31 March
2021

Supporting UK businesses

Gresham House Strategic plc (GHS)

Report and Accounts for the year ended 31 March 2021

Since 1857
Gresham House
Specialist asset management

*Inside Back Cover

Throughout this report we use the more concise terms GHS or the Company.

Strategic Public Equity

A private equity approach to quoted companies

Gresham House Strategic plc (GHS or the Company) invests in UK smaller public companies and a small number of private companies, applying private equity techniques and due diligence alongside a value investment philosophy to construct a focused portfolio, the majority of which is expected to comprise 10-15 companies.

The Investment Manager aims for a high level of engagement with investee company stakeholders, including management, shareholders, customers, suppliers, analysts and competitors, to identify market pricing inefficiencies and support a clear equity value creation plan, targeting above market returns over the longer term.

For more information visit
www.ghsplc.com

Strategy

GHS uses the expertise and experience of its Board, the Investment Manager and Investment Committee to invest in accordance with its Strategic Public Equity (SPE) principles.

The Investment Manager focuses on undervalued smaller companies, engaging with management teams to identify and effect catalysts for long term shareholder value creation.

Private Equity Approach

- Focused on inefficient areas of public markets, targeting 15% annualised returns over the long term
- Private equity style due diligence process with identification of catalysts for value creation
- Board and management engagement with portfolio companies
- Investment Committee oversight and governance

Portfolio Investments will typically have the following characteristics

- Investments that the Investment Manager believes can generate a 15% IRR over the medium to long term principally through capital appreciation
- Profitable, cash generative companies with scope to improve return on capital
- Investments where the Investment Manager believes there are value creation opportunities through strategic, operational or management initiatives
- GHS invests the majority of its capital in a concentrated portfolio of smaller publicly quoted companies, typically with market capitalisations of less than £250 million
- Expected investment holding period of three to five years
- GHS may invest up to 30% of the portfolio in unquoted securities, including private equity, equity-related instruments, preferred equity, convertible and non-convertible debt instruments
- GHS will seek to acquire influential minority stakes for cash or share consideration

Chairman's Statement

Helen Sinclair

Interim Chairman
Gresham House Strategic plc

Dear Shareholder,

Last year the Chairman's Statement was written by David Potter, who has very ably led the Company as Chairman since it became Gresham House Strategic over five years ago. David retired from the Board in June 2021, and I am therefore writing to you as interim Chairman.

David was the driving force to establish GHS after the successful winding up of the Spark Ventures venture capital portfolio in 2015.

During David's period as Chairman, GHS has delivered strong investment returns and has been one of the best performing small company investment funds in the UK, pursuing its strategic public equity approach supported by the investment team of Gresham House Asset Management. Over the past five years, the share price has approximately doubled and the discount to net asset value has narrowed considerably. David has made an invaluable contribution to the Company; the Board will miss David's dedication, vision and his leadership and wishes him well every success in for the future. We have commenced a search for a successor to David and will make an announcement in due course.

The last year has been unprecedented for investment companies. Although the pandemic has lasted much longer than originally anticipated and has had bigger social, financial, and operational effects, stock markets have the ability to "look over the valley". This occurred rapidly after the collapse of prices in Q1 of 2020. The recovery and continued advance of share prices in the second half of 2020 reflected this and as the year went on market confidence returned. As is often the case after a collapse in share prices there were large differences in the rate of recovery of different sectors. Stocks hit directly by Covid-19 in the hospitality, leisure, retail and transport industries remained out of favour, and so too did many smaller-cap companies. Technology stocks buoyed by home working and delivery of goods and content boomed. This provided an excellent basis on which your relatively cash-rich fund was able to capitalise on.

It is clear that in the future "tech-enabled" businesses whether in consumer, financial services, fulfilment or media will be positioned for success. In the booming markets that these companies are enjoying, their share prices have become elevated at the expense of less technologically glamourous firms. This has perhaps masked the rotation from growth stocks to value stocks, the area of the market where our focus lies. It is also worth reminding ourselves that smaller companies have the ability to grow much faster than giants and again we occupy the right sector of the market as well as one that is coming more into favour with investors generally.

The Company's performance in the financial year to 31 March 2021 was pleasing with a rise in NAV from 1,060.4p to 1,515.48p, the discount of the share price to NAV narrowed from -14.9% to -6.1%. We have previously stated our ambitions to scale the fund and hence it was a disappointment that we have been unable to raise new funds given the ongoing discount to NAV at which the shares have traded. It has rarely been a better time in the last 20 years to invest into the SPE strategy. For newer shareholders, Strategic Public Equity means much more than conventional stock picking. Before making an investment there is substantial due diligence on the proposed investee, its management, its Board, its market position, its strategic challenges and its financial condition. Following an investment, or sometimes following a small 'toe-hold' investment we take further steps to get to know the company better and to help them with whatever financial, operational, marketing, or strategic issues they may have. We believe that this approach will produce superior results over time and our track record over the last five years is a testament this. In the year to March 2021 the performance was sufficient to trigger a payment under the performance fee arrangement totalling £2.3million, the Company has received a commitment from the Manager that staff allocated this performance fee will invest 50% in purchasing shares of GHS.

You will see from the Investment Manager's Report that we had a very active year. The stock market said goodbye to our most successful investment, IMI mobile, as a result of its takeover by CISCO. Shareholders who were invested in our predecessor company NewMedia SPARK plc will recall that this exit (totalling £31.2m) started as a VC investment in 2000. Jay Patel a former colleague at NewMedia SPARK plc has steered this company for 15 years and shareholders owe him a great debt of gratitude.

We fully exited six companies, made partial realisations in three and executed six new investments, as well as materially increasing our stakes in another five. The recovery in a number of the latter was remarkable and helped the Company to outperform its return objective and the benchmark and has resulted in a performance fee to our investment managers based on this success.

We continue to monitor the share price and its relation to NAV and continuously strive to eliminate the discount so that we can raise funds in a conventional manner. The Manager has undertaken numerous marketing and advertising initiatives. We continue to see new shareholders, generally from the wealth management sector, but remain constrained by our small size. The Board's primary objective remains to grow the Company for the benefit of all shareholders.

The predecessor company, Spark Ventures made a number of capital distributions as it wound up its venture capital investments over a five-year period between 2009 and 2014 . Dating back to these distributions, an amount of £420k relating to uncashed cheques was being held by our registrar. These funds still belong to the relevant shareholders and we continue to make efforts to trace them but with the passage of time this becomes more difficult or unlikely that they will come forward. These funds have now been returned to GHS for the investment benefit of all shareholders although we continue to hold a provision to repay the amounts if called to do so. We will seek court approval to have these funds released to the Company once appropriate efforts to trace and communicate with these shareholders have failed and will update shareholders in due course of our plans to have these allocated back to the Company.

Our core fund management team of Richard Staveley, Laurence Hulse and Paul Dudley achieved an excellent result this year. Since the financial year end I am sorry to report that Richard Staveley resigned from GHAM and we wish him well for the future after the sterling work he did as the manager of the GHS investments. Laurence Hulse has been promoted to Deputy Fund Manager after five years working on the portfolio, and closely with Gresham House's Investment Committee.

We have announced on 24 May our intention to review the strategic options available to the Company including continuing the existing strategy against other strategic options available to the Company with the objective of determining the best course of action to provide growth in value for shareholders. This review will be conducted in conjunction with an independent financial adviser.

We would like to welcome Graham Bird to the board. Graham is a former fund manager of GHS and former employee of Gresham House Asset Management, was appointed to the board on 10 June 2021 as a non-independent non-executive director.

I would like to thank my colleagues on the Board and all our other suppliers and stakeholders for their support. We look forward to the future with considerable optimism to continue to deliver the superior returns we have come to expect.

Helen Sinclair
Interim Chairman GHS

16 June 2021

About the Manager

Anthony (Tony) Dalwood
Fund Manager & Chairman of the Investment Committee

With over 25 years in the industry, Tony is an experienced investor and has advised numerous public and private equity businesses. In 2002, Tony founded SVG Investment Managers and was subsequently CEO of SVG Advisers (formerly Schroder Ventures (London) Limited), the global private equity funds business and specialist alternatives manager. He established the "Strategic Public Equity" investment approach there before launching Strategic Equity Capital plc in 2005 and has a successful track record approaching 20 years in this specialist area.

Tony was Chairman of the Investment Committee for the successful PFS Downing Active Management Fund and in December 2014 became CEO of Gresham House leading the management buy-in team that has transformed the company from an investment trust into a London Stock Exchange quoted specialist asset management group. Tony spent eight years as a Non-Executive member of the Board for the London Pensions Fund Authority and was Chairman of the Investment Panel for three years overseeing strategic asset allocation for the £5 billion LPFA fund. He is also an Independent Non-Executive Director of JPEL plc and advises St. Edmund's College, Cambridge, Endowment Fund.

Richard Staveley
Fund Manager & member of the Investment Committee

Until his recent departure, Richard led the Strategic Public Equity team alongside Tony Dalwood. He has over twenty years' experience of equity investing and fund management and joined Gresham House Asset Management in September 2019.

Having qualified as a Chartered Accountant at PricewaterhouseCoopers, he joined Bradshaw Asset Management, as Assistant Fund Manager in 1999. He subsequently joined Societe Generale Asset Management where he became Head of UK Small Companies and a CFA Charterholder. In 2006 Richard became a co-Founder of River and Mercantile Asset Management where he ran the UK Small Company Fund and UK Income Fund. In 2013 Richard joined Majedie Asset Management to co-manage and eventually solely manage the UK small company investments.

Richard Staveley resigned from Gresham House in May 2021.

Laurence Hulse
Deputy Fund Manager & Associate Director

Laurence is a part of the Investment Team for the Strategic Public Equity strategy at Gresham House, a strategy in which he has six years of experience in. This work includes both public and private equity transactions across a range of sectors for the SPE funds, including Gresham House Strategic and Strategic Public Equity LP. He has worked at Gresham House from just after its inception and is one of the longest serving employees of the business.

Laurence has a Bachelor's degree in Politics with Economics from the University of Warwick. During his studies and before joining Gresham House, Laurence interned at Rothschild working on the Mergers and Acquisitions Team in the Industrials sector.

Paul Dudley
Corporate Finance Consultant

Paul is a Fellow of the Chartered Institute of Accountants of England and Wales and is a Member of the UK's Chartered Institute of Securities and Investment. He co-founded HD Capital Partners Ltd in 2010, a corporate advisory business that is authorised and regulated by the UK's Financial Conduct Authority.

Earlier in his career, he worked as a Qualified Executive for stockbroking firm WH Ireland, where he acted as a Nominated Adviser on numerous flotations, fundraisings and provided advice on takeovers and other transactions in the private and public arena. Previously, Paul was seconded to the listing department of the London Stock Exchange and worked at Sigma Capital plc, a venture capital investment firm, where he advised on investment into emerging growth companies. He began his career at PriceWaterhouseCoopers.

Investment Committee

Thomas (Tom) Teichman

Tom has over 30 years' venture capital and banking experience and founded Spark in 1995. He is a former Investment Committee member at Brandt's, Credit Suisse, Bank of Montreal and Mitsubishi Finance London, and a start-up investor and previous Director of lastminute.com, mergermarket.com, Chairman of Kobalt Music, notonthehighstreet.com, ARC and MAID, amongst others. Tom is also a previous investor/Director in System C Healthcare, Argonaut Games, World Telecom, and delivered various disposals to trade, private equity, and through IPO. Tom holds a BSc (Hons) in Economics from University College London and is a Non-Executive Director of Market-Tech.

Bruce Carnegie-Brown

Bruce Carnegie-Brown was appointed Chairman of Lloyd's in June 2017. He is currently also Chairman of Moneysupermarket Group and a Vice-Chairman of Banco Santander. He was a Non-Executive Director of JLT Group plc from 2016 to 2017, prior to which he was Non-Executive Chairman of Aon UK Ltd from 2012 to 2015, Senior Independent Director of Catlin Group Ltd from 2010 to 2014 and Chief Executive for Marsh UK and Europe from 2003 to 2006. He was also a Senior Independent Director of Close Brothers Group plc from 2006 to 2014. He previously worked at JP Morgan for 18 years in a number of senior roles and was Managing Partner of 3i Group plc's Quoted Private Equity Division from 2007 to 2009. He is President of the Chartered Management Institute.

Graham Bird

Graham transitioned during the year from the investment team to the Investment Committee. He has subsequently been appointed Finance Director of Escape Hunt plc and Non-Executive Director of Space & People plc and remains in an advisory capacity for the portfolio.

Prior to joining Gresham House, Graham spent six years as a senior Executive at PayPoint plc, most recently as Director of Strategic Planning and Corporate Development. He was Executive Chairman and President of PayByPhone, a multi-national division of PayPoint operating out of Canada, the UK and France between 2010-2014. Prior to joining PayPoint, Graham was a Fund Manager and Head of Strategic Investment at SVG Investment Managers where he helped to establish and then co-manage the Strategic Recovery Fund II and Strategic Equity Capital Investment Trust.

Before joining SVGIM he was a Director in Corporate Finance at JP Morgan Cazenove. He is a qualified Chartered Accountant and has a Master's degree in Economics from the University of Cambridge.

Ken Wotton

Ken is Managing Director, Public Equity at Gresham House, and leads the investment team managing public equity investments. He is lead manager for LF Gresham House UK Micro Cap Fund, LF Gresham House UK Multi Cap Income Fund and manages AIM listed portfolios on behalf of the Baronsmead VCTs. Ken graduated from Brasenose College, Oxford, before qualifying as a Chartered Accountant with KPMG. He was an equity research analyst with Commerzbank and then Evolution Securities prior to spending the past 12 years as a Fund Manager at Livingbridge and now Gresham House specialising in smaller companies.

Board of Directors

David Potter
Age: 76
Non-Executive Chairman

David was the former Chairman and CEO of Guinness Mahon, Merchant Bank, (now part of Investec). Between 1981–1989, David was a Managing Director of Samuel Montagu, Midland Montagu and Midland Global Corporate Banking (now HSBC). David was previously a Managing Director of CSFB and its predecessor companies (1969-1981). David is currently a Non-Executive Director of Fundsmith Emerging Equities Trust, Chairman of Illustrated London News and Coeus Software.

He is Chairman of The Bryanston Foundation and a member of the Finance and Investment Committee of the Berkshire Community Foundation. He is a Fellow of Kings College London of which he was formerly Hon Treasurer.

David joined the Board on 20 March 2002 and was appointed Chairman of the renamed Gresham House Strategic plc in 2015.

David resigned from the Board on 11 June 2021.

Helen Sinclair
Age: 55
Interim Chairman

Helen is a Non-Executive Director of WH Ireland Group plc, The Income & Growth VCT plc, Mobeus Income & Growth 4 VCT plc, North East Finance (Holdco) Ltd, and Chairman of British Smaller companies VCT plc. After working in investment banking Helen spent nearly eight years at 3i plc focusing on MBOs and growth capital investments. She later co-founded Matrix Private Equity (now Mobeus Equity Partners) in early 2000, an active investor in SMEs. Helen subsequently became Managing Director of Matrix Private Equity before moving to take on a portfolio of Non-Executive Director roles.

Appointed to the Board on 17 December 2009.

Charles Berry
Age: 50
Non-Executive Director

Charles works at SS&C Technologies Inc, a US quoted financial technology and services business. Charles was formerly an executive with Spark from 2001 to 2005 working as a Director at Aspex, Mergermarket, Kobalt, and Insurancewide.com. Charles has worked at Virgin Group building Virgin's mobile phone and related ventures around the globe, and also at Lloyds Banking Group working on restructuring the bank's customers and the Group's Strategy.

Charles was appointed to the Board on 15 September 2004, Charles is Chairman of the Audit Committee.

Kenneth Lever
Age: 67
Non-Executive Director

Ken Lever is Chairman of Biffa plc and RPS Group plc. He is also a Non-Executive Director of Blue Prism Group plc and Vertu Motors plc.

Ken was formerly Chief Executive of Xchanging plc and during his career has held listed company executive Board positions with Tomkins plc, Albright and Wilson plc, Alfred McAlpine plc and private equity owned Numonyx BV. Ken qualified as a Chartered Accountant and was a partner in Arthur Andersen. He was a member of the UK Accounting Standards Board until 2014.

Appointed to the Board on 1 January 2016.

Graham Bird
Age: 51
Non-Executive Director

Graham headed the Strategic Public Equity strategy at Gresham House from its inception in 2015 until transitioning from the investment team to the Investment Committee in December 2019. He has subsequently been appointed Chief Financial Officer of Escape Hunt plc and Non-Executive Director of both SpaceandPeople plc and Universe Group plc and remains in an advisory capacity for the portfolio.

Prior to joining Gresham House, Graham spent six years as a senior Executive at PayPoint plc, most recently as Director of Strategic Planning and Corporate Development. He was Executive Chairman and President of PayByPhone, a multi-national division of PayPoint operating out of Canada, the UK and France between 2010-2014. Prior to joining PayPoint, Graham was a Fund Manager and Head of Strategic Investment at SVG Investment Managers where he helped to establish and then co-manage the Strategic Recovery Fund II and Strategic Equity Capital Investment Trust.

Before joining SVGIM he was a Director in Corporate Finance at JP Morgan Cazenove. He is a qualified Chartered Accountant and has a Master's degree in Economics from the University of Cambridge.

Graham was appointed to the Board on 10 June 2021 as a non-independent Non-Executive Director.

Investment Portfolio Holdings

Top Ten Portfolio Holdings as at 31 March 2021

Company	Investment thesis	% of total portfolio	Value	% ownership of the company
Augean PLC **Hazardous and Industrial waste management services in the UK.**	Turnaround focused on disposal of non-core assets and cash generation to drive re-rating	23.8%	£12.6m	5.7%
NORTHBRIDGE **Specialist load bank and drilling tool design and rental serving global markets.**	Recovery and strategic change via equity and Convertible Loan Note	10.8%	£5.7m	12.4%
rps **Global professional services firm that defines, designs and manages projects across 6 sectors.**	Operational improvements and divisional reorganisation to drive margin recovery	10.3%	£5.5m	2.1%
Pressure Technologies **Specialist metallic components and wear-parts for high pressure and hazardous environments.**	Recovery capital to support strategic refocus driving organic growth and cultural change	7.2%	£3.8m	13.8%
ULS® technology **Software and service platforms for the property market.**	Strategic change accelerating new product roll-out supplemented with improved IR	6.6%	£3.5m	6.6%

Company	Investment thesis	% of total portfolio	Value	% ownership of the company
Flowtech Fluidpower — Supplier of fluid power products and solutions used in multiple industries.	Operational and financial management improvements to drive significantly improved margins and cash flows	6.4%	£3.4m	5.8%
Centaur Media — Digital media and marketing business.	Strategic re-focus and operational initiatives to drive margin improvements	6.2%	£3.3m	5.9%
M&C Saatchi — Data, strategy, creativity and technology, branding company.	Recovery opportunity due to operational, management and strategic change	5.4%	£2.8m	1.6%
The Lakes Distillery — Whisky distillery based in a UNESCO world heritage site in the Lake District.	Primary growth capital via Convertible Loan Notes secured against assets	5.1%	£2.7m	N/A
Van Elle — Ground engineering and geotechnical contractor.	Primary recovery capital to support operational improvements and earnings growth derived from UK infrastructure activity	4.9%	£2.6m	6.4%

Investment Manager's Report

Richard Staveley

Fund Manager, GHS plc & Strategic Public Equity Investment Committee Member

Laurence Hulse

Deputy Fund Manager & Associate Director

Anthony (Tony) Dalwood

Fund Manager, GHS plc & Chairman of the Strategic Public Equity Investment Committee

Introduction

It is uncontroversial to highlight that the period was a unique twelve months of economic, global and stock market history, one in which not even the most experienced investors could claim to not be challenged by. Of course, crises occur relatively frequently, and the best investors know how to both navigate them psychologically and use the opportunity to enhance future returns through the inevitably heightened fears and uncertainty that are created. This crisis, represented by the global pandemic of Covid-19 and its huge impact on economic activity, has some historical parallels, however the world has never been more interconnected, exacerbating its worldwide spread. It is through societies response where the truly new ground has been broken, via the astounding level of monetary and fiscal stimulus provided by authorities and by the incredible sophistication of the healthcare industry to produce vaccines to address the virus within a short period alongside the widespread withdrawal of personal freedom. As a result, one of the fastest market and economic downturns in history has been followed by a quick and significant rebuilding of investor confidence which by period end resulted in global markets at all-time highs, even though the terrible mortality statistics continue to rise around the world at pace.

Shareholders will know that our approach is supported by the inherent benefits of permanent capital, a rather illiquid investment strategy. We can and do use the liquidity of the secondary UK stock market, however the majority of capital is deployed in primary issuances or when large lines of stock become available, and we mainly find our exits through corporate activity. The period gave us the opportunity to deploy capital at pace into UK small companies which required further financing yet were being valued at deep discounts to their intrinsic value. Our approach was to seek out those that were undervalued already and 'under-the-radar' where strategic, operational and management initiatives were underway, which would enhance our returns even further on recovery. These new investments have driven the NAV to all-time highs, yet the companies have significant further value creation to deliver over the medium to long term. At the same time our engagement with existing holdings has led to strategic progress which will underpin future returns from the portfolio.

The UK stock market remains undervalued relative to history, other markets, in particular the US, and has undergone a long period of investor migration into larger companies, passive strategies, bigger pools of capital, other geographies and asset-classes. This has resulted in an orchard of opportunity in UK smaller companies, particularly those which don't fit the current consensus mindset of high growth. We therefore remain hugely excited about the prospects for the company.

Investment highlights

- → GHS Total Shareholder Return (TSR)[1] of 59.3% in the year to 31 March 2021[2]
- → 12-month Net Asset Value (NAV) total return[3] performance of 44.3% to 1,515.4 pence[4] per share vs FTSE All Share Index and the FTSE Small Cap Index (ex-ITs) total return of 27.1% and 75.0% in the year from 31 March 2020 to 31 March 2021
- → Three-year TSR to 31 March 2021 of 81.6%, placed GHS 2/25 in the AIC UK Smaller Companies' sector, outperforming the FTSE All Share Index total return by +71.7%[2]
- → Share price discount to NAV[5] reduced from 14.9% at 31 March 2020 to 6.1% at 31 March 2021[2]
- → Very active period for the team with £14.9m deployed into seven new holdings by the Investment Team which have since driven material NAV growth. This was funded from net realisations of £11.2m, a starting level of £7.3m cash and income received of £335k
- → Final dividend of 15.36 pence per share proposed, bringing total dividends for the year to 27.46 pence per share

Post-period end

- → NAV has made further progress post-period end, increasing 13.6% to 1,721.9 pence in the eight weeks to 31 May 2021
- → The National World Convertible Bond investment made in January 2021, converted on re-listing with our investment of £1.2m, now valued at £2.6m on 31 May 2021 (+115%)
- → Bid speculation for major-holding Augean has driven material NAV gains post period end
- → Post period end, the company's discount to NAV widened from 6.3% to 14.3% in the eight weeks to 31 May 2021

Portfolio highlights

- → Significant portfolio evolution:
  - Strong financial results and share price recovery from Augean plc
  - Excellent returns from large new holdings in RPS Group plc, M&C Saatchi plc and Flowtech Fluidpower plc
  - Material NAV contribution from additional investment at depressed levels in Centaur Media plc and Universe Group plc
  - Outstanding contributions from smaller 'springboard' positions at Bonhill plc, Fulcrum Utility Services and Ted Baker plc
  - Significant value creation delivered at ULS Technology
  - Strategic progress and re-financing at Pressure Technologies plc (new equity investment) and Northbridge Industrial Services Plc (re-negotiated Convertible Loan Note)
  - Exited a number of holdings including Be Heard plc Equity IRR -37%, Convertible Loan Note IRR +22.2%, Brand Architekts Group plc IRR -38.2%, MJ Hudson plc IRR +8.8% and Infrastrata plc IRR +43.9%
- → The Company is invested in 16 companies; the top ten represent 82% of the portfolio, with unlisted exposure at 11% via three convertible bonds. Since period end unlisted exposure has fallen to 9%
- → The portfolio holdings have robust balance sheets; we entered the current period with 12 holdings having net cash and an average valuation of c.1x Enterprise Value/Sales and 6x Enterprise Value/EBITDA[6]

Market commentary

This unique twelve months was defined by the global pandemic of Covid-19 and the incredible monetary and fiscal responses from the authorities. Stimulus came first as Central Banks committed to huge additional monetary easing, their combined balance sheet expansions being bigger than QE1, QE2 and QE3 combined. Next came governmental support through massive fiscal measures, of note the historic 'furlough' scheme in the UK with the government paying a high proportion of wages to large parts of the population in addition to grants and tax relief to support businesses. The US government has at least matched the largesse and at time of writing is accelerating further fiscal measures via Biden's proposed spending programmes, whilst 'helicopter' money has finally arrived through cheques to all US citizens, kindly supported by the US Federal Reserve. Government debt levels as a percentage of GDP are therefore set to reach WW2 levels.

For all of the period interest rates were thus at rock-bottom and bond yields negative for large parts of the world. With the price of 'money' distorted like this, it shouldn't be surprising that widespread secondary effects are developing in markets and behaviour. Crypto-currency speculation, the explosion in SPACs (blind investment vehicles), extremely high revenue valuation multiples on loss making immature businesses, rocketing commodity prices and heightened retail investor participation all signal sensible investors should tread carefully, particularly when the cyclically adjusted valuation ratios for the US market are at all-time highs.

A wider perspective appears to be emerging in 2021 as market participants grapple with the inflationary implications of these measures, however it is almost entirely consensual that the largesse will continue for as long as is needed, and in ever greater quantities, if deemed necessary, without mainstream concerns and that governments and Central Banks know what they are doing. It is a great experiment. For GHS we are hoping to navigate it by firstly only acquiring stocks on a deep discount to their intrinsic worth, secondly investing in businesses where we see self-help as the main driver of value creation and improved cash generation and thirdly deploying capital into companies which are financially robust to weather more difficult conditions in the longer term.

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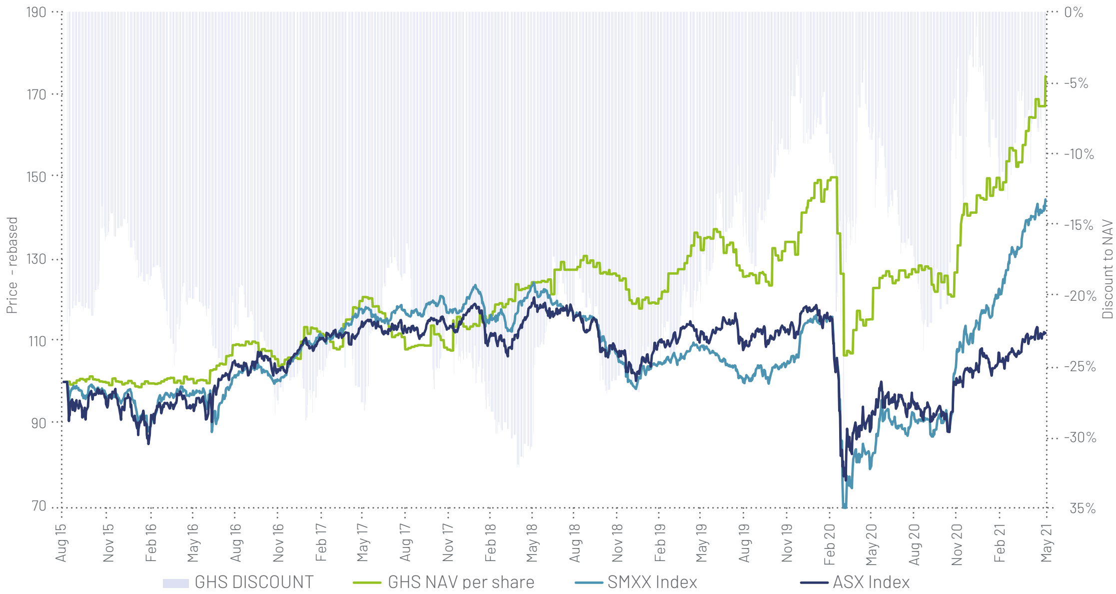
1 Total shareholder return is the financial gain that results from a change in the stock's price plus any dividends paid by the company during the measured interval divided by the initial purchase price of the stock
2 These KPI's are alternative performance measures (non-GAAP)
3 NAV total return is the change in the net asset value of the company over a given time period
4 The audited NAV per share includes valuations of the Company's unlisted investments as at 31 March 2021. The valuation of all unlisted investments, which comprise approximately 11.8% of the NAV, all of which are CLN, will be reviewed for the purposes of the audited financial statements for the year-ended 31 March 2021
5 The discount is the difference between share price and NAV per share, expressed as a percentage
6 source: Bloomberg and Gresham House data as at 31 March 2021, CY22 calculations

Fig 1 - Relative Performance



Source: Bloomberg Data as at 28 May 2021

Fig 2 - Table of Performance

Start date End date	14 August 2015 31 March 2021 Since inception	31 March 2020 31 March 2021 1 Yr	31 March 2018 31 March 2021 3 yr	30 March 2016 31 March 2021 5yr	31 March 2020 30 September 2020 H1 2021	30 September 2020 31 March 2021 H2 2021
GHS total return	98.3%	59.3%	81.6%	99.6%	10.2%	44.5%
GHS NAV return	62.8%	44.3%	33.8%	61.5%	15.1%	25.4%
SMXX total return	54.7%	75.0%	28.2%	57.4%	15.2%	51.9%
ASX total return	31.0%	27.1%	9.9%	35.2%	7.3%	18.5%

Source: Bloomberg Data as at 31 March 2021

Note: Inception August 2015

FTSE small cap has been chosen as the relative benchmark as the Directors consider it most comparable in terms of its smaller company constituents

Performance

Gresham House Strategic has delivered strong performance versus its peers since Gresham House was appointed Investment Manager in 2015, delivering a Share Price Total Return of 81.6% over three years and 99.6% over five years (the UK Smaller Companies AIC sector, delivered 42.6% and 110.5% respectively). The portfolio is very concentrated and therefore it should be expected that over any shorter period, such as a year, a dominant stock or two may drive performance. Key performance highlights of note over the year are:

→ Due to its portfolio weighting size (23%), Augean plc's post Covid-19 crash share price recovery has contributed meaningfully to performance. We will always run our winners if our investment thesis still holds and sufficient valuation upside exists, which is the case for Augean

→ Materially supplementing this have been the new investments made, most notably RPS plc which we helped re-finance at 44.7 pence in September and finished the period at 95 pence (+116%)

→ MC Saatchi also contributed meaningfully, rising from our average price paid of 87.5 pence to 145 pence by period end (+50%)

→ ULS Technology's sale of a non-core operation for £27m in November 2020 was transformative. We first invested in December 2019 when the market capitalisation for the whole business was £29m; its value has since risen to £54m (+86%)

→ During the year we added meaningfully to our existing holding in Centaur at 21 pence, becoming a top 5 shareholder, which finished at 39.5 pence (+88%)

→ We have a handful of carefully selected initially smaller 'springboard' positions, which combined have made a big contribution to the Company performance such as Ted Baker, re-financed at 75 pence, which ended the year at 112.75 pence (+50%) and Bonhill, re-financed at 5 pence, which finished the period at 13 pence (+160%)

→ There was little in the portfolio that impacted NAV negatively. We decided to exit Brand Architekts at a loss, as our assessment of the execution risks has materially increased and the large pension fund deficit is a hurdle for strategic options. The final IMI mobile shares were sold, having been a very significant contributor in prior years

- Some holdings have lagged the market rally, such as Northbridge Industrial Services. We are engaged with them, Lakes Distillery and Pressure Technologies to help drive shareholder value
- The main additional insight worth highlighting was the soaring FTSE Small Cap Index, its drivers including 'risk-on' share price recoveries in highly leveraged companies, which we are avoiding unless we are part of the resolution, and also oil and gas and commodity companies, which we also avoid in this strategy. Finally, until the vaccine announcement 'Growth' companies have been firmly in vogue. Whilst a broader suite of investment opportunities is being contemplated by the market now, we are steadfast in our commitment to 'Value' and have limited exposure to the 'hot' themes of the day
- The strategy's performance target is 15% p.a. over the medium term in absolute returns. This requires a prudent consideration of the downside in all investments, and we will not 'chase' the nearest relevant benchmark

We are pleased to be able to report that the NAV performance has made further progress post-period end, with the NAV growing 13.6% in the eight weeks to 31 May 2021, ending the month at 1,721.9 pence, outperforming equity markets.

Fig 3 – NAV performance attribution

Top 5 total return contributors to NAV FY21

	Profit/Loss in the year	% uplift	pence/ share
Augean	£4,746,530	12.8%	136.4p
RPS Group	£2,890,261	7.8%	83p
ULS Technologies	£2,008,146	5.4%	57.7p
Northbridge (loan notes and equity)	£1,562,250	4.2%	44.9p
Centaur Media	£1,398,752	3.8%	40.2p

Top 5 total return detractors from NAV FY21

Investment	Profit/Loss in the year	% uplift	pence/ share
SpaceandPeople	£142,313	0.4%	4.1p
Brand Architekts	£0	0%	0p
Kalibrate (Hanover Active Equity Partners LP holding)	(£39,149)	(0.1%)	(1.1p)
IMImobile	(£112,024)	(0.3%)	(3.2p)
MJ Hudson	(£242,166)	(0.7%)	(7p)

Data as at 31 March 2021

Investment activity

During the period we made a number of portfolio changes. We purchased seven new holdings and exited five positions, six of the top ten holdings are new in the last 18 months.

We put £14.9m of cash to work in the year to 31 March 2021. We invested the majority of this into new investments: £2.6m into RPS plc, £1.7m into M&C Saatchi plc, £2.6m into Flowtech Fluidpower, and £1.6m into Fulcrum Utility Services. Smaller new investments were made in Bonhill of £700k, Ted Baker £1.25m, and National World £1.2m. We also increased our investments in Centaur Media plc by £350k, Pressure Technologies by £900k, Van Elle plc by £1.27m and Universe plc by £470k.

Total realisations in the reporting period were £11.2m, generated from a mix of investments; including IMImobile (£5.3m, +24.5% IRR), Augean (£2.76m, +86% IRR), BeHeard (£3.37m, -9.5% IRR), Brand Architekts (£1m, -38.2% IRR), MJ Hudson (£1.85m, 12.5% IRR), Kalibrate (£214k, +10.1% IRR), and Infrastrata (£1.2m, +43.9% IRR).

Top 10

Augean plc

Our investment was first made in October 2017, with the Investment Team identifying a compelling turnaround strategy with the opportunity to capture a multiple arbitrage versus private market valuations for some of Augean's assets. In 2018 the team, led by Jim Meredith (Executive Chairman) and Mark Fryer (FD), started a rightsizing of the cost base to respond to the anticipated HMRC assessment to landfill tax and related penalties and fines. Having exceeded 30% of the portfolio during FY 2020, we have reduced the holding modestly into secondary market demand. The management team have done an outstanding job developing and delivering upon their strategy including an opportunistic bolt-on acquisition this year. External factors have driven further profit growth as strong volumes and pricing in waste flows created by a wave of 'energy-for-waste' plants has boosted profitability and cash flow such that Augean has been able to 'pay' the still disputed HMRC assessments, without admitting 'guilt' or accepting them, thus de-risking the equity investment case for new investors. The company delivered a resilient performance during the period, with recent financial results demonstrating adjusted operating margins of 22%, return on capital employed of 35%, excellent cash generation, net cash on the balance sheet and signalled a return to the dividend list. The shares are, in our view, at a significant discount to intrinsic value and also industry transaction multiples, whilst their market leading position in UK Hazardous waste is assured.

Northbridge Industrial Services plc

The initial investment into Northbridge was in 2016 and we have stepped up engagement to generate our target returns from this company during the period. The 'Crestchic' business division entered the financial year with a full production schedule with solid demand from data-centres and the nuclear industry for load-banks. However, the collapse in the oil price and world-wide economic downturn has impacted the division. The 'Tasman' division has struggled to generate adequate returns for shareholders for a number of years and we are delighted to see that its strategic options are now being actively reviewed. We note Board and executive management change with the retirement, after 18 years, of the CEO and the appointment of Stephen Yapp as SID and the introduction of improved transparency of divisional

ROCE. The company has reduced debt and has unencumbered freehold properties, in addition to its significant asset-backed hire fleet, however we have re-negotiated and improved the terms on our Convertible Loan Note during the year and also added to our equity position at a depressed 67.5 pence, the shares finishing the year at 97.5 pence.

Pressure Technologies plc

Chesterfield Specialist Cylinders (CSC) is a leader in the design, manufacture and maintenance of large-scale high-pressure cylinders for military, marine and oil and gas industries. A significant opportunity is emerging for their expertise in the Hydrogen sector. The opportunity is there to be taken to become a key supplier to the infrastructure of this exciting end-market. Defence activities remain the dominant sector for now. Precision Machined Components (PMC) supplies key metallic engineered components that are destined for extreme or hostile environments in mission critical functions, such as the oil and gas and extractive industries and has therefore remained under significant pressure. CEO, Chris Walters, joined in September 2018 and commenced the implementation of a revised strategy to dispose of the loss-making alternative energy business, reducing debt in the process, and to rationalise the core businesses PMC and CSC with a goal of reinvigorating organic growth. The cash cost of this, combined with the market backdrop and some specific customer delays has required a re-financing of the business in which we participated, alongside new institutional investor support.

The Lakes Distillery Company plc

We have an investment via a secured CLN that pays an 8% cash yield and an additional 12% payment in kind (PIK) roll-up interest, combining to generate a 20% per annum return. The loan notes convert to equity at the point of IPO/or sale or can be redeemed for cash. Lakes Distillery is a leading English distillery with an ambitious vision to create one of the prime single malt whiskies in the world. The company was formed in 2011, commenced operations in 2014 and has steadily grown retail sales which accelerated online during lockdown. The distillery is based on the banks of the River Derwent in the English Lake District National Park, a UNESCO World Heritage Site. The company has already established a UK and international sales base with gin, vodka and its premium single malt whisky product, launched in 2020 has gone well. If the company has not floated within three years, the loan plus rolled up interest are repayable or can be extended on pre-agreed terms. We have security over the property and whisky stocks.

Centaur Media plc

A significant transformation of the company has occurred in recent years. The new CEO's strategy to rebuild margins after significant portfolio restructuring is highly focused on future value creation. The business struggled, like many B2B media businesses, to adapt quickly enough to the structural changes that were occurring in the business world as a result of digitalisation. Titles have now been disposed, legacy activities dis-continued and the company is focused on premium content and services with almost no print and some fast-growing hidden 'gems' in the business. There are two divisions: Legal (20%) and Marketing (80%). Significant cost savings have been extracted from the business due to historic central costs reflecting a much larger business. The legal division centres on the industry-leading publication "The Lawyer". The marketing division has a range of activities including Econsultancy – a digital marketing transformation consultant, Mini MBA – a fast growing on-line marketing course, Influencer Intelligence – a global online-influencer platform and the digital top industry event "Festival of Marketing". The impact of Covid-19 on the events industry has been harsh. However, Centaur Media's publications have largely migrated to subscription and digital activities; with net cash we believe the new team is highly focused on shareholder value and a clear plan for driving sales up and EBITDA margins to 23%.

ULS Technology plc

We purchased ULS Technology, the leading digital conveyancing platform for housing transactions in late 2019. Their new product, DigitalMove, has potentially transformational capabilities for the business, improving the efficiency and speed of the process materially for consumers and advisers alike. Despite high investor desire for 'platform' businesses and with resulting valuations commensurate, ULS Technology is valued very attractively. There have been significant Board and executive management changes which are driving a transformation of the company. The most notable was the sale of the non-core CAL business for £27m in November. At the start of the period the whole company was valued at £23m. This has provided a significant cash balance for the company to support a refreshed strategy, which is yet to be unveiled by the exciting new CEO hire Jesper Fogstrup. Alongside new Chairman Martin Rowlands we expect a bold vision and plan to emerge with potential significant value creation ahead. It remains the case that the opportunity to speed up and improve the process for all involved of UK property transactions is significant.

Flowtech Fluidpower plc

The dramatic market correction at the start of the period created an opportunity for us to build a significant stake in Flowtech Fluidpower; a specialist distribution business on which we had been conducting due diligence for several months pre-Covid-19. We are targeting significant returns from a combination of improved operational and financial management, sales and profit recovery and a valuation re-rating of the shares to the levels paid by the private equity market for these sorts of businesses. Once the successful integration of past acquisitions has been demonstrated, the opportunity to re-start value accretive corporate activity will emerge. This process is being overseen by new Chairman, Roger McDowell, who sits on the Board of another of our investments, Augean plc, and who has significant relevant industry experience.

RPS Group plc

We added a core holding to the portfolio in September, participating in the £20m liquidity raise by RPS Group plc and built a c.6% weighting in the company in the process. RPS Group plc is an environmental planning and consultancy business serving the infrastructure, energy, transport and property sectors, tapping into some key growth drivers such as urbanisation, infrastructure spend and renewables. Significant revenues are derived from the public sector which should benefit from increased government spending. Our investment case centres around operational improvements driving margin recovery to sector averages, a repaired balance sheet and, following post-Covid-19 recovered sales levels, improved organic growth delivery. There has been significant consolidation activity in the sector. RPS Group plc was two years into a turnaround under a new management and Board, with green shoots emerging just as Covid-19 struck. The fundraise has allowed us to gain exposure to the upside that the earnings recovery can deliver after much of the 'heavy lifting' has already been undertaken.

Van Elle Holdings plc

We took an initial position in Van Elle, a leading piling and ground engineering specialist for the construction industry and a market leader in the Rail sector, pre-Covid-19. We subsequently acted as a cornerstone investor in an issue of new stock building a significant 7% stake to support the business through the disruption and onto the opportunities which lie ahead. Van Elle will benefit from a high level of infrastructure spending that we expect in the next few years. This spending was arguably well overdue, and the clear communication by the new UK government provided confidence of a commitment to this changing, HS2 in particular being helpful for Van Elle. We are backing a new management team and Board evolution to professionalise the business, enhance the banking arrangements and drive improved returns in future years from a very well invested fleet of equipment.

M&C Saatchi plc

Due to poor financial controls, governance, accounting irregularities and poorly designed acquisition terms, material change was required at this iconic global advertising agency group. This is underway with the retirement of all four founders, a refreshed Board, a new organisational structure and leadership team. Ambitious medium term financial targets have been shared with investors which target much higher margins, and on-going growth. Financial controls around the business are being tightened up and a new divisional structure should improve both internal and external clarity, cross-selling and efficiency. A huge contribution has been made by Mickey Khalifa, CFO, to this process whilst the cross-roads were catalysed by new Board appointments. The business has significant net cash and despite unhelpful headlines for the company regarding all the change, barely lost a single client in 2020; indeed a range of impressive new household names were won. The company has poorly communicated to investors its digital credentials to date, whilst being overly pigeon-holed by its 'creative agency' roots; the reality is a global business with customers from Tik Tok to Whatsapp, huge digitally related revenue streams and highly impressive operations in sports and entertainment and governmental-linked communications relationships such as the Biden-Harris campaign and the World Health Organisation.

Outlook

2021 is expected to deliver the fastest economic growth around the world we have experienced for over thirty years. Clearly this is driven by the bounce-back in activity from last year's collapse. Government and monetary authorities are indicating there will be no rush to withdraw the stimulus of the last year, fiscally it is increasing still in the US. We all have pent-up economic activity as a result of 'lock-downs' and the data suggests on average large savings balances with which to pay for it and thus we conclude that the first phase of post-Covid-19 recovery is going to be very strong. However, markets anticipate, and represent a set of expectations which will to need to be met. We believe it is prudent to expect, on average, economic activity to be constrained for some time afterwards based on the debt overhang this crisis is generating, although the spare capacity in the economy is difficult to calibrate. For the first time in decades some real concerns are appearing regarding inflationary outcomes, which should be carefully segmentalized between the near term and the medium term. Consensus remains relaxed about the medium term, which may be complacent given the huge experiment that is underway and the lack of muscle memory of episodes when both fiscal and monetary support has been huge, interest rates negligible and economic growth very strong. Price expectations have been anchored for many years, but the current backdrop may disrupt thinking, and once rising could be difficult to contain.

For UK companies, the fog of lockdown has obscured a clear picture of Brexit induced impacts on trade, and the scale of support avoided the level of insolvencies that would normally have occurred with the size of economic decline. It seems sensible to assume some businesses will struggle when the support is withdrawn. We are not convinced the UK Treasury or No.10 have subscribed to Modern Monetary Theory or 'magic money trees' and will know a pathway back to prudence is required. A loss of confidence by international bond markets could have disastrous consequences if the cost of lending increases meaningfully at pace.

We observe a lowly valued UK equity market with wide dispersions between the valuations of certain types of equity, where we are naturally drawn to the cheapest. Companies which offer multi-year turnarounds in operational performance to drive shareholder value creation are not in vogue; high top-line growth, recurring revenues and transformative technology are. In recent months extractive industries have joined in. With careful analysis, a conservative approach to financial leverage and deep insight into a company's value drivers, a material margin of safety can be created to enable investments into stocks with significant medium term returns. Our holdings have survived this current crisis with their market positions stronger, their competitive positions easier and their cost-bases leaner, primed for material profit growth in the future. We must remain careful to consider what structural changes are underway such that value traps are avoided and ensure we have a sufficient margin of safety to offset an on-going challenging environment. However, by hunting in an overlooked area of the market, driving influence in outcomes and behaviours via our engaged approach, we believe that the seeds for continued and future performance of the portfolio are available. We believe strongly that our concentrated, engaged, SPE approach and portfolio are well positioned for the challenges ahead.

Laurence Hulse
Deputy Fund Manager & Associate Director

16 June 2021

Strategic Report

The Directors present their Strategic Report for the period ended 31 March 2021. Details of the Directors who held office during the period and as at the date of this report are given on page 9-10 of the Annual Report and Accounts. This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006 and best practice. Its purpose is to inform the members of the Company and help them to assess how the Directors have performed their duty to promote the success of the Company, in accordance with Section 172 of the Companies Act 2006.

Business review and future outlook
The Company's business review, developments during the year and a detailed discussion of the individual asset performance together with future outlook are covered in the Chairman's Statement and the Investment Manager's Report.

The Directors are of the view the investment strategy has performed well especially given the events of the past year.

During the year to 31 March 2021 GHS Total Shareholder Return was 59.3% with a NAV Total Return of 44.3%. Share price discount to NAV reduced from 14.9% at 31 March 2020 to 6.3% at 31 March 2021.

The Company has a strong portfolio of investments in 16 companies; the top ten represent 82% of the portfolio, with unlisted exposure at 11% via three convertible bonds. The Company is well positioned to take advantage of growing opportunities.

The total net profit for the year was £16.6m (2020: £6.1m loss) and net assets at year-end were £52.7m (2020: £36.9m). The Directors have recommended the payment of a final dividend in respect of the year-ended 31 March 2021 of 15.36 pence per Ordinary Share, bringing the total dividends for the year to 27.46 pence per share payable on 30 September 2021.

Key Performance Indicators[1]
At each Board meeting, the Directors consider the performance measures to assess the Company's success in meeting its objectives. The Board believes the Company's key performance indicators are:

- → Net Asset Value Total Return: the sum of NAV per Ordinary Share and cumulative dividends paid
- → GHS Total Shareholder Return: GHS cumulative share price return for the year and cumulative dividends paid. Implicit in this measure is the share price discount to NAV, and
- → Net Asset Value Total Return relative to the benchmark indices which include the FTSE All Share Index and the FTSE Small Cap Index (ex-ITs)

The Directors draw attention to the Investment Highlights section of the Investment Manager's Report (page 13 of the annual report) which discloses the above metrics and discusses how the Company has performed on these indicators during the year.

Principal Risks and Uncertainties
The Board, on behalf of the shareholders, manages a range of risks that might impact the financial position of the Company, the principal risks are as follows:

- → Investment value - the largest risk faced, and which is inherent in the strategy of investing in other companies, is the risk that the value of the Company's investments might fall. See note 14 to the financial statements for further details on this, specifically note 14a "Market Risk". Our mitigation, as set out in the Investment Manager's Report, is to manage a diverse portfolio and for the manager to operate with controls and diligence around new investments.
- → Investment Manager - the Company is reliant on the Investment Manager to implement the investment strategy successfully and the risk that this might not continue is managed by the Board through regular and detailed engagement with, and oversight of, the manager together with the manager's own comprehensive investment and operating processes.
- → Covid-19 - the risk of impact of Covid-19 global pandemic on the business continues, but with effective remote working we are fortunate that the direct impact on the business and our key suppliers has been very limited to date. The impact of this pandemic on the value of investments is captured in our overall Market Risk.

Additional risks - as mentioned under the Corporate Governance section the Board maintains a register, and in addition to comments above, risks managed there include, among others: the management of key operational and financial controls; risk of key personnel being unavailable; and maintaining regulatory approvals.

Stakeholder Engagement and Statement under Section 172
The Board recognises that the Company should be run for the benefit of shareholders, but that the long term success of a business is dependent on maintaining relationships with stakeholders and considering the external impact of the Company's activities.

The detailed Statement under Section 172 is covered on pages 27-30 of the Annual Report and Accounts.

[1] Key Performance Indicators are discussed in detail in the Investment Managers report

Corporate Governance Report

AIC Code Statement of Compliance
Gresham House Strategic plc is a member of the Association of Investment Companies and has adopted the AIC Code of Corporate Governance issued in July 2019 (the AIC Code) which sets out the framework of best practice in respect of the governance of investment companies. The Board attaches great importance to the matters set out in the Code and strives to observe its principles.

The AIC Code is made up of 17 principles and 35 provisions over five sections covering:

- Board Leadership and Purpose;
- Division of Responsibilities;
- Composition, Succession and Evaluation;
- Audit, Risk and Internal Control; and
- Remuneration

The Board considers that reporting against the AIC Code which has been endorsed by the Financial Reporting Council provides better information to shareholders. Throughout the year, the Company complied with the Principles and Provisions of the AIC Code, except as set out below:

- The Company has chosen not to appoint a Senior Independent Director as the Board considers that this would be unnecessary for a board with four members. Shareholders may contact the Chairman of the Audit Committee if they have any concerns which they do not feel able to raise with the Chairman.
- The Directors do not consider it appropriate to establish a nomination, remuneration or a management and engagement Committee. The functions that carried out by these committees are dealt with by the full Board.
- As the Company has no employees and its functions are undertaken by third parties, the Audit Committee does not consider it necessary for the Company to establish its own internal audit function.

Details of how the Company has complied with the principles and provisions of the AIC Code are set out its Corporate Governance Statement which can be found on the Company's website.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Board of Directors
The Board is responsible for the effective oversight and long term sustainable success of the Company, generating value for shareholders and controlling of all aspects of the Company's affairs, notwithstanding any delegation of responsibilities to third parties.

During the year the Board consisted of three independent Non-Executive Directors and a Non-Executive Chairman all of whom are independent of the Investment Manager. No one individual dominates the Board's decision making. David Potter and Charles Berry were Directors of Spark Ventures plc prior to its reincarnation with a new investment philosophy, a new investment manager, new shareholders and a new name. Subsequent to the year end, on 11 June 2021 David Potter has resigned from his position as Chairman and from the Board. Graham Bird has been appointed as a non-independent Non-Executive director with effect from 10 June 2021.

The Directors possess a wide range of skills, knowledge and experience relevant to the leadership of the Company, including financial, legal, regulatory and industry experience as well as the ability to provide constructive challenge to the views and assumptions of the Investment Manager and hold third party service providers to account.

All members of the Board own shares in the Company. Further detail on each of their shareholding can be found on page 21. After consideration of the above factors, and taking into account guidance from the AIC, which encourages directors owning shares, the Board is of the view that all the Non-Executive Directors continue to be independent in character and judgement and free from relationships or circumstances that could affect their judgement within the meaning of the AIC Code. The Board considers that all Directors continue to be committed to their roles and have sufficient time available to meet their Board responsibilities.

The names and responsibilities of the Directors during the year, together with their biographies and details of their significant commitments, are set out on page 6.

Board and Committee meetings
The Board holds quarterly Board meetings (with additional meetings arranged as necessary) where it considers investment performance, investor relations, share price performance and other relevant matters. Regular discussions are held with the Manager and its advisers about the discount to NAV at which the shares trade and how this might be reduced. Over the past four years, the Company has undertaken share buybacks in an effort to reduce this discount.

The Company Secretary and Investment Manager regularly provide the Board with relevant statutory, regulatory and corporate governance updates relating to the sector in which the Company operates. At each Board meeting, representatives from the Investment Manager attend to present verbal and written reports covering the Company's portfolio and investment performance over the period. Communication between the Board and the Investment Manager and other service providers is maintained between formal meetings.

The Board reviews annually the performance, services and the terms of its engagement with all the Company's third-party providers to ensure they continue to be competitive and effective. Strategy sessions are held annually, and the Board may meet from time to time without the Investment Manager present, when considering the Manager's performance, fees and contractual arrangements.

The Board has delegated certain responsibilities to its Audit Committee so that it can operate efficiently and give an appropriate level of attention and consideration to relevant matters. Given the size of the Board, the Directors do not consider it appropriate to establish a nomination, remuneration or a Management and Engagement Committee. The functions that would normally be carried out by these committees are dealt with by the full Board.

The Board and its Audit Committee are supported by the Company Secretary who ensures that appropriate policies and procedures are in place in order for the Board to function effectively and efficiently. A formal agenda is produced for each meeting and papers are distributed several days before meetings take place allowing all Board members to contribute even if they are unable to attend.

The Directors have access to the advice and services of the Company Secretary and individual Directors are able to take independent legal and financial advice at the Company's expense when necessary to support the performance of their duties as Directors. During the year, the Chairman met regularly with the Non-Executive Directors without the Manager present.

The table below sets out the attendance record of individual Directors at the scheduled Board and Committee meetings held during the year-ended 31 March 2021:

	Scheduled Board Meetings	Scheduled Audit Committee Meetings
	Number attended	Number attended
David Potter*	6/6	–
Charles Berry	6/6	1/1
Kenneth Lever	6/6	1/1
Helen Sinclair	6/6	1/1

*not a member of the Audit Committee

Conflicts of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. A register has been set up to record all actual and potential conflict situations which have been declared. All declared conflicts have been approved by the Board. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

Directors' appointment and re-election

All Non-Executive Directors are appointed on the basis of letters of appointments which provide for a maximum of three months' notice of termination by the Director or the Company. The letters of appointment are available for inspection at each AGM.

As noted above, David Potter, Chairman, has resigned as Chairman and Director of GHS as at 11 June 2021. Helen Sinclair, non-executive director of GHS will assume the position of interim Chairman until the successor to David Potter is appointed.

The Board's policy on tenure is that the maximum period that any Director shall serve as a director of the Company shall be limited and no Director shall be eligible to serve beyond the 12th Annual General Meeting following his or her appointment. As a general rule Directors will retire after nine years service but the Board recognises that the investment business is a long term matter and deep and long lived experience can be of value. In the event that a Director is appointed at an Annual General Meeting, for these purposes, that Annual General Meeting will not count towards the 12 years.

The appointment of any new Director is made on the basis of assessing the candidate's merits and measuring his or her skills and experience against the criteria identified by the Board. Whilst the Board has not put in place a policy on Diversity, the Board fully endorses the AIC Code principle to promote diversity of gender, social and ethnic backgrounds on the Board and would always consider this when making any new Director appointments.

The Board recognises the importance of succession planning to refresh the Board and the AIC provisions relating to this. Whilst the Board has no succession plans in place at this time, it is envisaged that should a Board member be unable to fulfil their duties for a period of time, one of the other Directors with the most appropriate experience would step in to perform the role on an interim basis until a longer term solution is identified.

The Company considers annual re-election of Directors to be good corporate governance and has therefore chosen to follow this practice. The Directors have considered the performance of each Director serving on the Board and believe that each of the Directors continues to make a valuable contribution to Board discussions and decisions and supports their re-election at the 2021 AGM.

The Company has maintained Directors' and Officers' liability insurance on behalf of the Directors, through a policy arranged by the Manager, indemnifying the Directors in respect of certain liabilities which may be incurred by them in connection with the activities of the Company.

Board evaluation

The Board has formalised a process to conduct a regular evaluation of its performance and that of individual Directors and its Audit Committee on an annual basis. This process is led by the Chairman (supported by the Company Secretary) and is conducted internally using a questionnaire designed to assess the strengths and weaknesses of the Board and its Committees, the composition of the Board, how effectively Board members work together. Each Director is required to complete a questionnaire covering the assessment of the composition, functioning and operation of the Board as a whole and a similar review of the effectiveness of the Audit Committee and Investment Manager is also carried out.

The results of the evaluation revealed no significant concerns amongst the Directors about the effectiveness of the Board, the Audit Committee or the Investment Manager.

The Board does not consider it necessary at present to employ the services or to incur the additional expense of an external third party to conduct the evaluation process but will keep this under review.

Internal controls and risk management systems

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

As noted above, the Board maintains a risk register to identify any new risks and makes the necessary adjustments required to existing risks and the controls and mitigation measures in place in respect of these risks.

All of the Company's accounting systems and systems of internal control are outsourced. Each year the Board receives confirmation of an independent review performed of such systems and internal controls and their effective operation.

Share capital

As at 31 March 2021, the Company's issued share capital was 3,480,884 Ordinary Shares of 50 pence each, of which none were held in treasury.

The Company's Ordinary Shares are quoted on the Alternative Investment Market of the London Stock Exchange under reference GHS.

Section 172 Statement

Section 172 of the Companies Act 2006 (the 'Act') requires Directors to act in good faith and in a way that is the most likely to promote the success of the Company. In doing so, Directors must take into consideration the interests of the Company's various stakeholders, the impact on the wider community and the environment when making decisions.

The Company has no employees and delegates its day-to-day management and administration to third parties. The Board considers its key stakeholders to be its shareholders, its Investment Manager and its third-party service providers while also taking into account the Company's responsibilities to regulators and the wider community. Given the out-sourced nature of the Company's operations, the Company has very little direct impact on the community or the environment. However, the Directors recognise that the Investment Manager can influence an investee company's approach to Environmental, Social and Governance (ESG) matters. As a signatory to the UN-supported Principles for Responsible Investment, the Investment Manager is committed to operating responsibly and sustainably and believes investments in businesses that have a positive ESG impact will drive improved investment performance wherever possible. The Investment Manager recognises that the integration of ESG sustainable investing considerations into its business processes can have a positive impact on financial performance and consistency of the investment returns of the Company.

Over the course of the past financial year, the Investment Manager has taken further steps to define its approach more formally such that it can be implemented with consistency, confidence and rigour. This includes an asset-class specific policy, which sets out an overview of our integrated approach, tools to assess ESG risk, monitor progress and report change; and active tracking of ESG performance. In particular, our Strategic Public Equity approach has an extremely high level of on-going engagement on Governance matters due to its investment style. In summary, the Investment Manager continues to use its significant experience in listed equity, along with other asset class expertise and the support of external advisers, to develop a robust approach to ESG investment in order to drive value within the Company's portfolio and seek to minimise its investment risk.

Stakeholder group	Importance of engagement	Key methods of engagement	Topics of engagement	Outcome and actions
Shareholders	Shareholders remain central to the Company's ability to access capital to support its strategic objectives and goals and in ensuring the long-term success of the business The Board is committed to ensuring that there is open and effective communication with the Company's shareholders on a range of matters including: governance, strategy and performance against the Company's investment objective and policy to ensure that the Directors understand the views of shareholders on such matters	The Company communicates with its shareholders in a number of ways including: → Through its annual and half-yearly reports → Regulatory announcements → Website – the website provides all existing and potential shareholders with information about the Company, its investment policy and performance to allow shareholders to fully understand the risk/reward balance of holding shares in the Company → Informal meetings: the Chairman meets with the Company's major shareholders annually if they wish to do so to discuss matters of governance, strategy and performance against the Company's investment objective and policy → Annual General Meeting: this provides a further opportunity to communicate with shareholders who attend and for the Board to respond to their questions at the meeting. All shareholders are encouraged to attend and vote at the Company's AGM, to be held on 26 July 2021 at 10:00am	→ Review of the Company's discount and the decision to undertake a Share Buyback to narrow discount → Review of marketing strategy to raise awareness of GHS and the SPE strategy → Review of Dividend Policy	→ Appointment of Edison, KL Communications as PR Firm and Panmure Gordon as joint broker. Launch of new website and subscription to Directors' talk → Confirmation of the Company's commitment to increase dividend by 20%

Stakeholder group	Importance of engagement	Key methods of engagement	Topics of engagement	Outcome and actions
Investment Manager	The Board has contractually delegated the management of the portfolio to the Investment Manager (GHAM). The performance of GHAM is crucial to the Company executing its investment strategy successfully and providing attractive returns to shareholders. Therefore, maintaining a close and constructive working relationship with GHAM remains important to the Board and the long term success of the Company	The Board regularly engages with the Investment Manager and meets with the Investment Manager on a quarterly basis and other times throughout the year enabling the Directors to discuss the performance of the investee companies (amongst other matters) and probe further should there be matters of concern or requirement for clarification on certain matters The performance of the Investment Manager is monitored and reviewed by the Board as a whole in the absence of a management and engagement Committee. In addition, an annual appraisal of the Investment Manager's performance is undertaken as part of the Board Evaluation process. It is the opinion of the Board that the continuing appointment of the Investment Manager is in the interests of shareholders as a whole	→ Continuous engagement on the impact of Brexit and Covid-19 on portfolio → Review of Investment Manager's fees to ensure they remain competitive → Review of resourcing within the GHAM investment team following organisational changes including the creation of a Gresham Strategic Equities Division → Discussion of the increasing impact of Environmental, Social and Governance ('ESG') and how the Investment Manager ensures investee companies take this into consideration and adhere to corporate governance best practice	→ The Board continues to review this regularly and obtains regular updates from the Investment Manager → No changes to the current structure or fees paid to the Investment Manager. The Board will keep this under review → No specific action required → GHAM actively engages with investee companies on ESG matters and is a signatory to the United Nation's Principles of Responsible Investment
Service providers and suppliers	As an externally managed investment Company, GHS relies on a diverse range of advisors to support the Company in meeting all its relevant obligations including: the company secretary, administrator, auditors, registrar, depositary and brokers	The Board maintains regular contact with its key external providers and receives regular reporting from them, both through the Board and committee meetings, as well as outside of the regular meeting cycle	→ The Board assesses the performance, fees and continuing appointment of its service providers and suppliers annually to ensure that the key service providers continue to function at an acceptable level and are appropriately remunerated to deliver the expected level of service. An informal review is also undertaken by the Company's auditors	No specific action was undertaken in this area
Regulators	GHS can only operate with the approval of its regulators who have a legitimate interest in how the Company operates in the market and treats its shareholders	The Company continues to monitor and ensure its compliance with the relevant regulatory, legal and statutory obligations along with corporate governance best practice	The Board reviewed its compliance with the AIC Code of Governance published in February 2019 to assess the extent of its compliance and identify any gaps. Regular updates are received from the Company Secretary on governance matters to inform the Board of any changes in market practice or any legal or statutory obligations which could affect the Company	No specific action required

All investment decisions start from a premise of maximising returns for clients. Initially the Investment Team analyse all options for the best risk adjusted returns, considering upside at current value, opportunity cost, future returns, and portfolio construction. Investment decisions above 2% NAV require investment committee discussion and approval before actions are taken for stakeholders, and also allocations committee if such considerations are required

SGH Company Secretaries Limited
Company Secretary

16 June 2021

Audit Committee Report

The Audit Committee is chaired by Charles Berry and its other members are Ken Lever and Helen Sinclair. Charles Berry has recent and relevant financial experience and the Audit Committee as a whole has competence in the investment company sector. The Chairman and the Investment Manager are not members of the Committee but are invited to attend meetings of the Committee from time to time. Representatives of the Company's Auditor attend the Committee meetings at which the draft Interim and Annual Report and Accounts are reviewed and are given the opportunity to speak to the Committee members without the presence of the Manager.

The Audit Committee operates within a scope and remit defined by specific terms of reference determined by the Board. The Committee meets twice a year to review and discuss the Company's full and half-yearly results.

The purpose of the Committee is to:

→ Monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;

→ Review the significant issues/judgements relating to the financial statements, and how these issues were addressed;

→ Ensure that the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

→ Review and make recommendations to the Board relating to the content of the Financial Statements and accompanying narrative included within the Annual Report;

→ Review and assess the independence, objectivity and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor;

→ Approve the remuneration of the independent auditors; and

→ Monitor and review the effectiveness of the Company's internal financial controls, internal control and risk management systems.

Principal activities during the year

→ Considered the external auditor's annual scope and reports on the full year results and the key areas of focus;

→ Reviewed the full year and half-year results, including the underlying accounting issues and judgements and the processes underpinning the preparation of those documents;

→ Reviewed the information presented in the Interim and Annual Reports to assess whether, taken as a whole, the Reports are fair, balanced and understandable and the information presented will enable the shareholders to assess the Company's performance and strategy;

→ Reviewed and recommended the reappointment of BDO LLP as the external auditor for the Company;

→ Reviewed and considered the independent report on the outsources financial systems and systems of internal control;

→ Reviewed the need to establish an internal audit function; and

→ Reviewed and considered the going concern status of the company.

External Auditor

BDO LLP has been the external auditor for the Company since 2014 . The Committee reviews the appointment of BDO LLP each year, taking into account relevant legislation, guidance and best practice appropriate for a company of its size, nature and stage of development. The Committee meets with the external auditors at least once a year at the time of the approval of the full year results.

In March 2021, the Board discussed the performance of the external auditor and the effectiveness of the audit process by discussing the results of the 2020 external audit, including their views on material accounting issues and key judgements; considering the robustness of the audit process; reviewing the quality of the people and service provided by BDO LLP; and assessing their independence and objectivity. The Committee is satisfied with the effectiveness of the external auditor and recommends the reappointment of BDO LLP as the external auditor for the Company at its 2021 AGM.

The breakdown of fees between audit and non-audit services paid to BDO LLP during the financial year is set out in note 4 of the Financial Statements.

Charles Berry
Chairman, Audit Committee

16 June 2021

Director's Remuneration Review

The report on Directors' remuneration for the year-ended 31 March 2021 is set out in the table below. As mentioned previously, the full Board undertake the role of the Remuneration Committee given the size of the Board.

Furthermore, as the Company is an externally managed investment company with no employees or executive Directors, the Board does not consider it appropriate to put in place a remuneration policy. The fees paid to the Board are reviewed periodically and may also be reviewed when new Non-Executive Directors are recruited to the Board. A review of the Directors' fees was undertaken in December 2019, following which it was agreed that the Directors' fees be increased by 10% (effective 1 January 2020) to reflect the additional time commitment required from Directors given the increasing regulatory burden and to bring the fees in line with that of similar companies. The Directors' fees had remained unchanged since the company was founded in 2015.

The fees payable in respect of each of the Directors who served during the financial year were as follows:

	31 March 2021	31 March 2020
David Potter	55,000	51,250
Charles Berry	27,500	25,624
Kenneth Lever	27,500	25,624
Helen Sinclair	27,500	25,624
Total	**137,500**	**128,122**

The total maximum aggregate annual fees payable to Directors under the Company's Articles of Association (Articles) is £250,000. As per the Company's Articles, Directors are entitled to be paid all reasonable expenses properly incurred in the performance of their duties as Directors including their expenses travelling to and from Board and Committee meetings.

As the Board is solely composed of Non-Executive Directors, the consideration of their remuneration does not involve any variable or performance-related bonuses, or other benefits such as pensions. The level of remuneration has been set in order to attract individuals of a calibre appropriate to the future development of the Company and reflects the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs.

Directors and their interests

The Directors serving during the year-ended 31 March 2021 had the following interests in the share capital of the Company:

	As at 16 June 2021	As at 31 March 2021	As at 31 March 2020
David Potter[1]	29,483	29,483	20,085
Charles Berry	3,980	3,980	2,550
Kenneth Lever	5,800	5,800	3,330
Helen Sinclair	2,277	2,277	1,767
Graham Bird[2]	22,651	n/a	n/a

The following employees of the Investment Manager are considered to be Persons Discharging Managerial Responsibility in relation to the Company and they had the following interests in its share capital.

	As at 16 June 2021	As at 31 March 2021	As at 31 March 2020
Anthony Dalwood	31,183	31,183	31,183
Richard Staveley	7,689	7,689	5,179

1 David Potter resigned from the Board of Directors as at 11 June 2021.

2 Graham Bird joined the Board of Directors as at 10 June 2021.

Director's Report

The contents of the Strategic Report are spread between the Chairman's Statement and Investment Manager's Report. The Directors present their Annual Report and the audited Financial Statements for the year-ended 31 March 2021.

Activities

Gresham House Strategic plc (the Company) is an investment company. Its principal activity is to make investments primarily in UK and European smaller public companies, applying private equity style techniques and due diligence alongside a value investment philosophy to construct a focused portfolio, the majority of which comprises 10-15 companies.

The Company has no employees but has a Board consisting of four Non-Executive Directors.

Directors

The Directors in office at the date of this Annual Report are shown on page 6.

Substantial shareholdings

As at the date of this report, the Company has been notified of the following substantial interests representing 3% or more of its total voting rights:

Shareholder	Number of Ordinary Shares held	% of total voting rights
Gresham House plc and GH Holdings Ltd	812,913	23.3%
Hargreaves Lansdown Asset Management	264,584	7.6%
James Sharp & Co	223,015	6.4%
Unicorn Asset Management	217,528	6.2%
Interactive Investor Glasgow	174,295	5.0%
Gresham House Strategic plc Former Directors (UK)	172,824	4.9%
Smith & Williamson Investment Management	162,973	4.6%
Premier Miton Investors	143,500	4.1%
Investec Wealth & Investment	121,346	3.4%
Windsor & Maidenhead BC	105,000	3.0%

Dividends

The Directors have recommended the payment of a final dividend in respect of the year-ended 31 March 2021 of 15.36 pence per Ordinary Share (bringing total dividends for the year to 27.46 pence per share), payable on 30 September 2021 to shareholders who appear on the register of members on 3 September 2021.

Financial risk management

The principal risks and uncertainties regarding the Company's future financial performance are set out on page 15 of the financial statements. The Directors do not consider that the Company faces any significant credit risk, liquidity risk or cash flow risk.

The Covid-19 pandemic has presented the Company with additional immediate risks in respect of the performance and valuation of portfolio companies. The Directors nevertheless consider the Company to be well placed to operate through the crisis and to continue to operate for at least twelve months from the date of this report, as the Company has sufficient cash liquidity to pay its liabilities as and when they fall due and also to invest in new opportunities as they arise. The cash and publicly tradeable investments when compared to the non-discretionary cash outflows of the Company are more than sufficient to allow the Company to continue to meet these commitments, even if investee companies cease to be able to pay dividends or loan stock interest.

Share price

The average share price of the Company's quoted Ordinary Shares in the year-ended 31 March 2021 was 1,140.0 pence. In the year the share price reached a maximum of 1,420.0 pence and a minimum of 885.0 pence. The closing share price on 31 March 2021 was 1,420.0 pence.

Subsequent events

There have been no material events since the date of the statement of financial position.

David Potter, Chairman, has resigned as Chairman and Director of GHS as at 11 June 2021. Helen Sinclair, non-executive director of GHS will assume the position of interim Chairman until the successor to David Potter has been appointed.

Graham Bird joined the Board of Directors on 10 June 2021 as a non-independent Non-Executive Director.

It is noted that post year end, the unaudited NAV has increased to 1,721.9 pence per share as at 31 May 2021 (1,512.8 pence per share at 31 March 2020).

Audit information
Each of the Directors who held office at the date of approval of the Report of the Directors confirms that:

(1) So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(2) The Director has taken all the steps that they should have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Annual General Meeting
In light of the UK Government's social distancing guidelines associated with the Covid-19 pandemic restricting public gatherings and non-essential travel, physical attendance at the Company's AGM may not be permitted. It is accordingly necessary to adjust the way in which our AGM's are conducted going forward. The formal part of the AGM will be held with a quorum of members only, supplemented by way of a conference call. Shareholders wishing to access the conference call facility or submit questions to the Board ahead of the meeting are asked to contact the Company Secretary (thomas.verlander@shma.co.uk). Shareholders attending the conference call will not be able to ask questions on the call and are therefore encouraged to email their questions to the Company Secretary before the meeting by 5pm on Sunday 25 July 2021. Please note that it will not be possible to vote on the matters to be considered at the AGM through the dial-in facility, shareholders are encouraged to vote electronically, or to appoint the Chair as their proxy with their voting instructions.

The Notice of the Annual General Meeting to be held at 10:00am on Monday 26 July 2021 is set out on pages 46 to 47. Details of the business to be transacted are outlined below:

Report and accounts
As required by company law, the annual report and accounts will be laid before shareholders.

Dividend
Shareholders will be asked to approve the final dividend of 15.36 pence per share.

Re-election of directors
Each of the Directors will stand for re-election at the AGM.

Auditor
The re-appointment of BDO LLP as auditor and a resolution allowing the Directors to determine their remuneration.

Directors' authority to allot shares
The Directors are seeking the usual authority to allot shares. Resolution 8 in the Notice of Annual General Meeting seeks authority to allot Ordinary Shares up to an aggregate nominal amount of £574,345 (being an amount equal to 33% of the total issued share capital of the Company as at the date of this report).

Under Resolution 9, which is a special resolution, the Directors are also seeking authority to allot new Ordinary Shares and/or sell Ordinary Shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply. (This section requires that, when equity securities are allotted for cash, such new shares are first offered to existing equity shareholders in proportion to their existing holdings of shares, this entitlement being known as "pre-emption rights"). The purpose of holding shares in treasury is to allow the Company to re-issue those shares quickly and cost-effectively. Allotments of Ordinary Shares under these authorities would allow the Directors to issue shares for cash to take advantage of changes in market conditions that may arise, in order to increase the amount of the Company's issued share capital.

The purpose of such an increase would be to improve the liquidity of the market in the Company's shares and to spread the fixed costs of administering the Company over a wider base. The Directors believe that this would increase the investment attractiveness of the Company to the benefit of existing shareholders.

Resolution 9, if passed, will give the Directors power to allot Ordinary Shares of the Company for cash and to sell Ordinary Shares out of treasury up to a maximum nominal amount of £174,044 (being an amount representing 10% of the total issued ordinary share capital of the Company as at the date of this report) without the application of the pre-emption rights described above.

Resolution 10 gives the Company authority to make market purchases of up to 521,785 Ordinary Shares, representing 14.99% of the Company's issued ordinary share capital (excluding treasury shares) as at 16 June 2021 (the latest practicable date before publication of this document).

The resolution sets minimum and maximum prices. The Directors will only use this authority to undertake a further share buyback and consider it useful to retain the authority for the future in case circumstances alter.

Resolution 11, if passed, is conditional upon the passing of resolutions 8 and 9. Under resolution 11, which is an ordinary resolution, the Directors will not allot any equity securities (within the meaning of section 560 of the Act) for cash and/or sell or transfer shares held by the Company in treasury (as the Directors shall deem appropriate). This is pursuant to the authority, conferred on them by resolution 9(b) where such allotment and/or sale or transfer is at a price less than net asset value per share after taking into account all fees, costs, subscription commissions and other payments related to such issuance, sale or transfer, without the prior approval of shareholders by way of an ordinary resolution.

The authorities contained in resolutions 8 to 11 will continue until the AGM of the Company in 2022, or 30 September 2022 if earlier. It is intended that renewal of these authorities will be sought at each AGM.

Recommendation
The Board considers that the passing of the resolutions to be proposed at the AGM is in the interests of the Company and its shareholders as a whole and they unanimously recommend that shareholders vote in favour of those resolutions.

Approved by the Board of Directors and signed on its behalf

SGH Company Secretaries Limited
Company Secretary

16 June 2021

Directors' Responsibility Statement

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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 they have been prepared in accordance with IFRSs, 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 will continue in business.

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

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. The Directors consider the Annual Report and the financial statements, taken as a whole, provide the information necessary to assess the Company's position, performance and strategy and is fair, balanced and understandable.

Website publication

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

Independent Auditor's Report

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

Opinion on the financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Gresham House Strategic plc (the 'Company') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remain independent of the 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
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included agreeing the inputs and assumptions within the forecast that forms the basis of the Board's assessment of the going concern status of the Company, to supporting documentation and our own understanding of the Company. We performed stress testing of extreme downside scenarios and cash flow forecasts, as well as conducting a robust review of the Company's liquidity position.

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

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

Overview

		2021	2020
Key audit matter	Valuation of investments	Yes	Yes
Materiality	*Financial statements as a whole* £670k (2020: £375k) based on 1.25% (2020: 1.25%) of the valuation of the investment portfolio.		

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

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

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of Investments See note 8 and accounting policy on page 34.	Investments are primarily held in quoted companies which should not generally require significant judgement in their valuation. However, due to the significance of this area to the entity we determined this to be a Key Audit Matter. However there is a higher level of estimation uncertainty involved in determining the unquoted investment valuations. This risk is enhanced by the fact that the Investment Manager is remunerated based on the Net Asset Value of the Company, which is largely driven by the valuation of the investment portfolio.	**Quoted** In respect of all quoted investments we performed the following: → Agreed all additions and disposals to supporting contract notes → Agreed the bid price of the investee company's shares as at the year end to publically available data → Re-performed the calculation of the value attributable to the company based on the closing bid price → Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation. **Unquoted** For all debt instruments held at fair value, we performed the following: → Agreed security held to supporting documentation and considered the recoverability of loans through consideration of the investee company's ability to repay them through review of recent financial information → Considered the assumption that fair value is not significantly different to par value by challenging the assumption that there is no significant movement in the market interest rate since acquisition by comparing the par value to the Investment Manager's assessment of the fair value of the loan instruments → Reviewed the treatment of accrued redemption premium/other fixed returns in line with the requirements of applicable accounting standards → Considered the need for impairment through review of the investee's recent trading information and performance reports → Considered the inputs and assumption applied in valuing conversion options where applicable and benchmarked these to publically available information. **Key observations:** Based on the procedures performed we concluded that the valuation of the investments was not materially misstated.

Our application of materiality

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

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

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

	2021	2020
Materiality	£670k	£375k
Basis for determining materiality	1.25% value of investment portfolio	1.25% value of investment portfolio
Rationale for the benchmark applied	The value of the investment portfolio is the largest contributor to the Net Asset Value of the Company, which is a key indicator of performance and as such the most relevant benchmark for the users of the financial statements.	The value of the investment portfolio is the largest contributor to the Net Asset Value of the Company, which is a key indicator of performance and as such the most relevant benchmark for the users of the financial statements.
Performance materiality	75% materiality (£500k)	75% materiality (£280k)
Basis for determining performance materiality	We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.	We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

Lower testing threshold

We also determined that for items impacting realised return, a misstatement of less than materiality for the financial statements as a whole, could influence the economic decisions of users. As a result, we determined a lower testing threshold for these items based on 10% gross expenditure, excluding performance fees (2020: 5% gross expenditure, excluding performance fees) of £165k (2020: £75k).

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £30k (2020: £20k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: → the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and → the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: → adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or → the 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 Directors' responsibilities statement, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Companies Act 2006, the principles of the UK Corporate Governance Code, and applicable accounting standards. We also considered the risk that the valuation of the investment portfolio was subject to bias from the Investment Manager, as described in the Key Audit Matter section above .

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

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of the Board and relevant Service Organisations;
- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

We also addressed the risk of management override of internal controls, including targeted testing of journals based on risk based criteria and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom

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

Statement of Comprehensive Income

for the year ended 31 March 2021

	Notes	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Gains/(losses) on investments	8	**19,837**	(5,728)
Revenue			
Bank interest income		**2**	8
Loan note interest income	8	**753**	782
Portfolio dividend income		**–**	265
Other income		**1**	–
		756	1,055
Administrative expenses			
Directors fees	3	**(148)**	(138)
Performance fee	11	**(2,294)**	–
Other costs	4	**(1,539)**	(1,363)
Total administrative expenses		**(3,981)**	(1,501)
Profit/(loss) before taxation		**16,612**	(6,174)
Taxation	5	**–**	–
Profit/(loss) for the financial year		**16,612**	(6,174)
Attributable to:			
– Equity shareholders of the Company		**16,612**	(6,174)
Basic and Diluted earnings per ordinary share for profit/(loss) from continuing operations and for profit/(loss) for the year (pence)	6	**477.24p**	(174.34p)

There are no components of other comprehensive income for the current year (2020: None), all income arose from continuing operations.

Statement of Financial Position

as at 31 March 2021

	Notes	31 March 2021 £'000	31 March 2020 £'000
Non-current assets			
Investments at fair value through profit or loss	9	**53,888**	29,960
		53,888	29,960
Current assets			
Trade and other receivables	9	**99**	266
Cash and cash equivalents		**1,605**	6,864
		1,704	7,130
Total assets		**55,592**	37,090
Current liabilities			
Trade and other payables	10	**(641)**	(178)
Performance fee payable	11	**(2,294)**	–
Total liabilities		**(2,935)**	(178)
Net current (liabilities)/assets		**(1,231)**	6,952
Net assets		**52,657**	36,912
Equity			
Issued capital	12	**1,751**	1,751
Share premium		**13,063**	13,063
Revenue reserve	14	**26,969**	11,224
Capital redemption reserve		**10,874**	10,874
Total equity		**52,657**	36,912

The NAV per share on 31 March 2021 is 1,512.8 pence (2020: 1,060.4 pence)

These financial statements were approved and authorised for issue by the Board of Directors on 16 June 2021. Signed on behalf of the Board of Directors.

Helen Sinclair
Interim Chairman

Charles Berry
Director

Statement of Cash Flows

for the year ended 31 March 2021

	Notes	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Cash flow from operating activities			
Cash flow from operations	a	**(783)**	(3,157)
Net cash outflow from operating activities		**(783)**	(3,157)
Cash flows from investing activities			
Purchase of investments	8*	**(14,943)**	(11,360)
Sale of investments	8*	**11,334**	16,313
Net cash (outflow)/inflow from investing activities		**(3,609)**	4,953
Cash flows from financing activities			
Dividends paid	7	**(867)**	(752)
Share buy backs		**–**	(908)
Net cash outflow from financing activities		**(867)**	(1,660)
Change in cash and cash equivalents		**(5,259)**	136
Opening cash and cash equivalents		**6,864**	6,728
Closing cash and cash equivalents		**1,605**	6,864

Note
a) Reconciliation of profit/(loss) for the year to net cash outflow from operations

		£'000	£'000
Profit/(loss) for the year	2	**16,612**	(6,174)
Rolled up interest		**(345)**	(329)
(Gains)/losses on investment	8	**(19,837)**	5,728
Operating loss		**(3,570)**	(775)
(Decrease)/increase in trade and other receivables		**(33)**	42
Increase/(decrease) in trade and other payables		**2,820**	(2,424)
Net cash outflow from operations		**(783)**	(3,157)

* The purchase and sale of financial investments are the cash paid or received during the year and excludes unsettled investments as at 31 March 2021.

Statement of Changes in Equity

for the year ended 31 March 2021

	D shares £'000	Ordinary Share Capital £'000	Share Premium £'000	Revenue Reserve £'000	Capital Redemption Reserve £'000	Total Equity £'000
Balance at 31 March 2019	**10**	**1,778**	**13,063**	**19,058**	**10,837**	**44,746**
Loss and total comprehensive loss for the year	–	–	–	(6,174)	–	(6,174)
Total loss and comprehensive income for the year	**10**	**1,778**	**13,063**	**12,884**	**10,837**	**38,572**
Contributions by and distributions to owners						
Share buy back	–	(37)	–	(908)	37	(908)
Dividends paid	–	–	–	(752)	–	(752)
Balance at 31 March 2020	**10**	**1,741**	**13,063**	**11,224**	**10,874**	**36,912**
Profit and total comprehensive income for the year	–	–	–	16,612	–	16,612
Total profit and comprehensive income for the year	10	1,741	13,063	27,836	10,874	53,524
Contributions by and distributions to owners						
Share buy back	–	–	–	–	–	–
Dividends paid	–	–	–	(867)	–	(867)
Balance at 31 March 2021	**10**	**1,741**	**13,063**	**26,969**	**10,874**	**52,657**

Notes to the Financial Statements

1. Basis of preparation and significant accounting policies
Gresham House Strategic plc (the Company) is a company incorporated in the UK and registered in England and Wales (registration number: 03813450). The accounting policies applied are consistent with the prior year.

Basis of preparation
These financial statements for year ended 31 March 2021 have been prepared in accordance with International Financial Reporting Standards ('IFRS') approved by the International Accounting Standards Board ('IASB') and in conformity with the requirement of the Companies Act 2006 and adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The financial statements are prepared on a historical cost basis except for the revaluation of certain financial instruments stated at fair value. Standards and interpretations applied for the first time have had no material impact on these financial statements.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and Investment Manager's Report. The key risks facing the business and management's policy and practices to manage these are further discussed in note 13.

In assessing the Company as a going concern, the Directors have considered the forecasts which reflect the Directors' proposed strategy for portfolio investments and the current economic outlook. The Directors acknowledge that the coronavirus (Covid-19) outbreak has had a significant adverse economic impact globally, and that this has caused substantial volatility in financial markets. The Company has been well placed to operate throughout the crisis with no further adverse impact on the Company and its investments other than the drawdown experienced globally at the start of the pandemic in March 2020. The Company's positions have continued to perform well and increase in value since the March 2020 lows. The GHS share price increased from the low of 885 pence (March 2020 low) to 1,420 pence at the end of March 2021.

The Directors consider the Company to be well-placed to operate for the foreseeable future and at least 12 months as the Company has sufficient liquidity to pay its liabilities as and when they fall due and also to invest in new opportunities as they arise. In the current year, there was a performance fee accrual of £2.3 million (2020: nil). Excluding the performance fee accrual, the Company is in a net current asset position of £1.1 million (2020: £7.0 million). The fund has planned realisations in order to be in a position to pay the performance fee.

The Company is in a net asset position of £52.7 million (2020: £36.9 million) and approximately 90% of the Company's portfolio of Investments consist listed equities which, should the need arise, can be liquidated to settle liabilities. There are no other contractual obligations other than those already in existence and which are predictable.

The Company's forecasts and projections, taking into account the current economic environment and other factors, including reasonably possible changes in performance, show that the Company is able to operate within its available working capital and continue to settle all liabilities as they fall due for the foreseeable future. The Company has, excluding the performance fee based on fund performance during the year, consistent, predictable ongoing costs and all major cash outflows, such as for the payment of dividends or for investment into portfolio companies, are at the full discretion of the Board.

Therefore, the Directors taking into the consideration the above assessment are satisfied that the Company will be able to settle their liabilities as they fall due and therefore is a going concern.

Financial instruments:
Trade debtors and creditors
Trade debtors and creditors are held at amortised cost and are accounted for at transaction value when an asset or liability is incurred as these are short term in nature.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held at call with banks and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1. Basis of preparation and significant accounting policies (continued)

Investments at fair value through profit or loss

Investments are included at valuation on the following basis:

(a) Quoted investments are recognised on trading date and valued at the closing bid price at the year end.

(b) unquoted Investments are valued according to the to the Directors' best estimate of the Company's share of that investment's value. This value is calculated in accordance with the International Private Equity and Venture Capital Valuation Guidelines (the IPEV guidelines) and industry norms which include calculations based on appropriate earnings or sales multiples.

The core principles of the 2018 IPEV guidelines are:

- → Fair Value should be estimated at each Measurement Date (each time Fair Value based Net Asset Value (NAV) is reported to investors (LPs)).
- → The Price of a Recent Investment (if deemed Fair Value) should be used to calibrate against the alternative valuation methodologies.
- → Calibration is required by accounting standards.
- → Market Participant perspectives should be used to estimate Fair Value at each Measurement Date.

After considering individual facts and circumstances and applying these Guidelines, it is possible that Fair Value at a subsequent Measurement Date is the same as Fair Value as at a prior Measurement Date. This means that Fair Value may be equal to the Price of a Recent Investment; however, the Price of a Recent Investment is not automatically deemed to be Fair Value.

For measurement purposes, investments, including equity, loan and similar instruments, are designated at fair value through profit and loss, and are valued in compliance with IFRS 9 'Financial Instruments', IFRS 13 'Fair Value Measurement' and the IPEV Guidelines as recommended by the British Venture Capital Association.

The Directors consider that a substantial measure of the performance of the Company is assessed through the capital gains and losses arising from the investment activity of the Company.

Gains and losses on the realisation of investments are recognised in the statement of comprehensive income for the year and taken to retained earnings. The difference between the market value of financial investments and book value to the Company is shown as a gain or loss for the year and taken to the statement of comprehensive income.

Revenue

Dividends receivable on unquoted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received.

Dividends receivable on quoted equity shares are brought into account when the right to receive payment is established and the amount of the dividend can be measured reliably.

Interest receivable is included on an effective interest rate basis.

Taxation

The tax expense included in the statement of comprehensive income comprises of current and deferred tax. Current tax is the expected tax payable based on the taxable profit for the year, using tax rates that have been enacted or substantially enacted by the reporting date. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit and are accounted for using the statement of financial position liability method.

Deferred tax liabilities are generally 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting 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 asset 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 is 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 recognised in equity.

1. Basis of preparation and significant accounting policies (continued)

Performance fee

Under the terms of the Investment Management Agreement, the Company will pay the Investment Manager a performance fee in respect of each performance fee period in which the Net Asset Value per Ordinary Share on the last business day of such performance fee period exceeds both a compounding hurdle growth in Net Asset Value per share of 7% per annum (compounding weekly, the 'Hurdle Net Asset Value per share') and the highest Net Asset Value per share at which a performance fee was previously paid (the 'High Watermark'). The performance fee shall be calculated at a rate of 15% of the amount by which the Net Asset Value per share exceeds the High Watermark, multiplied by the time weighted number of shares in issue during such performance fee period, provided that the Performance Fee payable will be reduced to ensure that the Net Asset Value per share after the payment of such Performance Fee does not fall below the Hurdle Net Asset Value per share. Up to 50% of any performance fee may (at the Board's discretion) be satisfied by the issue of Ordinary Shares.

The performance fee is calculated for each performance fee period which is aligned with the Company's accounting year. It is accounted for on an accrual basis and is recognised in the statement of comprehensive income once a performance fee is triggered during the performance fee period.

Foreign exchange

Transactions denominated in foreign currencies are translated into the functional currency at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the rates ruling at that date. These translation differences are recognised in the statement of comprehensive income.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements 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 reported period. It also requires Management to exercise their judgement in the process of applying the accounting policies. The main area of estimation is in the inputs used in determination of the valuation of the unquoted investments in note 8. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The majority of the portfolio is valued on bid price which factors in the anticipated impact of climate and ESG related issues on the portfolio companies, therefore these are incorporated into the valuations.

Management believes that the underlying assumptions are appropriate and that the Company's financial statements are fairly presented.

Segmental analysis

There is only one operating segment of the business – investment activities. The performance measure of investment activities considered by the Board is profitability and is disclosed on the face of the statement of comprehensive income.

New standards effective in the year

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to clarify and align the definition of materiality throughout IFRS and the Conceptual Framework for Financial Reporting. The amendments clarify when information is material and provide some guidance in IAS 1 about immaterial information.

The amendments address the following:

- 'Obscuring' was added to the definition of materiality and clarifies that obscuring information has a similar effect to omitting or misstating that information;
- Clarifies that an entity assesses materiality in the context of the financial statements as a whole; and
- The 'primary users of general-purpose financial statements' are defined as 'existing and potential investors, lenders and other creditors' who rely on general purpose financial statements for the financial information they need.

The adoption of these amendments has no significant impact on the Company.

2. Statement of comprehensive income

The Company's profit for the year was £16.612 million (2020: loss of £6.174 million).

The Company has recognised gains on investments through the statement of comprehensive income of £19.003 million (2020: loss of £5.728 million).

3. Information regarding Directors and employees

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Directors' remuneration summary		
Basic salaries	**138**	129
Social security costs	**10**	9
	148	138

	Year ended 31 March 2021			Year ended 31 March 2020		
	Emoluments £'000	Social Security costs £'000	Total £'000	Emoluments £'000	Social Security costs £'000	Total £'000
Analysis of Directors' remuneration						
C Berry	**27.5**	**–**	**27.5**	26.0	–	26.0
D Potter	**55.0**	**–**	**55.0**	51.0	–	51.0
H Sinclair	**27.5**	**–**	**27.5**	26.0	–	26.0
K Lever	**27.5**	**–**	**27.5**	26.0	–	26.0
Social security costs	**–**	**10.0**	**10.0**	–	9.0	9.0
	137.5	**10.0**	**147.5**	129.0	9.0	138.0

The Company has no employees.

	Year ended 31 March 2021 No.	Year ended 31 March 2020 No.
Directors		
Investment and related administration	**4**	4
	4	4

4. Other costs

Profit/(loss) for the year has been derived after taking the following items into account:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Auditors remuneration		
Fees payable to the current auditor for the audit of the Company's annual financial statements	**34**	31
Fees payable to the Company's current auditor and its associates for other services:		
Under provision of audit fee	**–**	3
Fees paid for review of interim report	**–**	3
Other services relating to taxation	**10**	13
Analysis of other costs:		
Professional fees	**534**	379
Management fee	**832**	858
Other general overheads	**129**	76
	1,539	1,363

5. Taxation

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
UK corporation tax		
Corporation tax liability at 19% (2020: 19%)	**–**	–
Current tax	**–**	–
Deferred tax	**–**	–
Tax on profit/(loss) from ordinary activities	**–**	–

Factors affecting the tax charge for the current period
The tax assessed for the year is different than that resulting from applying the standard rate of corporation tax in the UK: 19% (2020: 19%).

The differences are explained below:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Current tax reconciliation		
Profit/(loss) before taxation	**16,612**	(6,174)
Current tax charge at 19% (2020: 19%)	**3,156**	(1,173)
Effects of:		
Non-taxable income	**(3,396)**	1,037
Deferred tax not recognised	**240**	136
Tax on profit/(loss) on ordinary activities	**–**	–

Deferred tax
There remains an unrecognised deferred tax asset in respect of tax losses and other temporary differences. The unrecognised deferred tax asset is £29 million (2020: £29 million) for the Company. The increase in the balance for unrecognised deferred tax is due to an increase to management expenses carried forward available for deduction against future income. The assessed loss on which no deferred tax has been recognised amounts to £152 million (2020: £151 million).

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Company deferred tax asset		
Balance at 1 April	**–**	–
Movement in the year	**–**	–
Balance at 31 March	**–**	–

The movement in the year is taken to the statement of comprehensive income.

6. Earnings per share

Basic earnings per share is calculated by dividing the profit/loss attributable to ordinary shareholders by the weighted average number of Ordinary Shares during the year. Diluted earnings per share is calculated by dividing the profit/loss attributable to shareholders by the adjusted weighted average number of Ordinary Shares in issue.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Earnings		
Profit/(loss) for the year	**16,612**	(6,174)
Number of shares ('000)		
Weighted average number of ordinary shares in issue for basic EPS	**3,481**	3,541
Weighted average number of ordinary shares in issue for diluted EPS	**3,481**	3,541
Earnings per share		
Basic EPS	**477.24p**	(174.34p)
Diluted EPS	**477.24p**	(174.34p)

As at 31 March 2021, the total number of shares in issue was 3,480,884 (2020: 3,480,884). During the year, the Company cancelled nil Treasury shares (2020: nil) and no shares were bought back (2020: 74,446). There are no share options outstanding at the end of the year. There are no dilutive or potentially dilutive instruments and therefore basic and diluted earnings per share are the same.

7. Dividends

The Company paid £866,740 in dividends to shareholders in the year ended 31 March 2021 (2020: £752,374).

8. Investments at fair value through profit or loss

		Year ended 31 March 2021					
	Value at 31 March 2020 £'000	Additions £'000	Disposal proceeds £'000	Gain/Loss on disposals £'000	Revaluation £'000	Transfer between levels £'000	Value at 31 March 2021 £'000
Investments in quoted companies (Level 1)	23,558	13,680	(8,246)	1,165	17,408	–	**47,565**
Other unquoted investments (Level 3)	6,402	1,545	(2,888)	796	468	–	**6,323**
Total investments at fair value through profit or loss	29,960	15,225	(11,134)	1,961	17,876	–	**53,888**

		Year ended 31 March 2020					
	Value at 31 March 2019 £'000	Additions £'000	Disposal proceeds £'000	(Loss)/gain on disposals £'000	Revaluation £'000	Transfer between levels £'000	Value at 31 March 2020 £'000
Investments in quoted companies (Level 1)	31,849	9,010	(13,843)	(199)	(5,560)	2,301	23,558
Other unquoted investments (Level 3)	8,869	2,474	(2,671)	359	(328)	(2,301)	6,402
Total investments at fair value through profit or loss	40,718	11,484	(16,514)	160	(5,888)	–	29,960

The revaluations and gains/(losses) on disposals above are included in the statement of comprehensive income as gains/losses on investments.

8. Investments at fair value through profit or loss (continued)

	Value at 31 March 2021 £'000	Value at 31 March 2020 £'000
Opening valuation	**29,960**	40,718
Acquisitions	**15,225**	11,484
Unrealised and realised gains/(losses) on investment	**19,837**	(5,728)
Disposals	**(11,134)**	(16,514)
Closing valuation	**53,888**	29,960

The following table analyses investment carried at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurement is categorised. The different levels are defined as follows:

(i) level one measurements are at quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

(iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

The fair value of the Company's investments are summarised as follows:

	31 March	
	2021 £'000	2020 £'000
Level 1	**47,565**	23,558
Level 2	**–**	–
Level 3	**6,323**	6,402
	53,888	29,960

For the year ended 31 March 2021, there were no transfers of the investments between the fair value hierarchy levels. For the year ended 31 March 2020, there was a transfer from Level 3 to Level 1 for MJ Hudson which amounted to £2,300,574, as a result of its flotation and admission to AIM.

Fair values of financial assets and financial liabilities
Financial assets and liabilities are carried in the statement of financial position at either their fair value (investments), or the statement of financial position amount is a reasonable approximation of the fair value (dividends receivable, accrued income, accruals, and cash at bank).

As at 31 March 2021 and 31 March 2020, all investments, except for the investments in the table below, fall into the category 'Level 1' under IFRS 7 fair value hierarchy.

A summary of the level 3 investments are as follows:

	31 March 2021		31 March 2020	
	Investments included	£'000s	Investments included	£'000s
Fair value	**Be Heard Group Holdings**	**–**	Be Heard Group Holdings	1,838
	The Lakes Distillery Company	**2,693**	The Lakes Distillery Company	2,348
	Hanover Equity Partners II LP	**–**	Hanover Equity Partners II LP	254
	Northbridge Industrial Services plc convertible bonds	**2,430**	Northbridge Industrial Services plc convertible bonds	1,962
	National World plc	**1,200**		
Contracted sales proceeds in post balance sheet period	**None**	**–**	None	–
		6,323		6,402

8. Investments at fair value through profit or loss (continued)

Valuation policy: Every six months, the Investment Manager within Gresham House Asset Management Limited is asked to revalue the investments that he looks after and submit his valuation recommendation to the Investment Committee and the finance team. The Investment Committee considers the recommendation made, and assuming the finance team confirm that the investment valuation calculations are correct, submits its valuation recommendations to the Board of the Company to consider. The final valuation decision taken by the Board is made after taking into account the recommendation of the Manager.

Level 3 investments have been valued in accordance with the IPEV guidelines, and represent the following:

- Hanover Equity Partners II LP was purchased on 11 July 2017. It was valued based on the NAV of the Limited Partnership which is a proxy for fair value as its underlying investments are held at fair value. It was fully disposed of on 1 October 2020;
- Be Heard Group plc Bond was purchased on 28 November 2017, and a further investment was made on 10 July 2019. The bonds were valued at fair value which approximates to the bond issue amount, as the value of the conversion right is considered to be nil. It was fully disposed of on 1 March 2021;
- Northbridge Convertible Bond was purchased on 10 April 2018, and a further investment was made on 3 July 2018. Northbridge Industrial Services plc loan notes are valued at fair value which approximates the nominal amount and the value of the conversion option – valued using Black Scholes option pricing methodology. The strike price of each option is 90 pence and every £1 nominal value is convertible into 1.11 ordinary shares. The interest on the loan notes is paid on each payment date and therefore no interest is accrued.
- The Lakes Distillery Company plc Convertible Bond was purchased on 20 June 2019. It is valued at fair value which approximates to the bond issue amount plus rolled up "payment in kind" notes and capitalised interest.
- National World plc Bond was purchased on 11 February 2021. The bonds are valued at fair value which approximates the nominal value and accrued interest.

Investments in quoted companies (Level 1) have been valued according to the quoted bid price as at 31 March 2021.

9. Trade and other receivables

	31 March 2021 £'000	31 March 2020 £'000
Other debtors	**66**	244
Prepayments	**33**	22
	99	266

10. Trade and other payables

	31 March 2021 £'000	31 March 2020 £'000
Other creditors	**5**	7
Unclaimed special dividends and capital payments (in respect of C Shares and B shares)	**420**	–
Trade creditors	**112**	91
Accrued expenses	**98**	74
Social security and other taxes	**6**	6
	641	178

Other creditors related to the acquisition of further equities in Van Elle Holdings plc amounted to £5k, an existing investment, in March 2021. This was settled in April 2021. (2020: £7k related to the acquisition of further equities in Fulcrum Utility Services Ltd which was settled in April 2020).

The unclaimed special dividends and capital payments amounting to £420k between the period of 2009 to 2014 were returned to the company in 2021. These will be used for the benefit of the company until claimed by the relevant person or forfeited (2020: nil).

11. Performance fees payable

	31 March 2021 £'000	31 March 2020 £'000
Performance fees payable	**2,294**	–
	2,294	–

12. Issued capital

	31 March 2021 £'000	31 March 2020 £'000
Called up, allotted and fully paid:		
3,480,884 (2020: 3,480,884) Ordinary Shares of 50 pence (2020: 50 pence)	**1,741**	1,741
10,000 (2020: 10,000) D shares of 100 pence (2020: 100 pence)	**10**	10
	1,751	1,751

As at 31 March 2021, the total number of shares in issue were 3,480,884 (2020: 3,480,884). During the year, no shares were brought back (2020: 77,446).

The average share price of Gresham House Strategic plc quoted Ordinary Shares in the year-ended 31 March 2021 was 1,140.0 pence. In the year, the share price reached a maximum of 1,420.0 pence and a minimum of 885.0 pence. The closing share price on 31 March 2021 was 1,420.0 pence.

The Company's shares are listed on London's AIM market under reference GHS.

13. Financial instruments and financial risk management

The Company invests in quoted and unquoted companies in accordance with the investment policy and Gresham House Strategic Public Equity Fund LP (SPE Fund LP) investment strategy. In addition to investments in smaller listed companies in the UK, the Company maintains liquidity balances in the form of cash held for follow-on financing and debtors and creditors that arise directly from its operations. As at 31 March 2021, £47.6 million of the Company's net assets were invested in quoted investments, £6.3 million in unquoted investments and £1.7 million in liquid balances (31 March 2020: £23.6 million in quoted investments, £6.4 million in unquoted investments and £6.9 million in liquidity).

In pursuing its investment policy, the Company is exposed to risks that could result in a reduction in the value of net assets and consequently funds available for distribution by way of dividend or for re-investment.

The main risks arising from the Company's financial instruments are due to fluctuations in market prices (market price risk), credit and liquidity risk and cash flow interest rate risk; credit risk and liquidity risk are also discussed below. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These have been in place throughout the current and preceding years.

All financial assets with the exception of investments, which are held at fair value through profit or loss, are categorised as financial assets at amortised cost and all financial liabilities are categorised as amortised cost.

a) Market risk

i) Price risk

Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future of the economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £53.9 million (2020: £30.0 million).

The investments in fixed interest stocks of unquoted companies that the Company holds are not traded and as such the prices are more uncertain than those of more widely traded securities.

The Board's strategy in managing the market price risk is determined by the requirement to meet the Company's investment objective. Risk is mitigated to a limited extent by the fact that the Company holds investments in several companies. At 31 March 2021, the Company held interests in 16 companies (2020: 15 companies). The Directors monitor compliance with the investment policy, review and agree policies for managing this risk and monitor the overall level of risk on the investment portfolio on a regular basis.

13. Financial instruments and financial risk management (continued)

Market price risk sensitivity

The Board considers that the value of investments in quoted equity instruments is ultimately sensitive to changes in quoted share prices. The value of investments in CLN, where the valuation methodology is to estimate the value of the conversion option of the instrument, is similarly linked to quoted share prices. The table below shows the impact on the return and net assets if there were to be a 25% (2020: 25%) movement in overall share prices.

As at 31 March 2021

			+25%		-25%	
Security	**Valuation basis**	**Fair value**	**Impact £'000**	**Impact per share (in pence)**	**Impact £'000**	**Impact per share (in pence)**
Quoted investments	Latest share price	47,565	11,891	341.62	(11,891)	(341.62)
Unquoted investments						
– *Northbridge CLN*	Bond issue amount + conversion right	2,430	328	9.42	(309)	(8.87)

As at 31 March 2020

			+25%		-25%	
Security	**Valuation basis**	**Fair value**	**Impact £'000**	**Impact per share (in pence)**	**Impact £'000**	**Impact per share (in pence)**
Quoted investments	Latest share price	23,558	5,890	169.20	(5,890)	(169.20)
Unquoted investments						
– *Northbridge and Be Heard CLNs*	Bond issue amount + conversion right	3,800	38	1.08	(11)	(0.32)

The impact of a change of 25% (2020: 25%) has been selected as this is considered reasonable given the current level of volatility, observed both on a historical basis, and market expectations for future movement.

A sensitivity has not been performed for the other unquoted investments held by the Company, as there is no exposure to market price risk in the valuation methodology applied for these investments. Interest rates are less volatile than market prices; therefore, the company has deemed it inappropriate to consider a 25% upward or downward move in interest rates. Interest rates are determined by monetary policy and have been kept historically low due to quantitative easing and therefore we do not believe that interest rates will be as volatile as share prices.

ii) Currency risk

The Company does not hold any significant assets or liabilities denominated in a currency other than sterling, the functional currency. The transactions in foreign currency for the Company are highly minimal. Therefore, currency risk sensitivity analysis was not performed as the results would not be significantly affected by movements in the value of foreign exchange rates.

iii) Cash flow interest rate risk

As the Company has no borrowings, it only has limited interest rate risk. The impact is on income and operating cash flow and arises from changes in market interest rates. Some of the Company's cash resources are placed in an interest paying current account to take advantage of preferential rates and are subject to interest rate risk to that extent.

b) Credit risk

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

The Company's maximum exposure to credit risk is:

	31 March 2021 £'000s	**31 March 2020 £'000s**
Loan stock investments	**6,323**	6,148
Cash and cash equivalents	**1,605**	6,864
Trade and other debtors	**99**	266
	8,027	13,278

13. Financial instruments and financial risk management (continued)
Credit risk relating to loan stock investments in unquoted companies is considered to be part of market risk.

The Company's cash balances are maintained by major UK clearing banks. The credit rating of The Royal Bank of Scotland plc by Fitch Ratings is A (2020: A+)

c) Liquidity risk
The Directors consider that there is no significant liquidity risk faced by the Company. The Company maintains sufficient liquidity in cash and liquid investments to pay accounts payable and accrued expenses. All liabilities are current and repayable upon demand.

14. Capital disclosures
The Company's objective has been to maximise shareholder value from all assets, which in recent years has been to realise its portfolio at the most advantageous time and return the proceeds to shareholders.

The capital subscribed to the Company has been managed in accordance with the Company's objectives. The available capital at 31 March 2021 is £52.7 million (31 March 2020: £36.9 million) as shown in the statement of financial position, which includes the Company's share capital and reserves.

The total amount of revenue reserve for the year is £26.969 million (2020: £11.224 million) which is fully distributable and can be utilised for any future dividends.

The Company has no borrowings and there are no externally imposed capital requirements other than the minimum statutory share capital requirements for public limited companies.

15. Related party transactions
The related parties of Gresham House Strategic plc are its Directors, persons connected with its Directors, its Investment Manager and Gresham House plc as a significant shareholder.

Details of related party transactions between the Company and of non-salary related transactions involving Directors are detailed below.

During the year to 31 March 2021, Gresham House Strategic plc was charged the following fees by Gresham House Asset Management:

Particulars	**31 March 2021**	**31 March 2020**
Performance fee (including VAT)	**£2.29 million**	Nil
Management fee	**£0.83 million**	£0.86 million
Other miscellaneous	**£0.01 million**	Nil
Total	**£3.13 million**	£0.86 million

As at 31 March 2021, the following shareholders of the Company that are related to GHAM had the following interests in the issued shares of the Company as follows:

	As at 31 March 2021	**As at 31 March 2020**
A L Dalwood	**31,183 Ordinary Shares**	31,183 Ordinary Shares
G Bird	**22,651 Ordinary Shares**	22,651 Ordinary Shares
Gresham House Holdings Ltd	**812,913 Ordinary Shares**	812,913 Ordinary Shares
R Staveley	**7,689 Ordinary Shares**	5,179 Ordinary Shares

The Company has signed a co-investment agreement with SPE Fund LP, a sister fund to the Company launched by Gresham House Asset Management Ltd (GHAM) on 15 August 2016. Under the agreement, the Company undertook to co-invest £7.5 million with the SPE Fund LP.

The Directors' remuneration and their interest in the Company are disclosed in the Director's remuneration review in the annual report.

There are no other related party transactions of which we are aware in the year ended 31 March 2021.

16. Subsequent events note

David Potter, Chairman, has resigned as Chairman and Director of GHS as at 11 June 2021. Helen Sinclair, non-executive director of GHS will assume the position of interim Chairman until the successor to David Potter has been appointed.

Graham Bird joined the Board of Directors on 10 June 2021.

It is noted that post year end, the unaudited NAV has increased to 1,721.9 pence per share as at 31 May 2021 (1,512.8 pence per share at 31 March 2020).

National World plc

Under the terms of the secured convertible loan note, GHS gave instructions to convert its loan note into ordinary shares as part of the Listing. The GHS loan notes therefore were converted into shares in line with the terms of the facility. Under the terms of the notes, if the Listing completed successfully, a conversion incentive was provided. Given GHS had instructed to convert its loan note on the unsuspension of the National World shares, GHS was issued additional shares in addition to the principal and accrued interest. The Listing took place on 7 May 2021, and 12,263,013 ordinary shares in National World were issued to GHS which included the conversion of the following at a conversion price of 11 pence per ordinary share -

- Original loan notes
- 10% Conversion incentive
- Accrued interest from issue date of the loan note to date of conversion

This has resulted in the valuation of the investment increasing by £120,529 on conversion of loan notes to shares of National World plc. Thereafter, the shares trade on London Stock Exchange and the valuations fluctuate according to share prices.

Northbridge Industrial Services plc Convertible Loan Notes

On 21 May 2021, Northbridge resolved to redeem the outstanding Northbridge Convertible Loan Notes. Loan Note holders have been given the option to have the outstanding loan note principal and redemption premium paid in cash or to convert in whole or part the outstanding loan note principal. GHS have elected to have 80% redeemed which will be paid in cash (along with the redemption premium at 25% of the outstanding Loan Note principal) and 20% converted in Northbridge shares at 90 pence per ordinary share.

This will result in the valuation of the Investment increasing by c.£17.6k depending on the prevailing share price on the date the shares settle.

Notice of Annual General Meeting

NOTICE IS GIVEN that the Annual General Meeting of the Company will be held at the offices of RPS Group, 20 Farringdon Street, London EC4A 4EN at 10:00am on Monday 26 July 2021 to consider the following resolutions, of which resolutions 1 to 8 and 11 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions:

In light of the UK Government's social distancing guidelines associated with the Covid-19 pandemic restricting public gatherings and non-essential travel, physical attendance at the Company's AGM may not be permitted. It is accordingly necessary to adjust the way in which our AGM's are conducted going forward. The formal part of the AGM will be held with a quorum of members only, supplemented by way of a conference call. Shareholders wishing to access the conference call facility or submit questions to the Board ahead of the meeting are asked to contact the Company Secretary (thomas.verlander@shma.co.uk). Shareholders attending the conference call will not be able to ask questions on the call and are therefore encouraged to email their questions to the Company Secretary before the meeting by 5pm on Sunday 25 July 2021. Please note that it will not be possible to vote on the matters to be considered at the AGM through the dial-in facility, shareholders are encouraged to vote electronically, or to appoint the Chairman as their proxy with their voting instructions.

Ordinary Resolutions

1. To receive the Annual Report and Accounts for the year-ended 31 March 2021

2. To declare a final dividend of 15.36 pence per share

3. To re-elect Charles Berry as a Director of the Company

4. To re-elect Ken Lever as a Director of the Company

5. To re-elect Helen Sinclair as a Director of the Company

6. To elect Graham Bird as a Director of the Company

7. To reappoint BDO LLP as auditors to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the members and to authorise the Directors to determine their fees.

8. THAT the Directors of the Company be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the **Act**) to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for, or convert any security into, shares in the Company (**Rights**) up to an aggregate nominal amount of £574,345 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the next Annual General Meeting of the Company or on 30 September 2022, whichever is earlier, and provided further that the Company shall be entitled before such expiry to make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant Rights under such offer or agreement as if this authority had not expired.

Special Resolutions

9. THAT, subject to and conditional upon the passing of resolution 8 above, the Directors of the Company be empowered under section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash and/or to sell or transfer shares held by the Company in treasury (as the Directors shall deem appropriate) under the authority conferred on them under section 551 of the Act by resolution 8 above as if section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

   (a) the allotment of equity securities in connection with any rights issue or other pro-rata offer in favour of the holders of ordinary shares of 50 pence each in the Company (**Ordinary Shares**) where the equity securities respectively attributable to the interests of all such holders of shares are proportionate (as nearly as may be) to the respective numbers of shares held by them, provided that the Directors of the Company may make such arrangements in respect of overseas holders of shares and/or to deal with fractional entitlements as they consider necessary or convenient; and

   (b) the allotment (otherwise than under sub-paragraph (a) above) of equity securities and/or the sale or transfer of shares held by the Company in treasury (as the Directors shall deem appropriate) up to an aggregate nominal amount of £174,044,

and this authority shall expire on the earlier of 30 September 2022 or the conclusion of the Company's Annual General Meeting in 2022 provided that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors of the Company may allot equity securities under such offers or agreements as if the power conferred by this resolution had not expired and provided further that this authority shall be in substitution for, and to the exclusion of, any existing authority conferred on the Directors.

10. THAT, the Company be generally and unconditionally authorised to make market purchases (as defined in the Act) of Ordinary Shares on such terms and in such manner as the Directors may from time to time determine, provided that:

(a) the maximum number of Ordinary Shares authorised to be purchased shall be 521,785;

(b) the minimum price which may be paid for an Ordinary Share is 50 pence;

(c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share (as derived from the Daily Official List) for the five business days immediately preceding the date on which the Ordinary Share is contracted to be purchased;

(d) the minimum and maximum prices per Ordinary Share referred to in sub-paragraphs (b) and (c) of this resolution are in each case exclusive of any expenses payable by the Company;

(e) the authority conferred by this resolution shall expire at the end of the Annual General Meeting in 2022 (or if earlier at the close of business on 30 September 2022) unless such authority is varied, revoked or renewed prior to such time by the Company in a general meeting; and

(f) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed wholly or partly after the expiration of such authority.

Ordinary Resolution

11. THAT, subject to and conditional upon the passing of resolutions 8 and 9 above, the Directors of the Company shall not allot any equity securities (within the meaning of section 560 of the Act) for cash and/or sell or transfer shares held by the Company in treasury (as the Directors shall deem appropriate) pursuant to the authority conferred on them by resolution 9(b) where such allotment and/or sale or transfer is at a price less than net asset value per share after taking into account all fees, costs, subscription commissions and other payments related to such issuance, sale or transfer, without the prior approval of shareholders by way of an ordinary resolution, and this restriction shall expire on the earlier of 30 September 2022 or the conclusion of the Company's Annual General Meeting in 2022.

The Directors consider that all the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its members as a whole. The Directors unanimously recommend that shareholders vote in favour of all the resolutions, as they intend to do in respect of their own beneficial holdings.

By order of the Board

SGH Company Secretaries Limited
Company Secretary
16 June 2021

Registered Office: 6th Floor 60 Gracechurch Street, London, EC3V 0HR

Notice of Meeting Notes:
The following notes explain your general rights as a shareholder and your right to attend and vote at this Meeting or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at close of trading on Thursday 22 July 2021. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
2. Shareholders, or their proxies, intending to attend the Meeting in person are requested, if possible, to arrive at the Meeting venue at least 20 minutes prior to the commencement of the Meeting at 9:40am (UK time) on Monday 26 July 2021 so that their shareholding may be checked against the Company's Register of Members and attendances recorded. **In light of the UK Government's social distancing guidelines associated with the Covid-19 pandemic restricting public gatherings and non-essential travel, physical attendance at the Company's AGM may not be permitted. The Company encourages shareholders to vote electronically, or to appoint the Chairman as their proxy with their voting instructions.**
3. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different Ordinary Share or Ordinary Shares held by that shareholder. A proxy need not be a shareholder of the Company.
4. In the case of joint holders, where more than one of the joint holders' purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
6. You can vote either:
   - → by logging on to www.signalshares.com and following the instructions;
   - → You may request a hard copy form of proxy directly from the registrars, Link Group (previously called Capita), on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
   - → in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

   In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Group at PXS 1 Central Square, 29 Wellington Street, Leeds, LS1 4DL by 10:00am on Thursday 22 July 2021.
7. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
8. The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in note 11 below) will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so. As mentioned above, the Company advises shareholders to vote electronically, or to appoint the Chairman as their proxy as physical attendance in person may not be permitted.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 10:00am on Thursday 22 July 2021. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.
13. As at 16 June 2021 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 3,480,884 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 16 June 2021 are 3,480,884.
14. Any shareholder attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
15. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day from the date of this Notice until the time of the Meeting and may also be inspected at the Meeting venue, as specified in this Notice, from 10:00am on the day of the Meeting until the conclusion of the Meeting: copies of the Directors' letters of appointment or service contracts.
16. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found on the Company's website.

Corporate Information

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G Bird
C R Berry
K Lever

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Please contact a member of the Gresham House team if you wish to discuss your investment or provide feedback on this document. Gresham House is committed to meeting the needs and expectations of all stakeholders and welcomes any suggestions to improve its service delivery. www.greshamhouse.com

Since 1857

Gresham House

Specialist asset management