadership of Ken Wotton. The 10-year track record for the UK Micro Cap Fund is second to none and it has won a series of industry awards as a result – including Ken being named Fund Manager of the Year 2019 at the Grant Thornton Quoted Company Awards. The UK Multi Cap Income Fund, co-managed by Brendan Gulston, was 1st out of 84 funds in the UK Equity Income sector over two years to 31 December 2019 and remains No.1 in the sector since launch in June 2017. We look forward to its three-year anniversary in June 2020 meaning a wider range of investors will be able to gain exposure to its market-beating performance.

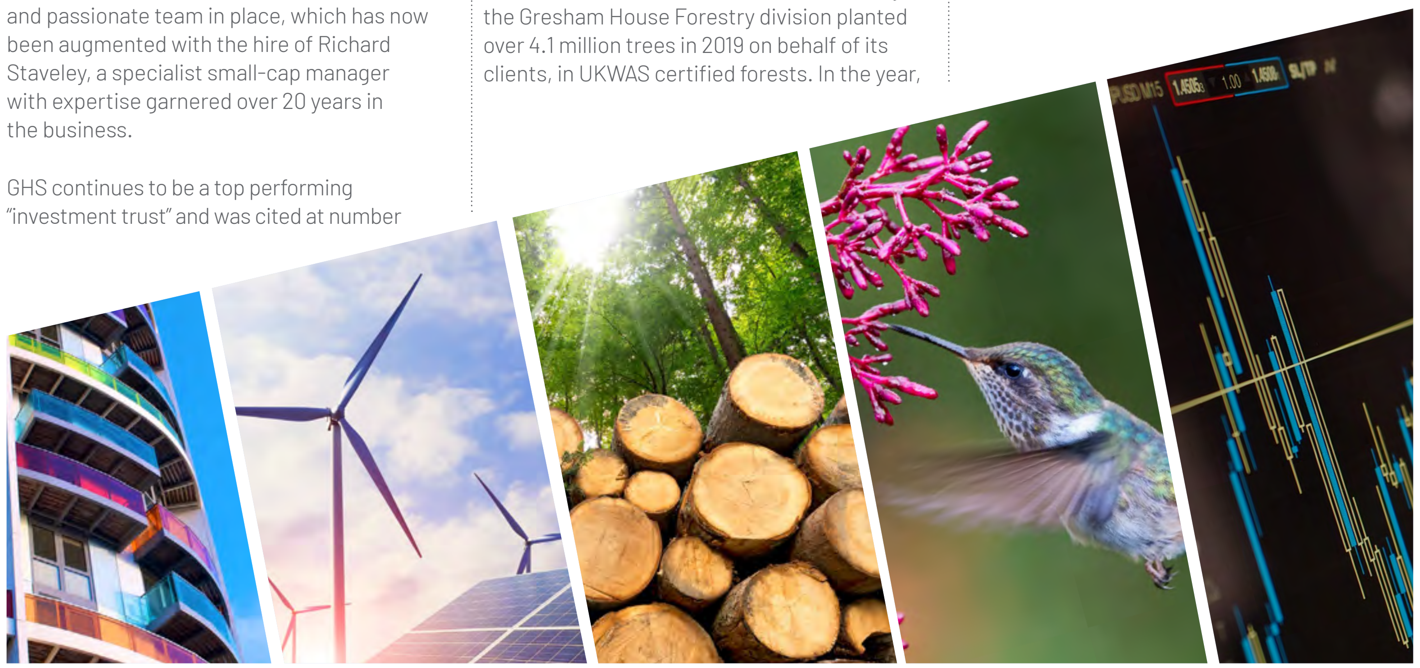
The Baronsmead VCTs continue to attract significant interest and are currently fundraising to invest in a diverse portfolio of primarily UK growth businesses, whether unquoted or traded on AIM, and it is this generalist approach which is proving to be a differentiating factor.

Real Assets
In line with our commitment to sustainability, the Gresham House Forestry division planted over 4.1 million trees in 2019 on behalf of its clients, in UKWAS certified forests. In the year, approximately 1.5 million tonnes of CO_2 were captured, equivalent to the annual emissions of the population of Newcastle. We are also exploring the viability of carbon credits in this area to add to management and acquisition fees earned by the division.

This is complemented by our battery storage activities, providing utility-scale batteries to meet the increasing demand for renewables, a crucial factor in the transition to a zero-carbon economy. This demand was evident in the success of our placings in May, July and October of 2019, totalling c.£107 million, building the potential for further future acquisitions and the recently completed further fundraise of £31 million.

The BSIF Strategy also added £35 million commitments to its infrastructure platform and £20 million for a separate regional mandate, providing innovative diversity within sustainable infrastructure investment. Our ability to work with clients to develop and deliver tailored sub-£50 million projects through this strategy is resonating with Local Government Pension Schemes (LGPS) and is attractive to institutional investors given BSIF Strategy's focus on ESG factors, income yield and asset backing.

In addition to investment in social housing, the BSIF Strategy is now moving into new areas such as vertical farming and waste recycling, reducing the carbon footprint of our food and supporting efforts to maximise the effectiveness of the waste management industry. These platform deals provide great potential for scalability.



People and culture
Our people are integral to all that Gresham House achieves. They are the foundation of our success and we believe by recruiting top talent, aligned with our values of entrepreneurialism and ambition, we are investing in future success for the Company, our clients and shareholders.

We are proud of our investment teams and will continue to invest in them as they create revenue opportunities for the Company. We recognise that this doesn't happen in isolation and we are supported by a highly talented team that enables Gresham House to function effectively – and with a smile!

Our culture of empowerment, encouraging individual flair and entrepreneurial thinking, enables us to design and implement innovative investment solutions capable of building a sustainable future. This is reflected in our success and the industry awards that have validated individual and team performance, as well as that of the Company as a whole.

I am thankful to each and every individual for their commitment, dedication and pride in Gresham House.

Outlook
We have made significant progress in 2019 and demonstrated the strength and scalability of our platform. The integration of FIM and Livingbridge has shown how a disciplined approach to acquisitions and a collaborative approach to incorporating new talent helps us create value and a company where the whole is greater than the sum of its parts.

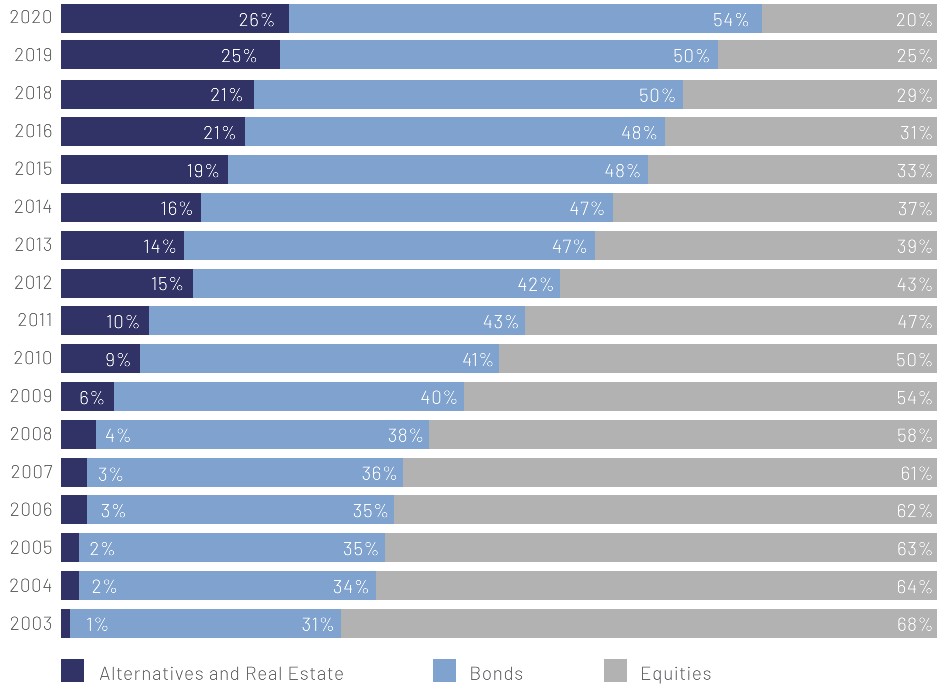
At the same time, our sustained organic AUM growth is a testament to our capabilities across our product range and client confidence in our performance and dedication to service excellence. Five years of planning and execution came to fruition in 2019 and the creation of the foundation for a long-term future was realised.

However, we are far from finished on our journey. Our mission for the next five years is to build on the platform we have created, delivering 'GH25' and with it doubling shareholder value.

With the opportunities ahead, and assuming a continued benign macroeconomic environment, we are confident that we will be able to grow our business in line with our ambitions, to create shareholder value and add further depth and breadth to our platform.

The valuation of many asset markets remains distorted by global interest rate policy and quantitative easing, which has resulted in the longest economic cycle in modern economic history. Valuation distortions and 'bubbles' are evident, and these dislocations provide opportunities for specialist investors. Gresham House is looking to capture value from such opportunities through our differentiated and specialist asset management capabilities.

Increasing UK Pension allocation to alternative asset classes (%)



Changes in broad strategic asset allocation for UK Pension Plans 2003 – 2019

Source: Mercer's European Asset Allocation Survey 2019

Concerns about the impact of coronavirus on global health have crystalised fears of an economic slowdown and we have witnessed stock markets move into correction territory. Notwithstanding this dynamic, it remains our belief that global interest rates will remain lower for longer. As such, the demand for yield and therefore alternative assets will remain a growth area.

The wave of capital flowing into ESG opportunities continues. Our broad range of sustainable investment opportunities, including solar, wind, battery storage and forestry, positions us as a natural home for investors seeking superior returns within an ESG-compliant framework.

We were also pleased to announce the acquisition of TradeRisks Limited (TradeRisks) post year end. TradeRisks is a fund management business and specialist provider of debt structuring and advisory services to the housing and social infrastructure sectors, with strong ESG credentials through its social impact in a structurally important area. We expect the acquisition to be immediately earnings enhancing, increasing our AUM to more than £3.0 billion and driving additional shareholder value creation.

As we move into the next five years of our plan, we are confident that we will continue on our trajectory of growth, delivering shareholder value and sustainable returns to clients and investors. We are a long-term business with a long-term plan based on long term investment horizons. Our proposition is clear and as we look to build on our progress and successes to date, we are excited to enter the next phase of our growth.

Tony Dalwood
Chief Executive Officer
5 March 2020

Delivering growth

Strategic objective: to deliver long-term value to shareholders and clients whereby Gresham House becomes an "asset to covet".

1

Objective

Deliver organic growth in AUM

Progress in 2019

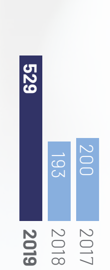
- Successful further share issuances for Gresham House Energy Storage plc (GRID), increasing NAV to £207 million
- Interim close of British Strategic Investment Fund (BSIF) Strategy with additional commitments of £35 million taking total commitments to £200 million, alongside an additional £20 million commitment to a separate infrastructure fund
- Strong deployment for BSIF Strategy in sustainable infrastructure and housing investments
- Strong acquisitions of forests for clients delivering additional AUM of £148 million, including the acquisition of the first Irish forestry portfolio for AXA Investment Managers – Real Assets.
- Fundraising for FIM Timberland LP of £35 million in 2019
- Baronsmead VCTs successfully raised £44 million in 2019
- New sales team hired for open-ended funds (UK Micro Cap and UK Multi Cap Income funds) and starting to deliver growth in AUM
- Top-performing Strategic Equity vehicles, Gresham House Strategic plc and LF Gresham House UK Micro Cap and LF Gresham House UK Multi Cap Income funds
- Managed LMS Capital plc successfully, delivering cost savings and changes to the investment process. However, majority shareholders have voted to take management back in house and terminated the management contract with Gresham House in January 2020
- Entered into Joint Venture plans with Aberdeen Standard Investments in Strategic Public Equity

KPIs

Organic Growth in Total AUM (£m)

£529m

+23%



2020 Priorities[1]

- Issue further shares in GRID in 2020 to fund 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
- Final close of BSIF Strategy funds (Gresham House BSI Infrastructure LP and Gresham House BSI Housing LP) in H1 2020
- Launch BSIF 2, the follow-on infrastructure LP fund to BSIF by the end of 2020
- Grow Forestry AUM through fundraising for FIM Forestry Fund 1 LP and acquisition of forests for clients
- Continue international forestry expansion
- Expand fundraising LF Gresham House LF UK Micro Cap and LF Gresham House UK Multi Cap Income funds alongside incubating LF Gresham House UK Smaller Companies fund
- Fundraising for Baronsmead VCT alongside successful deployment of capital
- Manage GHS plc effectively to increase NAV and support fundraising as appropriate

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

2

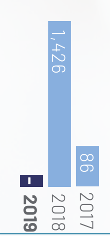
Deliver acquisition growth in AUM

- 2019 was a year of integration
- Integrated FIM and Livingbridge VC businesses successfully into the Group, capturing annualised synergies of £1.0 million.
- Acquisitions continue to meet or exceed the 15% Return on Invested Capital (ROIC) hurdle in the medium to long term
- New acquisition opportunities have been identified and continue to be explored

Acquisition Growth in Total AUM (£m)

£nil

-%



- Identify and execute on acquisitions to complement the existing business and provide further scale
- Maintain disciplined capital allocation policy to generate 15% ROIC hurdle in the medium to long term
- Announced the completion of the acquisition of TradeRisks Limited, the fund management business and specialist provider of debt structuring and advisory services to the housing and social infrastructure sectors

3

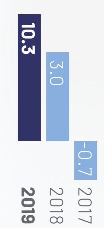
Deliver operating profitability to shareholders

- Delivered operating profit targets for 2019
- Delivered revenue growth through both organic and acquisition growth in AUM
- Managing cost base and invested in team to support long-term growth
- Growing adjusted operating margins to 31.3% (2018: 20.7%)

Adjusted Operating Profit* (£m)

£10.3m

+237%



- Deliver growing operating profitability in 2020 through revenue growth and management of cost base

* Adjusted operating profit metric was revised in 2019, to deduct acquisition related share-based payments and report performance fees and carried interest separately. IFRS 16 was implemented in the year which reduced administration expenses by £0.7 million, with a consequential increase in adjusted operating profit of £0.7 million.

4

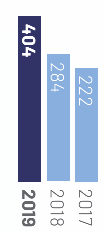
Deliver operational efficiencies

- Increased revenue per employee to £404k
- Clear focus on synergies from acquisitions and integration plans
- Benefits of operational leverage
- Operational gearing benefits through revenue growth ahead of cost growth

Revenue per Employee* (£'000)

£404k

+42%



- Build AUM whilst investing in the platform
- Invest in revenue generating team members

* Average number of employees in the year (excluding NEDs)

Creating value

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

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

1

Our key strengths

Partnership with clients

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

Long-term alignment

We invest Gresham House's balance sheet alongside client capital and also have clients who are invested in the Company

Sustainable investment outperformance

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

Attracting and retaining top talent

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

2

How we do it

Actively managed solutions

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

Understand our clients' ambitions

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

Develop innovative strategies and products

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

3

Delivering value for stakeholders

Investors

Against the backdrop of political and environmental uncertainty and volatility, we maintain our focus as asset managers on the core concerns of our clients and shareholders: superior and sustainable investment performance.

Shareholders

We maintain regular and open communication with shareholders through investor roadshows and other shareholder communications. More detail is included in the Directors Report

Employees

Overall staff numbers increased from 74 to 94 in 2019, 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.

Community

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

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 hired a Head of Compliance in 2019 to oversee our output.

Strategy in action

Gresham House Energy Storage Fund

Supporting the decarbonisation of the UK economy

Delivering organic growth in AUM

Overview

Gresham House Energy Storage Fund plc (GRID) invests in a portfolio of utility-scale operational energy storage systems (ESS) primarily using batteries in Great Britain. The fund seeks to provide shareholders with an attractive and sustainable dividend over the long term, alongside the prospect of capital growth. Gresham House helped GRID successfully raise £100.0 million in an IPO on the London Stock Exchange Specialist Fund Segment in November 2018.

Operational performance

To successfully deliver growth in GRID, the operational ESS needed to prove that the battery storage concept works in this relatively nascent sector. The investment team has constructed a diversified portfolio of operational utility-scale ESS projects. Each one can generate multiple revenue streams to allow the fund to deliver on its return objectives focusing on four sources of revenue:

- Asset optimisation - the ability to maximise income from the wholesale market and the Balancing Mechanism (through which National Grid balance intra half-hourly supply and demand)
- Firm Frequency Response - the provision of a dynamic (i.e. proportionate) response to small supply-demand imbalances, second by second, based on changes in the GB grid's electrical frequency
- Capacity Market - a UK government mechanism whereby generators (including batteries) are paid a fixed fee for being on call to deliver power when required at times of extreme need (known as 'stress events')
- Grid payments - at times of peak demand National Grid make 'Triad' payments to generators (including batteries) during the three peak half-hours when demand is highest for the year

The original 70MW acquired by GRID have been in operation during 2019 and are proving the four sources of revenues are achievable.

Growth

During 2019 Gresham House used the expertise of its New Energy team to deliver growth for GRID by identifying, developing, executing the acquisition and operation of appropriate ESS projects. This has in turn driven the need for GRID to raise further equity to satisfy the need to acquire these and further ESS projects.

Pipeline

Gresham House and associates have successfully delivered two operational assets in 2019, alongside sourcing two other operational assets for acquisition. This has grown the seed asset portfolio of 70MW to 174MW by the end of 2019. The exclusive pipeline of ESS projects that Gresham House is developing and other ESS projects identified by the Gresham House team adds a further potential 160MW capacity to be integrated into GRID on acquisition.

Fundraising

GRID raised a further £106.7 million in 2019, through a number of placements to institutional investors, wealth managers and high net worth clients, more than doubling the size of funds raised for GRID to £206.7 million. GRID also raised a further £31 million in March 2020.

Market opportunity

The demand from investors in this sustainable product is evident as the asset class becomes more widely understood. The fundamentals of ESS are needed to support the movement in the UK and globally to decarbonise the economy through the electrification of transport and the need for an extremely reliable electricity supply based on renewable energy.

Our original view of the importance of this asset class at the IPO of GRID has been enhanced with considerable potential to grow and we are pleased the New Energy division can play a part in this growth.

Money raised

£206.7m

Current portfolio capacity

174MW

Exclusive pipeline

160MW

Strategy in action
Integrating acquisitions

Capturing synergies through acquisitions and integration

> **Successful integration is a key element of our strategy to deliver cost and revenue synergies and value to shareholders.**
>
> Andy Hampshire, COO and CTO

Acquisition approach

All potential acquisitions are considered where they meet the strict criteria of the Group:

- Will deliver against our 15% Return on Invested Capital (ROIC) targets in the medium term
- Are in similar strategic markets to the Group's existing divisions to build scale and enable the capture of synergies
- Have a clear strategic rationale that will enable the Group to increase its ambition to grow AUM through new clients, products or other complementary factors

We use this diligent approach and the Group's investment committee to provide further challenge and rigor to the acquisition process in order to deliver the above criteria.

Activity in 2019

- 2019 was a year of integration as the Group focused on combining the FIM Services Limited (FIM) and Livingbridge VC LLP (Livingbridge VC) businesses into the Group
- Captured annualised synergies of £1 million across both businesses
- International expansion of the forestry business into Ireland, completing the acquisition of Ireland's largest forest acquisition on behalf of AXA Investment Managers – Real Assets
- LF Gresham House UK Multi Cap Income Fund ranked 1st out of 84 funds in the UK Equity Income sector over 2 years to 31 December 2019

FIM integration

The FIM business was integrated with the existing Gresham House Forestry business in 2019. The forestry team are now working together to deliver fundraising and forestry acquisitions for clients as a combined unit under the leadership of the Forestry Management Committee. The team works together to cover all elements of client service, sourcing of opportunities, appraisal of opportunities to execution of forestry acquisitions.

Revenue synergies have been pleasing with a number of FIM clients not only continuing to invest in the Group's forestry funds, but also investing in the other products available at Gresham House, for example GRID and also Gresham House plc itself. We are able to utilise our growing position to offer a suite of sustainable investment products to our clients.

FIM performance

The FIM business within Gresham House has continued to grow, with combined revenues looking to exceed the earn out target of £14 million for the two-year period to May 2020. The combined revenues also encourages the integration of the two forestry businesses. We use earn outs as a key part of our acquisitions to ensure that we are not overpaying for a business. The FIM earn out is expected to pay out the maximum £4 million in cash as the combined Forestry business is expected to deliver the full £14 million combined forestry revenues. The combined Forestry business is expected to deliver revenues in excess of £18 million over the same two-year period driving additional contingent consideration estimated at £1 million.

Livingbridge VC integration

The Livingbridge VC business has been combined with the Strategic Equity business, which highlights their shared investment principles of diligent research and applying a private equity style of investment to the public markets. The Strategic Equity Management Committee has been established and is delivering clear synergies for the combined team.

Fundraising in Strategic Equity has been increased in 2019, with the Baronsmead VCTs raising £44 million as the demand for the VCTs remains strong. We are also looking at launching new fund products to utilise the skills in the team and deliver operational leverage.

Livingbridge performance

The Baronsmead VCTs, UK Micro Cap and UK Multi Cap Income funds have remained resilient in the face of difficult conditions for UK Smaller Cap companies. Over ten years, the UK Micro Cap Fund is ranked 4th out of 44 funds and has delivered an impressive cumulative returns total of 395.6% vs 245.8% in the IA UK Equity Income sector[3] and the UK Multi Cap Income Fund, co-managed by Brendan Gulston, was 1st out of 84 funds in the UK Equity Income sector over two years to 31 December 2019, and remains No.1 in the sector since launch in June 2017. Our investment in the wholesale distribution team is starting to bear fruit with increasing inflows in the open ended funds alongside continued fund raising for the Baronsmead VCTs.

[3] Source FE Trustnet 31 December 2019

GH25 – the 5-year strategy

Doubling shareholder value

Our goal is to double shareholder value in the next five years through achieving financial and strategic targets.

Key levers in order to achieve this goal include; profit growth, multiple attributed to these profits plus balance sheet cash use and generation.

We have developed a specialist alternative asset manager, which has highly scalable platforms across a number of growth areas. The plan is to further scale these through the expansion of existing funds and products, new product development and the potential to operate in international markets. We have built a talented team which is driving the business forward. The various asset management platforms have clear sustainability agendas.

Financial targets

- → AUM to £6bn+
- → EBITDA margins of 40%+
- → Return on Invested Capital of 15%+

AUM
We see clear routes across all divisions to grow the business in key areas. The areas in which we have developed a specialism and which are key on the Environmental, Social and Governance agenda, such as utility scale battery storage, forestry and housing, are identified growth areas where we are well positioned to expand.

EBITDA MARGINS OF 40%+
Shareholder value creation is also linked to profit margin. The quality of a business can be seen by attractive profit margins versus comparators and the market. As the business matures, we expect performance fees and carried interest to add to the increase in EBITDA margins and to support our growth plans.

RETURN ON INVESTED CAPITAL 15%+
The disciplined use of our balance sheet is critical to ensure that we make the right strategic acquisitions and also support the growth of our existing products and divisions. This alignment with clients adds to our "partnership" culture.

Strategic targets

Strategic targets to position Gresham House as a group with attractive market positions, market shares and ambitious targets.

LEADERS IN ESG AND SUSTAINABLE INVESTING
We want to be recognised externally as a leader in this field, with the requisite investment culture and philosophy to achieve the ambitions of our clients, shareholders and employees. This is built into our culture through process, aspirations and objectives.

MAJORITY INVESTMENT PRODUCTS OUTPERFORMING
The performance of our funds is critical, and we aim for top-quartile performance across our asset classes. Outperformance of benchmarks over the medium to long-term for our listed vehicles and open-ended funds will drive this, whilst the private funds will target top-quartile performance.

SIGNIFICANT MARKET SHARES IN SPECIALIST PRODUCTS
Reaffirm our 'Specialist' nature in the key asset classes, whilst growing market shares in each area.

INTERNATIONAL PRESENCE ESTABLISHED
Offering access to Europe and subsequent global opportunities through a selective approach to international growth and partnerships.

GRESHAM HOUSE BRAND AND GOODWILL RECOGNITION
Specialists in alternatives, who can generate investment outperformance, shareholder value and great client service.

CLIENT DIVERSIFCATION AND DEPTH
Growing our Institutional, Wholesale and Direct client base through the development of our distribution channels and revenue synergies across the business.

Through the dedicated focus on our strategic targets in the current environment we are aiming to deliver the financial targets and double shareholder value in the next five years. Assuming the maintenance of a benign macro-economic environment, we are aiming to double shareholder value over the next five years through profit growth, a strong multiple attributed to the profits and superior cash generation through the use of balance sheet capital and strong margins.[4]

[4] This is a target, not a profit forecast. There can be no assurance that this target will be met. This target should not be taken as an indication of the Company's expected or actual current or future results.

Sustainability at Gresham House

At Gresham House, our Environmental, Social and Governance 'ESG' strategy and approach to sustainability is embedded in our business purpose, and the way we work.

We believe in creating sustainable, long-term value for our clients, shareholders, employees, communities and the environment, with the aim of making an active contribution to the sustainability agenda at a global, local and asset level over the long term.

Our commitment is demonstrated through the integration of sustainable investment practices across our strategies, through our proactivity in seeking to make a positive social, economic or environmental impact alongside delivering strong financial returns and by being a responsible and ethical employer.

Why sustainability matters to us

We are mindful of the many significant drivers to the sustainability agenda, especially the impact of climate change, which we regard as a critical priority for all businesses to play their part in addressing. Investments in several of our asset classes are creating tangible positive action towards meeting this global challenge.

We seek to align wherever we can, the ESG benefits of our investments with the UN Sustainable Development Goals. We continue to identify, optimise and evaluate further opportunities.

Our Sustainable Investment Commitments

We aim to be at the forefront of the industry with our sustainable investment approach. We published an updated Sustainable Investment Policy in December 2019 and have listed our commitments below:

- Take steps to understand the ambitions and concerns of all our stakeholders in seeking sustainable outcomes from the investments we are involved in.
- Integrate ESG considerations across the lifecycle of each investment by applying our sustainable investment framework which includes clearly defined processes and expert tools and methods.
- Ensure our team understands the imperative for effective ESG management and is empowered and equipped to carry this out through management support and training.
- Conduct regular monitoring of ESG risks, opportunities and performance in our investments and over time, reporting to our investors.
- Conduct our business activities in line with the UN-supported Principles for Responsible Investment, including an annual report of our progress towards implementation.

How we are doing this

We are committed to delivering the objectives of our Sustainable Investment Policy and to ensuring implementation of sustainable investing processes and approach throughout every aspect of our business.

Case study - Fischer Farms Ltd

Vertical farming is the practice of growing produce in vertically stacked layers within a carefully controlled environment. Gresham House invested in its first vertical farming project this year, delivering both financial returns and a positive social impact.

Sustainability drivers

- Improved security of food supply with UK-based production
- Reduced water usage and no pesticides
- Efficient use of land and the ability to harvest all year round
- Reduced food miles - meaning a reduction in the carbon emissions usually generated by the transportation of produce from the farm to the end consumer.
- Aligning with two of the Sustainable Development Goals

SUSTAINABLE DEVELOPMENT GOALS

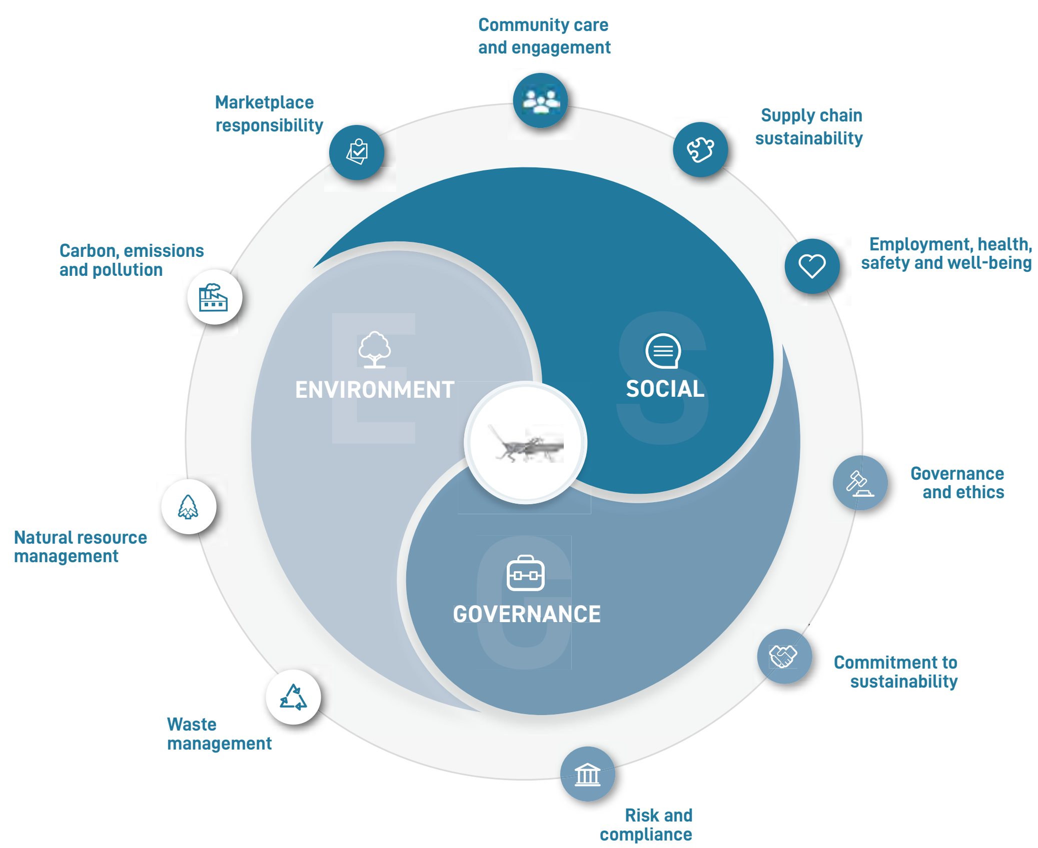
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

To that end, we have established a **Sustainable Investing Committee** within Gresham House whose remit is to marshal delivery of our commitments, offer a forum for sharing best practice, new ideas and ensure the provision of ongoing education across the business. The Committee seeks external expert advice and guidance as needed.

A representative from the Sustainable Investing Committee is also a member of each of our investment teams, ensuring that our Policy is visibly implemented and fully integrated into the day-to-day business.

Sustainable Investment Framework



Being able to report the positive environmental and social impact of investments to our clients is a key priority.

Heather Fleming,
Head of Institutional Business and member of Sustainable Investment Committee

- In 2019, Forestry division planted over **4.1 million trees in UKWAS[1] certified forests**. In the year, approximately **1.5 million tonnes of CO_2** were captured, bringing total carbon storage across the portfolio to over **34 million tonnes**
    - ~460,000 new trees planted (180 hectares in total: 164 conifers and 16 broadleaf)
- The New Energy Division operates 195MW of operational wind farms and solar parks which generate 414,000 MWh per annum, enough power for 111,000 homes and saving 186,000 tonnes of CO_2 emissions per annum. In addition, the New Energy division operates 174MW of battery storage assets

We are also proud signatories to the following member organisations:

FRC Financial Reporting Council – UK Stewardship Code; UKSIF UK Sustainable Investment and Finance Association; PRI Principles for Responsible Investment; Pensions for Purpose

Helping tackle climate change – Building sustainable investment value
Our investment divisions vary considerably in terms of the nature of investment and business activity and in relation to opportunities to influence board and management attitudes and decisions towards long-term sustainable outcomes.

For this reason, just as our investment strategies are tailored across our asset classes, we have adopted differentiated ESG integration policies for our five platforms - **Forestry, Housing and Infrastructure, New Energy, Private Equity, and Strategic Public Equity**. They are designed to be both practical and meaningful in context and straightforward to implement.

We recognise the need to measure the impact of our investments. Developed in partnership with our external ESG consultants, we have adopted asset class specific evaluation and measurement tools that go beyond quantitative analysis to include a qualitative overlay which aims to promote long-term value creation. In addition, our ESG risk management tool is used by all the investment teams throughout the deal selection process - from selection, evaluation, governance, engagement and stewardship to ensure commitments and deliverables outlined in the asset class policies are met. The development of these policies and related tools will allow Gresham House to provide more transparent reporting to our clients by the end of 2020 and aligns us with the requirements outlined in the updated UK Stewardship Code (published in January 2020).

[1] The UK Woodland Assurance Standard (UKWAS) is an independent certification standard for verifying sustainable woodland management in the UK.

Committed to embedding sustainability across our investments and the business itself

Driving responsible performance through culture
Our people set us apart and are the cornerstone of the business.

We are committed to nurturing the talent we have and encouraging a work environment which values and respects all employees.

We are investing significantly in the training and development of our teams, especially to raise understanding of ESG considerations in order to drive sustainable investment and the implementation of our commitments.

The subject of sustainable investment is a constant feature of team meetings, management committee and board meetings, ensuring good visibility and focus at all levels of the business.

Educational programme
We are delighted to have hosted a number of educational sessions over the course of the year on various aspects of investment and their sustainable investment drivers. One example of this is educational site visits to forests in Scotland and Wales involving groups of up to 65 students from Bangor University. These have provided the students with invaluable insights into commercial forestry and led to many fascinating debates about the role of plantation forests and the sustainable nature of this asset class.

Case study - our wind farm community impact

We are proud to contribute to a number of local benefit projects for the communities in the vicinity of our windfarm portfolio

- Our community funds help to support charitable activities that enhance quality of life for local residents, contribute to vibrant, healthy, successful and sustainable communities, and promote community spirit and activity
- In 2019, Gresham House wind projects contributed just over £390,000 in community funding

A year of integration and organic growth

Kevin Acton
Chief Financial Officer

The Group has had a strong year and successfully built on its specialist asset management platform to deliver organic growth of 23% in AUM to £2.8 billion (2018: £2.3 billion). This is the first full year of revenues from the FIM and Livingbridge VC businesses and highlights their successful integration into Gresham House. The result has seen total core income increasing by 124% to £32.9 million (2018: £14.7 million) and revised adjusted operating profits increased to £10.3 million from £3.0 million in 2018. The Group has also benefited for the first time from net performance fees and realised gains from development company (DevCo) activity totalling £1.5 million. Total comprehensive net income after the deduction of amortisation and other acquisition related costs remained broadly consistent with last year with a loss of £0.8 million (2018: £0.6 million loss). We are also pleased to announce our intention to pay a dividend of 4.5 pence for the year ended 31 December 2019, building on the Group's maiden dividend of 3.0 pence for the year ended 31 December 2018.

As the Group has evolved, so have the revenue streams around the business with the Group starting to benefit from performance fees and realised gains on its investments. In order to present the performance of the Group more clearly, we have reviewed 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 the asset management services.

The adjusted operating profit metric below now highlights the performance of the core asset management business separately from performance fees and realised gains on sale of investments. The performance fees and realised gains on sale of investments are presented alongside the variable compensation costs payable as a result of their generation to show the net impact on the Group.

Share-based payments which relate directly to acquisitions have been excluded as they are effectively an earn out paid to the sellers of businesses rather than an operating expense.

Finally, the implementation of IFRS 16 Leases has reclassified rent from administrative expenses to depreciation and this has reduced administration overheads accordingly. The below reconciliation demonstrates the differences to the previous adjusted operating profit metric in 2019:

Original adjusted operating profit metric	£9.3m
Less net performance fees	£(0.2)m
Add back acquisition related share-based payments	£0.5m
Add back rent payment under IFRS 16 Leases adjustment	£0.7m
Revised adjusted operating profit metric	£10.3m

Adjusted operating profit

	2019 £'000	2018 £'000
Income	**31,583**	14,498
Dividend income from associates	**1,323**	211
Total core income	**32,906**	14,709
Administration overheads (excluding amortisation, depreciation, exceptional items and acquisition related share-based payment charges)*	**(22,229)**	(11,618)
Finance costs	**(390)**	(42)
Adjusted operating profit	**10,287**	3,049
Adjusted operating margin	**31.3%**	20.7%
Performance fees (gross)	**1,944**	–
Variable compensation attributable to performance fees	**(1,744)**	–
Performance fees net of costs	**200**	–
Realised gains on investment	**2,369**	–
Variable compensation attributable to realised gains	**(1,037)**	–
Realised gains net of costs	**1,332**	–
Performance fees and realised gains net of costs	**1,532**	–
Adjusted operating profit, performance fees and realised gains net of costs	**11,819**	3,049
Amortisation and depreciation	**(8,527)**	(2,903)
Exceptional items	**(1,063)**	(2,001)
Acquisition related share-based payment charges	**(593)**	(87)
Net losses on investments**	**(2,463)**	1,067
Tax	**(23)**	218
Operating loss after tax	**(850)**	(657)
Profit from discontinued operations	**55**	11
Total comprehensive net income	**(795)**	(646)

* The 2018 administration overheads have been restated to deduct acquisition related share-based payments of £87,000.
** Excluding dividend income from associates of £1.3 million (2018: £0.2 million) and realised gains on investments of £2.4 million (2018: £nil).

The adjusted operating profit metric has increased to £10.3 million (2018: £3.0 million) and the adjusted operating margin improved to 31.3% in the year (2018: 20.7%). The key driver of the increase in profitability in the year was the impact of the FIM and Livingbridge businesses on the Group. The implementation of IFRS 16 Leases also decreased administration overheads by £0.7 million, thereby increasing adjusted operating profits by £0.7 million in 2019.

Income

	2019 £'000	2018 £'000
Asset management income	**31,226**	13,717
Dividend and investment income	**278**	47
Other income	**79**	734
Total income	**31,583**	14,498
Divided income from associates	**1,323**	211
Total core income	**32,906**	14,709

Core income
Total core income has increased by 124% in the year to £32.9 million (2018: £14.7 million), primarily driven by asset management income with 2019 being the first full year of revenues from the FIM and Livingbridge acquisitions that completed in 2018. The strong 23% organic growth in AUM in the year to £2.8 billion (2018: £2.3 billion) has also been a key factor in revenue generation in 2019. The Group provides high-quality services in actively managed alternative asset classes. Delivery of returns for investors is key and requires the team of asset management specialists to drive investor performance. As

such, we operate in higher margin specialist areas of asset management.

The Group benefits from a diverse range of long-term management contracts, which provide a stable view on future revenue streams. This is demonstrated through the weighted average life of management contracts accounting for £0.9 billion in AUM being 16 years in asset classes such as forestry. The spread of products managed by the Group's Real Assets and Strategic Equity division also ensures that the Group is not exposed to one particular market, adding a natural hedge.

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 2019 to £278,000 (2018: £47,000), due to dividends being recognised from Gresham House Energy Storage Fund plc (GRID) of £149,000 (2018: £nil), interest from co-investment holdings in Gresham House Strategic Public Equity Fund LP of £24,000 (2018: £22,000) and a dividend from LMS Capital plc of £25,000 (2018: £nil).

Other income includes directors' fees, where team members sit on the boards of portfolio companies. The main difference compared to the prior year was the recognition of a make-whole fee of £620,000 in 2018, payable by Hazel Capital to the Group as part of an arrangement whereby the British Strategic Investment Fund LP invested in ESS2 Holdco Limited (a battery storage project company), and which became payable when ESS2 Holdco Limited was sold to GRID as a seed asset.

Dividend income from associates relates to dividends recognised in 2019 from Noriker Power Limited (Noriker) and GHS. Noriker paid a dividend in specie of GRID shares and cash of £1.2 million up to Gresham House plc (2018: £nil) and GHS made dividends of £172,000 in the year (2018: £211,000). 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 £22.2 million in the year (2018: £11.6 million). Alongside revenues this is the first full year of costs from both the FIM and Livingbridge teams, which has been the key contributing factor to the increase in administrative overheads.

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

Investment in key team members from fund management and distribution to the critical Group functions of compliance, risk management, legal and HR took place in the year with 20 new team members joining the Group. The Group's full-time equivalent headcount now stands at 94, which has grown from 74 at the end of 2018. People costs have consequently increased to £15.6 million from £8.1 million in the year, alongside variable compensation relating to performance fees and realised gains of £2.8 million (2018: £nil).

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

Total office costs across the Group were £0.7 million (2018: £0.9 million), with the key change being the classification of office rent as depreciation in 2019 as required under IFRS 16 Leases, which has reduced administrative overheads by £0.7 million in the year.

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

The synergies identified in 2018 as part of the acquisitions continue to be developed and we were pleased with over £1.0 million of synergies identified and captured in 2019, the benefit of which will be evident in 2020 and beyond. It is not only acquisitions where we target cost savings, we continue to diligently review all areas of the Group's cost base 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 borrowed £10.0 million under a term loan and revolving credit facility with Santander in November 2018 as part of the Livingbridge VC acquisition. We were pleased that cash generation in the year was strong and the Group was in a position to repay the entire facility early in July 2019. The £390,000 finance cost in 2019 reflects the interest and arrangement fees paid for the term loan and revolving credit facility of £357,000 (2018: £42,000) and IFRS 16 Lease interest of £33,000 (2018: £nil).

Amortisation and depreciation

Amortisation of management contracts, client contacts, the website and client portal accounted for £7.7 million (2018: £2.8 million) as these intangible assets continue to be amortised over their useful lives. The acquisition of FIM and Livingbridge VC in 2018 required the assessment of the fair value of the management contracts within these businesses, which are being amortised over their useful lives, ranging from one to 25 years in the case of some of the FIM management contracts.

Depreciation of £816,000 in the year (2018: £138,000) relates primarily to office leases, motor vehicles used by the forestry business and IT equipment. The implementation of IFRS 16 Leases now includes classifying office leases as right of use assets on the balance sheet and amortising these over their useful lives, the lease period. This had the impact of increasing deprecation in 2019 by £0.7 million.

Exceptional items

In line with previous years we have classified 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 2019 were £1.1 million compared to £2.0 million in 2018. The impact of restructuring following the FIM and Livingbridge VC acquisitions was seen in 2019, alongside the costs associated with the Aberdeen Standard Investments (ASI) Joint Venture announced in the first half of 2019.

Gains/(losses) on investments

	2019 £'000	2018 £'000
Share of associates' profits	**246**	1,718
Gains/(losses) in investments held at fair value	**3,048**	(271)
Movement in fair value of contingent consideration	**(2,065)**	(209)
Movement in value of deferred receivable	**–**	40
Total gains/(losses) on investments	**1,229**	1,278
Less realised gains on investments	**2,369**	–
Less dividend income from associates	**1,323**	211
Net (losses)/gains on investments	**(2,463)**	1,067

Overall the Group has made gains on its investments and fair value movement in acquisition related contingent consideration totalling £1.2 million in 2019 (2018: £1.3 million).

The share of associate's profits relates to the 23% holding that the Group has in GHS and the Group's 28% holding in Noriker Power Limited (Noriker). The last results announcement from GHS was on 25 November 2019 for the six-month period to 30 September 2019. Under associate accounting, the Group has therefore recognised its share of the profit in the period of £70,000 (2018: £1,643,000), which included dividends received in the year from GHS of £172,000 (2018: £211,000).

The Group's investment in Noriker was acquired for alignment as Noriker develops battery storage projects which are part of the pipeline of projects to be acquired by GRID when operational. The Group's share of Noriker profits in 2019 was £187,000 (2018: £75,000), which included dividends received in the year from Noriker of £1.1 million (2018: £nil).

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

The gain of £3.0 million from investments held at fair value in the year (2018: £0.3 million) includes realised and unrealised gains and losses on the co-investments that have been made in the funds managed or advised by Gresham House. The key driver of this was the realised gain made on the sale of the Red Scar battery storage project to GRID, which made a realised profit of £2.4 million from the Group's £0.6 million loan and equity investment. This is the first sale of a battery development project and made a return on investment in excess of the Group's medium-term target of 15%. The net gain after the deduction of variable compensation relating to the project was £1.3 million for the Group.

The other notable movements in the gains/(losses) in investments held at fair value were:

- → GRID – increase in the share price to £1.08 as at 31 December 2019, creating a £291,000 value increase
- → Gresham House Forestry Friends and Family Fund LP – the increase in the independent valuation of the forests driving a £207,000 increase
- → LF Gresham House UK Smaller Companies Fund – the Group's £500,000 seed investment has increased in value by £133,000 in the year

Fair value movement in contingent consideration and deferred receivable

Both the FIM and Livingbridge VC acquisitions have a contingent payment element which is driven by revenue performance over two to three years. The contingent consideration payment has been fair valued at each reporting period end with the movement in the fair value recognised in the income statement.

The FIM contingent payment is expected to pay out in full, with £4.0 million of cash expected to be paid in mid-2020. The FIM acquisition also included an element that should the combined Forestry business deliver above the sellers' business plan that the sellers would benefit from an amount of 33% above this target. The current business plan is expected to deliver an amount which equates to an increase of £1.0 million in the contingent consideration to be paid to the sellers and this has been recognised in the fair value movement.

The Livingbridge VC business is expected to deliver in line with the 2018 revenue performance assumptions and the increase in the fair value of the contingent consideration reflects the unwind of the discount between the period end and settlement in 2021 and 2022.

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 deferred tax liability recognised on the acquisition of the FIM business and the impact of the movement in the fair value of the FIM management contracts.

Discontinued operations

Discontinued operations related to the Group's legacy property portfolio, with the remaining sites at Southern Gateway and Newton-le-Willows being sold during 2017. The small profit of £55,000 in 2019 relates to the return of amounts held in escrow as part of the sale reflects updates as further details on the properties are concluded (2018: £11,000).

Financial Review

Financial position

	2019 £'000	2018 £'000
Assets		
Investments*	**21,902**	17,795
Deferred receivable – Persimmon	**–**	1,033
Cash	**19,432**	13,958
Tangible/realisable assets	**41,334**	32,786
Intangible assets	**58,545**	65,911
Other assets	**13,560**	5,832
Total assets	**113,439**	104,529
Liabilities		
Borrowing	**–**	9,840
Contingent consideration	**10,510**	8,447
Other creditors	**12,692**	7,029
Total Liabilities	**23,202**	25,316
Net assets	**90,237**	79,213

* 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" (£12,188,000) and "Liabilities of a disposal group classified as held for sale" (£9,718,000) and replaced with the investment exposure in "investments in securities" (£3,678,000) and "investment in associates" (£54,000)

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

Tangible/realisable assets

The above highlights the strong balance sheet position that the Group improved on during 2019. The tangible/realisable assets supporting this total £41.3 million (2018: £32.8 million), comprise investments and cash.

Investments

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

Investment Portfolio

	2019 £'000	2018 £'000
Investment in associates		
Gresham House Strategic plc (GHS)	**8,791**	8,894
Noriker Power Limited (equity)	**341**	1,304
DevCo Projects	**54**	–
	9,186	10,198
Investment in securities		
Gresham House Energy Storage Fund plc (GRID)	**5,402**	3,982
DevCo Projects	**3,678**	1,290
Gresham House Forestry Fund LP	**1,489**	1,337
Gresham House Strategic Public Equity LP	**844**	672
LF Gresham House Smaller Companies Fund	**633**	–
LMS Capital plc	**221**	291
Noriker Power Limited (loan)	**439**	–
Other investments	**10**	25
	12,716	7,597
Total investments (excluding non-controlling interests)	**21,902**	17,795

Investments in associates

The Group maintained its holding in GHS in the year at 23%. GHS has performed well in the year and based on its last publicly available results for the six months to 30 September 2019, this has led to an increase in the recognised value as an associate of £70,000 (2018: £1.4 million), which after adjusting for the dividend payment of £172,000 in the year results in a value of £8,791,000.

The Group treats Noriker as an associate and has also provided Noriker with a £439,000 working capital loan, which was repaid shortly after year end. Noriker also made a dividend in specie in the year in GRID shares for £1.1 million, reducing the value within Noriker to £341,000.

Investments in securities

The Group's holding in GRID is now £5.4 million (2018: £5.2 million direct and indirectly held), which is c.2.5% of GRID's shares in issue. The share price of GRID continues to rise and was £1.08 as at 31 December 2019.

IFRS 10 Consolidation requires the consolidation of the Group's investments in battery storage Development Company projects (DevCo Projects) as the Group took a controlling position in these projects in the second half of 2019. 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 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 £3.7 million at the end of 2019 (2018: £1.3 million) 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 2020. The first sale of a DevCo Project, Red Scar, took place at the end of 2019, confirming the DevCo Project concept that the Group can develop utility scale battery storage projects to an operational level.

Gresham House Forestry Fund LP has performed well in the year, with increases in the value of the underlying forests driving an increase in the Group's investment to £1.5 million (2018: £1.3 million), excluding non-controlling interests.

Gresham House Strategic Public Equity LP continued to invest during 2019 and also generated realised and unrealised gains of £177,000 in the year (2018: £182,000).

The other investments demonstrate the Group's ability to co-invest alongside the funds that it manages and provides alignment with clients.

Property and deferred receivable

The final settlement by Persimmon of its remaining £1.0 million payment under the terms of the original sale agreement was received in full on 26 February 2019 and no further amounts are outstanding.

Cash and Borrowing

The cash balance of the Group was £19.4 million (2018: £14.0 million) and reflected operating cash profits generated in the year as well as a number of other items. The issuance of shares in the Company to Aberdeen Standard Investments (ASI) in the year generated £6.5 million, alongside the exercise of Supporter and Shareholder Warrants, which expired at the end of 2019, generated a further £4.9 million in 2019. The sale of the DevCo Project, Red Scar, completed on 31 December 2019 and gross cash proceeds of £2.3 million were received in early January 2020.

The Group repaid the entire £9.8 million Santander acquisition facility and revolving credit facility in the year, leaving the Group in a net cash position of £19.4 million (2018: £4.1 million).

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

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 2019, the net book value of management contracts and other intangible assets was £34.5 million (2018: £41.8 million), reflecting the amortisation of the management contracts over their useful lives, no contracts were impaired at the year end.

Goodwill resulting from acquisitions is reviewed each year end and there was no indication there any impairment to goodwill should be considered to the book value of £24.1 million (2018: £24.1 million). Further details are included in the notes to the financial statements.

Contingent consideration

The FIM and Livingbridge VC acquisitions are the key drivers of contingent consideration. The fair value of the FIM contingent consideration has increased to £4.7 million at the end of 2019 (2018: £3.4 million). This reflects the unwind of the discount as well as an increase of £1.0 million related to the strong performance of the combined Forestry business as set out at the time of the acquisition.

The Livingbridge VC contingent consideration increased to £5.8 million at 31 December 2019 (2018: £5.1 million). There have been no material changes to the assumptions on the pay out of the contingent consideration, the movement primarily reflects the unwind of the discount to the date of payment.

Going Concern

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

Kevin Acton
Chief Financial Officer
5 March 2020

Divisional Review
Strategic Equity

Strategic Equity

An investment philosophy based on the application of private equity investing techniques to both public and private companies.

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

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

2019 marked a year of successful integration, following the addition of two open-ended equity funds and the two Baronsmead VCTs through the acquisition of Livingbridge VC LLP at the end of 2018. This included the important consolidation – in terms of shared philosophy and process – by the division's investment teams, some strong fund performance highlights, and steady growth of assets.

Strategic Equity

AUM
As at 31 December 2019

£708m
+20%

Revenue
As at 31 December 2019

£13.2m
+355%

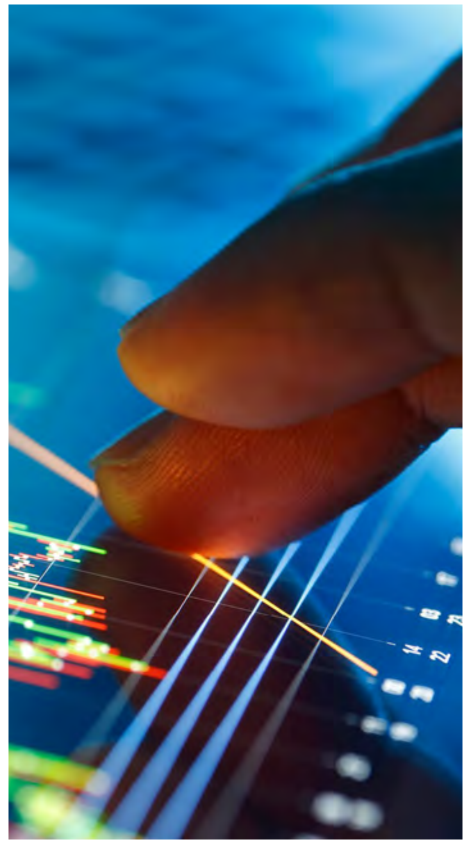
Public Equity
Our public equity philosophy revolves around taking a hands-on approach to engaging with our investee company stakeholders, seeking to capitalise on market inefficiencies and supporting a clear equity value creation plan in the long term.

The opportunity
We believe the current investment environment presents a very attractive yet overlooked opportunity set from which significant value and superior investment returns can be achieved utilising our Strategic Equity team's approach:

- → The most significant determinant of future returns is entry valuation. UK equities remain cheap relative to history and to other markets and assets, and this pricing dislocation presents opportunities to make supernormal returns. The 'size' discount for the UK small cap market is large when compared against history – there are c.1,000 companies with a market cap of <£250 million and these smaller companies can offer higher growth rates with a liquidity discount.
- → The smaller companies markets remain inefficient, due to a lack of liquidity and a lack of research for smaller companies exaggerated by MiFID II, as well as limited access to capital and corporate advice. The market focus on smaller companies deteriorated further in 2019 after a poor year for small-cap IPOs. Moreover, a combination of tighter regulation and the after-effects of the Woodford debacle are pushing some institutions further up the market-cap scale.
- → In the aftermath of the UK General Election and post Brexit, better clarity is emerging, and a more stable five-year government term can be reasonably expected, and with this a stable tax outlook.

Strategic Public Equity
Strategic Public Equity (SPE) is an alternative investment strategy that applies private equity techniques to investing in mainly UK public companies, typically below £150 million in size. It is a highly engaged strategy, requiring the team to use thorough due diligence to take influential minority stakes in investee companies, having identified value creation catalysts to enable strategic, operational or management initiatives. SPE targets the inefficient areas of the UK smaller companies markets and seeks superior returns over the medium-term. The investment team takes a 'value approach', with a clear focus on intrinsically undervalued, cash generative companies.

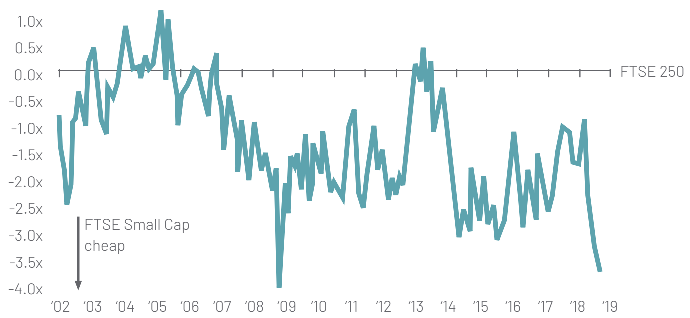
The 'value' style of investing is very out of favour and we expect returns should mean-revert to their long-term averages, which implies there is a significant opportunity for outperformance. Fewer investors are competing in this space. Private equity investment funds typically have limited access to public companies due to constraints and a lack of understanding of public markets whilst many public market institutions are held back by lack of trading liquidity in smaller companies.



Be greedy when others are fearful and fearful when others are greedy.

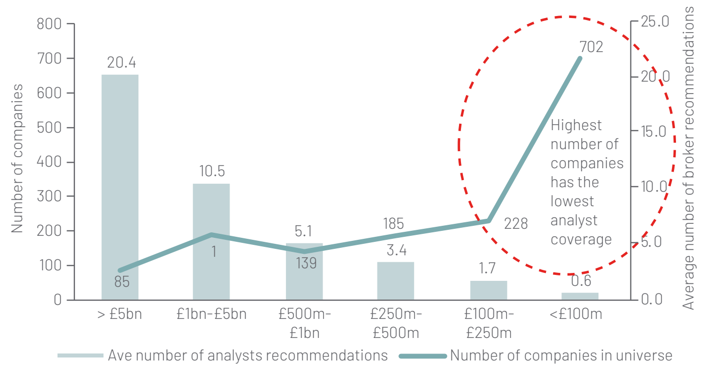
Sir John Templeton

'Small Cap Discount' – Median SC P/E – FTSE 250



Source Liberum December 2019

Broker recommendations by market cap



Source: Peel Hunt – The New World of MiFID II: Unintended Consequences. Mid and Small-Cap Investor Survey April 2018

Divisional Review

Strategic Equity continued

The Gresham House investment team is highly experienced and has deep specialist public and private small-cap expertise from a 20-year team track record of outperformance in SPE investing.

SPE is an alpha driven strategy, targeting significantly undervalued companies and is uncorrelated to a market index. It is implemented through a concentrated portfolio, based on substantial research and a variety of private equity and industrialist inputs.

Strategic Public Equity

Gresham House Strategic plc and Strategic Public Equity LP
Gresham House Strategic plc (GHS) delivered a NAV total return of 19.4% for the year to 31 December 2019, versus 17.7% and 19.1% for the FTSE Small Cap Total return and FTSE All Share Total Return indices in the year respectively[1]. GHS remains a top performer since inception, the team has delivered a NAV Total Return of 50.5% since taking on the mandate in August 2015[2]. It also reported a 15% increase in its proposed interim dividend, within its interim accounts to 30 September 2019[4]. GHS was cited at number 10 in Ian Cowie's article 21st Century's Top 20 Investment Trusts so far' in January 2020[3].

Joint Venture with Aberdeen Standard Investments
The planned Joint Venture (JV) between Gresham House and Aberdeen Standard Investments (ASI) announced in mid-2019, relating to our SPE strategy, is progressing. The JV seeks to leverage the proven expertise and successful track record of Gresham House's SPE investment team alongside ASI's significant global distribution and product development capabilities.

Specialist small-cap manager Richard Staveley, founding partner of River & Mercantile and former Majedie fund manager, joined the investment team in September 2019, in an important development of the SPE team's capacity and capability. Richard has over 20 years' investment management experience.

SPE LP follows a very similar investment policy to GHS and is the third SPE LP managed by the Gresham House team led by Tony Dalwood. As at 31 December 2019, the SPE LP portfolio valuation indicated a 1.4x money multiple on cost with the fund being 73.6% drawn. The fund had its final close on 15 February 2018 (excluding co-investment) and total commitments stand at £10.4 million.

Growth in 2020
The team continue to work hard on delivering top quartile performance for GHS and SPE LP alongside developing opportunities to grow GHS and the JV with ASI.

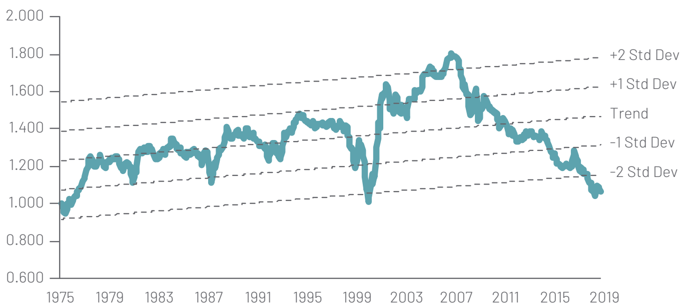
GHS NAV Total Return
since inception

50.5%

SPE LP Money Multiple

1.4x

Value vs Growth



[1,2,4] Source Bloomberg
[3] https://citywire.co.uk/investment-trust-insider/news/ian-cowie-the-21st-century-s-top-20-investment-trusts-so-far/a1309078

UK Micro Cap and UK Multi Cap Income

LF Gresham House UK Micro Cap Fund
The LF Gresham House UK Micro Cap Fund is an award-winning, high-conviction, concentrated fund, seeking to deliver long-term returns. The fund has achieved consistent low correlation to its peer group via dedication to micro-cap companies and fundamentals-based stock picking. Using a similar SPE philosophy, the fund takes advantage of inefficient markets, with micro-cap companies remaining under researched. The investment pool is also large with a dynamic entrepreneurial environment providing constant renewal of the opportunities available.

The team have driven the fund since its inception in 2009 as a top quartile IA UK Smaller Companies fund over the past five years, targeting a total return of double digit annual total returns over the market cycle. FE Trustnet recently listed the LF Gresham House UK Micro Cap Fund as second in a list of funds combining top-decile returns and volatility in the 2010s and cited the 'thorough research process' and strong stock selection skills of the investment team[5].

For the year to 31 December 2019, the UK Micro Cap Fund slightly underperformed the IA UK Equity Income sector, returning 20.4% versus 25.3%. However, over 10 years, the fund is ranked 4th out of 44 funds and has delivered an impressive cumulative returns total of 395.6% versus 245.8% in the IA UK Equity Income sector[6]. Assets in the fund at 31 December 2019 were £238.2 million.

LF Gresham House UK Multi Cap Income Fund
The LF Gresham House UK Multi Cap Income Fund focuses on small and mid-cap companies and fundamentals-based stock-picking, seeking 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 and operates with a bias towards small and mid-cap companies, which provides income diversification. The focus is on profitable, cash generative growth businesses with attractive dividends.

The LF Gresham House UK Multi Cap Income Fund ranked 1st out of 84 funds in the UK Equity Income sector over 2 years to 31 December 2019 and remains No.1 in the sector since launch in June 2017. Assets in the fund at 31 December 2019 were £48.3 million and it will pass its all-important three-year anniversary in June 2020, which should ensure it is investible for those who have held it on their watch lists.

LF Gresham House UK Smaller Companies Fund
The LF Gresham House UK Smaller Companies Fund launched in February 2019 with £1.0 million in seed assets and has now accumulated a 12-month track record. Taking the same fundamentals-based approach to investing, the rationale for launching this fund was to allow the investment team to continue to invest in selected conviction stocks they had followed but that had outgrown the investment criteria of the UK Micro Cap Fund. The UK Smaller Companies Fund returned 26.7% for the period 1 February 2019 to 31 December 2019.

Growth in 2020
Through top quartile investment performance and the use of our strong distribution function, the UK Micro Cap Fund is aiming to grow its AUM closer to the capacity of the fund at £350 million. The UK Multi Cap Income Fund is aiming to continue its growth in 2020 as it goes through the important three-year anniversary.

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

Baronsmead VCTs
The two Baronsmead VCTs (VCTs) joined the Gresham House stable at the end of 2018, when the Group took over their management as part of the acquisition of Livingbridge VC LLP. Baronsmead VCT was established 25 years ago (November 1995) and was one of the first VCTs to be launched. There are currently two Baronsmead VCTs, each with similar investment objectives.

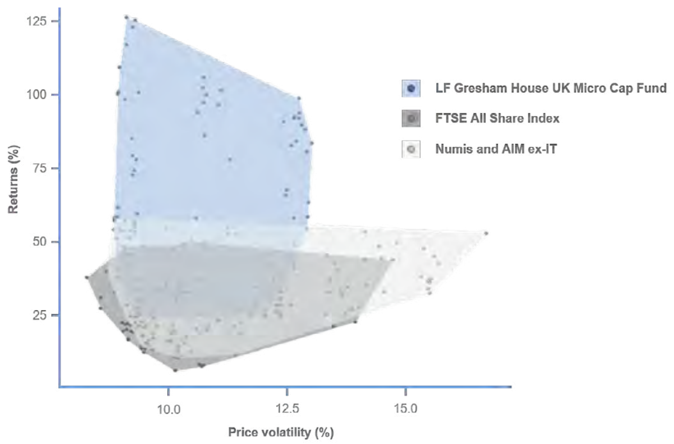
The Baronsmead VCTs are 'generalist' VCTs aiming to invest primarily in unquoted, AIM-traded and other small-cap listed companies. Top-up fundraising for the two VCTs has been highly successful since Gresham House took on the management of the VCTs, with £25 million raised in under ten days in the first quarter of the year and a further £19 million being raised during the course of Q4, bringing the total funds raised in the year to 31 December 2019 to £44 million.

The team are working hard on an exciting pipeline of new deal opportunities to invest the new funds and maximise the potential returns for clients.

LMS
At an EGM in November 2019, shareholders of LMS voted to terminate the existing management agreement with Gresham House and for the company to become self-managed, despite the majority of the non-concert party shareholders and the independent Board supporting the reappointment of Gresham House as the Investment Manager. The management agreement was formally terminated in January 2020, with the management fee payable for the notice period to May 2020 settled.

Growth in 2020
The VCTs are aiming to close their current fundraising with an additional £20-30 million by the end of March 2020 and will look to continue growing the VCTs in 2020 through strong investment performance and potentially further new share issues.

Returns and volatility calculated on a three year rolling basis: June 2009 – November 2019



[5] https://www.trustnet.com/news/7461394/the-funds-at-the-very-top-of-their-sectors-for-returns-and-risk-over-the-2010s
[6] Source FE Trustnet 31 December 2019

Divisional Review
Real Assets

Real Assets

Protection from inflation through proven, sustainable asset-backed investments

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

AUM
As at 31 December 2019

£2,089m
+24%

Revenue
As at 31 December 2019

£19.7m
+77%

Forestry

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

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

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

Following the acquisition of FIM Services Limited (which was founded in 1979) in 2018, Gresham House became the UK's largest commercial forestry asset manager, harvesting approximately 10% of the UK's softwood annually. This means we have deep internal knowledge of the UK timber processing industry, enabling us to maximise the price at which we sell timber for our clients; institutions, endowments, family offices and private investors. Our forestry investments are backed by owning the underlying freehold land on which commercial timber is grown and harvested in a sustainable manner. A balanced portfolio can provide a perpetuity style cash yield, which is extremely attractive to investors.

2019 marked a significant period of growth and integration for the Gresham House Forestry team. £148 million of UK and Irish forestry assets were acquired in the period, increasing the area we manage to c.135,000 hectares, worth in excess of £1.3 billion. We were delighted to be appointed by AXA Investment Managers – Real Assets to manage a 4,074 hectare forestry portfolio in Ireland in May. This brought an important institutional client to our business and set plans in motion for the development of an international forestry fund platform. A fundraise for the FIM Timberland LP also saw over £35m raised (before fees) during the second half of the year.

Forestry portfolios are each unique by their nature, but fully invested portfolios across Gresham House's forestry funds and managed accounts have exceeded their target investment IRRs of 7% per annum, delivering over 11% per annum.

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

- Urbanisation – the global urban population is forecast by the UN to rise by 57% over the next thirty years, driven by both general population growth and the move from rural to urban areas to seek prosperity (jobs, better living standards, better access to healthcare, education, and a longer lifespan). Urbanisation and rising GDP per capita increase timber demand.
- Economy decarbonisation – under the 2016 Paris Agreement, signatories are required to keep global warming to 'well below' 2°C and if possible 1.5 °C above pre-industrial temperature levels. Most countries, including nearly the whole of the EU, are targeting a 40% reduction in emissions by 2030 and to be completely carbon neutral by 2050. Timber is the natural and sustainable low carbon substitute product for buildings and baseload energy.
- Housing shortage – housebuilding, independent of the additional uses of timber, continues to be a major contributor to global timber consumption. Housebuilding levels remain below long-term historical averages in nearly all major economies.

Global industrial roundwood timber consumption reached a new high of 2.0bn cubic metres in 2018 (the latest full year for which figures were produced). Over the past 20 years, it has risen by 28%, with the only fall of significance occurring in 2008/2009.

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

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

The UK currently imports c.81% of its timber[1] and is the largest consumer of wood pellets, consuming over 7.3 million tons per annum, equivalent to 40% of EU consumption and 21% of global demand .

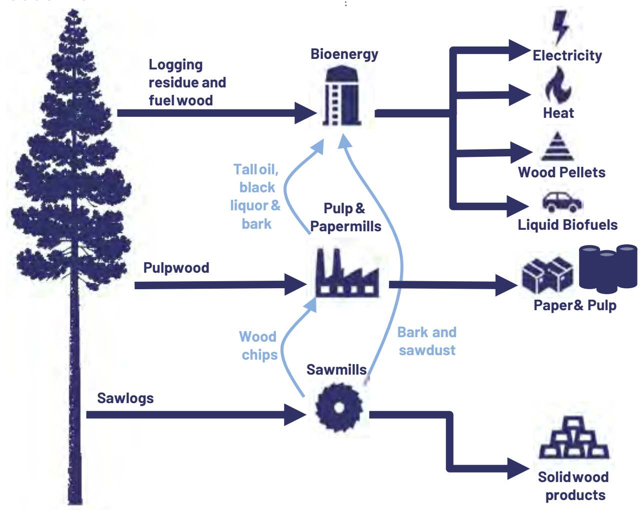
Average annual returns from the IPD UK Annual Forestry Index were 9.2% over the past 25 years to December 2017, comparing favourably with more mainstream asset classes. The index is transitioning to a new provider and therefore no index was published for 31 December 2018.

We offer investors access to forestry in two ways:

Limited Partnerships and Non-discretionary accounts
The Forestry business manages both Limited Partnership (LP) funds and non-discretionary managed accounts for individuals and institutions. These assets are long term in nature, reflecting the long-term capital growth of forests and address clients' needs for income from timber harvesting. This also ensures Gresham House can earn management fees over a long period, providing sustainable revenues.

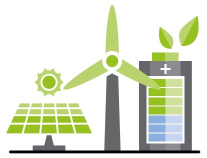
Fees are earned from both managing the forests as well as transaction fees earned from assessment and valuation, recommending appropriate acquisition prices and providing due diligence in the acquisition process on behalf of clients.

Growth in 2020
The Forestry business aims to raise further AUM though the LPs that it manages as well as acquisitions on behalf of individual clients and other funds that it manages or advises. The business continues to operate both on and off market transactions enabling a number of pipeline transactions to be identified and developed to deliver the needs of its funds and other clients. After our success in the Irish market in 2019, we will also continue to work on developing our international presence in forestry.



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

Divisional Review
Real Assets continued



New Energy

Strategy
The New Energy strategy supports the shift from reliance on finite resources to a new energy world powered by renewables and aims to generate sustainable long-term returns for investors.

Investments are focused on key transformative technologies: solar, wind and energy storage, and can be accessed through listed vehicles, Alternative Investment Funds (AIF) or direct investment.

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

The opportunity
The New Energy team has 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 industry, focused particularly on onshore wind, rooftop and ground-mounted solar, and battery storage, seeking to deliver sustainable, attractive yields for investors and preserve capital. By ensuring good capital-backing, strong relationships with bank financing partners, best-practice management processes and an IT infrastructure that minimises costs as well as the potential for inefficiencies, the team has been free to apply its core competences and expand during 2019.

The New Energy team has a proven track record developing and operating energy storage and other renewable assets, having previously developed or acquired over 174MW of Energy Storage Systems (known as ESS) and approximately 290MW of predominantly ground-mounted solar projects. The team currently manages approximately 195MW of solar and wind energy projects.

Gresham House Energy Storage Fund plc (GRID)
GRID invests in a portfolio of utility-scale operational ESS located in Great Britain, servicing the National Grid with a stable electricity supply and addressing the intermittency challenges of renewables. Following on from the successful £100 million launch and IPO in November 2018, a further £107 million was raised by GRID in 2019, making it the largest fund of its kind in the UK. It targets a NAV total return of 8.0% per annum (net of all fund expenses and before leverage) with a minimum target dividend payment of 7.0p[1] (4.5p in its first financial year).

The investment team built out projects considerably over 2019, and the portfolio now includes nine operational sites across the UK with a total capacity of 174MW as at 31 December 2019.

New Energy – Wind – The former FIM Windfarms 2 LP vehicle was successfully converted into Gresham House Wind Energy 1 plc in June 2019. This new unlisted vehicle provided a scalable fund structure to enable further funds to be raised. Following this conversion, £19.4m was raised (before fees and costs) in Q3 2019 and has been deployed into a majority holding in the Wathegar 2 wind farm, which is adjacent to one of the fund's existing assets.

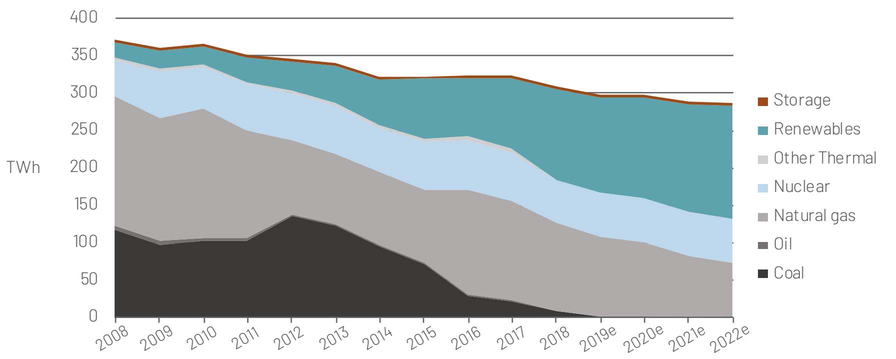
New Energy – Solar – Further to fundraising in 2018 for the FIM Solar Distribution LLP, the majority of capital raised was deployed in November into the acquisition of a 12MW 'battery-ready' solar farm, Bumpers, from Anesco. This site is expected to be operational in Q1 2020. In 2020, the investment team expects to meet the strong indication of interest from clients for further solar investment opportunities with the launch of a further fundraising.

New Energy – Gresham House Renewable Energy VCT1 and VCT2
The New Energy team manages the Gresham House Renewable Energy VCT 1 and Gresham House Renewable Energy VCT 2 (VCTs), formerly the Hazel Renewable Energy VCTs. These VCTs were launched in 2010 to capitalise on the opportunity created by the granting of UK government incentives in the form of inflation-linked Feed-in-Tariffs (subsequently replaced by Renewable Obligation Certificates for larger installations) to support the deployment of renewable energy generation. The combination of fixed tariffs with little exposure to wholesale market power prices and the contracted nature of the cost base, ensures that these assets generate stable and predictable cash flows which in turn enable and support a robust dividend stream of a similar profile. The dividend stream is further enhanced by virtue of being free of income tax for individuals.

The VCTs are currently fully invested and own a portfolio of 14 renewable generation assets, with an emphasis on ground mounted solar, plus an additional two investments in innovative clean energy businesses: Bio-bean and Rezatec. Bio-bean recycles used coffee grounds into efficient, sustainable products for both consumer and industrial applications, and Rezatec applies unique machine learning algorithms to earth observation data (e.g. satellite imagery, topography) to generate data analytics products.

Growth in 2020
In 2020 GRID hope to raise additional funds via a series of placings in order to continue to acquire new operational projects and further develop existing projects that the team have identified within their exclusivity pipeline. GRID closed a successful placing for a further £31 million in March 2020 and expects to add a further 160MW during 2020. In addition, further solar expansion is expected to grow an institutional grade solar fund.

Rise of renewables



1 This is a target, not a profit forecast. There can be no assurance that this target will be met of 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 or not the return is reasonable and achievable in deciding whether to invest in the Fund.

Housing & Infrastructure

Strategy
Our Housing and Infrastructure strategy aims to deliver superior financial returns alongside a positive social and environmental impact, through investments into these two segments of the UK market facing undersupply. These sectors are viewed as strategically important for the national, regional and local economies of the UK. Investments in this area generally benefit from substantial asset-backing and can provide investors with attractive long-term cash flow which benefits from:

- → The defensive nature of the underlying assets
- → Downside protection from the asset backing
- → An attractive income stream that is often inflation-linked
- → Investments with a positive impact

Our clients are primarily local government pension schemes and institutional investors, for whom we aim to provide opportunities to invest in local infrastructure in the UK, whilst supporting socially responsible investment. Our investments aim to deliver a positive environmental and social impact by focusing on areas offering the greatest potential, including waste recycling, agricultural infrastructure, new energy generation, and related infrastructure and healthcare, while looking to create jobs, improve health and social care, and deliver the benefit of investment activities, such as affordable housing.

The opportunity
We believe that the UK's housing and infrastructure sectors are at a pivotal stage of development, offering the opportunity to generate income and capital growth whilst benefiting from asset-backing. UK infrastructure requires further investment and the Government has identified over £600bn[1] of investment requirement over the coming decade. The underlying demographics and the continuing supply and demand imbalance evident in the UK present an attractive opportunity[2] and the Gresham House team seeks to harness ongoing secular trends as the UK faces changing demographics and requirements.

Our investments centre on investments at the less-competitive end of this market – areas often overlooked by investors – with investments below £50 million. This presents local/regional investment opportunities and in our view, this is a more fragmented space than 'traditional' larger infrastructure investments, as competitors increasingly focus on £100 million plus transactions.

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.

British Strategic Investment Fund (BSIF) Strategy
There is currently £200 million of LP commitments across the BSIF Strategy, from high quality local government pension schemes (LGPS) and local authorities. British Strategic Investment Fund LP was initially established as a 12-year limited partnership, and in September 2019 the Fund was split into two "Sub-funds" (Gresham House BSI Infrastructure LP and Gresham House BSI Housing LP), with the aim of allowing LPs to allocate to either one or both segments of Housing and Infrastructure[3].

The BSIF Strategy focuses on several key criteria:

- → Positive Social Impact
  - → Investments are aligned with our positive social impact criteria
- → Quality income yield
  - → Cash flow to investors from long-term and diversified income streams
- → Inflation linkage and uncorrelated returns
  - → Target over 50% of revenues linked or correlated to RPI or regional House Price Inflation
- → Asset backing
  - → Replacement cost typically over 70% of capital invested
- → Yield compression potential
  - → Aggregation of investments provides scale and valuation uplift potential
- → Managing risk/reward to allow greater value capture
  - → e.g. limited construction risk allows generation of superior returns
- → Portfolio Construction
  - → To achieve strong risk-adjusted returns through diversification by sector and region

The BSIF Strategy targets an 8-10% annual net return including an income yield of 5-6% per annum, alongside its stated objective to deliver a positive social impact. Based on current commitments as at the end of January 2020, the strategy is 63% committed and 40% deployed.

Demonstrating appetite from LGPS for less competed, smaller-scale opportunities that deliver both income and a positive social impact, the BSIF Strategy has made seven differentiated investments, utilising technology developments to provide pioneering solutions to modern day issues geared towards sustainability. These investments include; vertical farming (hydroponics), waste recycling, and affordable and sustainable housing, with other areas of work in progress including in-land aquaculture.

A genuine partnership approach is taken through an established LP co-investment platform and co-investment opportunities with our clients are made available for the majority of investments. Through the LP investment advisory committee, investors have a forum to actively engage with the investment team.

Growth in 2020
The BSIF Strategy Housing and Infrastructure sub funds are open to new investors until a final close in H1 2020. We continue to see increasing interest from new investors for this differentiated strategy.

1 National Infrastructure and Construction Pipeline website https://www.gov.uk/government/collections/national-infrastructure-plan as at 13 February 2018
2 "Fixing our broken housing market" – https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf
3 For investors who want exposure to both segments, suggested allocation is 50%/50% – swing factor allows for segment allocation limits to extend to 60/40% and vice versa

Effective risk management

The Board is responsible for the effective management of risks across the business. Risks are integral to the business model of the Group and the Board considers the effective management of these risks as central to the achievement of its long-term objectives. Gresham House follows a structured approach to the management of risks. We do this using a documented risk management framework that comprises regular review of the Group's risk structure, risk appetite and policies. Risk management at Gresham House is built on the following pillars:

Governance and culture

Governance
The Board of Directors is responsible for the overall management of risk within the Group. This includes the identification, measurement, control and monitoring of relevant risks across the Group. The Audit Committee considers Group-wide risks on a regular basis and makes recommendations to the Board. The Board also allocates responsibilities for the management of identified risks. A strong risk culture is promoted throughout the Group with employees encouraged to take responsibility for reporting identified risks to senior management.

The Risk Management Framework of Gresham House is designed to ensure the prompt and accurate identification, assessment and management of internal and external risks. In the first line, risk management is embedded into the activities of each business area and assigned to individual risk owners who ensure that the risks as assigned to them are effectively supervised and managed. In the second line, the independent risk and compliance function carries out monitoring of the effectiveness of controls in the first line and reports to the Board. It also supports the first line in ensuring that the risks encountered are effectively managed.

Culture
The Board sets the right tone at the top by supporting a sense of collective responsibility for risk management across the employee base. Through the behaviours and attitudes of its staff, Gresham House can ensure that it creates, over time, a risk-aware culture, where risk-based decisions are made deliberately and there is a desire to learn from mistakes and drive continuous improvement in processes and systems.

The Board recognises that an effective risk culture is dependent on having a balanced and sustainable company culture, putting in place a structured approach to decision-making and investing in its people.

Risk identification and prioritisation

Risk identification and assessment is a two-step process involving:

- Identification of the strategic objectives of the Group as a whole and supporting business processes; and
- Identification and assessment of the risk events that might impede the achievement of objectives or delivery of business processes.

Risks are identified at various levels of the organisation including at Board level, Audit Committee or Management Committee. Once risks have been identified, they are captured, assigned and assessed as part of the risk assessment process. Some risks are inherent to Gresham House as a result of the business that it undertakes – for example, market, liquidity, operational, reputational and strategic risks. However, the risk horizon is never static and new risks do arise from either internal or external factors. These risks are identified and captured as emerging risks.

Given the number of risks that are relevant to Gresham House, it is vital that we are able to prioritise the risks we face. Risk prioritisation reflects an understanding of risk exposures relative to each other and the efficient application of resources within the Group. The risk assessment process delivers a defined methodology in order to establish the impact and likelihood of a risk to Gresham House.

Risk appetite, tolerance and limits

Gresham House accepts that risk is inherent in its business activities and seeks to maintain a risk profile that delivers the best potential growth within an acceptable risk level. The purpose of a risk management framework is to support the creation of a risk aware culture by ensuring that business decisions are made on an informed basis to reflect agreed business strategy and risk appetite, tolerance and limits.

Risk tolerance represents the level of risk that the Board considers acceptable to expose the organisation to in order to achieve its strategic objectives. As such, it defines the Group's willingness to accept risk and the boundaries for risk taking. The tolerance is quantified and performance against those limits is tracked and controlled to ensure the business operates within the agreed parameters. A comprehensive set of risk limits underlie the risk tolerances – for example, investment allocation limits, concentration limits, payment authorities, etc.

Risk management and controls

Once risks have been identified and their exposure assessed, consideration is given to the controls and other mitigation strategies that can be applied to manage the risks appropriately and within the agreed risk tolerance. Approaches taken to manage those risks include:

- Taking steps to reduce the likelihood or impact of the risk through the use of effective controls;
- Avoiding the risk altogether;
- Substituting the risk with a less risky alternative such as through the use of outsourced service providers;
- Mitigating the risk through contracts or financial measures such as hedging or (re) insurance; and
- Accepting the risk as being either an opportunity worth pursuing or a threat with an acceptable impact and/or likelihood such that no further action is needed or possible.

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.

Risk reporting and communication

Risk reporting is integral to the Group's risk management framework and takes place at a number of different levels throughout the business. It provides senior management, the Board and relevant external parties with sufficient information to enable them to assess:

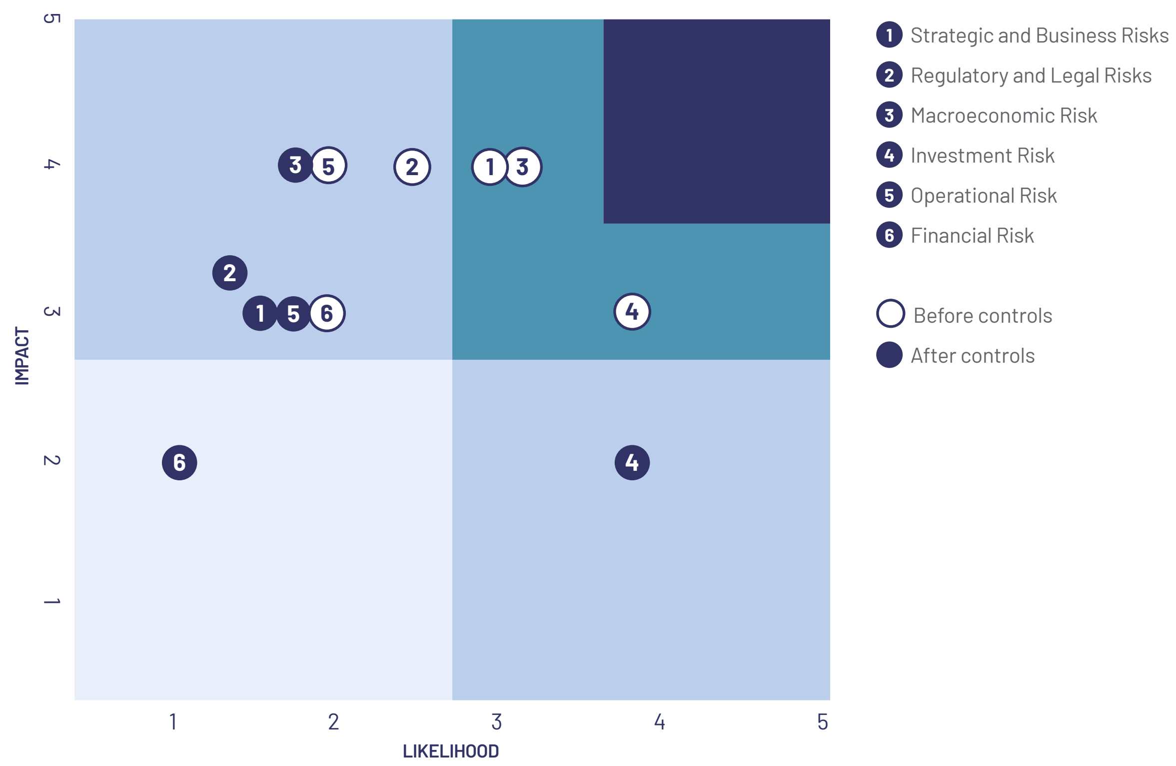
- Management of risks in line with strategic objectives and agreed risk tolerances; and
- The effectiveness of the control environment.

The Board and Audit Committee meets at least semi-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. This also includes the inclusion of any emerging or newly identified risks for which suitable mitigation controls must be designed. Risks are thus regularly tracked to ensure consistency with expectations.

Internal Capital Adequacy Assessment Process (ICAAP)
The regulated entities within the Group undergo an annual capital adequacy assessment exercise that ensures identified risks are quantified and the adequate capital maintained to cover the identified risks. This exercise considers:

- 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.

Risk outlook
Principal risks 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 principal risks to which the Group is exposed and the current Board assessment of each risk is set out in the chart below:



1. Strategic and business risks

Risk description	Mitigation approach	Trend
Strategy failure risk The risk that the Board pursues a strategy that fails to meet shareholder objectives. **Potential impact** This could lead to increased difficulties with attracting new and existing investor capital and loss of market confidence.	Regular and open communications between the management of the Group and shareholders. Responsibility for setting the business strategy of the Group resides with the Board. The Management Committee is responsible for delivering this strategy and regularly reviewing performance against the strategic objectives. Proactive engagement with existing and potential investors for all Group products. Clear, unambiguous and timely issuance of product documentation to support decision-making by investors.	
Loss of key personnel risk The Company's development and prospects are dependent upon the service and performance of the Directors and senior management. The loss of the services of any of the Directors or senior management could cause disruption to the strategic objectives and day-to-day operations of the Group. **Potential impact** This could lead to reputational damage, loss of key investors and reduced revenues.	The Board has constituted a Remuneration Committee which regularly reviews remuneration levels to ensure they remain competitive and align management with the long-term success of the Company through deferred awards. 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.	
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. No acquisitions were made in 2019 allowing the Group to focus on embedding the new teams into the ethos and culture of Gresham House. **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 integration plans for the acquired entities' people 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 approach	Trend
Conduct risk The risk of poor outcomes to stakeholders arising from deliberate or negligent actions by the Group or its employees. **Potential impact** Regulatory censure, fines, and reputational damage.	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 training and awareness of individual and collective responsibilities. The establishment of an independent compliance department to regularly monitor and identify any actual or potential breaches. A remuneration policy is in place that incorporates the remuneration principles, discourages excessive risk taking and strikes an appropriate balance between fixed and variable pay. Robust Whistleblowing arrangements are in place and have been communicated to staff.	
Breaches risk The Group is subject to significant and continuously updated legal and regulatory requirements. There is the risk that the Group breaches its obligations under the various regulations. **Potential impact** Regulatory censure, fines, and reputational damage.	A comprehensive Policy and Procedure Framework is in place to guide employees' activities. Periodic training to staff is in place to ensure all staff are aware of the requirements and their obligations in meeting those requirements. Regulatory horizon scanning is adopted to ensure the Group is adequately prepared for changing legislation and regulations. External and internal legal advisers are engaged to support senior management across all areas of the business.	

3. Macroeconomic risk

Risk description	Mitigation approach	Trend
Macroeconomic risk This is the risk of an adverse impact on our revenue and profitability from an economic downturn. The Group has significant exposure to the UK economy. The absence of a deal with the EU at the end of the transition period may lead to a large scale slow down in the UK economy and consequent impact on the markets in which the Group operates. **Potential impact** Slowdown in the growth of AUM leading to reduced revenue and profitability.	The Group manages investments in reasonably uncorrelated asset classes such as Forestry and Renewables which we expect to still be attractive to investors in the event of an economic downturn. The Group has a robust capital position which means a period of sustained market decline can be reasonably managed. The Group has limited exposure to Europe as managed assets are primarily domiciled in the UK. Marketing notifications will be used where possible in applicable European jurisdictions. Alternative arrangements for operating within the EU in a no-deal scenario will be explored as required.	
Climate change risk As the global climate changes at an accelerated pace, there is the risk that fundamental assumptions on economic growth rates change for the worse. **Potential impact** Investment underperformance.	We continue to monitor and participate in public debate and regulatory developments on climate change and approaches to managing the investment risk. The Group is signed up to a number of responsible investing protocols to ensure its investments benefit from the changes brought about by climate change, for example the Group is a signatory of the United Nations Principles for Responsible Investment.	

4. Investment risk

Risk description	Mitigation approach	Trend
Investment risk **The risk that actual performance by funds of the Group deviate from expected performance due to systematic and/or unsystematic factors.** **Potential impact** **Loss of investor confidence, reduced AUM and profitability.** **The Group also invests in its own Private Equity funds 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. Regular internal and external reporting to ensure any adverse trends in performance are promptly identified and managed. 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.	

5. Operational risk

Risk description	Mitigation approach	Trend
People Risk **The risk of operational or other breaches arising from inadequate or failed human resources.** **Potential impact** **Regulatory censure, fines, reputational damage.**	Regular forums for employee engagement has been established to ensure employee voices are heard. Arrangements in place support in-person and anonymous communications. Recruitment of additional experienced resources at all levels of the organisation. Regular training is provided to staff on key operational processes and systems. Periodic performance evaluation of all staff members.	
Failure of processes and systems **The risk of significant failures to internal processes and systems.** **Potential impact** **This could lead to business continuity events, operational losses, dissatisfied clients or suppliers, and reputational damage.**	Dedicated forum – the Operations Committee – for addressing operational matters with regular reporting to the Board. The Group engages suitably qualified third parties in all outsourcing arrangements and carries out regular due diligence on these third parties. Periodic business continuity testing to ensure resilience of the Group's and critical third-party systems. Achievement of ISO9001 certification ensuring documentation and consistent application of processes across the Group. Proactive engagement with third parties supplying critical systems to ensure prompt identification and management of emerging issues.	
Cyber risk **The risk that the Group's systems are accessed by unauthorised persons and client data is breached.** **Potential impact** **Reputational damage, fines from the regulator, loss of client data, loss of investor confidence.**	The Group has upgraded its cyber-defence systems and continues to monitor those systems for any breaches. Dedicated resource in the Chief Technology Officer with oversight and responsibility for the Group's IT security systems. Awareness campaigns have been run with members of staff to inform about cyber security risks and their responsibilities for ensuring security of Group data. The Group has agreements with reputable third parties who support the Group's processes for ensuring the security of the Group's systems.	

5. Operational risk (continued)

Risk description	Mitigation approach	Trend
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 insurance covering health and safety. Safety training to operational staff and establishment of clear operational procedures.	

6. Financial risks

Risk description	Mitigation approach	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** **Reputational damage, loss of investor confidence.**	The Group ensures it exceeds minimum levels of liquidity at all times to support working capital requirements. An ICAAP is prepared for regulated entities within the Group to assess capital requirements and ensure sufficient capital is maintained to cover those risks under normal and stressed market conditions. Liquidity forecasts are prepared across the Group with adequate measures put in place to ensure future cash flows are appropriately provided for. 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.	

Experience and skills

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

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

Anthony Townsend
Non-Executive Chairman

Anthony was appointed as a Director in December 2014 and is a member of the Company's Remuneration Committee and Audit Committee and Chair of the Company's Nomination Committee. He has spent over 50 years working in the City of London and was Chairman of the Association of Investment Companies from 2001 to 2003. Currently, he is Chairman of BMO Global Smaller Companies plc and Finsbury Growth & Income Trust plc and a Director of Baronsmead Second Venture Trust plc and Hansa Capital Partners LLP.

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 and a Non-Executive Director of Worldwide Healthcare Trust plc from 1995-2013.

A R N

Anthony (Tony) Dalwood
Chief Executive Officer (CEO)

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

I

Kevin Acton
Chief Financial Officer (CFO)

Kevin was appointed as an Executive Director in June 2016 and is the Company's CFO. He has over 17 years of finance and operational experience in private equity and asset management.

Kevin joined the Company from Oaktree Capital Management where he was a Senior Vice President responsible for finance and operations in the European principal team, covering private equity and debt opportunity funds. Prior to joining Oaktree, Kevin was Director, Group Reporting and Valuations for 3i Group plc. Kevin qualified as a Chartered Accountant with Deloitte and is a fellow of the Institute of Chartered Accountants of England and Wales.

I

Richard Chadwick
Non-Executive Director

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.

A R N

Simon Stilwell
Non-Executive Director

Simon joined the Company as a Non-Executive Director in December 2017 and was appointed Chairman of the Remuneration Committee in October 2018. He is also a member of the Company's Audit, Nomination and Investment Committees.

Simon has over 24 years' experience in the City and was, until 2015, Chief Executive of Liberum, the investment bank that he co-founded in 2007. Prior to Liberum, Simon was head of sales for small companies at Collins Stewart plc and was also a Director at Beeson Gregory Limited. Simon is currently CEO of Bonhill Group plc, an AIM listed digital media and events business.

A R N I

Rachel Beagles
Non-Executive Director

Rachel joined the Company as a Non-Executive Director in March 2018 and is a member of the Audit, Remuneration and Nomination Committees.

Rachel is currently Chair of the Association of Investment Companies and Chair of NewlonBuild Limited, the private sale development subsidiary of Newlon Housing Trust. She is also Senior Independent Director of Aberdeen New India Investment Trust plc. She spent her executive career in equity research and sales and she was Co-Head of the pan-European banks equity research and sales team and a Managing Director at Deutsche Bank's corporate and investment banking division. Since then she has worked as a Non-Executive Director on the Boards of a number of companies in the housing, asset management and investment company sectors.

A R N

Gareth Davis
Non-Executive Director

Gareth joined the Company as a Non-Executive Director in October 2019, having previously served in the Company's Advisory Group. He is also a member of the Company's Audit, Nomination and Remuneration Committees.

Gareth is currently Chair of DS Smith plc and was appointed Deputy Chairman of M&C Saatchi with effect from 3 February 2020. He was previously Chair of William Hill plc and Ferguson 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 tobacco businesses, posting huge shareholder returns.

On retirement in mid-2010, Harvard Business Review cited him as one of the World's Top 50 CEOs in terms of value creation.

A R N

Corporate Governance – overview

Anthony Townsend
Chairman, Gresham House plc Board

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

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 ten Board meetings (four of which were Sub-Committee meetings), three meetings of the Audit Committee, one Nomination Committee meeting and four meetings of the Remuneration Committee held during the year and the attendance of the Directors was as follows:

Director	Board[1]	Remuneration Committee	Audit Committee	Nomination Committee
Anthony Townsend	5/6[2]	2/4	3/3	1/1[2]
Tony Dalwood	6/6	–	–	–
Kevin Acton	6/6	–	–	–
Richard Chadwick	6/6	4/4	3/3[2]	1/1
Rachel Beagles	6/6	4/4	3/3	1/1
Simon Stilwell	6/6	4/4[2]	3/3	1/1
Gareth Davis[3]	1/1	–	–	–

1 Four Sub-Committee meetings were also held during the year and they were attended by the requisite number of Directors.
2 Denotes Chair.
3 Gareth Davis was appointed to the Board on 1 October 2019 and has attended all meetings since his appointment to the Board and Committees.

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.

The Board recognises the importance of sound corporate governance and complies with the Corporate Governance Code for Small and Mid-Size Quoted Companies (QCA Corporate Governance Code), as published by the Quoted Companies Alliance (QCA). The QCA Code was devised by the QCA in consultation with a number of significant institutional small company investors as an alternative corporate governance code to the UK Corporate Governance Code, applicable to, and more suitable for, many AIM companies.

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

The Board

The Board currently comprises two Executive and five Non-Executive Directors as described on pages 44 to 45.

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 2019. Procedures are in place to enable individual Directors to seek independent advice at the expense of the Company and appropriate cover is in place, which insures Directors against certain liabilities that they may incur in carrying out their duties on behalf of the Company.

All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board governance procedures are followed and supports the Chairman in addressing the training and development needs of Directors. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole. Richard Chadwick is the Senior Independent Director, who is available to the other Non-Executive Directors and shareholders, should they wish to discuss matters in an alternative forum.

Independence of the directors

The QCA Code requires the Company to have at least two independent Non-Executive Directors. In judging independence, the Board takes into account whether or not a Director is independent of management and any business or other relationship that could affect or interfere with the exercise of objective judgement by that Director, or their ability to act in the best interests of the Company and its subsidiaries. Using these criteria, the Board considers Anthony Townsend, Simon Stilwell, Richard Chadwick, Rachel Beagles and Gareth Davis to be independent.

Tenure

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

Kevin Acton and Anthony Townsend will be retiring at the 2020 AGM in accordance with the Company's Articles of Association. The Board has carefully considered the position of each of the Directors and considers their contribution to be significant and effective; accordingly, the Board recommends their re-election. The Chairman also recommends the election of Gareth Davis who was appointed as a Non-Executive Director on 1 October 2019.

Board Evaluation

The Chairman has introduced a formal Board evaluation process and is satisfied that each Director continues to contribute effectively to their role.

The Board evaluation process is carried out annually 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 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 April 2019 and the next evaluation will take place during the course of 2020.

Our Corporate Governance framework

THE BOARD

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

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

AUDIT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE	INVESTMENT COMMITTEE
Richard Chadwick (Chairman)	**Anthony Townsend** (Chairman)	**Simon Stilwell** (Chairman)	**Tony Dalwood** (Chairman)
Rachel Beagles	**Rachel Beagles**	**Rachel Beagles**	**Kevin Acton**
Gareth Davis	**Richard Chadwick**	**Richard Chadwick**	**Bruce Carnegie Brown**
Simon Stilwell	**Gareth Davis**	**Gareth Davis**	**Rupert Robinson**
Anthony Townsend	**Simon Stilwell**	**Anthony Townsend**	**Simon Stilwell**
For more information **See pages 00-00**	For more information **See pages 00-00**	For more information **See pages 00-00**	For more information **See pages 00-00**

Audit Committee

The Audit Committee is chaired by Richard Chadwick and operates within defined terms of reference. The Committee comprises the five Non-Executive Directors of the Company who each have relevant experience to carry out their roles. The CEO and CFO are also invited to attend the meetings. The responsibilities of the Audit Committee include reviewing the integrity of the Group's annual and half yearly results, reviewing the internal and financial controls applicable to the Group, approving the terms of appointment of the auditor together with the auditor's remuneration, and ensuring that auditor objectivity and independence is safeguarded in the provision of non-audit services by the auditor. It also provides a forum through which the auditor may report to the Board and is scheduled to meet normally at least three times a year.

Further information can be found in the Audit Committee Report on pages 49 to 50.

Nomination Committee

The Company has established a Nomination Committee which comprises all the Non-Executive Directors and is chaired by Anthony Townsend. The Committee operates within defined terms of reference and is responsible for the review and recommendation of Board and Committee memberships, succession planning and Board appointments. No new Non-Executive Director will be appointed without first being recommended by the Nominations Committee. When considering Board appointments and succession planning, the Committee will have regard to the composition and structure of the Board and the balance of skills and experience of the Directors. The experience and skills of the Directors are set out on pages 44 to 45. 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 the five Non-Executive Directors under the chairmanship of Simon Stillwell. The other members of the committee are Anthony Townsend, Rachel Beagles, Richard Chadwick and Gareth Davis. The CEO and CFO are also invited to attend the meetings. The Committee meets at least annually and is responsible for reviewing the performance of the Executive Directors and setting the scale and structure of their remuneration and the basis of their service agreements. The Committee is also responsible for recommending the allocation of long-term incentive arrangements to employees. Responsibility for setting the remuneration of senior staff sits with the Executive Directors, being mindful of the policies being set by the Remuneration Committee.

Further information can be found in the Remuneration Report on pages 51 to 55.

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

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

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

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

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

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

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

Richard Chadwick
Chairman, Audit Committee

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

The Audit Committee is responsible for considering and reporting any significant issues that arise in relation to the audit of the financial statements. The Audit Committee confirms that there were no significant issues to report to shareholders in respect of the audit of the financial statements for the year ended 31 December 2019.

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), Noriker Power Limited (Noriker)
- Consolidation assessment of funds managed and controlled by the Group
- Impairment review for Goodwill and Management Contracts from previous acquisitions
- Valuation of contingent consideration
- First time adoption of IFRS 16 Leases

Revenue recognition, performance, management fees and fundraising fees
The revenue recognition of the Group is driven by asset management fees, which are recognised in line with the investment management or advisory agreements in place with the appropriate funds. These are typically based on the committed capital of Limited Partnership funds, or Net Asset Values (NAV) for listed vehicles managed or advised by the Group. The NAV is typically the last audited or publicly available NAV announced by the Board of these companies and is therefore independently approved. Limited partnerships and other fund management fees are typically based on committed capital, or an independent valuation where appropriate. Where there is a 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. The performance fee recognised for GHS plc was recognised in the year, relating to the NAV at 31 March 2019 and was 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 Devco Limited owns between 60-70% of the equity in and the Group has also lent funds for the development of the projects.

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

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

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

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

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

e) Borrowing costs (IAS 23) – the DevCo Projects have interest payments relating to the amounts lent by GRID to fund the acquisition of the battery assets at the project company level. The DevCo Projects have capitalised finance costs per IAS 23 Borrowing Costs as the characteristics of the development of the projects (such as not generating revenues until operational, loans being procured for the sole purpose of developing the projects and the projects taking 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 2019.

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

Gresham House Strategic plc (GHS)
The Board remains satisfied that the Group did not exercise control over GHS (which has an independent board with no company board representations and our stake and investment management agreement does not give rise to control).

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

Noriker Power Limited (Noriker)
On 8 June 2018, the Group acquired a 28% investment in Noriker, the battery storage

developer. The Group does not provide management services to Noriker, however with a 28% holding the Board has concluded that it is able to exercise significant influence over Noriker and as such should be treated as an associate of the Group.

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

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

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

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

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

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

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

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

Goodwill Impairment Testing
The potential value of the acquired cash generating units based on discounted cash flow of potential future performance of the acquired contracts was assessed. It has been assumed that the cash generating unit will continue to grow in line with reasonable assumptions based on the business model. The revenues and costs were modelled using a discounted cash flow model, with the estimated value compared to the goodwill on the balance sheet and other intangible assets and acquired assets. Where the value estimated less other intangible and tangible assets is greater than the goodwill amount on the balance sheet, no impairment is recognised. There were no indications of impairment against all goodwill balances of the Group as at 31 December 2019.

Management Contracts Impairment Review
The management contacts were revalued using a discounted cash flow method to assess the remaining value of the contract to the end of its expected life. This assumed no growth from fund raising and costs assumed appropriate in a no growth business. The valuation was compared to the carrying value of the management contracts at 31 December 2019 and there were no indications of impairment.

Valuation of contingent consideration
The fair value of contingent consideration payable to the sellers of the FIM and the Livingbridge VC businesses has been estimated with reference to the contractual requirements as at 31 December 2019.

In the case of FIM, an estimate of whether the combined two-year revenue target of £14.0 million has been made and discounted back from the payment date to the reporting date. An additional amount is payable should the two-year combined revenues exceed £18.0 million.

The Livingbridge VC contingent consideration is in two parts. The first being that the VCT boards do not give notice within two years of the acquisition. There are no indications to date that notice will be given, so this has been assumed to be true and the value payable discounted back to 31 December 2019.

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

First time adoption of IFRS 16 Leases
IFRS 16 Leases came into force with effect from 1 January 2019. All leases within the Group have been assessed under IFRS 16 guidance and classified accordingly. The main impact has been the addition of office leases to the balance sheet as right of use assets, which are then depreciated over their useful lives. The result of the adoption of the standard is that the rent charge for offices is no longer reported with operating expenses but is effectively capitalised and recognised through the depreciation of the lease asset. Per IFRS 16 adoption guidance, the standard has not been applied retrospectively.

Having challenged management on the assumptions used, the Audit Committee confirm that they are not aware of any material misstatements, satisfied that the key areas of risk and judgement have been addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust. Judgements, in line with these discussed above, are included in more detail in the notes to the financial statements.

Non-audit services
Non-audit services provided by the external auditor are reviewed by the Audit Committee to ensure that the independence and objectivity of the external auditor is monitored by way of assessment and consideration of any potential threats to auditor independence. Details of the fees paid to the auditor for audit services, audit related services and other non-audit services are shown in Note 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 2020 AGM, BDO LLP, having indicated their willingness to act, be reappointed as external auditor of the Company and Group for the forthcoming year.

On behalf of the Board,

Richard Chadwick
Chairman, Audit Committee
5 March 2020

Simon Stilwelll
Chairman, Remuneration Committee

On behalf of the Board, I am pleased to present the 2019 Directors' Remuneration Report, which sets out the remuneration policy and remuneration paid to the directors for the year.

Gresham House had a strong year and organically grew AUM by 23% and its market cap by c. 50%. It is vital to the long-term success of the business that we align our remuneration policy to reflect not only the wider AIM market but also the wider fund management industry where we compete for talent. The enhanced pay awards in 2019 reflect the significant developments made by the business in the period.

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

The Committee's main roles and responsibilities are to review the performance of the Executive Directors and set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders and recognising the continued developments in corporate governance and best practice in executive remuneration.

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

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

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

Directors' share interests
The beneficial interests of the Directors who served during the year and their connected persons in the ordinary share capital of the Company as at 31 December 2019 are set out below:

	2019 Number of shares	2018 Number of shares
Anthony Townsend	34,855	34,855
Tony Dalwood	341,089	295,336
Kevin Acton	26,430	19,975
Rachel Beagles	10,976	10,976
Richard Chadwick	–	–
Gareth Davis	16,400	–
Simon Stilwell	25,000	25,000

In addition, the following Directors who served during the year held supporter warrants at beginning of the year. Each supporter warrant entitled the holder to subscribe for one ordinary share at an exercise price of 323.27 pence, exercisable at any time between 1 December 2015 and 31 December 2019. All these warrants were exercised in June 2019.

	2019 Number of supporter warrants	2018 Number of supporter warrants
Anthony Townsend	–	34,000
Tony Dalwood	–	212,500

Further details of the supporter warrants can be found in Note 26 to these financial statements.

The Remuneration Committee have set the policy that the Executive Directors should hold a minimum of 200% of their basic salaries in the Company's shares or share-based awards that are exercisable at the discretion of the Executive Directors. This is viewed as a key driver of alignment with shareholders and a target that should be reached over a three-year period or five years for newly appointed Executive Directors. At 31 December 2019, both Tony Dalwood and Kevin Acton held in excess of 200% of their basic salaries in either directly held shares or in combination with exercisable share awards (2016 LTIP).

Directors' service contracts are governed by the following policies:

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

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

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

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

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

The 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

Corporate Governance – Remuneration Report

of remuneration. The Committee also considers general pay and employment conditions of all employees within the Group and is sensitive to prevailing employment market conditions and governance trends in their wider assessment.

The Committee engaged PwC to perform a benchmarking survey in early 2019 for the senior management team, including the Executive Directors across the main components of the remuneration packages. When measured against similar roles in AIM market companies and comparable asset managers, the Board considers that the senior management team are fairly remunerated considering the in-year growth in profitability of the business and the market capitalisation and the dramatic growth achieved overall since the new team was appointed in 2014.

As a proportion of the Executive Directors' remuneration is linked to the Company's performance which is in 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, such that a significant portion of total remuneration is performance related. The current remuneration of Executive Directors comprises the following five components:

→ basic salary;

→ pension arrangements (only basic salary is pensionable);

→ annual bonus;

→ bonus share matching plan; and

→ long term incentive plans.

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

Pensions
The Company provides for the auto-enrolment into a pension scheme for the benefit of Executive Directors or employees. A contribution to pension or equivalent schemes remains an entitlement of all employees. In the instance an employee 'opts out' of the scheme, arrangements are in place to ensure the Company makes appropriate contributions.

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

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

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

Subject to Remuneration Committee approval, management and employees entitled to a bonus may be permitted (but not required) to defer and reinvest up to 100% of their annual bonus into ordinary shares in the Company which will be released to them after three years, together with any additional matching shares (on a one for one basis), subject to the performance criteria set out below. In 2019, the Remuneration Committee approved the reinvestment of up to 50% of annual bonuses into ordinary shares by management and employees (2018: 100%).

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 Company proposes that the total ordinary shares issued and issuable in satisfaction of the above incentive arrangements and pursuant to the exercise of supporter warrants will not exceed 20% of the Company's total issued share capital as outlined in the admission document dated 4 November 2015.

Long term incentive plans

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

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

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

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

The beneficiaries of the plan will in aggregate be entitled to an amount of up to 20% of shareholder value (as defined above) created over the exercise period, subject to the performance criteria set out below. Individual participation in the shareholder value created is determined by the Remuneration Committee in respect of the Executive Directors.

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

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

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

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

As at 31 December 2019, under the rules of the 2016 LTIP, the value created by the management team since 1 December 2014 was £73.3 million, based on a closing market value of the Company of £170.1 million (share price of £6.10). The 2016 LTIP share of this is estimated at £12.1 million, which will be settled in equity or cash at the Company's discretion when exercised by the management team. The vesting date for the 2016 LTIP has passed and all hurdles having been achieved. The management team able to exercise their awards up to 31 December 2022, for those joining the Company before 30 September 2015 and 31 December 2023 for those joining after 30 September 2015.

The 2016 LTIP incentivises the management team to enhance shareholder value through a share in the value created. This is viewed as an effective method of remuneration for the management teams of high growth companies, which aligns them closely with shareholders and other stakeholders in the Company. The Remuneration Committee recognise that they are unable to issue a similar style long-term incentive scheme to the 2016 LTIP until the expiry of the 2016 LTIP on 31 December 2023. The fact that the 2016 LTIP is now exercisable by the management team has led the Remuneration Committee to implement further LTIPs to align the management team with shareholders in this intervening period. The following schemes have been considered and awarded to the management team as an interim solution to this situation.

Performance Share Plan – 2018 LTIP and 2019 LTIP
The 2018 LTIP was issued under the Performance Share Plan, which was introduced to align the management team and wider members of the business for the next three years with shareholders. The Performance Share Plan is a deferred share award, which vests in three years' time from award subject to management remaining employed by the Company at this date. There is no staggered vesting period and vesting is at the end date in three years' time.

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

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

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

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

Gresham House Strategic plc (GHS) has a performance fee arrangement with its investment manager, Gresham House Asset Management (GHAM), which subject to GHS achieving a 7% NAV growth return hurdle, will trigger a share of 15% of the gain above this hurdle being paid to GHAM, which, subject to approval from the Remuneration Committee each year, has in turn agreed to pay this to the investment and management team working directly on GHS. The NAV of GHS as at 31 March 2019 was above the hurdle rate for the first time since GHAM started managing GHS in 2015. The total Performance Fee payable was £1.9 million, of which £1.7 million has been paid to the investment and management team, less allowable, required and approved deductions as determined by the Remuneration Committee.

Directors' emoluments (audited)

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

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

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

(ii) Gareth Davis joined the Board on 1 October 2019

(iii) Deferred bonuses are the amounts of cash bonus awarded, which the Executive Directors have elected to reinvest in the Company's ordinary shares through the Bonus Share Matching plan. This will be awarded shortly after 5 March 2020 when these results have been announced and the Company is no longer in possession of inside information.

(iv) Share-based payments reflect share awards that have been exercised in the year. No share awards were exercised by the Directors in the year.

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

Year ended 31 December 2018	Basic salary £'000	Benefits £'000	Cash Bonuses £'000	Deferred bonuses[ii] £'000	Pensions £'000	2018 £'000
Executive:						
Tony Dalwood[i]	250	3	101	101	25	480
Kevin Acton	200	2	80	30	20	332
Non-Executive:						
Anthony Townsend	50	–	–	–	–	50
Rachel Beagles	25	–	–	–	–	25
Richard Chadwick	30	–	–	–	–	30
Simon Stilwell	30	–	–	–	–	30
Total	585	5	181	131	45	947

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

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

(iii) Share-based payments reflect share awards that have been exercised in the year. No share awards were exercised by the Directors in the year.

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 2019 (number of ordinary shares):

Number of ordinary shares[v]	Ordinary shares held[i]	2016 LTIP[ii]	Bonus Share Matching[iv] 2016	Bonus Share Matching[iv] 2017	Bonus Share Matching[iv] 2018	2018 LTIP	2019 LTIP	Total
Awarded		2016	2017	2018	2019	2018	2019	
Vesting date		Exercisable[iii]	2020	2021	2022	2021	2022	
Tony Dalwood	295,336	530,506	32,651	–	–	108,434	68,943	1,035,870
Kevin Acton	26,430	237,333	13,237	4,869	6,737	67,470	55,154	411,230

(i) Includes shares held directly, by family members and deferred shares purchase 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 2019 of £6.10.

(iii) Exercisable by Tony Dalwood up to 31 December 2022 and Kevin Acton up to 31 December 2023.

(iv) Bonus Share Matching 2016, 2017 and 2018 are the result of the Executives electing to reinvest their cash bonus into Gresham House plc shares, which subject to achieving hurdles could result in the number of shares above being awarded on the vesting date. The 2016 Bonus Share Matching award has achieved the hurdles as at 24 February 2020, the matching shares, net of any tax liability will be issued when the Company is no longer in possession of inside information. The 2017 Bonus Share Matching award of 26,777 ordinary shares and 2018 Bonus Share Matching award of 22,736 ordinary shares for Tony Dalwood has been issued and is subject to claw back, should the return hurdles not be met. The Bonus Share Matching 2019 award will be awarded shortly after 5 March 2020 when these results have been announced and the Company is no longer in possession of inside information.

(v) These share awards are before tax.

Performance Fees

As noted above, GHS paid its first Performance Fee to GHAM based on its NAV at 31 March 2019. This reflected the long-term value created by the team over a four-year period and £366,329 was paid to Tony Dalwood and £49,840 to Kevin Acton in proportions determined by the Remuneration Committee. These amounts are shown before allowable, required and approved deductions (as determined by the Remuneration Committee) that were applied to all employees.

On behalf of the Board,

Simon Stilwell
Chairman, Remuneration Committee
5 March 2020

Directors' Report

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2019.

Results and dividends
The Group Statement of Comprehensive Income is set out on page 70 and shows the results for the year ended 31 December 2019.

The Directors recommend that the Company pay a final dividend for the year ended 31 December 2019 of 4.5 pence per share to be paid on 22 May 2020 (2018: 3.0 pence).

Principal activities, review of business and future developments
The review of the business and a summary of future developments are included in the Chairman's statement on pages 7 to 8 and the Chief Executive's report on pages 9 to 12.

Principal risks and uncertainties
The principal risks and uncertainties affecting the Group are explained in the Principal Risks and Uncertainties section on pages 42 to 48.

Directors
The present Directors are listed on pages 49 to 50 together with brief biographical details. The Directors who served during the period under review were:-

Anthony Townsend	Non-Executive Chairman
Tony Dalwood	CEO
Kevin Acton	CFO
Rachel Beagles	Non-Executive
Gareth Davis	Non-Executive (appointed 1 October 2019)
Richard Chadwick	Non-Executive
Simon Stilwell	Non-Executive

In accordance with the Company's Articles of Association, Kevin Acton and Anthony Townsend will stand for re-election and Gareth Davis will stand for election at the forthcoming Annual General Meeting of the Company.

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

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

Share capital and voting rights
As at 1 January 2019 and 31 December 2019 there were 24,872,613 and 27,824,222 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 substantial shareholdings and control can be found in the table below. The voting rights of shareholders are as follows:

Each shareholder has the right to:

- → Participate in distributions of profits in proportion to the nominal capital paid up on the shares held;
- → One vote on a show of hands, and on a poll one vote per share held, at a General Meeting of the Company. A member entitled to more than one vote need not cast all votes the same way;
- → A dividend, subject to the discretion of the Directors of the Company, apportioned and paid proportionately to the amounts paid up on the shares; and
- → In the event of a winding up of the Company the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company.

Relations with Shareholders
The Board recognises the importance of regular and effective communication with shareholders, particularly the need for open communication on the Company's strategy. Management has regular dialogue with the Company's major shareholders and ensures that their views are communicated fully to the Board.

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

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

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

Substantial interests
As at 31 December 2019 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	4,427,544	15.9%
Liontrust Investment Partners LLP	2,507,616	9.0%
Majedie Asset Management Limited	1,617,304	5.8%
Richard Crosbie Dawson	1,469,837	5.3%
Aberdeen Standard Investments	1,361,881	4.9%
Schroder Investment Management	987,000	3.5%
LMS Capital plc	984,329	3.5%
Canaccord Genuity Wealth Management	880,029	3.2%

Companies Act 2006 disclosures
Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 require Directors to disclose the following information. The Company is not required to, but chooses to disclose the following for good practice:

- → The structure of the Company's capital is summarised in Notes 25 and 26. The holders of ordinary shares are entitled to receive the Company's reports and accounts, to attend and speak at General Meetings of the Company, to appoint proxies and exercise voting rights. There are no restrictions on voting rights that the Company is aware of, nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- → There exist no securities carrying special rights with regard to the control of the Company;
- → The provisions concerning the appointment and replacement of Directors are contained in the Company's Articles of Association and the Companies Act 2006;
- → No agreements exist to which the Company is a party that may affect its control following a takeover bid; and
- → There are no agreements in place between the Company and its Directors providing for compensation for loss of office in the event of the Company being taken over.

Directors' duties – compliance with section 172 of the Companies Act 2006
Section 172 of the Companies Act 2006 requires directors to promote the success of the Company for the benefit of the members as a whole and in doing so have regard to the interests of stakeholders including shareholders, clients, employees, regulators and the wider society in which it operates.

On pages 13 to 14, we have set out how we have engaged with our key stakeholders 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 31 of the financial statements.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and have elected to prepare the Parent Company financial statements in accordance with those standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements the Directors are required to:

- → Select suitable accounting policies and then apply them consistently;
- → Make judgements and accounting estimates that are reasonable and prudent;
- → State whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- → Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

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

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

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

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

Post balance sheet events
Details of events that have taken place after the period end can be found in Note 34.

Going concern
After making enquiries, the Directors have formed a judgement that at the time of approving the financial statements, there is a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason, the Directors continue to adopt a going concern basis in preparing the financial statements.

Share quote
The Group's ordinary shares are quoted on the Alternative Investment Market of the London Stock Exchange.

Share capital
Changes to share capital during the period are shown in Note 25 to the financial statements.

By Order of the Board,

Samee Khan
Chief Legal Officer and Company Secretary
5 March 2020

5 New Street Square
London EC4A 3TW

Independent Auditor's Report to the Members of Gresham House plc
We have audited the financial statements of Gresham House plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Group statement of comprehensive income, the Group and Company statements of changes in equity, the Group and Company statement of financial position, the Group and Company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 are 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters
Key audit matters are those matters that, in our professional judgment, 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) 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 we addressed the key audit matter in the audit
Incorrect recognition of revenue – performance fee and management fee **(Critical accounting estimates and judgements on pages 77 to 80, Notes 1 and 2)** Gresham House plc manages numerous funds from which it collect performance and management fees. The inputs and calculations vary significantly across the population of funds and include performance fees that are subject to the hurdle conditions that depend on market performance of the net asset value (the "NAV") being met in some instances. Revenue on certain contracts is recognised based on the value of assets under management or total commitments to a fund. There is the ability to manipulate the results through the inappropriate recognition of revenue based on overstatement of the NAV of assets under management. Revenue may also be recognised in advance of performance obligations being satisfied or uncertainty over revenue recognised if variable. The calculation of revenue was identified as a key audit matter because it is a complex area which requires significant judgement, and it is considered to be the area which had the greatest effect on our audit strategy and allocation of resources in planning and completing our audit of the Group.	We recalculated the performance and management fee in accordance with the underlying asset management agreements; including tracing accrued amounts paid based on NAV to the latest valuation reports, management accounts and signed financial statements. We have also traced a sample of revenue recognised to invoice and cash receipts from clients. For performance fees where variable consideration is applicable, we have identified the key assumptions by obtaining management's assessment and tested the estimation of revenue that will not be subject to a significant reversal in the following year. For example, we have obtained the underlying agreements and re-performed management's calculation to verify the accuracy, cut-off and completeness of the revenue in terms for IFRS 15. We have assessed whether the disclosures made relating to revenue are appropriate and in line with the applicable accounting policies and principles. Key observations: Our testing of the recognition of revenue did not identify any material misstatement.

Our application of materiality
We apply the concept of materiality at both planning and performing our audit, in evaluating the effect of misstatements on the audit and in forming our opinion. Materiality is assessed on both quantitative and qualitative grounds. We consider materiality to be the magnitude by which misstatements, individually or in aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. This can include qualitative aspects due to the nature of the item.

We determined the materiality for the Group financial statements as a whole to be £500,000 (2018: £250,000), which was set at planning and deemed appropriate throughout the audit using 1.5% of total revenue (2018: 1.8% of total revenue). This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.

We determined that total revenue would be the most appropriate basis for determining the overall materiality for the current year of the Group. This is because the Group is still continuing to develop its asset management business and remains loss-making. As an asset management business, the key driver of the business is profitability, generating returns for its shareholders and in doing so increasing shareholder wealth. However, the Group has not yet matured their business and is not generating a consistent and sustained profit. On this basis a revenue basis continues to be taken as the key benchmark.

Performance and component materiality
In order to reduce to an appropriately low level that the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing required. Performance materiality has been set at £375,000 (2018: £187,500), being 75% (2018: 75%) of the overall materiality levels, based on our risk assessment together with our assessment of the Group's overall control environment and history of misstatements.

Materiality in respect of the audit of the Parent Company has been set at £475,000 (2018: £237,500) using 95% of Group Materiality.

Component materiality was allocated to the two other significant components who contributed more than 15% of the total Statement of comprehensive income and Statement of financial position individually, all of which was audited by the group audit team. The materiality for these components were £205,000 and £320,000 respectively. For all other components the group audit team performed a desktop review.

Reporting threshold
We agreed with the Audit Committee that we would report all individual audit differences in excess of £10,000 (2018: £5,000) to the Audit Committee and any other differences that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

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

Other information
The Directors are responsible for the other information. The other information comprises the information included in the Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006
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.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the 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.

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, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: 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.

Charles Ellis
(Senior Statutory Auditor)
For and on behalf of BDO LLP
Statutory Auditor
London, UK

5 March 2020

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	2019 £'000	2018 £'000
Income	1		
Asset management income		**31,226**	13,717
Dividend and interest income		**278**	47
Other operating income		**79**	734
Performance fees and carried interest		**1,944**	–
Total income		**33,527**	14,498
Operating costs			
Administrative overheads	3	**(34,130)**	(14,608)
Net operating loss before exceptional items		**(603)**	(110)
Finance costs	6	**(390)**	(42)
Exceptional items	5	**(1,063)**	(2,001)
Net operating loss after exceptional items		**(2,056)**	(2,153)
Gains and losses on investments			
Share of associates' profits/(losses)	16	**246**	1,718
Gains and losses on investments held at fair value	11	**3,048**	(271)
Movement in fair value of contingent consideration		**(2,065)**	(209)
Movement in value of deferred receivable		**–**	40
Operating loss before taxation		**(827)**	(875)
Taxation	8	**(23)**	218
Operating loss from continuing operations		**(850)**	(657)
Profit from discontinued operations	7	**55**	11
Loss and total comprehensive income		**(795)**	(646)
Attributable to:			
Equity holders of the parent		**(850)**	(699)
Non-controlling interest		**55**	53
		(795)	(646)
Basic and diluted loss per ordinary share (pence)	9	**(3.2)**	(3.9)
Basic adjusted profit per ordinary share (pence)	9	**38.9**	17.2
Diluted adjusted profit per ordinary share (pence)	9	**34.3**	15.1

Statements of Changes in Equity

Year ended 31 December

Group
2019

	Notes	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	**Equity attributable to equity shareholders £'000**	Non-controlling interest £'000	**Total equity £'000**
Balance at 31 December 2018		6,218	57,901	58	15,036	**79,213**	527	**79,740**
Adjustments for changes in accounting policy	7	–	–	–	6	**6**	–	**6**
Balance at 31 December 2018 after adjustment		6,218	57,901	58	15,042	**79,219**	527	**79,746**
Loss and total comprehensive income for the year		–	–	–	(850)	**(850)**	55	**(795)**
Contributions by and distributions to owners								
Share-based payments	27	8	189	–	642	**839**	–	**839**
Issue of shares	25	730	11,152	(58)	–	**11,824**	–	**11,824**
Dividends paid	10	–	–	–	(795)	**(795)**	–	**(795)**
Total contributions by and distributions to owners		738	11,341	(58)	(153)	**11,868**	–	**11,868**
Balance at 31 December 2019		6,956	69,242	–	14,039	**90,237**	582	**90,819**

Group
2018

	Notes	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	**Equity attributable to equity shareholders £'000**	Non-controlling interest £'000	**Total equity £'000**
Balance at 31 December 2017		3,134	9,649	319	15,268	**28,370**	477	**28,847**
Loss and total comprehensive income for the year		–	–	–	(699)	**(699)**	53	**(646)**
Contributions by and distributions to owners								
Transfer of non-controlling interest deficit		–	–	–	3	**3**	(3)	**–**
Share-based payments	27	–	–	–	464	**464**	–	**464**
Issue of shares	25	3,084	48,252	(261)	–	**51,075**	–	**51,075**
Total contributions by and distributions to owners		3,084	48,252	(261)	467	**51,542**	(3)	**51,539**
Balance at 31 December 2018		6,218	57,901	58	15,036	**79,213**	527	**79,740**

Statements of Changes in Equity

Year ended 31 December

Company
2019

	Notes	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	**Total equity £'000**
Balance at 31 December 2018		6,218	57,901	58	13,394	**77,571**
Adjustments for changes in accounting policy	7	–	–	–	6	**6**
Balance at 31 December 2018 after adjustment		6,218	57,901	58	13,400	**77,577**
Loss and total comprehensive income for the year		–	–	–	(226)	**(226)**
Contributions by and distributions to owners						
Issue of shares	25	738	11,341	(58)	–	**12,021**
Dividends paid	10	–	–	–	(795)	**(795)**
Total contributions by and distributions to owners		738	11,341	(58)	(795)	**11,226**
Balance at 31 December 2019		6,956	69,242	–	12,379	**88,577**

Company
2018

	Notes	Ordinary share capital £'000	Share premium £'000	Share warrant reserve £'000	Retained reserves £'000	**Total equity £'000**
Balance at 31 December 2017		3,134	9,649	319	15,469	**28,571**
Loss and total comprehensive income for the year		–	–	–	(2,075)	**(2,075)**
Contributions by and distributions to owners						
Issue of shares	25	3,084	48,252	(261)	–	**51,075**
Total contributions by and distributions to owners		3,084	48,252	(261)	–	**51,075**
Balance at 31 December 2018		6,218	57,901	58	13,394	**77,571**

Statements of Financial Position

As at 31 December

	Notes	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Assets					
Non-current assets					
Investments – securities	11	**9,621**	6,834	**7,550**	4,970
Tangible fixed assets	12	**813**	332	**610**	126
Investment in subsidiaries	15	**–**	–	**79,872**	79,872
Investment in associates	16	**9,186**	10,198	**65**	–
Intangible assets	13	**58,545**	65,911	**386**	197
Long-term receivables		**–**	78	**–**	78
		78,165	83,353	**88,483**	85,243
Current assets					
Trade receivables	17	**5,334**	2,628	**–**	–
Accrued income and prepaid expenses	18	**7,200**	2,613	**159**	26
Deferred receivable		**–**	1,033	**–**	–
Other current assets	19	**1,420**	1,471	**3,988**	1,511
Deferred tax	22	**613**	–	**276**	–
Cash and cash equivalents		**19,432**	13,958	**1,940**	6,148
Non-current assets held for sale					
Assets of a disposal group held for sale	14	**12,188**	–	**–**	–
Total current assets and non-current assets held for sale		**46,187**	21,703	**6,363**	7,685
Total assets		**124,352**	105,056	**94,846**	92,928
Current liabilities					
Trade and other payables	20	**15,210**	4,085	**283**	152
Short-term borrowings	21	**–**	2,000	**5,986**	7,365
Liabilities of a disposal group classified as held for sale					
Liabilities of a disposal group classified as held for sale	14	**9,718**	–	**–**	–
		24,928	6,085	**6,269**	7,517
Total assets less current liabilities		**99,424**	98,971	**88,577**	85,411
Non-current liabilities					
Deferred taxation	22	**2,632**	2,944	**–**	–
Long-term borrowings	23	**–**	7,840	**–**	7,840
Other creditors	24	**5,973**	8,447	**–**	–
		8,605	19,231	**–**	–
Net assets		**90,819**	79,740	**88,577**	77,571
Capital and reserves					
Ordinary share capital	25	**6,956**	6,218	**6,956**	6,218
Share premium	28	**69,242**	57,901	**69,242**	57,901
Share warrant reserve	28	**–**	58	**–**	58
Retained reserves	28	**14,039**	15,036	**12,379**	13,394
Equity attributable to equity shareholders		**90,237**	79,213	**88,577**	77,571
Non-controlling interest	28	**582**	527	**–**	–
Total equity		**90,819**	79,740	**88,577**	77,571
Basic net asset value per ordinary share (pence)	29	**324.3**	318.5	**318.3**	311.9
Diluted net asset value per ordinary share (pence)	29	**288.2**	290.1	**282.9**	284.1

The loss after tax for the Company for the year ended 31 December 2019 was £226,000. The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 5 March 2020.

Kevin Acton
Chief Financial Officer

Group Statement of Cash Flows

For the year ended 31 December

	Notes	2019 £'000	2018 £'000
Cash flow from operating activities			
Net cash generated from in operations	30	**9,646**	1,251
Corporation tax paid		**(178)**	(346)
Interest paid on loans		**(265)**	–
Net cash flow from operating activities		**9,203**	905
Cash flow from investing activities			
Acquisition of FIM Services Limited		**–**	(10,828)
Deferred consideration paid		**–**	(1,027)
Investment in associates		**(65)**	(1,979)
Dividends received from associates		**118**	211
Purchase of management contracts – Livingbridge VC		**–**	(23,000)
Purchase of investments		**(2,149)**	(5,166)
Sale of investments		**319**	1,260
Sale of investment properties		**–**	1,985
Deferred proceeds received on sale of investment properties		**1,033**	2,700
Investment in DevCo Projects		**(1,510)**	–
Purchase of fixed assets		**(269)**	(165)
Sale of fixed assets		**40**	46
Purchase of intangible assets		**(302)**	(123)
		(2,785)	(36,086)
Cash flow from financing activities			
Repayment of loans		**(10,000)**	–
Receipt of loans (net of fees paid)		**–**	9,834
Share issue proceeds		**6,495**	26,727
Share issue costs		**(8)**	(1,048)
Share warrants exercised		**4,859**	3,841
Share-based payments settled		**(833)**	–
Dividends paid		**(795)**	–
Capital element of lease payments		**(662)**	–
		(944)	39,354
Increase in cash and cash equivalents		**5,474**	4,173
Cash and cash equivalents at start of year		**13,958**	9,785
Cash and cash equivalents at end of year		**19,432**	13,958

Company Statement of Cash Flows

For the year ended 31 December

	Notes	2019 £'000	2018 £'000
Cash flow from operating activities			
Net cash generated from/(utilised in) operations	30	**118**	(1,449)
Interest paid on loans		**(255)**	–
Net cash flow from operating activities		**(137)**	(1,449)
Cash flow from investing activities			
Purchase of investments		**(2,149)**	(5,166)
Sale of investments		**319**	681
Investment in subsidiary		**–**	(35,807)
Investment in associate		**(65)**	–
Purchase of fixed assets		**(267)**	(53)
Sale of fixed assets		**15**	–
Purchase of intangible assets		**(302)**	(67)
		(2,449)	(40,412)
Cash flow from financing activities			
Repayment of loans		**(10,000)**	–
Receipt of loans (net of fees paid)		**–**	9,834
Net (advances to)/receipts from Group undertakings		**(1,588)**	2,171
Share issue proceeds		**6,495**	26,727
Share issue costs		**(8)**	(1,048)
Share warrants exercised		**4,859**	3,841
Dividends paid		**(795)**	–
Capital element of lease payments		**(585)**	–
		(1,622)	41,525
Decrease in cash and cash equivalents		**(4,208)**	(336)
Cash and cash equivalents at start of year		**6,148**	6,484
Cash and cash equivalents at end of year		**1,940**	6,148

Principal Accounting Policies

The Group's principal accounting policies are as follows:

(a) Basis of preparation

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

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are presented in sterling, which is also the Group's functional currency.

The Group has considerable 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 that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The following new accounting standards, which were effective for periods beginning 1 January 2019 were adopted during the year:

IFRS 16 Leases – Under IFRS 16 there is no distinction between finance and operating leases, with all leases, subject to options to exclude leases with a duration of less than 12 months and leases of low value assets, included on the Statement of Financial Position by recognition of a right of use asset and a lease liability. This impacts the accounting policy for leases and the new policy is shown in Note 7. On transition the Group decided to use the option not to restate prior periods, but to recognise a lease liability at the date of initial application, based on discounted future cash flows, along with a right of use asset at a carrying amount as if the Standard had been applied since the commencement date of the lease, but discounted at the incremental borrowing rate at the date of initial application. The financial impacts of this are shown in Note 7.

Other new accounting standards applicable for the first time in this reporting period have no material impact on the Group's results.

(b) Basis of consolidation

Subsidiaries

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee; exposure to variable returns from the investee; and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings made up to the year end as if they formed a single entity. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The acquisition method of accounting is used to account for business combinations by the Group. Refer to Note r) iv) for further details on whether the Group controls funds that it also manages.

Associates

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

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

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

(c) Presentation of Statement of Comprehensive Income

As permitted by section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. Details of the Company's results for the year are set out in note 28, the loss for the year being £226,000 (2018: £2,075,000).

(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.

(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. Performance fees are recognised as revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The potential volatility of performance fee revenue means that it is generally only recognised when the measures on which it is based have finally been determined. Cash payments in relation to fixed and variable revenues earned are generally received shortly after the relevant quarter end.

Other revenue recognition

(i) Dividend and interest income

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

(ii) Other income

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

(f) Expenses

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

(g) Tangible fixed assets

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

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

The depreciable amount of all tangible fixed assets is depreciated on a straight-line basis over their estimated useful lives to the Group commencing from the time the asset is held ready for use, and are depreciated at the following rates:

Office equipment	25%
Motor vehicles	25%
Leasehold property	10%
Right of use assets	20% – 50%

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

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

(ii) Securities

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

(iii) Loans and receivables

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

(k) Exceptional items

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

(l) Intangible assets

(i) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets 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 client portal

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

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

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

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

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

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

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

(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.

Principal Accounting Policies (continued)

(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
All bank loans are initially recognised at cost, being the fair value of the consideration received, less issue costs where applicable. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on settlement. Interest costs on loans are charged to the Statement of Comprehensive Income as incurred.

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

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

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

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

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

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

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

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

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

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

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

(r) Critical accounting estimates and judgements
The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those used to determine:

(i) Revenue recognition, performance fees, management fees and fund-raising fees
(ii) Treatment of battery storage development companies
(iii) Accounting for investment in associates – Gresham House Strategic plc (GHS) and Noriker Power Limited (Noriker)
(iv) Consolidation assessment of funds managed and controlled by the Group
(v) Impairment review for Goodwill and Management Contracts from previous acquisitions
(vi) Valuation of contingent consideration
(vii) First time adoption of IFRS 16 Leases

(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.

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

Performance fees are recognised only when the Group is entitled to receive the performance fee per the management contract. This is on achievement of the hurdle rate and the outcome is known. The performance fee recognised for GHS plc was recognised in the year, relating to the NAV at 31 March 2019 and was paid 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 2019 by the VCTs managed by the Group.

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

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

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

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

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

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

(e) Borrowing costs (IAS 23) – the DevCo Projects have interest payments relating to the amounts lent by GRID to fund the acquisition of the battery assets at the project company level. The DevCo Projects have capitalised finance costs per IAS 23 Borrowing Costs as the characteristics of the development of the projects (such as not generating revenues until operational, loans being procured for the sole purpose of developing the projects and the projects taking 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 2019.

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

GHS is managed by GHAM and the Company also holds 23% of the ordinary share capital as at 31 December 2019. The Directors consider that the Company exercises significant influence over GHS, but not control, through its holding and the investment management agreement in place with GHAM. GHS therefore continues to be classified as an associate.

Noriker is 28% owned by the Group and is not an entity managed by GHAM. There are no specific additional rights that the Group have as investors in Noriker, however with a 28% holding, the Board considers this a position of significant influence and has concluded that Noriker should be treated as an associate.

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

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

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

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

The following table summarises the assessment of 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
SPE LP	Yes	Substantive	Market norm	0%	Agent	No consolidation
GHFF LP	Yes	Substantive	Market norm	0%	Agent	No consolidation
GHF FF LP	Yes	No	Market norm	71%	Principal	Consolidate
GHS	Yes	Substantive	Market norm	23%	Agent	Associate
Noriker	No	n/a	n/a	28%	Agent	Associate
GRID	Yes	Substantive	Market norm	2.5%*	Agent	Investment
BSIF	Yes	Substantive	Market norm	0%	Agent	No consolidation
Baronsmead VCTs	Yes	Substantive	Market norm	0%	Agent	No consolidation
Gresham House Renewable Energy VCTs	Yes	Substantive	Market norm	0%	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
Forestry LP Funds	Yes	Substantive	Market norm	0%	Agent	No consolidation
New Energy LP Funds	Yes	Substantive	Market norm	0%	Agent	No consolidation

* The Group holds direct and indirect, via its Noriker stake, a total of 2.5% in GRID (2018: 5.0%).

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

Gresham House 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, one year after the final close of GHFF LP on obtaining limited partner special consent. There are a number of limited partners that would be required to co-ordinate to remove the manager. The Directors' assessment of this right indicates that the manager is acting as agent for GHFF LP and therefore should not consolidate GHFF LP.

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

Gresham House British Strategic Investment Fund (BSIF) Strategy, which comprises the two sub-funds, Gresham House BSI Infrastructure LP and Gresham House BSI Housing LP, is managed by GHAM. The manager is exposed to variable returns through its management fee. Neither the Company, nor any of its subsidiaries are directly invested in the BSIF Strategy and therefore are not exposed to the variable returns as an investor. 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 BSIF and therefore should not consolidate the BSIF Strategy.

Gresham House Energy Storage Fund plc (GRID) is managed by GHAM and the Company has a direct and indirect investment in GRID totalling 2.5%. 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 10% investment in GRID, however the assessment of whether BSIF is controlled by GHAM concluded that GHAM does not control BSIF and therefore should not be included in the proportion of GRID that is under the control of GHAM.

The remaining funds of the Baronsmead VCTs, Gresham House Renewable Energy VCTs, the LF Gresham House UK Micro Cap Fund (Micro Cap Fund) and the LF Gresham House UK Multi Cap Income Fund (Multi Cap Income Fund) are managed by GHAM, however are not invested in by the Group. 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 CAPM model, accounting for different risk profile of acquired contracts. No terminal value was assigned for the review.

(a) Goodwill Impairment Testing

The potential value of the acquired cash generating units based on discounted cash flow of potential future performance of the acquired contracts was assessed. It has been assumed that the cash generating unit will continue to grow in line with reasonable assumptions based on historic assumptions and the business model. The revenues and costs were modelled using a discounted cash flow model, with the estimated value compared to the goodwill on the Statement of Financial Position and other intangible assets and acquired assets. Where the value estimated less other intangible and tangible assets is greater than the goodwill amount on the Statement of Financial Position, no impairment is recognised. The were no indications of impairment against all goodwill balances of the Group as at 31 December 2019.

(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 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 at 31 December 2019 and there were no indications of impairment.

(vi) Valuation of contingent consideration
The fair value of contingent consideration payable to the sellers of the FIM and the Livingbridge VC businesses has been estimated with reference to the contractual requirements as at 31 December 2019.

In the case of FIM, an estimate of whether the combined two-year revenue target of £14.0 million has been made and discounted back from the payment date to the reporting date. An additional amount is payable should the two-year combined revenues exceed £18.0 million.

The Livingbridge VC contingent consideration is in two parts. The first being that the VCT boards do not give notice within two years of the acquisition. There are no indications to date that notice will be given, so this has been assumed to be true and the value payable discounted back to 31 December 2019.

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

(vii) First time adoption of IFRS 16 Leases
IFRS 16 Leases came into force with effect from 1 January 2019. All leases within the Group have been assessed under IFRS 16 guidance and classified accordingly. The main impact has been the addition of office leases to the Statement of Financial Position as right of use assets, which are then depreciated over their useful lives. The result of the adoption of the standard is that the rent charge for offices is no longer reported with operating expenses but is effectively capitalised and recognised through the depreciation of the lease asset. Per IFRS 16 adoption guidance, the standard has not been applied retrospectively.

Critical accounting judgements include estimating the present value of the obligation to make lease payments and a related right of use asset. This includes applying an appropriate discount rate.

(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.

1 INCOME

	2019 £'000	2018 £'000
Asset management income		
Asset management income	**31,226**	13,717
	31,226	13,717
Dividend and interest income		
Dividend income – Listed UK	**166**	9
Interest receivable: Banks	**52**	16
Other	**60**	22
	278	47
Other operating income		
Arrangement fees	**13**	–
Consultancy fees receivable	**5**	12
Other income	**61**	722
	79	734
Performance fees		
Performance fees	**1,944**	–
	1,944	–
Total income	**33,527**	14,498
Total income comprises		
Asset management income	**31,226**	13,717
Dividends	**166**	9
Interest	**112**	38
Other operating income	**79**	734
Performance fees	**1,944**	–
	33,527	14,498

Other income in 2018 included a make whole fee received in the year of £620,000, which related to the sale of the battery storage project ESS2 Holdco Limited to GRID. This transaction was completed in the year and the full contingent fee recognised at that date.

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 the specialist asset manager that it is today.

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

Strategic Equity includes 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.

2 SEGMENTAL REPORTING (CONTINUED)
For the year ended 31 December 2019

	Real Assets £'000	Strategic Equity £'000	Central £'000	Consolidated £'000
Core Income				
Asset management income	18,282	12,944	–	31,226
Interest income	41	24	47	112
Dividend income	140	26	–	166
Other operating income	47	14	18	79
Dividend income from associates*	1,151	172	–	1,323
Total core income	19,661	13,180	65	32,906
Segment expenses	(7,918)	(5,972)	(8,339)	(22,229)
Finance costs	–	–	(390)	(390)
Adjusted operating profit/(loss)	11,743	7,208	(8,664)	10,287
Net performance fees	–	200	–	200
Net realised gains on investments	1,332	–	–	1,332
Adjusted operating profit including performance fees and realised gains on investments	13,075	7,408	(8,664)	11,819
Exceptional items				(1,063)
Depreciation and amortisation				(8,484)
Loss on disposal of tangible fixed assets				(43)
Share of associate's profit/(loss)*				(1,077)
Share-based payments relating to acquisitions				(593)
Profits on investments at fair value				679
Movement in fair value of contingent consideration				(2,065)
Loss before taxation from continuing operations				(827)

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

2 SEGMENTAL REPORTING (CONTINUED)
For the year ended 31 December 2018

	Real Assets £'000	Strategic Equity £'000	Central £'000	Consolidated £'000
Core Income				
Asset management income	11,102	2,615	–	13,717
Interest income	6	22	10	38
Dividend income	9	–	–	9
Other operating income	–	100	634	734
Dividend income from associates*	–	211	–	211
Total core income	11,117	2,948	644	14,709
Segment expenses	(3,504)	(2,587)	(5,527)	(11,618)
Finance costs	–	–	(42)	(42)
Adjusted operating profit/(loss)**	7,613	361	(4,925)	3,049
Exceptional items				(2,001)
Depreciation and amortisation				(2,926)
Profit on disposal of tangible fixed assets				23
Share of associate's profit*				1,507
Share-based payments relating to acquisitions				(87)
Losses on investments at fair value				(271)
Movement in fair value of contingent consideration				(209)
Movement in fair value of deferred receivable				40
Loss before taxation from continuing operations				(875)

* Share of associate's profit of £1,507,000 excludes dividend income received in the year of £211,000.
** Adjusted operating profit/(loss) has been restated per the updated metric. See Note 9 for details.

During the year the Group had one customer accounting for more than 10% of the Group's revenue, totalling £4,610,000 (2018: one customer, totalling £1,575,000).

Other information
31 December 2019

	Real Assets £'000	Strategic Equity £'000	Legacy Property £'000	Central £'000	Consolidated £'000
Segment assets	46,334	64,241	91	13,686	124,352
Segment liabilities	(12,371)	(7,025)	(34)	(14,103)	(33,533)
	33,963	57,216	57	(417)	90,819
Capital expenditure	–	–	–	610	610
Depreciation and amortisation	2,742	4,865	–	920	8,527
Non-cash expenses other than depreciation	312	–	–	1,844	2,156
Goodwill included within segment assets	11,896	12,167	–	–	24,063

2 SEGMENTAL REPORTING (CONTINUED)

31 December 2018

	Real Assets £'000	Strategic Equity £'000	Legacy Property £'000	Central £'000	Consolidated £'000
Segment assets	40,223	49,796	2,174	12,863	105,056
Segment liabilities	(6,908)	(5,313)	(43)	(13,052)	(25,316)
	33,315	44,483	2,131	(189)	79,740
Capital expenditure	78	–	–	54	132
Depreciation and amortisation	1,845	958	–	100	2,903
Non-cash expenses other than depreciation	218	–	–	494	712
Goodwill included within segment assets	11,896	12,167	–	–	24,063

3 OPERATING COSTS

Administrative overheads comprise the following:

	2019 £'000	2018 £'000
Directors' emoluments (excluding benefits in kind and share-based payments)	**1,809**	942
Auditor's remuneration*	**176**	140
Amortisation	**7,668**	2,788
Depreciation	**816**	138
Loss/(profit) on disposal of assets	**43**	(23)
Wages and salaries	**12,310**	5,610
Social security costs	**1,986**	844
Share-based payments	**1,844**	464
Other operating costs	**7,478**	3,705
	34,130	14,608
Staff costs (including Directors' emoluments) were:		
Wages, salaries and fees	**14,072**	6,532
Social security costs	**1,986**	844
Pension costs	**539**	297
	16,597	7,673

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

	2019 £'000	2018 £'000
Audit fees – Company and consolidated financial statements	**40**	40
Audit fees – audit of the Company's subsidiaries	**136**	100
Auditor's other fees – relating to acquisitions and included in exceptional items	**–**	25
	176	165

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

The average number of persons employed by the Group, including the Executive Directors, was 87 (2018: 55). The Company has no employees.

4 DIRECTORS' EMOLUMENTS

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

The Directors are considered to be the Group's only key management personnel. Employers' National Insurance Contributions in respect of the Directors for the year were £198,000 (2018: £132,000).

5 BUSINESS COMBINATIONS

A) FIM SERVICES LIMITED

On 21 May 2018, shareholders approved the acquisition of FIM Services Limited (FIM) at a general meeting. The Group acquired 100% of the issued share capital of FIM, a company registered in England whose principal activity is the management of forestry and other renewable energy assets.

At 31 December 2017, FIM managed 83,000 hectares of forestry and 127MW of renewable energy generating assets in onshore wind farms and ground-mounted solar parks for clients through long-term limited partnerships, LLP structures and managed accounts for high net worth individuals.

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

	Net book value £'000	Adjustments £'000	Fair value £'000
Tangible fixed assets	165	–	165
Investments	818	(318)	500
Cash	6,024	–	6,024
Trade and other receivables	921	–	921
Trade and other payables	(1,074)	–	(1,074)
Fund and client management contracts	–	18,600	18,600
Deferred tax liability	–	(3,162)	(3,162)
Goodwill	–	8,678	8,678
Total identifiable net assets	6,853	23,798	30,652

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

	£'000
Cash	16,852
Shares – 2,390,244 shares in Gresham House plc valued at 445.0 pence per share on 21 May 2018	10,637
Total initial consideration	27,489
Contingent consideration	3,163
Total consideration	30,652

The consideration shares were admitted to trading on AIM on 22 May 2018.

Contingent consideration

Contingent consideration totalling £4 million will be payable in cash when the revenues from the combined forestry businesses (FIM and existing Gresham House Forestry) over two years from acquisition are greater than £14 million. For amounts less than this there is a sliding scale which reduces to nil deferred consideration where the combined revenues are less than £13 million.

Current forecasts are that the £14 million hurdle will be achieved and that the additional consideration will be paid in full.

A further contingent consideration is payable should the combined divisions deliver revenues of greater than £18 million over the same two-year period, above which 33% will be payable to the sellers. The estimated fair value of the further contingent consideration is £1 million (2018: £nil), based on actual revenues generated to date and expected earnings in the remaining period to 20 May 2020.

The fair value of the contingent consideration has been estimated at the date of acquisition using forecast details for the combined business and discounting this at 11.0%. 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 £3,163,000.

5 BUSINESS COMBINATIONS (CONTINUED)

Revenue and profits of FIM

FIM was acquired on 21 May 2018. The Group recognised the following amounts in respect of FIM for the 32-week period ended 31 December 2018:

	£'000
Revenue	5,284
Profit before tax	3,197

Prior to acquisition by the Group, FIM had a 30 September year end. The results for the most recent audited reporting period prior to acquisition were to 30 September 2017. Had FIM been part of the Group for the entire reporting period the following sums would have been consolidated:

	£'000
Revenue	6,275
Profit before tax	3,295

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 FIM acquisition is not deductible for tax purposes. Goodwill has been reviewed for impairment, and no impairment has been recognised as at 31 December 2019.

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 11.0%. This resulted in fair value of management contracts being recognised totalling £18,600,000 at acquisition. The net book value of the management contracts has been reviewed for impairment and no impairment has been recognised as at 31 December 2019.

B) LIVINGBRIDGE VC LLP

The Company acquired the fund and investment management business of Livingbridge VC LLP (Livingbridge VC), a leading UK manager of VCT funds and open-ended investment funds, on 30 November 2018. Livingbridge VC was part of the larger Livingbridge LLP private equity asset management business. The acquisition of Livingbridge VC included the novation and acquisition of investment advisory contracts for Baronsmead VCT plc, Baronsmead Second VCT plc, Livingbridge (now LF Gresham House) UK Micro Cap Fund and Livingbridge (now LF Gresham House) UK Multi Cap Income Fund and the hiring of the Livingbridge VC team.

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

	Fair value £'000
Management contracts	22,860
Goodwill	12,167
Total identifiable net assets	35,027

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 has been reviewed for impairment, and no impairment has been recognised as at 31 December 2019.

Actual revenue and profits of Livingbridge VC

The actual revenues and profits that have been generated since the acquisition of Livingbridge VC on 30 November 2018 to 31 December 2018 were:

	£'000
Revenues	712
Profit before tax	495

The disclosure of hypothetical revenues and profits of Livingbridge VC for the year ended 31 December 2018 is not considered relevant due to the nature of the transaction. The entire Livingbridge LLP business was not acquired and there will be revenues and expenses not relevant to the business acquired.

5 BUSINESS COMBINATIONS (CONTINUED)

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 15.0%. This resulted in fair value of management contracts being recognised totalling £22,860,000 at acquisition. The net book value of the management contracts has been reviewed for impairment and no impairment has been recognised as at 31 December 2019.

Exceptional items

	2019 £'000	2018 £'000
Acquisition costs:		
FIM Services Limited	**2**	770
Livingbridge VC	**10**	866
Hazel Capital LLP	**–**	61
Joint Venture establishment	**251**	–
	263	1,697
Restructuring costs	**646**	304
Exceptional legal fees	**154**	–
	1,063	2,001

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

6 FINANCE COSTS

	2019 £'000	2018 £'000
Interest payable on bank loans	**188**	35
Finance fees	**169**	7
Interest payable on leases	**33**	–
	390	42

See Note 23 for details of borrowings.

7 IFRS 16 LEASES

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

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

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

	As at 31 December 2019 £'000	As at 1 January 2019 £'000
ROU asset cost	**1,344**	1,302
ROU asset accumulated depreciation	**(896)**	(231)
Lease liability	**(445)**	(1,065)
Retained reserves*	**(6)**	(6)

7 IFRS 16 LEASES (CONTINUED)

	Year ended 31 December 2019 £'000
Depreciation expense	**665**
Interest expense	**33**
Cash outflow related to IFRS 16 leases	**691**

* 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.

The aggregate lease liability recognised in the Statement of Financial Position at 1 January 2019 and the Group's operating lease commitment at 31 December 2018 can be reconciled as follows:

	£'000
Operating lease commitment at 31 December 2018	**915**
Effect of discounting those leases at an annual rate of 3.25%	**(6)**
Leases recognised in the current year	**156**
	1,065

Please see Note 31 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 2019 relating to these leases was £15,000; and

(b) An onerous lease that expired in September 2019. The total amount of lease payments for the year ended 31 December 2019 relating to this lease was £33,000.

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.

8 TAXATION

	2019 £'000	2018 £'000
(a) Analysis of credit in period:		
UK Corporation tax at 19% (2018: 19%)	**680**	–
Underprovision in prior year	**268**	–
Deferred tax	**(925)**	(218)
Total tax charge/(credit)	**23**	(218)
(b) Factors affecting tax credit for period:		
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**(157)**	(166)
Tax effect of:		
Dividend income not taxable	**–**	(42)
Amortisation not taxable	**945**	335
Expenses disallowed	**–**	388
Other gains and losses not taxable	**226**	(249)
Utilisation of previously unrecognised tax losses	**(1,259)**	(484)
Prior year adjustment	**268**	–
Actual tax charge/(credit)	**23**	(218)

8 TAXATION (CONTINUED)

The Group has unutilised tax losses of approximately £10.3 million (2018: £11.6 million) available against future corporation tax liabilities. A potential deferred taxation asset of £1.5 million (2018: £2.0 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 £0.3 million (2018: £nil) in the current year.

9 EARNINGS PER SHARE

(a) Basic and diluted loss per share

	2019	2018
Total net loss attributable to equity holders of the parent (£'000)	**(850)**	(699)
Weighted average number of ordinary shares in issue during the period	**26,479,021**	17,742,370
Basic and diluted loss per share attributable to equity holders of the parent (pence)	**(3.2)**	(3.9)

3,491,093 (2018: 2,434,245) shares were deemed to have been issued at nil consideration as a result of the shareholder and supporter warrants granted and shares which could be issued under the bonus share matching plan and long term incentive plans which, as required under IAS 33, Earnings per Share, have not been recognised as they would reduce the loss per share (see Note 26).

(b) Adjusted earnings per share

Adjusted earnings per share is based on adjusted operating profit, which is stated after charging interest but before depreciation, amortisation, share-based payments relating to acquisitions, profits and losses on disposal of tangible fixed assets, net performance fees, net development gains and exceptional items, to provide the non-GAAP measure of the performance as an asset manager. This includes dividend and income received from investments in associates. This metric was revised in 2019 to reflect the activity of the core asset management business separately from performance fees and realised gains on investments. Accordingly, the metric now deducts net performance fees, variable compensation attributable to gains on investments (development projects) and share-based payments relating to acquisitions.

Adjusted profit for calculating adjusted earnings per share:

	2019 £'000	2018 £'000
Net operating loss after exceptional items	**(2,056)**	(2,153)
Add back:		
Exceptional operating expenses	**1,063**	2,001
Depreciation and amortisation	**8,484**	2,926
Loss/(profit) on disposal of tangible fixed assets	**43**	(23)
Dividend income received from associates	**1,323**	211
Net performance fees	**(200)**	–
Variable compensation attributable to realised gains on investments	**1,037**	–
Share-based payments relating to acquisitions	**593**	87
Adjusted profit attributable to equity holders of the parent	**10,287**	3,049
Adjusted profit per share (pence) – basic	**38.9**	17.2
Adjusted profit per share (pence) – diluted	**34.3**	15.1

10 DIVIDENDS

The Company paid £795,000 during the year which represents a final dividend for the year ended 31 December 2018. No dividends were paid during the previous year.

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.

	2019 £'000	2018 £'000
Proposed final dividend for the year ended 31 December 2019 of 4.5 pence (2018: 3.0 pence) per share	**1,252**	795

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.

11 INVESTMENTS – SECURITIES

Investments have been classified as follows:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Non-current assets	**9,621**	6,834	**7,550**	4,970
Other debtors due within one year – Investment in development projects (see Note 19)	**1,208**	1,290	**1,208**	1,290
	10,829	8,124	**8,758**	6,260

A further analysis of total investments is as follows:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Listed securities – on the London Stock Exchange	**5,624**	4,273	**5,624**	4,273
Securities dealt in under AIM	**531**	288	**531**	288
Securities dealt in under NEX Exchange	**10**	26	**10**	26
Unlisted securities	**4,664**	3,537	**2,593**	1,673
Closing value at 31 December	**10,829**	8,124	**8,758**	6,260
Investments valued at fair value through profit and loss	**8,914**	6,511	**6,843**	4,647
Loans and receivables carried at amortised cost	**1,915**	1,613	**1,915**	1,613
	10,829	8,124	**8,758**	6,260

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Opening cost	**9,769**	4,869	**8,020**	3,119
Opening net unrealised losses	**(1,645)**	(1,880)	**(1,760)**	(1,809)
Opening value	**8,124**	2,989	**6,260**	1,310
Movements in the year:				
Purchases at cost	**3,272**	6,981	**3,272**	6,482
Sales – proceeds	**(319)**	(1,575)	**(319)**	(997)
Sales – realised gains and (losses) on sales	**(299)**	(506)	**(299)**	(584)
Net unrealised gains and (losses)	**978**	235	**771**	49
Transferred on acquisition of subsidiary undertaking	**(927)**	–	**(927)**	–
Closing value	**10,829**	8,124	**8,758**	6,260
Closing cost	**11,496**	9,769	**9,747**	8,020
Closing net unrealised losses	**(667)**	(1,645)	**(989)**	(1,760)
Closing value	**10,829**	8,124	**8,758**	6,260

11 INVESTMENTS – SECURITIES (CONTINUED)

Gains and losses on investments held at fair value:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Net realised gains and (losses) on disposal	**(299)**	(506)	**(299)**	(584)
Net unrealised gains and (losses)	**978**	235	**771**	49
Profit on disposal of subsidiary undertaking	**2,369**	–	**–**	–
Net gains/(losses) on investments	**3,048**	(271)	**472**	(535)

An analysis of investments is as follows:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Equity investments	**8,914**	6,511	**6,843**	4,647
Unquoted loan stock	**1,915**	1,613	**1,915**	1,613
	10,829	8,124	**8,758**	6,260

Further information on the measurement of fair value can be found in Note 32.

12 TANGIBLE FIXED ASSETS

Group – 2019

	Office equipment £'000	Motor vehicles £'000	Leasehold property £'000	Right of use assets £'000	Total £'000
Cost					
As at 1 January	**191**	**297**	**4**	**–**	**492**
IFRS 16 restatement	**–**	**–**	**–**	**1,302**	**1,302**
Additions	**101**	**166**	**–**	**42**	**309**
Disposals during the year	**(32)**	**(174)**	**–**	**–**	**(206)**
As at 31 December	**260**	**289**	**4**	**1,344**	**1,897**
Depreciation					
As at 1 January	**56**	**101**	**3**	**–**	**160**
IFRS 16 restatement	**–**	**–**	**–**	**231**	**231**
Charge for the year	**67**	**83**	**1**	**665**	**816**
Disposals during the year	**(27)**	**(96)**	**–**	**–**	**(123)**
As at 31 December	**96**	**88**	**4**	**896**	**1,084**
Net book value as at 31 December	**164**	**201**	**–**	**448**	**813**

12 TANGIBLE FIXED ASSETS (CONTINUED)

Group – 2018

	Office equipment £'000	Motor vehicles £'000	Leasehold property £'000	Total £'000
Cost				
As at 1 January	72	221	10	303
Additions	59	73	–	132
Additions through business combinations	60	105	–	165
Disposals during the year	–	(102)	(6)	(108)
As at 31 December	191	297	4	492
Depreciation				
As at 1 January	14	91	2	107
Charge for the year	42	95	1	138
Disposals during the year	–	(85)	–	(85)
As at 31 December	56	101	3	160
Net book value as at 31 December	135	196	1	332

Company

	2019				2018
	Office equipment £'000	Motor Vehicles £'000	Right of use assets £'000	Total £'000	Office equipment £'000
Cost					
As at 1 January	178	–	–	178	64
IFRS 16 restatement	–	–	991	991	–
Additions	107	284	–	391	114
Disposals during the year	(32)	(49)	–	(81)	–
As at 31 December	253	235	991	1,479	178
Depreciation					
As at 1 January	52	–	–	52	13
IFRS 16 restatement	–	–	157	157	–
Charge for the year	64	42	589	695	39
Disposals during the year	(27)	(8)	–	(35)	–
As at 31 December	89	34	746	869	52
Net book value as at 31 December	164	201	245	610	126

13 INTANGIBLE ASSETS

Group

	2019					2018				
	Goodwill £'000	Customer relationships £'000	Contracts £'000	Website & client portal £'000	Total £'000	Goodwill £'000	Customer relationships £'000	Contracts £'000	Website & client portal £'000	Total £'000
Cost										
As at 1 January	24,063	3,072	43,764	286	71,185	3,218	3,072	2,304	219	8,813
Additions through business combinations	–	–	–	–	–	20,845	–	41,460	–	62,305
Other additions	–	–	–	302	302	–	–	–	67	67
As at 31 December	24,063	3,072	43,764	588	71,487	24,063	3,072	43,764	286	71,185
Amortisation										
As at 1 January	–	1,843	3,342	89	5,274	–	1,229	1,236	21	2,486
Charge for the year	–	614	6,941	113	7,668	–	614	2,106	68	2,788
As at 31 December	–	2,457	10,283	202	12,942	–	1,843	3,342	89	5,274
Net book value as at 31 December	24,063	615	33,481	386	58,545	24,063	1,229	40,422	197	65,911
Remaining amortisation period	n/a	1 year	1 – 24 years	1 – 4 years		n/a	2 years	0.5 – 25 years	1 – 4 years	

The website and client portal expenditure were undertaken by the Company.

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 2019. This assessment includes an analysis of the expected cash flows from the specific businesses based on expected fundraising and other growth factors as well as the associated cost of delivering the planned revenues. A discount has been applied to the cash flows to determine an estimate of the fair value of the business, which is used to assess whether goodwill should be impaired.

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

14 DISPOSAL GROUP HELD FOR SALE

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

The sale of the DevCo Projects has been agreed with GRID and is documented, including price and conditions to complete the sale. It is expected that the sale process will complete within a six to 12-month time frame, as such it has been deemed appropriate to treat the DevCo Projects as assets held for sale under IFRS 5. Specifically, they are classified as a "disposal group" held for sale, whose value will be primarily recovered by sale.

The assets and liabilities of those SPVs which have been consolidated by the Group are:

	Group 2019 £'000	Group 2018 £'000
Assets of a disposal group held for sale	**12,188**	–
Liabilities of a disposal group classified as held for sale	**(9,718)**	–
	2,470	–

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

	Group 2019 £'000	Group 2018 £'000
Loans and receivables bought forward	**1,290**	–
Additions – net of abort costs	**2,511**	1,290
Transferred on acquisition of subsidiary undertaking*	**(2,593)**	–
Loans and receivables carried forward	**1,208**	1,290

* During the year the Group acquired a controlling interest in HC ESS6 Limited and HC ESS7 Limited. Amounts previously recognised as loans and receivables have therefore been eliminated on consolidation of these entities.

The Group's total exposure to DevCo Projects is:

	Group 2019 £'000	Group 2018 £'000
Net assets and liabilities of a disposal group held for sale	**2,470**	–
Loans and receivables	**1,208**	1,290
	3,678	1,290

During the year the Group acquired and disposed of HC ESS4 Limited, with net proceeds of £2,260,000 due, realising a gain on disposal of £2,369,000.

15 INVESTMENT IN SUBSIDIARIES

	Company 2019 £'000	Company 2018 £'000
Subsidiary undertakings		
At 1 January	**79,872**	18,265
Additions	**–**	61,607
At 31 December	**79,872**	79,872

The subsidiary undertakings of Gresham House plc are as follows:

	Held by Company %	Held by other Group companies %	Country of incorporation and registered office
Acqco Store Limited	–	100	5 New Street Square, London EC4A 3TW, England
Aitchesse Limited	–	100	5 New Street Square, London EC4A 3TW, England
Chartermet Limited	–	95	5 New Street Square, London EC4A 3TW, England
Deacon Commercial Development and Finance Limited	–	100	5 New Street Square, London EC4A 3TW, England
Deacon Knowsley Limited	–	95	5 New Street Square, London EC4A 3TW, England
FIM Energy Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Forest Funds General Partner Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Initial Partner Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Solar Distribution Designated Member 1 Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Solar Distribution Designated Member 2 Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Services Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Timberland General Partner Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Windfarms General Partner 2 Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Windfarms General Partner 3 Limited	–	100	5 New Street Square, London EC4A 3TW, England
FIM Windfarms (SC) General Partner Limited	–	100	15 Atholl Crescent, Edinburgh, EH3 8HA, Scotland
Gresham House Asset Management 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 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 (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 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

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

	Held by Company %	Held by other Group companies %	Country of incorporation and registered office
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 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 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 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 Value Limited	–	100	5 New Street Square, London EC4A 3TW, England
Gresham House VCT Limited	–	100	5 New Street Square, London EC4A 3TW, England
HC ESS6 Limited	–	67	Octagon Point, 5 Cheapside, London EC2V 6AA, England
HC ESS7 Limited	–	67	Octagon Point, 5 Cheapside, London EC2V 6AA, England
Knowsley Industrial Property Limited	–	100	5 New Street Square, London EC4A 3TW, England
New Capital Developments Limited	–	95	5 New Street Square, London EC4A 3TW, England
New Capital Holdings Limited	–	95	5 New Street Square, London EC4A 3TW, England
Newton Estate Limited	–	100	5 New Street Square, London EC4A 3TW, England
Security Change Limited	–	100	5 New Street Square, London EC4A 3TW, England
Wolden Estates Limited	–	100	5 New Street Square, London EC4A 3TW, England

16 INVESTMENT IN ASSOCIATES

	Group 2019 £'000	Group 2018 £'000
Opening Investment in associates	**10,198**	6,462
Additions	**65**	2,229
Share of associates' profit	**246**	1,718
Dividends received from associates	**(1,323)**	(211)
Closing investment in associates	**9,186**	10,198

The above balance consists of the Group's holdings in Gresham House Strategic plc (GHS), Noriker Power Limited (Noriker) and Biggerbrook Limited (Biggerbrook).

The Board believe that Gresham House plc exercises significant influence over GHS, but not control, through its 22.9% equity investment as well as the investment management agreement between GHAM and GHS.

The latest published financial information of GHS was the unaudited interim results for the six months to 30 September 2019. The assets and liabilities at that date are shown below:

	2019 £'000	2018 £'000
Non-current assets	**39,128**	32,938
Current assets	**5,520**	14,034
Current liabilities	**(155)**	(2,080)
Net assets	**44,493**	44,892

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 £374,000 and revenues of £489,000 for the six months ended 30 September 2019.

16 INVESTMENT IN ASSOCIATES (CONTINUED)

The registered office of GHS is 77 Kingsway, London, WC2B 6SR.

The Board believe that Gresham House plc exercises significant influence over Noriker, but not control, through its 28.0% equity investment.

The registered office of Noriker is Railway House, Bruton Way, Gloucester, GL1 1DG.

The Board believe that Gresham House plc exercises significant influence over Biggerbrook, but not control, through its 21.9% equity investment.

The registered office of Biggerbrook is Octagon Point, 5 Cheapside, London, EC2V 6AA.

17 TRADE RECEIVABLES

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Amounts receivable within one year:				
Trade receivables	**5,334**	2,628	**–**	–
Less allowance for credit losses	**–**	–	**–**	–
	5,334	2,628	**–**	–

As at 31 December 2019, trade receivables of £82,000 (2018: £61,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
1-3 months	**53**	26	**–**	–
3-6 months	**10**	6	**–**	–
More than 6 months	**19**	29	**–**	–
	82	61	**–**	–

As at 31 December 2019 there were no provisions against trade receivables (2018: £nil).

The expected credit losses are estimated using a provision matrix by reference to past default experience and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has therefore not recognised a loss allowance because historical experience has indicated that the risk profile of trade receivables is deemed low.

Group balances are not deemed to be impaired and when assessing expected credit losses full recoverability of these balances is expected.

18 ACCRUED INCOME AND PREPAID EXPENSES

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Accrued income	**3,860**	2,079	**–**	–
Other debtors	**2,582**	–	**–**	–
Prepaid expenses	**758**	534	**159**	26
	7,200	2,613	**159**	26

19 OTHER CURRENT ASSETS

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Amounts owed by Group undertakings	–	–	2,780	221
Loan Receivables – Investment in development projects (see Note 11)	1,208	1,290	1,208	1,290
Corporation tax recoverable	212	181	–	–
	1,420	1,471	3,988	1,511

20 TRADE AND OTHER PAYABLES

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade creditors	469	1,212	–	–
IFRS 16 lease creditor	321	–	243	–
Other creditors	1,228	560	23	14
Accruals	7,730	2,313	17	138
Corporation tax payable	801	–	–	–
Contingent consideration (Note 24)	4,661	–	–	–
	15,210	4,085	283	152

21 SHORT-TERM BORROWINGS

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Bank loans – within current liabilities (Note 23)	–	2,000	–	2,000
Amounts owed to Group undertakings	–	–	5,986	5,365
	–	2,000	5,986	7,365

22 DEFERRED TAXATION

Under International Accounting Standards (IAS) 12 (Income Taxes) provision is made for the deferred tax liability associated with the recognition of the management contracts recognised as part of the 100% acquisition of FIM. This has been recognised at 17% of the fair value of the management contracts at acquisition and reassessed each year end, with the movement being recognised in the income statement. As at 31 December 2019 the deferred tax liability was £2,632,000 (2018: £2,944,000).

The Group has recognised a deferred tax asset of £613,000 (2018: £nil) 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 £276,000 (2018: £nil) in respect of these differences.

23 LONG-TERM BORROWINGS

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Bank loans	–	7,840	–	7,840
	–	7,840	–	7,840

On 8 November 2018, the Company signed a £10.0 million banking facilities agreement with Banco Santander SA (the facilities). The facilities were secured with fixed and floating charges over the Company's assets, with cross guarantees provided by Gresham House Asset Management Limited, Gresham House Holdings Limited, Gresham House Forestry Limited and FIM Services Limited.

The facilities consisted of a £6.0 million three-year term loan along with a £4.0 million three-year revolving credit facility. Both facilities were repaid in full and cancelled on 17 July 2019.

The interest payable on the facilities was LIBOR plus 3.25%.

24 NON-CURRENT LIABILITIES – OTHER CREDITORS

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Contingent consideration	5,849	8,447	–	–
IFRS 16 lease creditor	124	–	–	–
	5,973	8,447	–	–

Contingent consideration
FIM
The contingent consideration payable to the sellers of FIM is based on the combined Forestry division generating revenue of between £13.0 million and £14.0 million over the two years from acquisition on 22 May 2018. No contingent consideration will be payable below £13.0 million, a sliding scale from £13.0 million to £14.0 million to receive from zero to £4.0 million.

A further contingent consideration is payable should the combined divisions deliver revenues of greater than £18.0 million over the same two-year period, above which 33% will be payable to the sellers. The estimated fair value of the further contingent consideration is £1.0 million (2018: £nil), based on actual revenues generated to date and expected earnings in the remaining period to 20 May 2020.

As at 31 December 2019 it was estimated that the fair value of the contingent consideration will be £4.7 million after applying a discount of 11% for the time value of money and the inherent risk associated with the forestry management contracts.

Livingbridge VC
The Livingbridge VC contingent consideration has been determined in two parts.

The first being that the VCT Boards do not give notice to GHAM within two years of the acquisition. Should this be the case, then a payment of £5.0 million will be made to the sellers of Livingbridge VC. There are no indications to date that notice will be given, so this has been assumed to be true and the fair value payable discounted back to 31 December 2019 at a rate of 15%. The 15% rate reflects the weighted average cost of capital for the Group, with a risk premium added to reflect the nature of the underlying equity-based management contracts of the Livingbridge VC business.

The second part of the contingent consideration being the hurdle to deliver revenues from the Livingbridge VC business of between £30.9 million and £37.2 million in the three years to 31 December 2021. The maximum amount payable on achieving the £37.2 million hurdle is £2.5 million and the minimum payable is zero if the £30.9 million hurdle is not achieved. The fair value has been based on a weighted probability of outcomes over the three-year period and discounted by 15% as per above.

The fair value of the contingent consideration payable to the Livingbridge VC sellers as at 31 December 2019 was £5.8 million.

25 SHARE CAPITAL

	2019 £'000	2018 £'000
Allotted: Ordinary – 27,824,222 (2018: 24,872,613) fully paid shares of 25 pence each	6,956	6,218

During the year the Company issued the following new ordinary shares:

- 107,225 shares on 27 March 2019 at a price of 445.33 pence per share to management and employees under the Company's bonus share matching plan;
- 1,309,598 shares on 30 June 2019 at a price of 496 pence per share to Aberdeen Standard Investments;
- 31,604 shares on 20 August 2019 at a price of 622.5 pence per share under the 2018 long term incentive plan; and
- Additionally, 1,503,182 shareholder and supporter warrants were exercised during the year at a price of 323.27 pence.

26 SHARE WARRANTS

Group	2019 Shareholder warrants	2019 Supporter warrants	2019 Total warrants	2018 Shareholder warrants	2018 Supporter warrants	2018 LMS warrants	2018 Total warrants
Balance as at 1 January	**874,485**	**769,000**	**1,643,485**	1,071,812	850,000	909,908	2,831,720
Warrants exercised during the year	**(734,182)**	**(769,000)**	**(1,503,182)**	(197,327)	(81,000)	(909,908)	(1,188,235)
Warrants lapsed during the year	**(83,940)**	**–**	**(83,940)**	–	–	–	–
As at 31 December	**56,363**	**–**	**56,363**	874,485	769,000	–	1,643,485

Shareholder warrants
On 1 December 2014, the Company issued 1,073,904 shareholder warrants to existing shareholders as at the close of business on 28 November 2014 on a 1:5 basis, such warrants having been admitted to trading on AIM. Shareholder warrants are freely transferable, are exercisable at any time between 1 January 2015 and 31 December 2019 at an exercise price of 323.27 pence per ordinary share and are subject to the terms of the shareholder warrant instrument dated 7 October 2014. Shareholder warrants not exercised by 31 December 2019 lapsed.

Supporter warrants
On 1 December 2014, the Company issued 850,000 supporter warrants to the new Directors and certain members of the Investment Committee and Advisory Group at a price of 7.5 pence per warrant. Supporter warrants have the same entitlements as the shareholder warrants save that (i) they are not freely transferable (such supporter warrants only being transferable to certain family members, trusts or companies connected with the relevant warrant holder) and accordingly not quoted on AIM; (ii) are not exercisable until 1 December 2015; and (iii) are subject to the terms of the supporter warrant instrument dated 7 October 2014. All Supporter warrants were exercised in 2019.

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

During the year, 734,182 shareholder warrants and 769,000 supporter warrants were converted into ordinary shares resulting in the issue of 1,503,182 new ordinary shares (2018: 197,327 shareholder warrants, 81,000 supporter warrants and 909,908 LMS warrants). Notice was given by shareholder warrant holders by 31 December 2019 for 56,363 shareholder warrants, of which 56,302 have been exercised, with the remaining 61 shareholder warrants to be exercised shortly. The remaining 83,910 shareholder warrants lapsed on 31 December 2019.

27 SHARE-BASED PAYMENTS

2016 Long term incentive plan
Following approval from shareholders at the General Meeting of the Company on 20 November 2015, the Directors implemented a long term incentive plan (2016 LTIP) to incentivise the management team as well as align their interests with those of shareholders on 28 July 2016 through enhancing shareholder value.

For the purposes of the 2016 LTIP, 'shareholder value' is the difference between the market capitalisation of the Company at the point in time that any assessment is made and the sum of:

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

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

The beneficiaries of the 2016 LTIP, will in aggregate be entitled to an amount of up to 20.0% of shareholder value created over the exercise period, subject to performance criteria set out below. Individual participation in the shareholder value created will be determined by the Remuneration Committee.

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

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

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

27 SHARE-BASED PAYMENTS (CONTINUED)

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 as 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 number of shares issued in the year:

2019	A Shares old joiners	A Shares new joiners	B Shares	C Shares	D Shares	Total LTIP
Balance as at 1 January	**908**	**92**	**208**	**104**	**–**	**1,312**
Issued in the year	**–**	**–**	**–**	**–**	**180**	**180**
Exercised during the year	**(38)**	**(46)**	**–**	**–**	**–**	**(84)**
As at 31 December	**870**	**46**	**208**	**104**	**180**	**1,408**
Exercisable at year end	**870**	**46**	**208**	**104**	**–**	**1,228**
Months to vesting	**–**	**–**	**–**	**–**	**24**	

2018	A Shares old joiners	A Shares new joiners	B Shares	C Shares	Total LTIP
Balance as at 1 January	908	92	208	–	1,208
Issued in the year	–	–	–	104	104
As at 31 December	908	92	208	104	1,312
Exercisable at year end	908	92	–	–	1,000
Months to vesting	–	–	8	12	

84 A Shares were exercised during the year and at the Company's discretion were settled in cash. The difference between the fair value recognised over the vesting period and the fair value at the date of exercise was recognised in retained reserves.

Fair value
The fair value of the award at the date of the award has been determined using an expected returns model, which is based on a number of scenarios and probabilities of the Company's performance for the period when the awards may be exercised. The assumptions in the model have estimated the shareholder value created and applied discounts for liquidity and likelihood of exercise by participants. The weighted average valuation of the Company has been used to calculate the expected shareholder value created and consequently the value of the plan. For the D shares issued during the year the fair value of the plan at award was £100,765 (£559.81 per share), which will be amortised over the two-year vesting period.

2018 Long term incentive plan
The Remuneration Committee considered and implemented a new 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 2018, 488,174 deferred shares were awarded under the 2018 LTIP to the management team and employees, with a fair value at award of £2.1 million.

During the year ended 31 December 2019, 59,353 ordinary shares were issued under the 2018 LTIP with a fair value at exercise of £0.4 million.

27 SHARE-BASED PAYMENTS (CONTINUED)

2019 Long term incentive plan

The Remuneration Committee considered and implemented a new long term incentive arrangement in 2019 (2019 LTIP).

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

In the event that the Company achieves an average mid-market closing price equal to compound growth at 7% per annum over the three year period from award, or the growth in Adjusted Earnings Per Share has compound growth of 7% per annum or more, 50% of the award will vest.

In the event that the share price of the Company outperforms the FTSE All Share Index from the third anniversary of the date of the award in all other cases, 50% of the award will vest.

The fair value of the 2019 LTIP was measured as the share price at the date of award. The impact of the volatility in the share price has been deemed to be immaterial.

	2018 LTIP	2019 LTIP	Total
Balance as at 31 December 2017	–	–	–
Issued in the year	488,174	–	488,174
Balance as at 31 December 2018	488,174	–	488,174
Issued in the year	–	274,728	274,728
Exercised in the year	(59,353)	–	(59,353)
Balance as at 31 December 2019	428,821	274,728	703,549
Exercisable at year end	–	–	–

Renewable Energy team long term incentive plan

The Renewable Energy management team, which joined as part of the acquisition of the asset management business of Hazel Capital LLP, has a long term incentive plan in place, which granted the team a total of 1,000 A Shares in Gresham House New Energy Limited on 31 October 2017. The vesting date of the A Shares is 31 December 2020, at which point the holders are entitled to receive either Gresham House plc shares, or cash at the Company's discretion in exchange for their A Shares. Under the guidance in IFRS 2:41, it has been considered that the A Share settlement should be treated as an equity-settled instrument.

The value of the A Shares at vesting is based on a calculation, which is based on the average profits generated by the New Energy division between 31 October 2017 and 31 December 2020.

The fair value of the award has been determined using an expected returns model, which is based on a number of scenarios and probabilities of the New Energy division's performance for the period from 31 October 2017 to 31 December 2020. The assumptions in the model have estimated the average profits over the period and applied discounts for liquidity and control and consequently the value of the A Shares. The fair value of the A Shares at award was £276,000 (£276 per share), which will be amortised over the three-year and two-month vesting period.

Livingbridge VC Long term incentive plan

The Livingbridge VC long term incentive plan is an equity settled incentive scheme. The recipients of the scheme will receive up to £2.5 million in aggregate in Gresham House plc shares based on the three-year period to 31 December 2021. There is a hurdle to deliver revenues from the Livingbridge VC business of between £30.9 million and £37.2 million in the three years to 31 December 2021. The maximum amount payable on achieving the £37.2 million hurdle is £2.5 million and the minimum payable is zero if the £30.9 million hurdle is not achieved.

Bonus share matching plan

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

Subject to Remuneration Committee approval, management and employees entitled to a bonus may be permitted (but not required) to defer and reinvest up to 100% of their annual bonus into ordinary shares which will be released to them after three years together with any additional matching shares subject to performance criteria set out below. In 2019 the Remuneration Committee approved the reinvestment of up to 50% of annual bonuses into ordinary shares by management and employees (2018: 100%).

27 SHARE-BASED PAYMENTS (CONTINUED)

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

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

The bonus shares to be awarded after the three-year period and subject to performance conditions have been fair valued using a Monte Carlo simulation. The key variables include the risk-free rate of 0.32% and volatility of the Company share price of 16%. The fair value of the matching shares relating to the 2018 bonuses is £50,925 (£0.98 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 2019 scheme is 373 pence (2018: 325 pence). A maximum of 106,266 shares are under option for the 2019 SAYE scheme and a maximum of 68,707 shares are under option for the 2018 SAYE scheme.

28 RESERVES

	2019			2018		
	Share premium account £'000	Share warrant reserve £'000	Retained reserves £'000	Share premium account £'000	Share warrant reserve £'000	Retained reserves £'000
Group						
Balance as at 1 January	57,901	58	15,036	9,649	319	15,268
Adjustments for changes in accounting policy (Note 7)	–	–	6	–	–	–
Loss and total comprehensive income	–	–	(850)	–	–	(699)
Transfer of non-controlling interest deficit	–	–	–	–	–	3
Issue of shares	11,152	(58)	–	48,252	(261)	–
Share-based payments	189	–	642	–	–	464
Dividends paid	–	–	(795)	–	–	–
As at 31 December	69,242	–	14,039	57,901	58	15,036

	2019			2018		
	Share premium account £'000	Share warrant reserve £'000	Retained reserves £'000	Share premium account £'000	Share warrant reserve £'000	Retained reserves £'000
Company						
Balance as at 1 January	57,901	58	13,394	9,649	319	15,469
Adjustments for changes in accounting policy (Note 7)	–	–	6	–	–	–
Loss and total comprehensive income	–	–	(226)	–	–	(2,075)
Issue of shares	11,341	(58)	–	48,252	(261)	–
Dividends paid	–	–	(795)	–	–	–
As at 31 December	69,242	–	12,379	57,901	58	13,394

28 RESERVES (CONTINUED)

	2019 £'000	2018 £'000
Non-controlling interests:		
Balance as at 1 January	**527**	477
Interest in trading result for the year	**(4)**	–
Interest in investments - securities	**59**	53
Transfer deficit balance	**–**	(3)
	582	527

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium account	Amount subscribed for share capital in excess of nominal value.
Share warrant reserve	Share warrants for which consideration has been received but which are not exercised yet.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

29 NET ASSET VALUE PER SHARE

	2019	2018
Basic		
Equity attributable to holders of the parent (£'000)	**90,237**	79,213
Number of ordinary shares in issue at the end of the period	**27,824,222**	24,872,613
Basic net asset value per share (pence)	**324.3**	318.5

	2019	2018
Diluted		
Equity attributable to holders of the parent (£'000)	**90,237**	79,213
Adjusted number of ordinary shares in issue at the end of the period	**31,315,093**	27,306,858
Diluted net asset value per share (pence)	**288.2**	290.1

Diluted net asset value per share is based on the number of shares in issue at the year end together with 3,491,505 shares deemed to have been issued at nil consideration as a result of shareholder and supporter warrants and shares which could be issued under the bonus share matching plan and long term incentive plans.

	£'000
The movement during the year of the assets attributable to ordinary shares were as follows:	
Total net assets attributable at 1 January 2019	79,213
Adjustments for changes in accounting policy (Note 7)	6
Total recognised losses for the year	(850)
Share-based payments	839
Issue of shares	11,824
Dividends paid	(795)
Total net assets attributable at 31 December 2019	90,237

30 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Net operating loss after exceptional items	**(2,056)**	(2,153)	**(974)**	(1,791)
Profit from discontinued operations	**55**	11	**–**	–
Movement in fair value of investment property	**–**	1	**–**	–
Interest payable	**221**	35	**211**	35
Depreciation	**816**	138	**695**	32
Loss/(profit) on disposal of tangible fixed assets	**43**	(23)	**36**	–
Amortisation	**7,668**	2,788	**113**	68
Share-based payments	**1,844**	464	**–**	–
	8,591	1,261	**81**	(1,656)
Decrease/(increase) in long-term receivables	**78**	(78)	**78**	(78)
(Increase)/decrease in current assets	**(4,638)**	(1,227)	**(133)**	193
Increase in current liabilities	**5,615**	1,295	**92**	92
	9,646	1,251	**118**	(1,449)

31 FINANCIAL INSTRUMENTS

The Group consists of the Company and subsidiary undertakings whose principal activities are asset management and forestry 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 secondary portfolio of listed and unlisted fixed income securities

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

(iv) short-term and long-term borrowings

As at 31 December 2019 the following categories of financial instruments were held by:

Group

	2019 Amortised cost £'000	2019 Assets at fair value through profit or loss £'000	2018 Loans and receivables £'000	2018 Assets at fair value through profit or loss £'000
Financial assets per Statement of Financial Position				
Investments – securities	**1,915**	**8,914**	1,613	6,511
Trade and other receivables – current and non-current	**5,334**	**–**	2,628	1,033
Accrued income	**6,442**	**–**	2,206	–
Cash and cash equivalents	**19,432**	**–**	13,958	–
	33,123	**8,914**	20,405	7,544

31 FINANCIAL INSTRUMENTS (CONTINUED)

	2019 Other financial liabilities £'000	2019 Liabilities at fair value through profit or loss £'000	2018 Other financial liabilities £'000	2018 Liabilities at fair value through profit or loss £'000
Financial liabilities per Statement of Financial Position				
Trade and other payables – short-term*	**10,549**	**4,661**	4,085	–
Bank loans – short and long-term	**–**	**–**	9,840	–
Other creditors – long-term	**124**	**5,849**	–	8,447
	10,673	**10,510**	13,925	8,447

* £908,000 (2018: £389,000) of PAYE and VAT payable is included within trade and other payables.

Company

	2019 Amortised cost £'000	2019 Assets at fair value through profit or loss £'000	2018 Loans and receivables £'000	2018 Assets at fair value through profit or loss £'000
Financial assets per Statement of Financial Position				
Investments – securities	**1,915**	**6,843**	1,613	4,647
Accrued income	**37**	**–**	104	–
Amounts owed by Group undertakings	**2,780**	**–**	221	–
Cash and cash equivalents	**1,940**	**–**	6,148	–
	6,672	**6,843**	8,086	4,647

	2019 Other financial liabilities £'000	2019 Liabilities at fair value through profit or loss £'000	2018 Other financial liabilities £'000	2018 Liabilities at fair value through profit or loss £'000
Financial liabilities per Statement of Financial Position				
Trade and other payables – short-term	**40**	**–**	152	–
Trade and other payables – long-term	**243**	**–**	–	–
Other loans – short and long-term	**5,986**	**–**	5,365	–
Bank loans – short and long-term	**–**	**–**	9,840	–
	6,269	**–**	15,357	–

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. Forestry asset management fees are not linked directly to market prices.

31 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

The Group's maximum exposure to credit risk is:

	2019 £'000	2018 £'000
Loan stock investments	**1,915**	1,613
Deferred receivable – short and long-term	**–**	1,033
Trade and other receivables – short-term	**5,334**	2,628
Accrued income	**6,442**	2,206
Cash and cash equivalents	**19,431**	13,958
	33,122	21,438

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 £6,795,000 (2018: £8,086,000).

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:

	2019 £'000	2018 £'000
Loan stock investments		
Repayable within: – 1 year	**1,648**	1,290
1-2 years	**267**	–
2-3 years	**–**	267
3-4 years	**–**	56
4-5 years	**–**	–
	1,915	1,613

As at 31 December 2019 loan stock investments totalling £858,000 (2018: £810,000) were impaired and provided for.

As at 31 December 2019 other loans totalling £54,000 (2018: £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, its equity, preference equity investments and loans and net revenue may be affected by interest rate movements. Investments in small businesses are relatively high-risk investments which are sensitive to interest rate fluctuations.

The Group's assets include fixed and floating rate interest instruments as detailed below. The Group is exposed to interest rate movements on its floating rate liabilities.

31 FINANCIAL INSTRUMENTS (CONTINUED)

The interest rate exposure profile of the Group's financial assets and liabilities as at 31 December 2019 and 2018 were:

	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
Group						
As at 31 December 2019						
Investments – securities	8,914	1,915	–	–	–	10,829
Cash	–	–	19,432	–	–	19,432
Trade and other receivables	5,334	–	–	–	–	5,334
Accrued income	6,442	–	–	–	–	6,442
Creditors						
– falling due within 1 year	(10,228)	–	–	(321)	–	(10,549)
– falling due after 1 year	–	–	–	(124)	–	(124)
	10,462	1,915	19,432	(445)	–	31,364

	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 2018						
Investments – securities	6,511	1,613	–	–	–	8,124
Cash	–	–	13,958	–	–	13,958
Trade and other receivables	2,628	–	–	–	–	2,628
Accrued income	2,206	–	–	–	–	2,206
Creditors						
– falling due within 1 year	(4,083)	–	–	(2)	(2,000)	(6,085)
– falling due after 1 year	–	–	–	–	(7,840)	(7,840)
	7,262	1,613	13,958	(2)	(9,840)	12,991

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 12.3% (2018: 13.6%).

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

Fixed rate liabilities include hire purchase contracts and lease creditors.

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

The interest rate exposure profile of the Company's financial assets and liabilities as at 31 December 2019 and 2018 were:

	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
Company						
As at 31 December 2019						
Investments – securities	6,843	1,915	–	–	–	8,758
Cash	–	–	1,940	–	–	1,940
Accrued income	37	–	–	–	–	37
Owed by Group undertakings	2,780	–	–	–	–	2,780
Creditors						
– falling due within 1 year	(40)	–	–	(243)	–	(283)
– falling due after 1 year	–	–	–	–	(5,986)	(5,986)
	9,620	1,915	1,940	(243)	(5,986)	7,246

31 FINANCIAL INSTRUMENTS (CONTINUED)

	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 2018						
Investments – securities	4,647	1,613	–	–	–	6,260
Cash	–	–	6,148	–	–	6,148
Accrued income	104	–	–	–	–	104
Owed by Group undertakings	221	–	–	–	–	221
Creditors						
– falling due within 1 year	(152)	–	–	–	(2,000)	(2,152)
– falling due after 1 year	–	–	–	–	(7,840)	(7,840)
	4,820	1,613	6,148	–	(9,840)	2,741

Although the Company holds investments that pay interest, the Board does not consider it appropriate to assess the impact of interest rate changes upon the value of the investment portfolio as interest rate changes are only one factor affecting market price and the impact is likely to be immaterial. The Group no longer has bank borrowings so the sensitivity of interest payable to changes in interest rates is no longer applicable.

Liquidity risk

The investments in equity investments in NEX 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 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.

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

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
As at 31 December 2019			
Leases	323	69	72
Trade payables	469	–	–
Accruals	7,730	–	–
Contingent consideration	5,000	5,000	2,032
Other creditors	2,029	–	–
	15,551	5,069	2,104

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
As at 31 December 2018			
Bank borrowings	2,421	2,301	6,202
Trade payables	1,212	–	–
Accruals	2,313	–	–
Contingent consideration	–	–	11,032
Other creditors	560	–	–
	6,506	2,301	17,234

31 FINANCIAL INSTRUMENTS (CONTINUED)

Capital risk management

The Group manages its capital to ensure that entities within the Group and the Company will be able to continue to trade in an orderly fashion whilst maintaining sustainable returns to shareholders.

The capital structure of the Group and Company consist of short and long-term borrowings as disclosed in Notes 21 and 23, cash and cash equivalents and equity attributable to equity shareholders of the Company comprising issued share capital, share premium, share warrant reserve and retained reserves as disclosed in Notes 24 to 27. 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.

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Debt	–	(9,840)	–	(9,840)
Cash and cash equivalents	19,432	13,958	1,940	6,148
Net assets	90,819	79,740	88,577	77,571
Net cash/(debt)	19,432	4,118	1,940	(3,692)
Net cash/(debt) as a % of net assets	21.4%	5.2%	2.2%	(4.8%)

32 FAIR VALUE MEASUREMENTS

Valuation inputs

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

Quoted market prices – Level 1

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

Valuation technique using observable inputs – Level 2

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

Valuation technique using significant unobservable inputs – Level 3

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

For investments in securities, which includes early-stage private equity investments, the significant unobservable inputs used include cash flow forecasts and discount rates. An increase in the discount rate applied will decrease the fair value of the investment whereas a decrease in the rate will increase the fair value. No reasonable foreseeable changes to significant unobservable inputs will result in a material impact to profit and loss or equity.

The valuation techniques used by the Company for Level 3 financial assets can be found in accounting policy (j)(iii) and (iv).

Investment in the unlisted security relates to a single investment in the equity of an unlisted fund. That unlisted fund invests in a large number of forestry assets. The forestry assets are held at fair value in the underlying fund. An independent valuation of the forests within the underlying fund is performed annually by forestry valuation experts by reference to comparable market transactions for each underlying forestry asset that considers factors including location, maturity of the forest and size. There is no reasonable change in the inputs in each of the underlying assets would give rise to a material adjustment to the fair value of the investment.

Further details of the securities portfolio can be found in Note 11 of these financial statements.

32 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	31 December 2019 £'000	Level 1 £'000	Level 3 £'000
Group			
Financial assets at fair value through profit and loss:			
Investments – securities			
– Equities	8,914	6,165	2,749
	8,914	6,165	2,749

	31 December 2018 £'000	Level 1 £'000	Level 3 £'000
Financial assets at fair value through profit and loss:			
Investments – securities			
– Equities	6,511	4,587	1,924
	6,511	4,587	1,924

	31 December 2019 £'000	Level 1 £'000	Level 3 £'000
Company			
Financial assets at fair value through profit and loss:			
Investments – securities			
– Equities	6,843	6,165	678
	6,843	6,165	678

	31 December 2018 £'000	Level 1 £'000	Level 3 £'000
Financial assets at fair value through profit and loss:			
Investments – securities			
– Equities	4,647	4,587	60
	4,647	4,587	60

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

	Investments – securities £'000	Trade and other receivables £'000	Total £'000
Group:			
31 December 2019			
Opening balance	1,924	1,033	2,957
Total gains and (losses):			
In Statement of Comprehensive Income	339	–	339
Additions	500	–	500
Disposals	(14)	(1,033)	(1,047)
Closing balance	2,749	–	2,749
Total gains and (losses) for the year included in comprehensive income for assets held at the end of the reporting period	340	–	340

32 FAIR VALUE MEASUREMENTS (CONTINUED)

	Property investments £'000	Investments – securities £'000	Trade and other receivables £'000	Total £'000
31 December 2018				
Opening balance	1,986	1,724	3,693	7,403
Total gains and (losses):				
In Statement of Comprehensive Income	(1)	(390)	40	(351)
Additions	–	1,500	–	1,500
Disposals	(1,985)	(910)	(2,700)	(5,595)
Closing balance	–	1,924	1,033	2,957
Total gains and (losses) for the year included in comprehensive income for assets held at the end of the reporting period	–	202	40	242

	Investments – securities £'000	**Total £'000**
Company:		
31 December 2019		
Opening balance	**60**	**60**
Total gains and (losses):		
In Statement of Comprehensive Income	**132**	**132**
Additions	**500**	**500**
Disposals	**(14)**	**(14)**
Closing balance	**678**	**678**
Total gains and (losses) for the year included in comprehensive income for assets held at the end of the reporting period	**132**	**132**

	Investments – securities £'000	Total £'000
31 December 2018		
Opening balance	45	45
Total gains and (losses):		
In Statement of Comprehensive Income	(653)	(653)
Additions	1,000	1,000
Disposals	(332)	(332)
Closing balance	60	60
Total gains and (losses) for the year included in comprehensive income for assets held at the end of the reporting period	16	16

The only financial liabilities held at fair value relates to the deferred consideration on the acquisition of FIM Services Limited and the acquisition of the fund and investment management businesses of Livingbridge VC LLP amounting to £10,510,000. 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 2019 a 10% movement in the fair values of 100% of the Group's equity investments would be equivalent to a movement of £891,000 in both profit and net assets.

33 RELATED PARTY TRANSACTIONS

Group

During the year management fees totalling £693,687 (2018: £655,982) and performance fees of £1,944,518 (2018: £nil) were invoiced to Gresham House Strategic plc (GHS), a company in which the Group has a 22.9% interest. At the year end £75,783 (2018: £64,990) was due from GHS.

During the year management fees totalling £866,627 (2018: £967,358) were invoiced to LMS Capital plc (LMS), a company with a significant shareholding in the Company as disclosed in the Directors' Report. At the year end £nil (2018: £nil) was due from LMS.

During the year amounts totalling £nil (2018: £51,297) were invoiced to Corylus Capital LLP (Corylus), an entity in which Ben Guest, head of the New Energy strategy, has a material interest. Conversely, the Group was invoiced £85,413 (2018: £287,623) by Corylus for office and other costs. At the year end £nil (2018: £nil) was due from Corylus. Corylus has provided a loan totalling £3,261,656 (2018: £nil) to HC ESS6 Limited (ESS6). Interest totalling £205,079 (2018: £nil) was charged by Corylus to ESS6.

Company

During the year the Company received loans totalling £2,121,736 from (2018: repaid £2,925,780 to) Security Change Limited. At the year end £4,684,314 (2018: £2,562,578) was due to Security Change Limited. No interest was charged during the year (2018: £nil).

During the year the Company received £nil (2018: £nil) from Gresham House Finance Limited. At the year end £221,400 (2018: £221,400) was owed by Gresham House Finance Limited. No interest was charged during the year (2018: £nil).

During the year the Company advanced £30,079 (2018: £nil) to Gresham House (Nominees) Limited. At the year end £30,079 (2018: £nil) was owed by Gresham House (Nominees) Limited. No interest was charged during the year (2018: £nil).

During the year the Company repaid loans totalling £1,500,561 to (2018: received £10,458,814 from) Gresham House Holdings Limited. At the year end £1,301,529 (2018: £2,802,090) was due to Gresham House Holdings Limited. No interest was charged during the year (2018: £nil).

During the year the Company advanced £1,039,140 (2018: £nil) to HC ESS6 Limited. Interest totalling £99,388 (2018: £nil) was charged during the year. At the year end £1,138,529 (2018: £nil) was owed by HC ESS6 Limited.

During the year the Company advanced £1,489,628 (2018: £nil) to HC ESS7 Limited. Interest totalling £207,820 (2018: £nil) was charged during the year. At the year end £1,697,449 (2018: £nil) was owed by HC ESS7 Limited.

34 POST BALANCE SHEET EVENTS

On 5 March 2020, the Company announced the acquisition of TradeRisks Limited ("TradeRisks") for an initial consideration of £7.0 million, with further consideration of up to £4.0 million payable subject to the achievement of certain performance criteria.

TradeRisks is a fund management business and specialist provider of debt structuring and advisory services to the housing and social infrastructure sectors, with strong ESG credentials through its social impact in a structurally important area.

TradeRisks' wholly owned and separately FCA regulated subsidiary, ReSI Capital Management Limited, is the manager of Residential Secure Income plc (ReSI plc)(LSE: RESI), a closed-ended investment company which seeks to deliver secure income returns to its shareholders by investing in portfolios of shared ownership and specialist residential property. ReSI plc's shares were admitted to trading on the main market of the London Stock Exchange in July 2017, and as at 31 December 2019 had gross AUM of £321 million (including committed acquisitions) and NAV of £184 million.

In the year ended 31 July 2019, TradeRisks' reported audited profit before tax of £2.2 million and gross assets of £9.7 million. When adjusted to reflect IFRS accounting policies, which will be applied post-completion, for the year ended 31 July 2019 TradeRisks generated revenues of £5.6 million and EBIT of £1.8 million.

Corporate Information

Company Number	871 incorporated in England	
Directors	Anthony Townsend	Non-Executive Chairman
	Anthony Dalwood	Chief Executive Officer
	Kevin Acton	Chief Financial Officer
	Richard Chadwick	Non-Executive
	Simon Stilwell	Non-Executive
	Rachel Beagles	Non-Executive
	Gareth Davies	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 66 Upper Thames Street London EC4V 3BJ	
Registrars	Neville Registrars Limited Neville House Steelpark Road Halesowen West Midlands B62 8HD	
Solicitors	Eversheds Sutherland (International) LLP One Wood Street London EC2V 7WS	