Gresham House Strategic plc

Strategic Public Equity
Report and Accounts

For the year ended 31 March 2017

Investment returns through bridging the divide between public and private equity markets

Gresham House Strategic ("GHS") plc invests primarily in UK and European smaller public companies, applying private equity techniques and due diligence alongside a value investment philosophy to construct a focused portfolio expected to be comprised of 10-15 companies.

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

Strategic Public Equity

A Private Equity approach to quoted companies

CONTENTS

www.ghsplc.com

HIGHLIGHTS

- Strong investment performance with net asset value ("NAV") increasing 7.6% during the year to 31 March 2017, 19.9%[1] during the 12 months to 31 May 2017 and 20.2%[2] since the appointment of Gresham House Asset Management ("GHAM"). Investment performance has outperformed the FTSE Small-Cap Index since GHAM's appointment with relative low volatility.
- GHS share price increased 8.2% during the year to 31 March 2017 and 16.2% in the 12 months to 31 May 2017.
- The portfolio of investments is tracking in line with GHAM's investment thesis.
- IMImobile ("IMI") has performed strongly with the share price rising 16.7% during the year to 174.5p as of 31 March 2017, and a further 23.8% to 216p as of 31 May 2017 - the result of a strong trading update, good organic growth, cash generation and a successful acquisition.
- Strategic co-investment agreement with Gresham House Strategic Public Equity Fund LP, leading to £4.6 million cash realised on the sale of 23.0% of original holding in IMImobile.
- Realised profits on investments of £1.7 million since GHAM's appointment as Investment Manager.
- In line with the policy to return half of realised profits to shareholders, the Board has recommended a maiden dividend of 15p per share and conducted a share buyback in April 2017, equating to circa £0.8m in returns to shareholders.
- Significant investment in existing portfolio companies and new strategic investment opportunities (including post year-end investments) such as:
  - Supporting further acquisitions for Be Heard Group plc
  - Increasing holding in Northbridge Industrial Services plc
  - Increasing holding in Miton Group plc
  - First pre-IPO investment in MJ Hudson
  - New investment in Warpaint London plc
  - Increasing holding in SpaceandPeople plc
  - New initial investment in Escape Hunt plc

1 Performance from 27 May 2016, reported month end NAV through to 31 May 2017 reported month end NAV
2 Performance from 14 August 2015 through to 31 May 2017

HIGHLIGHTS

- Initial investments in new opportunities as we progress engagement and due diligence

Whilst we believe the market is expensive relative to historic ranges and that the outlook for equity markets remains uncertain, we are finding attractive investment opportunities focusing on smaller companies that tend to lack access to growth capital. We focus on ‘value’ stocks which have a margin of safety and where we can identify catalysts for value creation, and the ability to generate long-term superior returns.

Financial Highlights

- NAV at 31 March 2017 of £39.5 million, increased to £43.4 million as of 31 May 2017
- Realised and unrealised gains on investments of £3.9 million in the year to 31 March 2017 (2016: £3.8 million)
- Profit before tax of £2.8m (2016: £0.3m)
- Earning per share of 76.07p (2016: 8.30p)

CORPORATE INFORMATION

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GHS will use the expertise and experience of its Board, Manager and the Investment Committee to invest in accordance with its Strategic Public Equity principles. The manager will focus on intrinsically undervalued smaller companies, actively and constructively engaging with management teams to identify and affect 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
- Investment committee oversight and governance

Portfolio investments will typically have the following characteristics:

- Investments that can generate a 15 per cent IRR over the medium to long term principally through capital appreciation;
- Profitable, cash generative companies with scope to improve return on capital; and
- Investments where the Manager believes there are value creation opportunities through strategic, operational or management changes.

GHS intends to invest the majority of its capital in a concentrated portfolio of smaller publicly quoted companies, typically with market capitalisations of less than £250 million.

We expect a holding period of three to five years.

In addition, 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.

Dear Shareholder,

I am pleased to report considerable progress having now completed our first full year as Gresham House Strategic operating under the strategic public equity ("SPE") mandate managed by Gresham House Asset Management.

The objective of the strategy is to generate superior returns over the medium term by taking influential stakes mostly in smaller, profitable and cash generative UK public companies with the flexibility to invest in private or pre-IPO opportunities. You will find details of investments made to date in the Manager's report.

We are now halfway into our first three year investing period and I am glad to report that our NAV at the start of the year was 995.7p and increased to 1071.8p by 31st March 2017. As I write, NAV has risen to 1187.7p, up 20.2% since GHAM's appointment in August 2015.

As announced earlier the policy of efficiently returning 50% of the profits from realisations (net of any losses, of which there were none last year) to shareholders has enabled us to propose our maiden dividend of 15p per share and, subsequent to the year-end, to return a further £0.3 million by way of share buybacks. The Board is confident of its ability to afford a good and growing dividend over the long-term and as the portfolio matures.

As forecast last year our ongoing costs have also declined to approximately 3% of NAV. It is our intention to scale GHS which will reduce the total expense ratio further over time.

This sounds and indeed is, all very positive. However, our discount to NAV remains, at 23% as of 31 May 2017. GHAM has implemented a long-term plan to address this historic discount. Our Managers have met with investors throughout the country and maintained a close dialogue with all forms of financial media. Nothwithstanding the rebuilding of the shareholder base welcoming several institutions, wealth managers and private investors to the shareholder register, much favourable publicity and further share purchases by the Board and the team at Gresham House, the discount remains.

"The Board is confident of its ability to afford a good and growing dividend over the long-term and as the portfolio matures."

The Board's view is that there are four main reasons for this:

- GHS is a relative newcomer with a track record of 20 months adopting the SPE strategy within this platform
- We still hold a substantial amount of cash
- Our stake in IMImobile is a large proportion of the investments held at present which should reduce proportionately as the portfolio matures
- Our relatively small size

£9.9 million has been invested since April 2016, including £2.6 million since the year end, bringing the total invested since GHAM's appointment to £15.8 million. The shares of IMImobile also continue to grow in value as the company delivers good organic growth, generates strong cash flows and executes on acquisitions benefiting from strong structural growth trends.

The Board remains alert to the discount, but believes the appropriate actions are being taken and that in the medium-term this discount will narrow as investors see the steady growth of NAV, and as our marketing and investor relations activities continue.

It is also very important to remember the advantage that closed-ended companies with permanent capital, which invest in relatively illiquid investments enjoy over open-ended funds. This was admirably demonstrated after the Brexit vote with open-ended property funds gating investors and changing withdrawal terms. There has also been much publicity recently about investment trusts that have raised dividends for up to 50 years consecutively and an increasing focus at the smaller end of the market which bodes well for GHS.

It should be recalled that in August 2016 we co-invested in the new Gresham House Strategic Public Equity Fund LP (sister fund to GHS, managed by the same team and adopting the same strategy, but targeting private equity investors) by committing to sell 3.9 million shares of IMImobile to the new fund structure at 193.5p. This had the effect of reducing our holding in IMImobile to 36% of our fund at the end of the year.

The Board remains quite cautious about the future with the political and economic uncertainties that surround us. We are also conscious that most markets are at all time highs in absolute terms and in terms of many valuation metrics. Whilst this in no way invalidates our belief in the strategic public equity strategy that focuses on profitable, cash generative, undervalued companies, it underlines the need for very comprehensive research and due diligence by our Managers before they make new investments. Select smaller companies continue to grow and increasingly need long-term supportive shareholders who can provide growth capital. We are seeing several such opportunities and for this reason remain confident in the outlook for our strategy.

I would like to thank our shareholders, our Managers at Gresham house and my fellow Directors for their support

David Potter
Chairman
8 June 2017

INVESTMENT PORTFOLIO HOLDINGS

Holdings greater than 2% of the portfolio as of 31 May 2017

IMImobile

UK based global provider of software and services that enables organisations to maximise the potential of mobile technologies to improve customer engagement by providing a cloud based platform and a suite of software products to help our clients rapidly create and deploy mobile and digital user journeys.

Deal type
Secondary – growth and re-rating

% ownership of the company
13.5%

% of portfolio
39.9%

Value
£17.3m

NB: GHAM controls 17% of IMImobile through shares held in the Strategic Public Equity Fund LP (a sister fund to GHS but catering to a different, private equity investor base)

NORTHBRIDGE

Hires and sells specialist industrial equipment and is the market leading global supplier of loadbanks. The business also supplies the oil and gas sector with specialist drill tools. The company has offices or agents in the UK, Europe, the Middle East and Asia Pacific. Customers include utility companies, the oil and gas sector, shipping, construction, banking, data centres and the public sector.

Deal type
Recovery and growth capital

% ownership of the company
10.9%

% of portfolio
7.7%

Value
£3.3m

NB: GHAM controls 12.3% of Northbridge through shares held in the Strategic Public Equity Fund LP (a sister fund to GHS but catering to a different, private equity investor base

BE HEARD

A digital marketing group operating at the intersection of marketing, technology and e-commerce. The company's vision is to build an agile interconnected group focused on helping clients maximise their return on investment from digital marketing. Their strategy is to acquire and connect best-in-class companies spanning the core digital marketing disciplines, providing management experience, access to deeper resources and a strong platform for growth.

Deal type
Growth capital supporting buy and build strategy

% ownership of the company
10.6%

% of portfolio
7.4%

Value
£3.2m

Miton

A UK domiciled active Asset Manager with an established suite of multi-asset and single strategy equity funds.

Deal type
Secondary – operational gearing and AUM growth

% ownership of the company
3.6%

% of portfolio
5.3%

Value
£2.3m

INVESTMENT PORTFOLIO HOLDINGS

Holdings greater than 2% of the portfolio as of 31 May 2017

The leading global illustrated book publisher and distribution group focused on niche areas of publishing such as cooking and children's books. The business covers subjects that can be better explained using illustrations or photographs.

Deal type
Secondary with primary growth capital supporting acquisitions

% ownership of the company
4.4%

% of portfolio
5.1%

Value
£2.2m

Sells and administers space in high footfall venues, including shopping centres, garden centres, city centres, retail parks and travel hubs. The company matches brands, promoters and retailers campaigns to the venues and footfalls that are right for them, providing an end-to-end service from design and installation of kiosks to ongoing visual merchandising support for retailers to financial management and activity analysis.

Deal type
Secondary – Recovery and growth

% ownership of the company
16.2%

% of portfolio
2.7%

Value
£1.2m

A rapidly growing business within the leisure and entertainment sector that operates 'escape games' which are immersive and experiential, an area of the market benefiting from a significant growth trend as UK consumers shift spending toward experiences and activities

Deal type
Primary – Growth through site rollout with attractive cash generation and return on capital dynamics

% ownership of the company
3.7%

% of portfolio
2.3%

Value
£1.0m

MJ Hudson is an integrated advisor and service provider to the alternative asset management industry covering legal, administrative, fiduciary and regulatory reporting services. The company has operations in London, Jersey, Guernsey, Paris, Luxembourg and New York. MJ Hudson is focused purely on alternatives, a fast growing niche where outsourcing is most prevalent and where longer term funds will provide a valuable and recurring revenue base.

Deal type
Pre-IPO growth capital (convertible loan note)

% ownership of the company
N/A

% of portfolio
2.3%

Value
£1.0m

On 10 August 2015 GHAM was awarded the investment management contract for GHS and the Company adopted a new Strategic Public Equity investment strategy. In October 2015, the Company was rebranded Gresham House Strategic plc (formerly SPARK Ventures plc). The year to 31 March 2017 is therefore the first full year under GHAM's management.

Strategic Public Equity investment strategy

We use the philosophy, approach and techniques adopted by private equity investors to identify investment opportunities that we believe can generate a 15% annualised return over the medium to long-term. Targeting UK and European smaller public companies, the strategy focuses on stocks with characteristics which indicate that the company is intrinsically undervalued, such as low valuation multiples and tangible asset cover. There is a strong focus on cash generation, scope to improve return on capital and where we believe there are opportunities to create shareholder value through strategic, operational or management initiatives.

Our approach is differentiated from other public equity investment strategies in several ways, including: depth of due diligence undertaken; the level of interaction and constructive engagement with management teams and boards; the focused and concentrated portfolio; and the investment horizon in which we typically seek to support a three to five year value creation plan with identified milestones and catalysts.

In addition to our financial return criteria, we apply a qualitative assessment matrix (Quality-score) to investment opportunities looking at:

- Market characteristics and dynamics
- The company's competitive positioning within the market, including barriers to entry, ability to grow, pricing power, and client/customer quality
- The strength, experience and alignment of management
- The financial characteristics, focusing on areas such as customer concentration, sustainability of margins, capital intensity and cashflow characteristics, stability and predictability
- The likely attractiveness to other buyers, whether institutional, trade or private equity
- Our ability to acquire a stake and assist in value creation and enhancement

We also make use of a network of seasoned executives from a range of professional and commercial backgrounds with whom we consult, including those who form part of the Gresham House Advisory Group.

GHAM believes this approach can lead to superior investment returns exploiting inefficiencies in certain segments of the public markets. There are over 1,000 companies in the FTSE Small Cap index and on AIM. These companies typically suffer from a lack of research coverage and often have limited access to growth capital.

In addition to publicly quoted companies, we also have the flexibility to invest up to 30% of the portfolio in selected unquoted securities including preference shares, convertible instruments and other forms of investments enabling us to support pre-IPO and take private opportunities.

Market commentary

The period since our last annual report has been characterised by uncertainty with several significant political events in the UK, Europe and the US. Investors have had to navigate continued uncertainty over the terms of Brexit, the re-emergence of a threat of a Scottish referendum, the US presidential election as well as pockets of uncertainty in Europe and a snap election in the UK. This is in addition to slowing growth in Asia, continued oil price volatility, and uncertainty surrounding the prospect of interest rate rises with rising inflation pointing in this direction.

Against this uncertain backdrop the NAV of GHS made steady progress, increasing by 7.6% during the 12 months to 31 March 2017. NAV has risen by 19.9% over the

12 months to 31 May 2017 and 20.2% since GHAM's appointment, outperforming the FTSE Small-Cap Index, despite the high cash position in the fund[3].

The FTSE All Share and Small-Cap Indices reached highs in March 2017 (they have subsequently gone on to hit all-time highs in May) and the Bank of England increased growth forecasts in February from 1.4% to 2.0% for 2017, acknowledging the UK's performance had been stronger than predicted immediately following the Brexit vote. We have also seen good GDP growth in Germany and an increasing focus on European equities. The cash position within the portfolio has, as a consequence, acted as a drag on relative NAV performance. Pleasingly our investments have delivered strong returns to date and, except for recovery play SpaceandPeople plc (discussed below), all are tracking in line with our investment thesis.

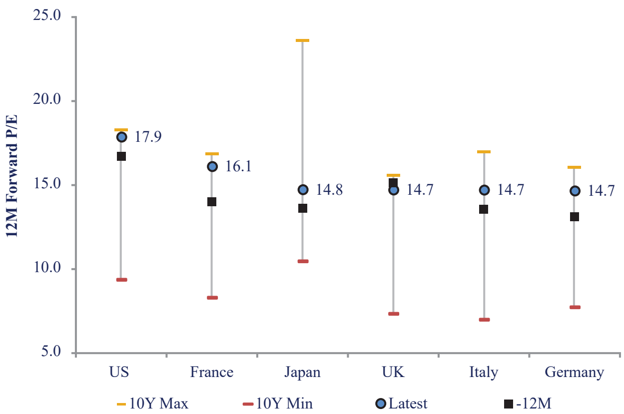
UK companies appear to be in relatively robust shape, however, we are still operating in uncertain times and we believe there is potential for increased market volatility surrounding the Brexit negotiations and implementation, Trumpenomics and the impact of inflation on real incomes and consumer sentiment. Brexit is having an impact in two ways. Firstly, the weakness in sterling, while a positive for companies with overseas earnings and for UK manufacturing, has accelerated inflation, reduced consumer real incomes and is damaging what remains relatively fragile consumer confidence. Secondly it creates uncertainty over future trading relationships, employment of European nationals and concerns over slowing growth as investment decisions are put on hold until we can get further clarity.

Global equity markets are currently expensive compared to historic levels and the largest, the US market, which represents more than half of global equities, is registering the highest relative readings. In the US, the cyclically adjusted price to earnings ratio ("CAPE") which measures the 10-year average earnings as a percentage of market value is trading towards the top end of historic ranges.

"Much of the increase in valuations in the UK has been driven by market re-rating, weakness in sterling and increased dividends rather than earnings growth and upgrades"

The position is similar in the UK where the FTSE All-Share Index, as a multiple of prospective earnings, is trading close to its 10-year high (fig.1) and has a CAPE ratio of 16 versus its 10-year average of 14.4[4]. Consequently, at a macro level, we continue to believe markets are expensive. Much of the increase in valuations in the UK has been driven by market re-rating, weakness in sterling and increased dividends rather than earnings growth and upgrades (fig.2 and fig.3). Furthermore, companies are trading close to peak operating margin ranges.

Fig.1 – UK valuations are expensive relative to historic ranges

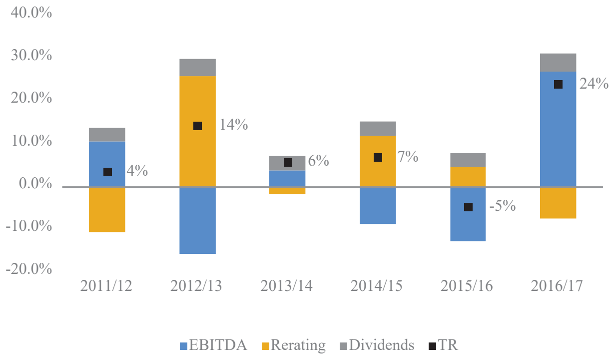


Source: Panmure Gordon economic outlook report, data run as of 31st May 2017

3 *Gresham House calculation and Bloomberg data. GHS NAV growth from 14th August 2015 to 31 May 2017 relative to the FTSE Small-Cap Index (excluding Investment Trusts).*

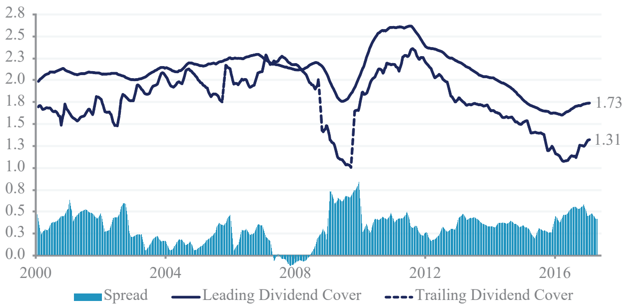
4 *Panmure Gordon economic report, 31 May 2017.*

Fig.2 – FTSE All-Share Index - Return Drivers



Source: Panmure Gordon economic outlook report, data run as of 31st May 2017

Fig.3 – Dividend cover



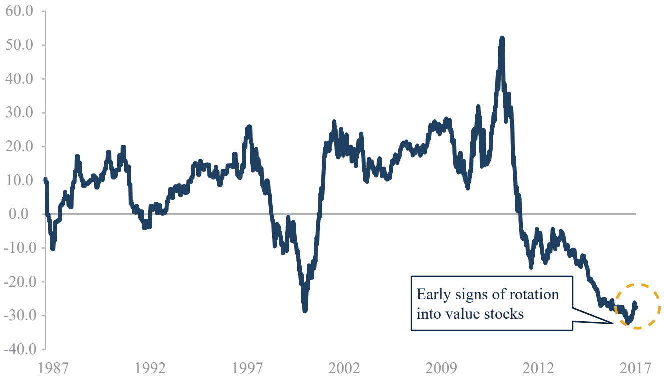
Source: Panmure Gordon economic outlook report, data run as of 31st May 2017

Recent analysis by the ONS showed a steady increase in input prices in the UK, which are growing at a faster rate than consumer prices. We believe this points to two things; firstly, that the UK consumer is yet to feel the full impact of inflationary forces and secondly, that those companies with limited pricing power will find margins under increasing pressure. Smaller companies tend to be valued at a discount to their larger peers (fig.4) and we see scope for superior returns for investors focusing on companies below £250m market cap. In particular, we see opportunities for those exhibiting value characteristics, trading below intrinsic value, thus providing downside protection, and that generate strong cash flows - 'value stocks'. Value stocks have been overlooked for much of the last 10 years with investors favouring perceived quality and momentum growth companies. We believe this trend has begun, and will continue, to reverse and note that in the past when we start to see a rotation back into value it is significant (fig.5).

Fig.4 – FTSE All Share Index median EV/EBITDA multiple (x)

Source: Bloomberg data 31 May 2017, trailing 12 month EV/EBITDA

Fig.5 – 10Y rolling relative performance of MSCI World Value vs Growth



Source: Morgan Stanley

Performance review

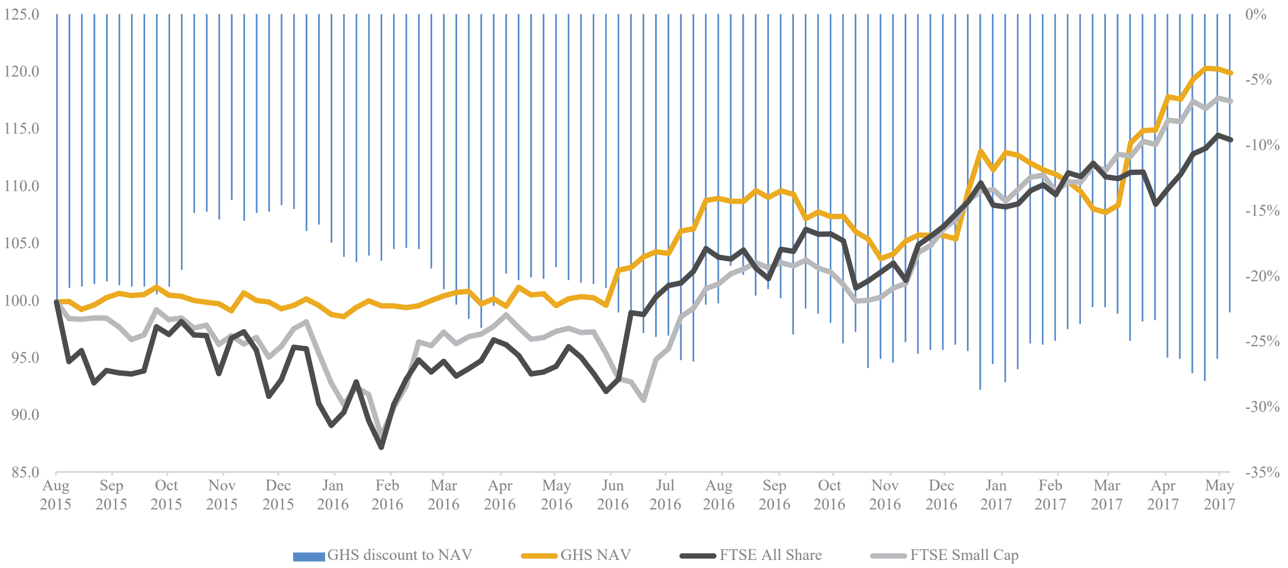
The GHS share price increased by 8.2% during the financial year to 31 March 2017, 16.2% in the 12 months to 31 May 2017 and is up 18.8% since GHAM's appointment in August 2015[5]. This is against a resilient performance and strong increase in NAV of 20.2% from GHAM's appointment to 31 May 2017 with low volatility relative to the FTSE Small-Cap Index. Frustratingly the 23.0% discount at which the Company's shares trade relative to the net asset value per share of its portfolio remains wide when compared to similar funds as at 31 May 2017.

As at 31 May 2017, we hold a portfolio of 11 companies with 8 investments above 2% of the portfolio. The medium-term target is for 10-15 stocks to represent more than 80% of the total portfolio.

5 *Tracks share price increase from GHAM's appointment on 14 August 2015 (when the Company first reported NAV under the new SPE strategy) through to 31 May 2017.*

We believe the current portfolio of companies is attractively valued with strong cash generative characteristics. We look at every investment to establish the key drivers of investment returns: earnings growth, potential for market re-rating, and/or cash generation delivering equity value through cash returns to shareholders and debt reduction. We see significant potential upside within our portfolio and through buying GHS shares at the current 23% discount to the NAV per share[6], investors have the opportunity to gain exposure to a portfolio of 11 companies at a weighted valuation of circa 6x forward EV/EBITDA (stripping out cash from the portfolio) which in aggregate are forecast to grow earnings at more than 20% per annum.

Fig 6 – GHS relative performance



Source: GHAM and Bloomberg data, as of 31st May 2017

Performance %	Since appointment to 31 May 2017	12 months to 31 March 2017	12 months to 31 May 2017	Calendar year to 31 May 2017
GHS NAV	20.2	7.6	19.9	13.9
FTSE Small Cap Index excluding Investment Trusts	17.8	16.6	20.6	9.8
FTSE All Share Index excluding Investment Trusts	14.3	17.9	19.0	6.1
Relative performance				
vs FTSE Small Cap Index (excluding Investment Trusts)	2.4	(9.0)	(0.7)	4.1
vs FTSE All Share Index (excluding Investment Trusts)	5.9	(10.3)	10.9	7.8

Portfolio metrics	
Low volatility of returns – Information Ratio vs FTSE Small-Cap Index[7]	1.5
EV/EBITDA[8]	6.6x
Growth[8]	>20%
Free cash flow yield[8]	10%

6 *As of 31st May 2017*
7 *GHAM calculation. Volatility of returns relative to FTSE Small-Cap Index (14 Aug 2017 – 31 May 2017).*
8 *Through buying GHS shares at the current price (a 23% discount to NAV as at 31 May 2017) and excluding the cash position, an investor gains exposure to an attractive portfolio of investments which on a weighted portfolio average trades on an EV/EBITDA multiple of 6.5x, while growing EBITDA in excess of 20% and generating strong weighted average free cash flow. The calculation excludes Escape Hunt where live forecasts are not available in the market yet post IPO.*

NAV performance attribution

There were several drivers of portfolio performance, the principal ones of which are outlined below:

IMImobile (IMO) was a significant driver of performance in the portfolio. GHS reduced its holding in IMO in August 2016 as part of a strategic co-investment with the Gresham House Strategic Public Equity Fund LP, benefitting portfolio construction and in so doing realising a sizeable profit, half of which is to be returned to GHS shareholders. The share price subsequently fell over the short-term given currency movements but rebounded strongly responding to positive results announcements, contract wins and an earnings enhancing acquisition positioning the company as a leading supplier in its field to UK banks. The company is well positioned to continue this trend throughout 2017. IMImobile's performance contributed 75.7% to the NAV performance in the year to 31 March 2017.

Miton Group also contributed 22.5% to the NAV performance during the year to 31 March 2017. The decision to add to our holding in April 2016 taking advantage of short-term share price weakness has, to date, been proven to be right.

The portfolio also benefited from a strong short-term return from its initial investment in **Warpaint London** through its IPO in November 2016 which added 18.2% to NAV performance.

SpaceandPeople had a challenging year and this is reflected in the negative attribution of -28.7% during the period. In early January, we increased our holding and further engaged with management. We have since seen stronger trading, a renewed focus on the core UK business and positive trading updates driving positive attribution post period-end.

	£'000	£ per share	
NAV as at 01/04/2016	**36,712**	**996p**	**Contribution %**
Be Heard	150	0.04	5.3
IMImobile	2,122	0.58	75.7
Miton Group	632	0.17	22.5
Northbridge Industrial Services	196	0.05	7.0
Quarto	(18)	0.00	-0.6
SpaceandPeople	(806)	-0.22	-28.7
Realisation of IMImobile shares	914	0.25	32.6
Realisation of Warpaint London	511	0.14	18.2
Costs and other investment movements	(896)	-0.24	-31.9
NAV as at 31/03/2017	**39,517**	**1072p**	
Be Heard	44	0.01	1.0%
IMImobile	3,347	0.91	78.2%
Miton Group	(154)	-0.04	-3.6%
Northbridge Industrial Services	819	0.22	19.1%
Quarto	(45)	-0.01	-1.1%
SpaceandPeople	506	0.14	11.8%
Realisations	114	0.03	2.7%
Costs and other investment movements	(458)	-0.12	-10.7%
Share buyback	(285)	0.03	2.5%
NAV as at 31/05/2017	**43,404**	**1188p**	

* *GHAM calculations*

Dealing activity

GHS added to its holding in **Miton Group plc**, increasing its stake in the company through 5% following a material fall in Miton's share price in April 2016 precipitated by the resignation of two 'star' fund managers. The long-term thesis supporting our investment in Miton remained unchanged, albeit this had created a short-term challenge. We continued to see scope for the group to grow AUM through new fund launches, recovery in its multi-asset product suite, and continued growth within existing funds – all supported by a scalable platform. Whilst it was clear AUM growth would be hit in the near-term as the management team appointed a new fund manager for the Value Opportunities Fund, our view had always been that the company could grow AUM. The fund manager departures represented a backward step, which we believed would create a 6-8-month delay in our thesis. To date we have been proven right as Miton's momentum elsewhere in the business continued to offset outflows. Overall, the company has now recovered, delivering strong AUM growth, exceeding levels seen this time last year, a significant uplift in profits and continued strong cash generation supporting a doubling of its dividend plus a share buyback. The company has visibility and clear scope to continue that trend given very strong investment team performance across its fund suite, the successful launch of its European equity fund now above £100m with increasing investor focus on a recovery in European markets, and the launch of its infrastructure fund which has been well received by investors. We also note the strong investment performance from Andrew Jackson who took over the management of the Value Opportunities Fund, impressive given he had to navigate significant initial fund outflows. Our investment in Miton Group has generated a total return of 47.7% to date.[9]

Following our cornerstone investment in May 2016, we increased our holding in **Northbridge Industrial Services plc** to 11% in September 2016 and continue to see material potential upside over the long-term. The business remains cash generative with a core and solid loadbanks manufacturing and rentals business serving global markets. Its oil tools rental division, Tasman, continues to face near-term challenges given oil price volatility and continued depressed levels of operational and capital expenditure within its client base. However, the company is beginning to see green shoots and a prolonged stabilisation in the oil price bodes well for improved performance over the longer term. Our attractive average entry price remains materially below the value of the assets on the balance sheet, providing downside protection while gaining exposure to the upside and longer term value creation. Our investment in Northbridge has generated a total return of 43.5% since our original investment to date.[10]

In November 2016, we made our first private investment in **MJ Hudson**, an integrated adviser and service provider to the alternative asset management industry covering legal, administrative, fiduciary, marketing and investor relations and regulatory reporting services. MJ Hudson is focused principally on alternatives such as hedge funds and private equity, a fast-growing area of the market which is seeing increasing allocation from pension funds, institutional investors and family offices and is a market segment well known to the Gresham House team. It is an area where outsourcing of services is most prevalent and where we see scope for significant growth in long-term funds creating a valuable and recurring revenue base for MJ Hudson. The company has grown organically as well as through acquisition and GHS initially invested £1 million through a convertible loan note in a pre-IPO funding round. The loan note provides an attractive 20% target return through a combination of a 7% annual coupon and a redemption premium (if redeemed) or conversion discount on an IPO. The initial investment is circa 2% of NAV and allows for further investment in support of the longer-term value creation plan for the business. MJ Hudson was keen to engage with GHAM as a long term strategic partner able to support the business as it progresses to IPO and then throughout its life on the public markets over the long term.

We initially invested £0.8 million in **Warpaint London plc** the fast growing, global and highly cash generative cosmetics business which owns the brand W7 (creative, design focused make up targeting the 16 to 25 age range). Warpaint listed on the AIM market in November and its shares have been extremely well received by investors rising 163% since float to 31 March 2017 and

9 Total return of the company's investment in the relevant stock since GHAM's appointment through to 31 May 2017.
10 Total return on the investments made in Northbridge as of 31st May 2017.

delivered an earnings and cash beat in its maiden set of results. When we invested, the stock was valued at circa 8x EV/EBITDA which we felt was attractive given the cash generative dynamics of the business, the strength of its brand and the growth it was seeing in the UK and Europe as well as in the US. As the share price and resulting valuation increased we decided to take profits as following our money would become increasingly difficult given our disciplined investment process and focus on value. We no longer hold shares in Warpaint and realised a 66.5% total return on our investment. We continue to follow the story and wish the management team the very best as they continue to grow this high-quality business.

SpaceandPeople plc faced several challenges in the period. Following a third consecutive profit warning in January 2017 GHS increased its holding in the company from 11% to 16%. We see opportunity for significant value creation within the UK business and saw the disappointing trading update in January this year as the catalyst for a re-focusing of the strategy and an opportunity to further support the management team. Attention has shifted to cutting costs, restructuring overseas contracts and focusing on improved return on capital and investment in the UK where there is a significant opportunity to benefit from the growth in experiential marketing. It is extremely pleasing to see the fruits of this more focused strategy beginning to come through with the company announcing an excellent Q1 2017 trading update and with its corporate broker upgrading profit guidance. We continue to support management over the long-term and see scope for further profit growth, continued good cash generation which should support the resumption of the company's dividend and an improved market valuation. Adding to our holding at lower levels has gone some way to recovering value in the portfolio given the share price has almost doubled since our increased investment and we see clear scope to generate a profit and positive return for GHS over the medium term. Overall, SpaceandPeople has generated a negative total return of 30.3% since our original investment to date.

We added to our **Be Heard plc** stake in January, participating in a small placing to fund the acquisition of Freemavens. Be Heard has generated a total return of 13.7% since our original investment to date.

We have also made an initial investment of approximately £0.6 million during the period in another exciting opportunity as we progress our diligence and engagement.

Post period-end dealing activity

We made an initial investment of £1.0 million in Escape Hunt plc, a rapidly growing business within the leisure and entertainment sector that operates 'escape games' which are immersive and experiential, an area of the market benefiting from a significant growth trend as UK consumers shift spending toward experiences and activities. The business has attractive return on capital and cashflow dynamics with a significant growth opportunity to roll out in the UK with a highly experienced team with proven track records at Pret a Manger and Giraffe restaurants. We believe the shift from a purely franchise operation to an owner-managed model in certain territories, including the UK, offers an attractive opportunity to capitalise on a material increase in the available profit pool at time when consumer awareness is growing rapidly.

GHS also made initial investments of £0.9 million in two software businesses with a view to building its position alongside further engagement with the companies and management teams.

1 April 2016 – 31 May 2017:

Total invested	£9.9 million
Total realised	£6.9 million
Realised profits	£1.7million

We continue to see attractive investment opportunities and have invested a total of £3.8 million into new and existing opportunities since the beginning of 2017. Our pipeline remains healthy.

Portfolio review

Below we review progress against our investment for each portfolio company above 2% of NAV.

IMImobile – 'High growth business benefiting from mobile data expansion'

IMImobile continues to perform in line with our investment thesis. We had identified initiatives that the management were undertaking over the last 18 months to create value including:

- Simplification of the share capital structure
- More conventional board governance
- Repositioning of the product suite under the IMImobile brand reducing complexity
- Improved investor relations, market engagement and positioning

It is pleasing to see all of those successfully executed by the management team. IMO is trading well growing organically and through acquisition. The company announced the renewal of a major contract in January on terms in line with management expectations and at the same time confirmed the signing of a reseller agreement with a global solutions provider to call centres for its IMIchat product. In February the company simplified its share capital structure with the founders of the business converting their 'B shares' and then, given the healthy demand, placing shares with institutional investors, broadening the share register and removing complexity. Management retain a significant stake in the business.

IMO announced a new contract award with Telenor a leading mobile operator in Scandinavia and SE Asia in March 2017 and followed with the earnings enhancing acquisition of Infracast which makes them the leading supplier to UK banks and resulted in Investec increasing forecasts by 5%. The company is expected to announce its results in June 2017.

The IMO share price has increased 16.7% in the 12 months to 31 March 2017 and has risen a further 23.3% through to 31 May.

IMImobile

Investment Thesis – Profits growth, cash generation, improved stock market valuation

Earnings growth

- Organic revenue growth in US, Europe, Africa
- EBITDA growth
- Operational leverage
- Use of channel partners and resellers to accelerate growth
- Enhancing and complementary acquisitions (strong track record of execution)

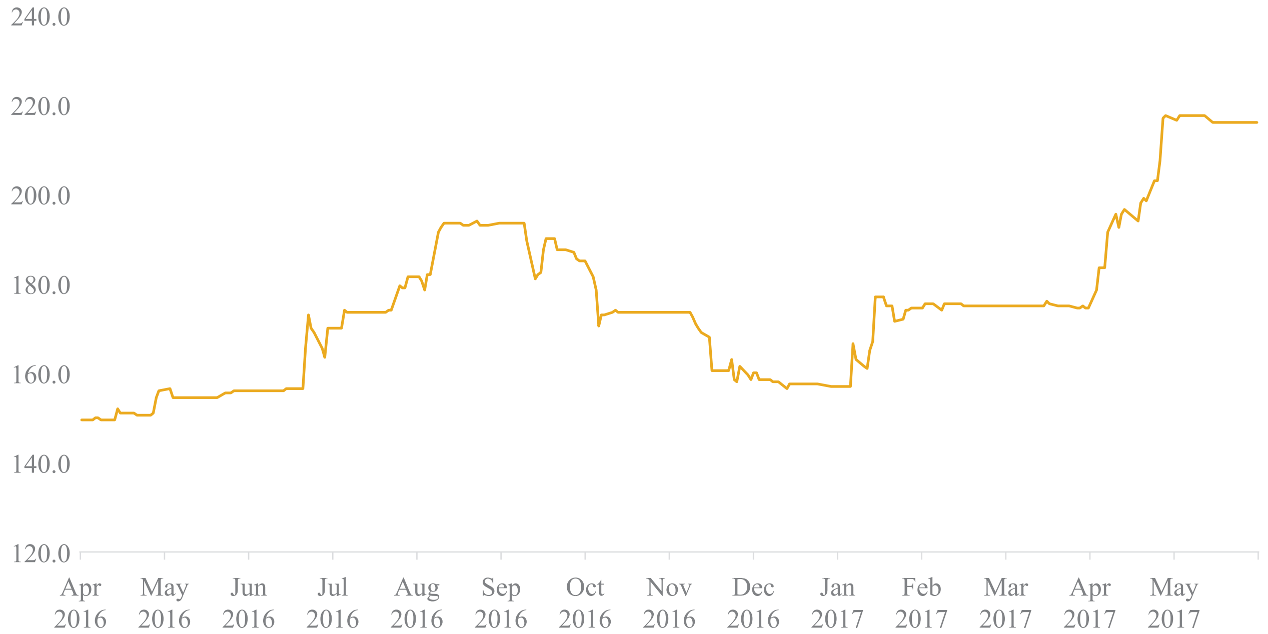
Re-rating

- Delivery against forecasts
- Improved corporate governance and Board composition
- Simplified share capital structure
- Clearer communication of the equity story (new brokers / PR)
- Company moving above £100m market cap threshold opening up new potential investor base
- Currently valued c.10x EV/EBITDA vs a peer group on 12x – 15x

Cash generation

- Business is highly cash generative which supports reinvestment for growth and improving return on capital
- Cash generated from the business enables further acquisitions funded from internal resources
- Scope for improved returns to shareholder through dividends

Share price performance



Be Heard Group plc – **'Primary growth capital supporting a buy and build strategy'**

Be Heard (BHRD) is a digital advertising and marketing group operating at the intersection of marketing, technology and e-commerce with deep expertise and capability across the key pillars of digital communications:

- **Digital marketing**
  Be Heard acquired Agenda 21 in November 2015. Its core business is planning, buying and managing multi-channel marketing campaigns across the digital media spectrum on behalf of its clients including: search engine optimisation, display advertising and social, mobile and programmatic marketing and paid media.
- **Web design and user experience**
  Having acquired MMT in April 2016, Be Heard gained a strong, market leading capability in website design and build, application development and user experience along with a blue-chip client base.
- **Digital content creation**
  Be Heard acquired creative agency Kameleon in December 2016 bringing deep expertise and industry recognised credentials in digital content creation.
- **Data analytics**
  Acquiring Freemavens in February 2017, the group added data analytics to its client service offering providing deep insights and improving client returns on investment in digital marketing.

The company's vision is to build an agile interconnected group focused on helping clients maximise their return on investment from digital marketing. Their strategy is to acquire and connect best in class companies spanning the core digital marketing disciplines, providing management experience, access to deeper resources and a strong platform for growth.

There is a strong market for digital marketing where growth is outpacing traditional media channels. The large media companies have been active acquiring smaller digital media capability but often leave former owner/managers disenfranchised and there is little back office integration within these large groups. This has left a gap in the market for credible, mid-sized companies with international reach. Peter Scott, Executive Chairman and founder of Be Heard, has identified this gap and as a well-known industry participant with an enviable track record, has created a strong management team to build a business, consolidating smaller players to fill this space.

Be Heard is performing in line with our thesis and the share price has increased 12.6% over the 12 months to 31 March 2017[11] having reported solid interim results in September 2016 and with the management team successfully executing four acquisitions proving the business model. Importantly the management team is driving cross-selling synergies and the business recently pitched to a major international consumer brand with success across all four areas of expertise and divisions within the group. The business continues to trade well reporting strong results for the year ended 31 December 2016 and a positive outlook and comment on Q1 trading at its AGM in May 2017. Corporate broker Numis recently increased its earnings forecast by Be Heard by 6% and upgraded its price target to 5p versus the current price of 3.8p as of 31 May 2017.

11 Be Heard Group suspended its shares in March 2017 following the announced acquisition of MMT. The shares resumed trading on AIM on 22 April opening at a price of 3.375p, used to calculate performance to 31 March 2017.

BE HEARD

Investment Thesis – Buy & build, organic growth plus strong cash generation

Earnings growth

- Buy and build strategy backing a management team with a strong long-term record of value creation in the sector
- Already executed on four acquisitions driving cross-selling synergies
- Strong structural growth trend in digital media and engagement

Return on capital

- Market recognition as the business builds critical mass
- Acknowledgement for integration of acquisitions and driving synergies through cross-selling
- Earnings growth, good cash generation result in appropriate valuation in the market with larger more established peers on a rating >10x EV/EBITDA

Cash generation

- Strong cash generation from operations alongside earnings growth expectations
- Cash generated internally to support earnings accretive acquisitions

Share price performance

Northbridge Industrial Services plc – 'Recovery and growth, investing alongside management'

Northbridge Industrial Services (NBI) is a market leading manufacturing and rentals business which hires and sells specialist electrical and oil & gas related equipment in a range of international markets, including the UK, US, Europe and Australasia. End markets include utility companies, shipping, construction, data centres, medical and oil & gas. Loadbank and transformer components are assembled by the group at its manufacturing facility in Burton-on-Trent. Historically, the group has grown organically and through acquisitions, most recently by the acquisition of Tasman Tool, completed in 2014.

Northbridge (NBI) saw its share price rise in Q4 2016 and continue into Q1 2017, a result of positive measures to manage oil output amongst OPEC member states. The company continues to perform in line with our long-term investment thesis. Although the oil price has stabilised the market remains tough and we remain cautious with respect to NBI's tool hire business (Tasman) serving the oil & gas sector. In its interim results announced in September 2016, the Company reiterated that its loadbank and transformer division (Crestchic) continued to perform well in the UK and Europe. We continue to support the management team who are themselves substantial shareholders in the business. NBI continues to generate cash and is well positioned to benefit from growth in its core markets and a recovery and stabilisation in the oil price.

We remain highly supportive and engaged with the management team, having introduced Nitin Kaul who has recently been appointed as a non-executive director. Nitin is well known to the Gresham House team.

The Northbridge share price has increased 42.9% in the 12 months to 31 March 2017.

NORTHBRIDGE

Investment thesis – Recovery and earnings growth, debt paydown, market recognition

Earnings growth

- Recovery P/E multiple below 5x
- Established market leader in load banks manufacturer and rental
- Enhancing and complementary acquisitions - ability to exploit distressed competitors

Re-rating

- Strengthening of balance sheet through re-finance with Gresham House as strategic investor
- Management team significant shareholders in the business
- Current share price at a significant discount to net asset value – underpinned by realisable assets
- Scope for improved messaging and engagement with the market

Cash generation

- Strong cash generation from Load Banks division
- Ability to continue to reduce debt and create value for equity holders
- Management levers - depreciation of fleet impacts earnings but a non-cash impact and ability to control CAPEX

Share price performance

Miton Group – 'AUM growth, significant operational gearing and scope to improve return on capital'

Strong fund investment performance resulted in significant AUM growth at Miton Group plc (MGR). This has resulted in a pleasing operational and financial performance from the group with results in March 2017 confirming a doubling of profits and importantly, signaling a material increase in dividend. The business remains highly cash generative with a balanced suite of single strategy funds and an operational platform that can facilitate continued growth in AUM over the long-term. Importantly the multi-asset funds have seen strong inflows following a repositioning and restructuring of the product and good investment performance. The Value Opportunities Fund which suffered last year following the departure of its lead fund managers has performed extremely well under new manager Andrew Jackson, despite having to manage significant outflows – which now appear to have stabilised. The recently launched European Opportunities Fund has also performed well and is now managing more than £100 million of assets. The smaller company funds continue to perform and grow and it is pleasing to see the US funds benefiting from inflows, fast approaching £300 million.

The management of the cost base is resulting in operational gearing and we saw the positive impact of increased AUM on profits and cash in Miton's recent results announcement. The asset management platform and infrastructure can support significant growth in AUM and the strong balance sheet and good cash generation enables scope to improve shareholder returns through increasing dividends.

The Miton share price has increased 15.2% in the 12 months to 31 March 2017.

Investment thesis – AUM growth, operational gearing, improved return on capital

Earnings growth

- Growth in AUM across single strategy and multi-asset funds
- Good investment performance across funds
- Significant operational gearing with highly scalable platform infrastructure
- Tight cost control and plan to achieve more normalised margin
- Key fund manager retention - new incentive plan

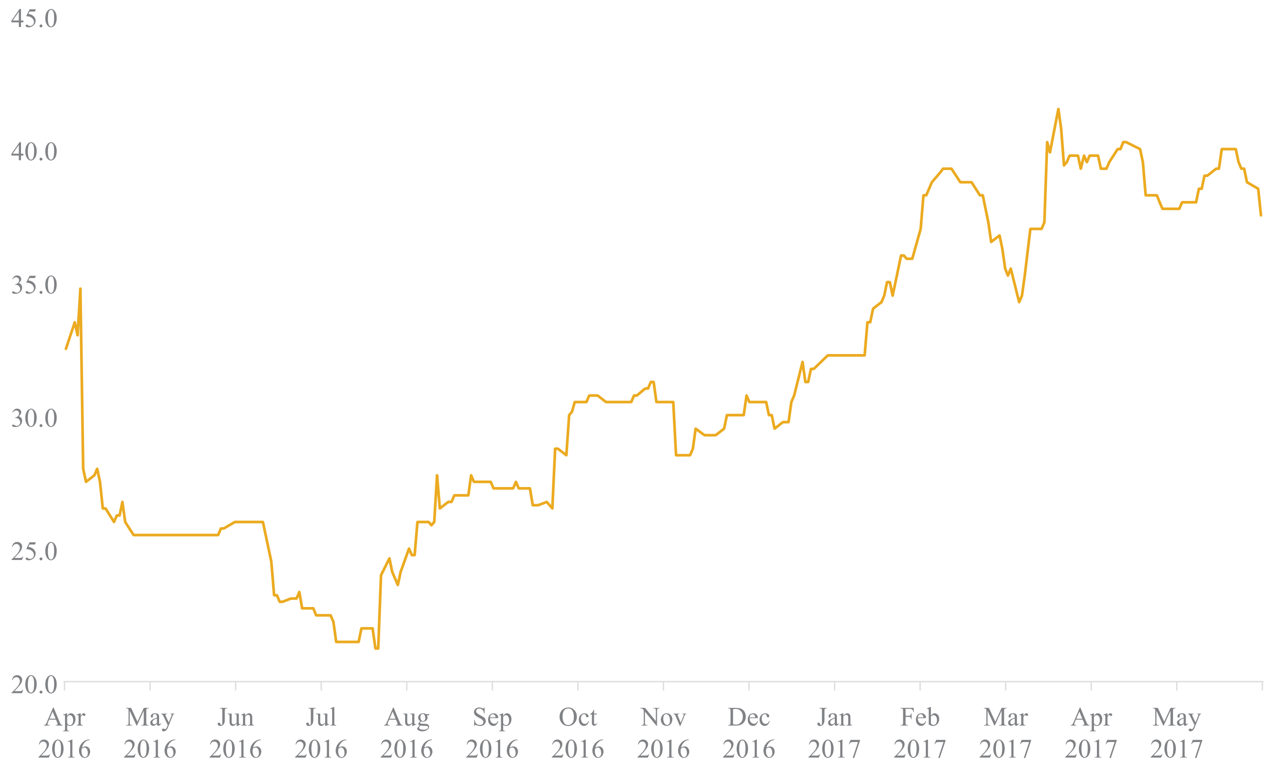
Return on capital

- Strong cash generation and growing dividend
- Share buyback programme and balance sheet efficiency

Cash generation

- Strong cash generation supporting progressive and growing dividend

Share price performance



Quarto Group – 'Organic growth, cash generation and acquisition growth at attractive valuations'

The Quarto investment thesis is centred on single digit organic growth but importantly on the management team's ability to acquire smaller niche publishers at attractive valuations and to drive significant synergies within the Quarto platform to enhance group profitability. The strong cash generation will pay down debt over the long term and enhance shareholder value. The investment in Quarto is tracking in line with our thesis.

Quarto has delivered a good and resilient performance from its niche publishing business with another year of strong growth in children's books. The management team now has an enviable track record of executing enhancing acquisitions following the successful integration of IVY Press and Becker & Mayer and we see scope for further acquisitions this year. Having now disposed of its direct sales business in Australia and its printing division in Hong Kong the management team is solely focused on its core publishing portfolio.

The Quarto share price fell marginally, by 1.2% in the 12 months to 31 March 2017.

Investment thesis – Organic growth, operational efficiency, buy & build

Earnings growth

- Organic revenue growth within higher margin niche publishing (e.g. children's books)
- Removal of non-core, lower margin divisions and a distraction for management
- Continued programme to deliver operational efficiencies
- Proven track record to deliver earnings enhancing acquisitions and drive material platform integration synergies

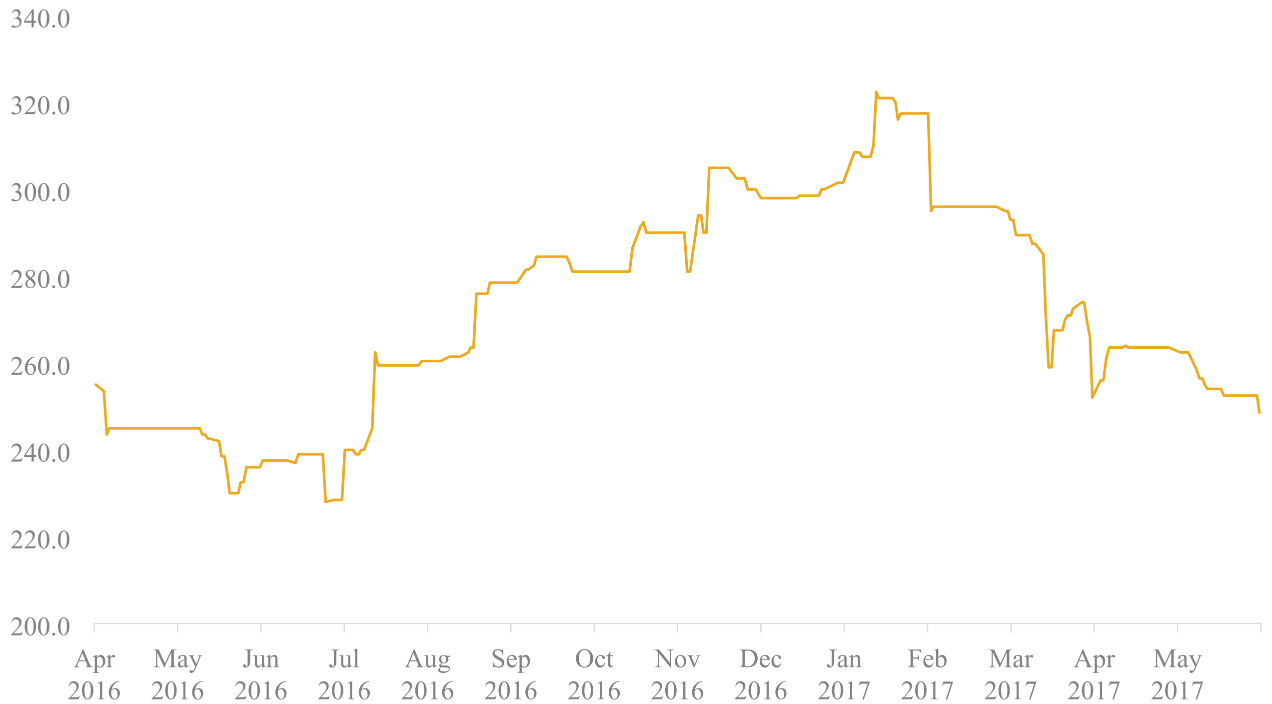
Re-rating

- As the management team delivers on debt paydown and earnings growth we believe the stock will re-rate from c.7x to12x

Cash generation

- High levels of recurring revenues from the back catalogue
- Strong cash generation supporting progressive and growing dividend
- De-leverage / debt paydown

Share price performance



SpaceandPeople plc – 'Recovery alongside a strategic refocus with a return to normalised margins'

As mentioned earlier in this report, SpaceandPeople has faced several challenges and a tough trading environment (primarily in its overseas markets) over the last twelve months, culminating in a third profits warning in January 2017. Although this is clearly disappointing it has resulted in the management shifting focus to the profitable and growing UK business and provided opportunity for further engagement from the GHAM team. We took the opportunity to increase our stake at depressed levels and are now actively engaged with the management team in supporting long-term shareholder value creation and a reversal of the poor operational performance of the business. We have visited the company's headquarters in Glasgow and held several meetings with the CEO, Chairman and co-founder.

We believe the board and management team is now focusing on the right areas of business which will drive much improved performance and we are already seeing the positive results. The company recently announced the award of major UK airport contracts in addition to its network rail contract and reported strong Q1 trading which resulted in the corporate broker upgrading forecasts.

The SpaceandPeople share price fell 33.0% in the 12 months to 31 March 2017.

SpaceandPeople

Investment thesis – Recovery and growth following strategic refocus

Earnings growth

- Re-focus on opportunity in the core UK business
- Restructured and incentivised sales team
- Significant cost reduction plan
- New contract wins and execution on Network Rail and British Land contracts
- Return to growth and normalised margins

Return on capital

- High return on capital (>20%) dynamics of new mobile digital kiosk products (MPK's) successfully rolled out in the UK
- Efficient and focused allocation of capital within high return areas of the business (UK)

Cash generation

- Post restructure the business returns to strong cash generation
- Return to dividend list

Share price performance

Escape Hunt plc – **'Growth through site rollout with attractive cash generation and return on capital dynamics'**

We made an initial investment in Escape Hunt in May 2017, a rapidly growing business within the leisure and entertainment sector that operates 'escape games' which are immersive and experiential, an area of the market benefiting from a significant growth trend as UK consumers shift spending toward experiences and activities.

An escape room is a physical adventure game in which players are locked in a themed room and have to find clues and solve puzzles in order to escape against a countdown clock. Escape Hunt's games typically require players to solve a crime story or mystery, which has been tailored to the location of the branch, within 60 minutes.

The first Escape Hunt branch was opened in 2013 in Bangkok, Thailand. Since then, the business has grown quickly, and now has a franchised global network of branches in 19 countries. The growth strategy now centres on increasing exposure to the UK market through the roll-out of owner managed sites with scope for significantly higher earnings versus the franchise model.

We are backing a highly credible management team with strong track records of delivering a similar model of growth at well-known consumer brands in the UK and overseas (Pret a Manger and Giraffe). The business model has extremely attractive cash flow characteristics and return on capital dynamics

Investment thesis – Growth with attractive cash generation and return on capital dynamics'

Earnings growth	Return on capital	Cash generation
▪ Accelerating growth launching owner managed model in the UK while continuing to expand franchises overseas ▪ Structural growth trend with shift in consumer behaviour, increasing spending on experience driven leisure activities ▪ Low current market penetration - significant opportunity to grow ▪ Scope to increase higher margin corporate usage	▪ Attractive working capital dynamics, customers pay upfront ▪ 18 month payback period on the launch of new escape room sites ▪ Low upfront costs and minimal ongoing capex and operational requirement	▪ As the roll out of owner managed sites advances in the UK the company should generate significant cash flows ▪ Expected to accelerate growth in the UK self funded from internally generated cashflow ▪ High cash conversion rates

MJ Hudson – 'pre-IPO investment'

MJ Hudson is the first private investment in the portfolio. GHS initially invested £1 million through a convertible loan note structured to generate a 20% annualised return in a pre-IPO funding round. The business is growing organically and through acquisition in what remains a fragmented market.

We meet with the CEO and management team frequently and the business is performing well and in line with expectations. We expect further opportunity to put more money to work through the same convertible loan note structure in support of acquisitions.

Outlook

We continue to believe the market is expensive and the outlook for equity markets remains uncertain. Now is the time to be switching out of over owned and highly valued 'growth stocks' into 'value stocks' that have been overlooked for much of the last ten years. Within this area of the market smaller companies continue to face barriers to accessing growth capital and significant market inefficiencies remain. Smaller companies, especially those below £100m market capitalisation tend to be attractively valued. Our Strategic Public Equity strategy focuses on smaller companies that are intrinsically undervalued, cash generative and with attractive return on capital dynamics 'value stocks' and we are seeing increasing investment opportunities in this area. Having permanent capital and being prepared to invest over longer time horizons we are in a strong position to make new investments as company management teams are increasingly eager to engage with potential shareholders who can support value creation plans through the provision of growth capital over the long-term.

"Now is the time to be switching out of over owned and highly valued 'growth stocks' into 'value stocks' that have been overlooked for much of the last ten years."

We have seen increasing interest in GHS, with several institutional, wealth manager and private investors joining the share register. Halfway through the three year investment period, GHAM remains focused on investing its cash in attractive opportunities, in increasing the marketing of the Company and widening its exposure within the investment community with the narrowing of the discount a key objective.

Our thorough investment and due diligence process takes time and we have a very healthy and well developed pipeline of investment opportunities with several being worked through to advanced stages with our Investment Committee.

Gresham House Asset Management Limited
8 June 2017

Investment Team

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

Tony is an experienced investor and adviser to public and private equity businesses. Tony established SVG Investment Managers (a subsidiary of SVG Capital plc), acting as CEO and then Chairman, and launched Strategic Equity Capital plc. His previous appointments include CEO of SVG Advisers (formerly Schroder Ventures (London) Limited), membership of the UK Investment Committee of UBS Phillips & Drew Fund Management (PDFM), Chair of Downing Active Management Investment Committee and the Board of Schroders Private Equity Funds. He is currently Chairman of the London Pensions Fund Authority Investment Panel, and Independent Non-Executive Director of JP Morgan Private Equity Limited plc (JPEL).

Graham Bird
Fund Manager and member of the Investment Committee

Graham leads the strategic public equity team alongside Tony Dalwood. He is experienced in Fund Management and in building both corporate advisory and Asset Management businesses.

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 multinational 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 Masters degree in Economics from Cambridge University.

Pardip Khroud
Investment Team

Pardip is responsible for sourcing, appraising and managing both public and private equity transactions across a range of sectors.

She has a Bachelor’s Degree in Accounting and Finance from the University of Manchester and qualified as a UK Chartered Accountant with KPMG.

Previously Pardip worked at LDC, the private equity arm of Lloyds Banking Group, where she assumed Board positions on uSwitch (Price Comparison Website) and Bluestone (Financial Services).

Laurence Hulse
Investment Team

Laurence is a part of the Investment Team at Gresham House, working on both public and private equity transactions across a range of sectors.

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’s.

Investment Committee

Thomas (Tom) Teichman

Tom has 30 years VC & banking experience and founded Spark in 1995. Former Investment Committee member at Brandt's, Credit Suisse, Bank of Montreal and Mitsubishi Finance London. Start-up investor/Director of lastminute.com, mergermarket.com, Chairman of Kobalt Music, notonthehighstreet.com, ARC, MAID, amongst others. Investor/Director in System C Healthcare, Argonaut Games, World Telecom. Delivered various disposals to trade, P-E, and through IPO. BSc Econ(Hons). He is a Non-Executive Director of Market-Tech.

Bruce Carnegie-Brown

Bruce is Chairman of Moneysupermarket.com Group plc. He is also Vice Chairman and Lead Independent Director of Banco Santander S.A. and a Non-Executive Director of Santander UK plc. Until November 2015, he was Chairman of AON UK Ltd. Bruce was previously Managing Partner of 3i Quoted Private Equity and a member of the 3i Group Management Committee. Prior to that CEO of Marsh Ltd and President of the European insurance division of Marsh & McLennan Companies Inc. He worked for JP Morgan in a variety of senior roles in the UK and Asia, including Chairman and CEO of JP Morgan Securities Asia, Senior Credit Officer for JP Morgan Europe and Head of European and Asian Debt Capital Markets.

Rupert Robinson

Rupert has over 25 years' experience in Private Wealth and Asset Management. Former CEO and CIO of Schroders Private Bank he was instrumental in driving organic growth in AUM which doubled between 2008 and 2012 from £4.5bn to more than £9bn. Prior to Schroders, Rupert was Head of UK Wealth Management at Rothschild Asset Management.

BOARD OF DIRECTORS

David Potter
Non-Executive Chairman

David is currently a Non-Executive Director of Fundsmith Emerging Equities Trust, Chairman of Illustrated London News and an advisory director of Alva Capital. He is also a Council member of The Centre for the Study of Financial Innovation, Chairman of the National Film and TV Foundation, The Bryanston Foundation and a Trustee of Worldwide Volunteering. He is a member of the Investment Committee of King's College London where he is a Fellow.

David is the former Deputy Chairman of Investec Bank UK. Prior to this he was Group CEO of Guinness Mahon Group. He was a Managing Director of Samuel Montagu, Midland Montagu and Midland Global Corporate Banking (now HSBC). David was also a Managing Director of CSFB and its predecessor companies.

Appointed to the Board on 20 March 2002 and became Chairman on 25 September 2009.

Charles Berry
Non-Executive Director

Charles is Corporate Development Vice President for DST Systems Inc, a US quoted technology and services business supporting the asset management industry. Charles was formerly an executive with SPARK from 2001 to 2005 working as a Director at Aspex, Mergermarket, Kobalt, and Insurancewide.com. Since leaving his executive role, Charles has worked at Virgin Group building Virgin's mobile phone and related ventures around the globe. He has also worked with Lloyds Banking Group on restructuring the bank's customers and the Group's Strategy.

Appointed to the Board on 15 September 2004, Charles is Chair of the Audit Committee.

Kenneth Lever
Non-Executive Director

Ken Lever is Chairman of RPS Group plc. He is a non-executive Director of Biffa plc, Blue Prism Group plc and Vertu Motors plc. He is also a non-executive director of FM Insurance Company Limited (a wholly owned subsidiary of FM Global).

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.

Helen Sinclair
Non-Executive Director

Helen is currently a Non-executive Director of The Income & Growth VCT plc, Mobeus Income & Growth 4 VCT plc, FTGS 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) in early 2000 raising Mobeus Income & Growth 2 VCT plc (formerly Matrix e-Ventures VCT plc). 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.

Gresham House Strategic plc is a member of the Association of Investment Companies and has regard to the AIC Code of Corporate Governance, which sets out a framework of best practice for its member companies.

The Board

The Chairman of the Board is independent and all of the Directors are independent of the Investment Manager. All of the Directors will stand for re-election at each AGM. The Board has a policy to have a balance on the Board in terms of Directors' tenure, so that the knowledge and experience of the Company which is brought by longer serving Board members can be complemented by the addition of diverse insights and approaches brought by newer Board members.

Biographical details of each of the Directors are given on page 33. The Directors have a range of skills, knowledge and experience. An induction programme is arranged for new Directors which is tailored to their particular needs.

The Board considers investment performance, investor relations, share price performance and other relevant matters at each Board meeting. The Board has a dedicated strategy session at least annually. Policies have been agreed with the Investment Manager and outsourced administration, accounting and company secretarial provider to cover key operational issues.

Board committees

The Board has an audit committee, the members of which are Charles Berry (Chairman), Ken Lever and Helen Sinclair. The committee meets at least twice a year before the release of the full and half year results.

The Board does not consider it necessary to have a remuneration committee. It has agreed that the work which would be undertaken by a management engagement committee will be undertaken by the whole Board. The whole Board also acts as the nomination committee. The performance of and contractual arrangements with the Investment Manager will be reviewed at least annually.

Shareholder communications

The Board receives a regular analysis of the Company's shareholders, which allows it to communicate with them on relevant issues.

Approved by the Board of Directors
and signed on its behalf:

Augentius Corporate Services Limited
Company Secretary
8 June 2017

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 2017.

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 is expected to be comprised of 10 to 15 companies.

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

Directors

The Directors who served during the year were:

D R W Potter
C R Berry
K Lever
H R Sinclair

Directors' indemnity

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

Share capital

There were no changes to the Company's share capital during the year. At 31 March 2017, the Company's issued share capital was 3,843,275 ordinary shares of 50p each, of which 155,771 shares were held in treasury.

Since the year end the Company has bought back a total of 33,000 ordinary shares of 50p each at prices ranging from 831p to 865p. The shares have been cancelled. The Company's issued ordinary share capital at 8 June 2017 was 3,810,275 ordinary shares of 50p each of which 155,771 shares are held in treasury.

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

Substantial interests

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:

	Number of shares held	% of voting rights
Gresham House Holdings Ltd	706,806	19.34%
M&G Investment Management	431,284	11.80%
River & Mercantile Asset Management	312,130	8.54%
Trium Capital Managers Ltd	206,722	5.66%
Smith & Williamson Investment Management	261,856	7.16%
Credo Capital	121,316	3.32%
Michael Whitaker	114,161	3.12%

Dividends

No dividends were paid during the year (2016: £Nil). A final dividend of 15p per share is proposed in respect of the year ended 31 March 2017. If approved by shareholders at the AGM, the dividend will be paid on 21 July 2017 to shareholders on the register of members at close of business on 23 June 2017.

Risks

The principal uncertainty regarding the Company's future financial performance is the performance of its investment portfolio and of IMImobile in particular, given that it forms a relatively high proportion of the Company's investment portfolio.

As set out in note 13, the Directors do not consider that the Company faces any significant credit risk, liquidity risk or cash flow risk.

Share price

The average share price of the Company's quoted ordinary shares in the year ended 31 March 2017 was 800.1 pence. In the year the share price reached a maximum of 867.5 pence and a minimum of 747.0 pence. The closing share price on 31 March 2017 was 767.5 pence.

Going concern

The Directors consider the Company to be a going concern. See note 1 for details.

Directors and their interests

The Directors serving during the year ended 31 March 2017 had the following interests in the share capital of the Company:

		Ordinary shares	
	8/06/2017 No.	31/03/2017 No.	31/03/2016 No.
C R Berry	2,550	2,550	2,550
K Lever	3,330	3,330	3,330
D R W Potter	14,576	14,285	5,558
H R Sinclair	1,767	1,767	1,767

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.

		Ordinary shares	
	8/06/2017 No.	31/03/2017 No.	31/03/2016 No.
G Bird	22,651	22,651	22,651
A Dalwood	31,297	27,597	11,111

Subsequent events

There have been no material events since the date of the statement of financial position other than those detailed in note 15 to the financial statements.

Provision of information to auditor

Each of the persons who is a Director at the date of approval of this report 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

The Notice of Annual General Meeting to be held at 10.00am on Wednesday 5 July 2017 is set out on pages 64 to 68. Details of the business to be transacted are given below.

Report and accounts

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

Dividend

Shareholders will be asked to approve the final dividend of 15p per share.

Re-election of directors

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

Auditor

BDO LLP has expressed its willingness to continue in office as auditor and a resolution proposing its re-appointment will be put to the AGM.

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 £635,045 (being an amount equal to 33 per cent 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. The Directors have no present intention of using these authorities, if granted.

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 £190,513 (being an amount representing 10 per cent 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 571,541 ordinary shares, representing 15 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 8 June 2017 (the latest practicable date before publication of this document).

The resolution sets minimum and maximum prices. The Directors have no present intention of exercising this authority but will keep the matter under review, taking into account the financial resources of the Company, the Company's share price and future fund opportunities. The relevant authority will be exercised only if the Directors believe that to do so would be in the interests of shareholders generally. Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange. Listed companies purchasing their own shares are allowed to hold them in treasury as an alternative to cancelling them. No dividends are paid on shares held in treasury and they do not carry voting rights.

The authorities contained in resolutions 8 to 10 will continue until the Annual General Meeting of the company in 2018, or 30 September 2018 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 Annual General Meeting 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.

Augentius Corporate Services Limited
Company Secretary
8 June 2017

DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group 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 as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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.

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 TO THE MEMBERS OF GRESHAM HOUSE STRATEGIC plc

We have audited the financial statements of Gresham House Strategic plc for the year ended 31 March 2017 which comprise the Group Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion;

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Stuart Collins (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).

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Notes	**Year ended 31 March 2017 £'000**	Year ended 31 March 2016 £'000
Continuing operations			
Gains on investments at fair value through profit or loss			
Realised gains		**1,614**	427
Unrealised gains		**2,314**	3,351
	8	**3,928**	3,778
Revenue			
Bank interest income		**28**	29
Loan note interest income		**81**	-
Portfolio dividend income		**173**	-
Management fee income		**-**	218
Other income		**13**	-
		295	247
Administrative expenses			
Salaries and other staff costs	3	**(138)**	(138)
Other costs	4	**(1,252)**	(3,625)
Total administrative expenses		**(1,390)**	(3,763)
Profit before taxation		**2,833**	262
Taxation	5	**-**	-
Withholding tax expense		**(28)**	-
Profit for the financial year		**2,805**	262
Attributable to:			
- Equity shareholders of the parent		**2,805**	262
Basic and Diluted earnings per ordinary share for profit from continuing operations and for profit for the year	6	**76.07p**	8.30p

There are no components of other comprehensive incomes for the current year (2016: None).

GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Notes	31 March 2017 £'000	31 March 2016 £'000
Non-current assets			
Investments at fair value through profit or loss	8	**27,003**	21,777
		27,003	21,777
Current assets			
Trade and other receivables	10	**249**	69
Cash and cash equivalents		**12,987**	16,555
		13,236	16,624
Total assets		**40,239**	38,401
Current liabilities			
Trade and other payables	11	**(722)**	(1,689)
Total liabilities		**(722)**	(1,689)
Net current assets		**12,514**	14,935
Net assets		**39,517**	36,712
Equity attributable to the shareholders of the parent			
Issued capital	12	**1,932**	1,932
Share premium		**13,063**	13,063
Revenue reserve		**13,829**	11,024
Capital redemption reserve		**10,693**	10,693
Total equity due to ordinary shareholders		**39,517**	36,712
Net asset value per ordinary share		**1,071.79p**	995.71p

		Number '000	Number '000
Ordinary shares in issue	12	**3,843**	3,843
Shares held in treasury		**(156)**	(156)
Shares in issue for net asset value per share calculation		**3,687**	3,687

These financial statements were approved and authorised for issue by the Board of Directors on 8 June 2017. Signed on behalf of the Board of Directors.

David Potter
Chairman

Charles Berry
Director

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Notes	31 March 2017 £'000	31 March 2016 £'000
Non-current assets			
Investments at fair value through profit or loss	8	**27,003**	21,777
Investments in subsidiary undertakings	9	**-**	534
Deferred tax	5	**-**	716
		27,003	23,027
Current assets			
Trade and other receivables	10	**249**	29
Cash and cash equivalents		**12,987**	16,368
		13,236	16,397
Total assets		**40,239**	39,424
Current liabilities			
Trade and other payables	11	**(722)**	(15,140)
Total liabilities		**(722)**	(15,140)
Net current assets		**12,514**	1,257
Net assets		**39,517**	24,284
Equity			
Issued capital	12	**1,932**	1,932
Share premium		**13,063**	13,063
Revenue reserve		**13,829**	(1,404)
Capital redemption reserve		**10,693**	10,693
Total equity		**39,517**	24,284

The Company's profit for the year was £15.233m (2016: profit of £9.803m).

These financial statements were approved and authorised for issue by the Board of Directors on 8 June 2017. Signed on behalf of the Board of Directors.

David Potter
Chairman

Charles Berry
Director

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	**Year ended 31 March 2017 £'000**	Year ended 31 March 2016 £'000
Cash flows from operating activities			
Cash flow from operations	a	**(1,239)**	(200)
Net cash outflow from operating activities		**(1,239)**	(200)
Cash flows from investing activities			
Purchase of financial investments		**(8,099)**	(1,546)
Sale of financial investments	8	**5,770**	5,195
Net cash (outflow)/inflow from investing activities		**(2,329)**	3,649
Cash flows from financing activities			
Proceeds from share issue		**-**	10,181
Transaction costs on issue of shares		**-**	(111)
Net cash inflow from financing activities		**-**	10,070
Change in cash and cash equivalents		**(3,568)**	13,519
Opening cash and cash equivalents		**16,555**	3,036
Closing cash and cash equivalents		**12,987**	16,555

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

		£'000	£'000
Profit for the year		**2,805**	262
Gains on investments	8	**(3,928)**	(3,778)
Operating results		**(1,123)**	(3,516)
Change in trade and other receivables		**(20)**	(37)
Change in restricted cash		**-**	3,122
Change in trade and other payables		**(96)**	231
Net cash outflow from operations		**(1,239)**	(200)

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Cash flows from operating activities			
Cash flow from operations	a	**(1,194)**	77
Net cash (outflow)/inflow from operating activities		**(1,194)**	77
Cash flows from investing activities			
Purchase of financial investments		**(8,099)**	(1,546)
Sale of financial investments	8	**5,770**	5,195
Proceeds from liquidation of subsidiary	9	**142**	-
Net cash (outflow)/inflow from investing activities		**(2,187)**	3,649
Cash flows from financing activities			
Proceeds from share issue		**-**	10,181
Transaction costs on issue of shares		**-**	(111)
Net cash inflow from financing activities		**-**	10,070
Change in cash and cash equivalents		**(3,381)**	13,796
Opening cash and cash equivalents		**16,368**	2,572
Closing cash and cash equivalents		**12,987**	16,368

Note

a) Reconciliation of profit for the year to net cash outflow from operations

		£'000	£'000
Profit for the year before interest and tax		**15,949**	9,803
Gains on investments	2	**(3,928)**	(3,785)
Non-cash items:			
Investments in subsidiaries written-off		**392**	107,697
Intercompany liability written-off	11	**(13,500)**	(113,946)
Operating results		**(1,087)**	(231)
Change in trade and other receivables		**(67)**	81
Change in trade and other payables		**(40)**	227
Net cash (outflow)/inflow from operations		**(1,194)**	77

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	D shares £'000	Ordinary share capital £'000	Share Premium £'000	Revenue Reserve £'000	Capital Redemption Reserve £'000	Total Equity £'000
Balance at 31 March 2015	10	1,125	9	10,762	10,693	22,599
Profit and total comprehensive income for the year	-	-	-	262	-	262
Shares issued	-	797	13,543	-	-	14,340
Share consolidation adjustment	-	-	9	-	-	9
Transaction costs	-	-	(498)	-	-	(498)
Balance at 31 March 2016	**10**	**1,922**	**13,063**	**11,024**	**10,693**	**36,712**
Profit and total comprehensive income for the year	-	-	-	2,805	-	2,805
Balance at 31 March 2017	**10**	**1,922**	**13,063**	**13,829**	**10,693**	**39,517**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	D shares £'000	Ordinary share capital £'000	Share Premium £'000	Revenue Reserve £'000	Capital Redemption Reserve £'000	Total Equity £'000
Balance at 31 March 2015	10	1,125	9	(11,207)	10,693	630
Profit and total comprehensive income for the year	-	-	-	9,803	-	9,803
Shares issued	-	797	13,543	-	-	14,340
Share consolidation adjustment	-	-	9	-	-	9
Transaction costs	-	-	(498)	-	-	(498)
Balance at 31 March 2016	**10**	**1,922**	**13,063**	**(1,404)**	**10,693**	**24,284**
Profit and total comprehensive income for the year	-	-	-	15,233	-	15,233
Balance at 31 March 2017	**10**	**1,922**	**13,063**	**13,829**	**10,693**	**39,517**

NOTES TO THE CONSOLIDATED 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: 3813450). The Company was formerly named SPARK Ventures plc but took the opportunity to change the Articles of Association at the Annual General Meeting held on 22 September 2015 to permit the Directors to change the Company's name by a resolution of the Board. Accordingly the name was changed to Gresham House Strategic plc on 27 October 2015. The consolidated financial statements for the year ended 31 March 2017 include the financial statements of the Company and its subsidiaries (together 'the Group'). Separate financial statements of the Company are also presented except that the Company's statement of comprehensive income and supporting notes are not included. The same accounting policies were applied in preparing the financial statement of the Company. The accounting policies applied are consistent with the prior year.

Basis of preparation

The consolidated financial statements for the year ended 31 March 2017 have been prepared in accordance with International Financial Reporting Standards ('IFRS') approved by the International Accounting Standards Board ('IASB'), as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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 following new standards, interpretations and amendments which will or may have an effect on the Group, are effective for annual periods beginning on or after 1 January 2017 and have not yet been applied in preparing these financial statements. None of these new standards or interpretations are expected to have a material impact on the financial statements of the Group.

- IFRS 9 'Financial Instruments' will eventually replace IAS 39 in its entirety. This standard becomes effective for accounting periods beginning on or after 1 January 2018. Its adoption may result in changes to the classification and measurement of the Group's financial instruments, including any impairment thereof.

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue' and IAS 11, 'Construction contracts' and associated interpretations. The standard has been adopted by the EU and is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

1 Basis of preparation and significant accounting policies (continued)

Basis of preparation (continued)

- IFRS 16, 'Leases' will primarily affect accounting by lessees and will result in the recognition of most leases in the statement of financial position. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. The only exceptions are short-term and low-value leases. It substantially retains the lessor accounting from IAS 17. The standard replaces IAS 17, 'Leases' and associated interpretations. The standard is yet to be adopted by the EU and will become effective for accounting periods beginning on or after 1 January 2019.

- IAS7 'Statement of Cash flows' as part of the Disclosure initiative. Entities will now be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2017.

- IAS12 'Income Taxes'. This amendment clarifies the accounting for deferred tax where an asset is measured at fair value and the fair value is below the asset's tax base. This amendment is effective for annual periods beginning on or after 1 January 2017.

  Annual Improvements to IFRSs 2014-2016 Cycle

  - IFRS12 'Disclosure of Interests in Other Entities' The amendment clarified the scope of the standard by specifying the disclosure requirements in the standard apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. The Amendment is effective for annual periods beginning on or after 1 January 2017.

  - IAS 28 'Investments in Associates and Joint Ventures' The amendment clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendment is effective for annual periods beginning on or after 1 January 2018.

The Group'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 Group 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 Group's forecasts and projections, taking into account reasonably possible changes in performance, show that the Group is able to operate within its available working capital and continue to settle all liabilities as they fall due for the foreseeable future.

1 Basis of preparation and significant accounting policies (continued)

Basis of preparation (continued)

The Directors have considered the use of the going concern basis for the preparation of these financial statements within the context of the Company's stated investment strategy. The strategy targets superior long-term returns through a policy of constructive, active engagement with investee companies, adopting private equity techniques to manage risk. The Investment Manager (Gresham House Asset Management Limited or GHAM) targets smaller, predominantly quoted UK companies which it believes can benefit from strategic, operational or management initiatives and applies structured investment appraisal, due diligence and risk management on these companies. Accordingly the Directors remain of the view that the going concern basis of preparation is appropriate.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 March each year.

Where the Company has control over an investee, which is not part of its investment portfolio, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Non-controlling interests

All subsidiaries consolidated in these financial statements are 100% owned (Note 9).

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains or losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Financial instruments:

Trade debtors and creditors

Trade debtors and creditors are accounted for at transaction value when asset or liability is incurred. The fair value equals the carrying amount 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)

Financial instruments: (continued)

Financial Investments

Investments are included at valuation on the following basis:

(a) Listed investments are recognised on trading date and valued at the closing bid price at the year end.
(b) Unquoted investments where a significant third party funding event has taken place during the year ended 31 March which establishes a new value for that investment are carried at that value.
(c) Investments considered to be mature are valued according to the Directors' best estimate of the Group's share of that investment's value. This value is calculated in accordance with International Private Equity Valuation (IPEV) guidelines and industry norms and includes calculations based on appropriate earnings or sales multiples.
(d) All other unquoted investments are valued at the Directors' best estimate of the Group's share of that investment's value, taking into account any temporary loss in value. For new investments, the cost of investment is generally considered to be its fair value.

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

Consequently, for measurement purposes, financial investments, including equity, loan and similar instruments, are designated at fair value through profit and loss, and are valued in compliance with IAS 39 'Financial Instruments: Recognition and Measurement', IFRS13 'Fair Value Measurement' and the International Private Equity and Venture Capital Valuation Guidelines as recommended by the British Venture Capital Association.

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

Investments in subsidiaries are reflected in the Company's statement of financial position at cost less any provisions for diminution in value.

Revenue

Sales of services represent the invoiced value of services supplied net of trade discounts, value added tax and other sales related taxes. The sale is recognised upon delivery of the services to the customer provided that all obligations to the customer relating to that delivery of services have been satisfied. If this is not the case then the sale is recognised when all obligations to the customer relating to that delivery of services have been satisfied. 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. Interest receivable is included on an effective interest rate basis. 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.

1 Basis of preparation and significant accounting policies (continued)

Taxation

The tax expense included in the statement of comprehensive income comprises current and deferred tax. Current tax is the expected tax payable based on the taxable profit for the period, 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 (other than in business combination) 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 dealt with in equity.

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 dealt with in the statement of comprehensive income.

The financial statements of foreign subsidiaries are translated into sterling at the actual rates of exchange and the difference arising from the translation of the opening net investment in subsidiaries at the closing rate is dealt with in reserves.

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. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Management believes that the underlying assumptions are appropriate and that the Company's financial statements are fairly presented. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 13. Within Gresham House Strategic plc this relates to the unquoted investments.

Segmental analysis

Segmental analysis is not applicable as there is only one operating segment of the business – investment activities. The performance measure of investment activities is considered by the Board to be profitability and is disclosed on the face of the statement of comprehensive income.

2 Company Statement of Comprehensive Income

The Group has taken advantage of the exemption conferred by s408 CA 2006 to not disclose a full statement of comprehensive income for the Company. The Company's profit for the year was £15.233m (2016: profit of £9.803m). The apparent rise in company income over the year is due to the further writing off of investments in subsidiaries and intercompany balances with the subsidiary entities that were wound up or due to be wound up, where it was certain that the Company will not be able to recover its investments or have to pay back the intercompany balances.

The Company has recognised realised and unrealised investment gains through the statement of comprehensive income of £3.928m (2016: £3.785m).

3 Information regarding Directors and employees

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Directors' remuneration summary		
Basic salaries	**125**	126
Social security costs	**13**	12
	138	138

	Year ended 31 March 2017			Year ended 31 March 2016		
	Emoluments £'000	**Social Security costs £'000**	**Total £'000**	Emoluments £'000	Social Security costs £'000	Total £'000
Analysis of Directors' remuneration						
C Berry	**25**	**-**	**25**	35	-	35
D Potter	**50**	**-**	**50**	50	-	50
H Sinclair	**25**	**-**	**25**	35	-	35
K Lever	**25**	**-**	**25**	6	-	6
Social security costs	**-**	**13**	**13**	-	12	12
	125	**13**	**138**	126	12	138

The Company has no other employees other than the Directors listed above.

	Year ended 31 March 2017 No.	Year ended 31 March 2016 No.
Average number of persons employed (including directors)		
Investment and related administration	**4**	4
	4	4

4 Other costs

Profit for the year has been derived after taking the following items into account:

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Auditors remuneration		
Fees payable to the current auditor for the audit of the Company's annual financial statements	**28**	26
Fees payable to the Company's current auditor and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	**-**	2
Audit related assurance services	**-**	7
Other services relating to taxation	**10**	37
Analysis of other costs:		
Professional fees	**394**	395
Management fee of Quester Venture Partnership	**-**	218
Management and secretarial fee	**697**	503
Management incentive fee	**-**	2,265
Other general overheads	**127**	244
Other items	**34**	-
	1,252	3,625

Management incentive fee of £nil (2016: £2.265m) was paid to the former Investment Manager, Spark Venture Management Ltd, upon termination of the investment management agreement.

5 Tax on profit from ordinary activities

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
UK corporation tax		
Corporation tax liability at 20% (2016: 20%)	**-**	-
Total current tax	**-**	-
Deferred tax	**-**	-
Tax on profit/(loss) from ordinary activities	**-**	-

5 Tax on profit from ordinary activities (continued)

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: 20% (2016: 20%)

The differences are explained below:

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Current tax reconciliation		
Profit before taxation	**2,833**	262
Current tax charge at 20% (2016: 20%)	**567**	52
Effects of:		
Expenses not deductible for tax purposes	**9,331**	29
Non-taxable income	**(10,125)**	(752)
Closing deferred tax averaging	**-**	548
Deferred tax not recognised	**246**	123
Exempt dividend income	**(19)**	-
Tax for the year	**-**	-

Deferred tax

There remains an unrecognised deferred tax asset in respect of tax losses and other temporary differences. The unrecognised deferred tax asset is £26.8 million (2016: £27.8 million), for the Group and £26.8 million (2016: £27.8 million) for the Parent Company. The reduction in the balances for unrecognised deferred tax is due to the reduction in future corporate tax rates and 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 £158m (2016: £158m).

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Company deferred tax asset		
Balance at 1 April	**716**	796
Movement in the year	**(716)**	(80)
Balance at 31 March	**-**	716

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

The deferred tax asset within the Company was to offset a deferred tax liability within another Group Company, Quester Venture GP Limited. As at year end the deferred tax asset in relation to quester Venture GP Limited has been written down to £nil due to imminent liquidation of the subsidiary.

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 period. 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. The adjustment made is to add to the total number of 'in the money' share options in issue to the weighted average number of ordinary shares in issue for basic EPS.

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Earnings		
Profit for the year	**2,805**	262
Number of shares ('000)		
Weighted average number of ordinary shares in issue for basic EPS	**3,687**	3,156
Weighted average number of ordinary shares in issue for diluted EPS	**3,687**	3,156
Earnings per share		
Basic EPS	**76.07p**	8.30p
Diluted EPS	**76.07p**	8.30p

As at 31 March 2017, the total number of shares in issue was 3,843,275 with 155,771 of these shares held in Treasury. There are no share options outstanding at the end of the year.

7 Dividends

There were no dividends paid out during the year ended 31 March 2017 (2016: Nil)

8 Investments at fair value through profit or loss

Group

	Value at 31 March 2016 £'000	**Year ended 31 March 2017**			Value at 31 March 2017 £'000
		Additions £'000	**Disposals at valuation £'000**	**Revaluations £'000**	
Investments in quoted companies	21,734	**6,228**	**(5,930)**	**3,934**	**25,966**
Other unquoted investments	43	**1,000**	**-**	**(6)**	**1,037**
Total investments at fair value through profit or loss	21,777	**7,228**	**(5,930)**	**3,928**	**27,003**

Investments in quoted companies have been valued according to the quoted share price as at 31 March 2017. Investment in other unquoted investments represent the investment in MJH Convertible Bond that was purchased on the 4th November 2016, and a share in Quester Venture Partnership.

The revaluations above are shown on the face of the statement of comprehensive income as realised and unrealised gains or losses on investments at fair value through profit or loss.

8 Investments at fair value through profit and loss (continued)

Company

	Value at 31 March 2017 £'000	Value at 31 March 2016 £'000
Opening valuation	**21,777**	16,496
Acquisitions	**7,228**	6,691
Unrealised and realised gains on valuations	**3,928**	3,785
Disposals	**(5,930)**	(5,195)
Closing valuation	**27,003**	21,777

9 Investments in Subsidiary undertakings

Company

	31 March 2017 £'000	31 March 2016 £'000
Cost:		
Balance at 1 April	**112,072**	120,824
Proceeds from liquidation of Subsidiary	**(142)**	-
Investments in subsidiary undertakings written off	**(111,930)**	(8,752)
Balance at 31 March	**-**	112,072
Impairment:		
Balance at 1 April	**111,538**	12,593
Impairment for the year	**-**	104,645
Impairment written off	**(111,538)**	(5,700)
Balance at 31 March	**-**	111,538
Net book value at 31 March	**-**	534

During the year, £111.9m (2016: £8.75m) of investments in subsidiary undertakings, that were acquired pre 2009, were written off along with the related impairment of £111.5m (2016: £5.7m) and £Nil (2016: £104.6m) of investment in subsidiary undertakings was further impaired as certain subsidiaries were already dissolved, or in the process of being wound up.

10 Other receivables

	Group 31 March 2017 £'000	Group 31 March 2016 £'000	Company 31 March 2017 £'000	Company 31 March 2016 £'000
Amounts owed by subsidiary undertakings	**-**	-	**-**	7
Social security and other taxes	**-**	45	**-**	-
Other debtors	**229**	2	**229**	-
Prepayments and accrued income	**20**	22	**20**	22
	249	69	**249**	29

During the year, a £7k (2016: £Nil) intercompany balance was written off due to a certain subsidiary which was already or in the process of being wound up and it is certain that the Company will not be receiving the intercompany balance.

11 Trade and other payables

	Group 31 March 2017 £'000	Group 31 March 2016 £'000	Company 31 March 2017 £'000	Company 31 March 2016 £'000
Trade creditors	**154**	241	**154**	241
Amounts owed to subsidiary undertakings	**-**	-	**-**	13,465
Social security and other taxes	**6**	8	**6**	7
Other creditors	**500**	1,371	**500**	1,362
Accruals and deferred income	**62**	69	**62**	65
	722	1,689	**722**	15,140

During the year, £13.5m (2016: £113.9m) of intercompany balances were written off due to certain subsidiaries which were already or in the process of being wound up and it is certain that the Company will not be required to repay the intercompany balances.

Included in other creditors is £0.5m that relates to the acquisition of further equity in Private & Commercial Finance Group PLC, an existing investment, in March 2017. This was settled in April 2017 (2016: £1.362m that relates to the acquisition of further equity in Quarto Group).

12 Called up share capital

	Group 31 March 2017 £'000	Group 31 March 2016 £'000	Company 31 March 2017 £'000	Company 31 March 2016 £'000
Called up, allotted and fully paid:				
3,843,275 (2016: 3,843,275) ordinary shares of 50p (2016: 50p)	**1,922**	1,922	**1,922**	1,922
10,000 (2016: 10,000) D shares of 100p (2016: 100p)	**10**	10	**10**	10
	1,932	1,932	**1,932**	1,932

As at 31 March 2017, the total number of shares in issue were 3,843,275 (2016: 3,843,275) with 155,771 (2016: 155,771) of these shares held in Treasury. Since the year end, the Company purchased and cancelled 33,000 of it's own ordinary shares, leaving 3,810,275 ordinary shares in issue, of which 155,771 remained held in Treasury.

12 Called up share capital (continued)

The average share price of Gresham House Strategic plc quoted ordinary shares in the year ended 31 March 2017 was 800 pence. In the year the share price reached a maximum of 868 pence and a minimum of 747 pence. The closing share price on 31 March 2017 was 825 pence.

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

During 2017, there were no purchases or cancellations of Treasury shares.

13 Financial instruments and financial risk management

The Group invests in quoted companies in accordance with the investment policy and Strategic Private Equity investment strategy. In addition to investments in smaller listed companies in UK, the Group 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 2017, £26.0m of the Group's net assets were invested in quoted investments, £1.0m in unquoted investments and £13.0m in liquid balances (31 March 2016: £21.7m in investments and £16.6m in liquidity).

In pursuing its investment policy, the Group 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 Group's financial instruments are due to fluctuations in market prices (market price risk), currency risk and cash flow interest rate risk, although 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 loans and receivables 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 Group'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 Group might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £27.0m (2016: £21.7m).

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

13 Financial instruments and financial risk management (continued)

i) Price risk (continued)

The Board's strategy in managing the market price risk is determined by the requirement to meet the Group's investment objective. Risk is mitigated to a limited extent by the fact that the Group holds investments in several companies. At 31 March 2017, the Group held interests in 8 companies (2016: 6 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.

Market price risk sensitivity

The Board considers that the value of investments in equity instruments is ultimately sensitive to changes in quoted share prices, insofar as such changes eventually affect the enterprise value of unquoted companies. The table below shows the impact on the return and net assets if there were to be a 20% (2016: 20%) movement in overall share prices.

	2017 £'000s Profit and net assets	2016 £'000s Profit and net assets
Decrease if overall share prices fell by 20% (2016: 20%), with all other variables held constant.	**(5,193)**	(4,347)
Decrease in earnings, and net asset value per Ordinary share (in pence)[1]	**(140.85)p**	(117.90)p
Increase if overall share prices rose by 20% (2016: 20%), with all other variables held constant.	**5,193**	4,347
Increase in earnings, and net asset value per Ordinary share (in pence)[1]	**140.85p**	117.90p

The impact of a change of 20% (2016: 20%) 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.

ii) Currency risk

The Group 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 Group 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 Group 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 Group's cash resources are placed on 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 Group.

13 Financial instruments and financial risk management (continued)

b) Credit risk (continued)

The Group's maximum exposure to credit risk is:

	31 March 2017 £'000s	31 March 2016 £'000s
Loan stock investments	**1,000**	-
Cash and cash equivalents	**12,987**	16,555
Trade and other debtors	**249**	69
	14,236	16,624

Credit risk relating to loan stock investments in unquoted companies is considered to be part of market risk.

The Group's cash balances are maintained by major UK clearing banks. The balance at 31 March 2016 was unusually high following the Placing and Open Offer that took place in August 2015 and yet to be fully utilised in accordance with the investment policy and strategy.

c) Liquidity risk

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

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 2017, all investments, except for the investment in Quester Venture Partnership and MJH Group Holdings Limited loan notes (Level 3), fall into the category 'Level 1' under the IFRS 7 fair value hierarchy (2016: all investments, except for the investment in Quester Venture Partnership (Level 3)). A reconciliation of fair value measurements in Level 1 is set out in Note 8 to these financial statements.

Level 3 unquoted equity and loan stock investments are valued in accordance with International Private Equity and Venture Capital Guidelines as follows:

	31 March 2017		31 March 2016	
	Material investments included	**£'000s**	Material investments included	£'000s
Cost (reviewed for impairment)	**MJH Group Holdings**	**1,037**	None	43
Contracted sales proceeds in post balance sheet period	**None**	**-**	None	-
		1,037		43

13 Financial instruments and financial risk management (continued)

Fair values of financial assets and financial liabilities (continued)

In October 2016, an agreement was entered into with MJH Group Holdings limited to purchase loan notes for a value of £1.0m. This price has been used as the best indicator of fair value for this investment as at 31 March 2017. The purchase was completed in November 2016.

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 GHS to consider. The final valuation decision taken by the Board is made after taking into account the recommendation of the Manager and after taking account of the views of the Company's auditors.

The quoted investments have been valued by multiplying the number of shares held with the closing bid price as at 31 March 2017. As such, there are no unobservable inputs that have been used in valuing investments.

Capital disclosures

The Group'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 Group has been managed in accordance with the Group's objectives. The available capital at 31 March 2017 is £39.5m (31 March 2016: £36.7m) as shown in the statement of financial position, which includes the Group's share capital and reserves.

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.

14 Related party transactions

The related parties of Gresham House Strategic plc are its directors, persons connected with its directors and its Investment Manager and its subsidiary undertakings as listed in note 9.

Transactions and balances between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. The details of salary related transactions between the Group and its directors are given in Note 3.

14 Related party transactions (continued)

Details of related party transactions between the Company and its subsidiaries and of non-salary related transactions involving directors are detailed below. The below subsidiary companies also form a complete list of the Company's subsidiary undertakings:

	2017 £'000	2016 £'000
The balances owed by subsidiary undertakings to the Company are as follows:		
Spark Services Ltd (dissolved December 2016)	-	7
	-	7

The balances owed to subsidiary undertakings by the Company are as follows:

Spark India (dissolved February 2017)	-	11,782
Quester Venture GP Ltd	-	1,683
	-	13,465

During the year to 31 March 2017, Gresham House Strategic plc was charged management fees of £697k (2016: £240k) by Gresham House Asset Management Limited (GHAM) following the new management agreement entered into with GHAM on 21 July 2015 and which became effective following shareholder approval on 6 August 2015. As at 31 March 2017, the Company had a balance of £121k (2016: £136k) owing to GHAM.

As at 31 March 2017, the following shareholders of the Company, that are related to GHAM, had the following interests in the issued shares of the Company as follows:

A L Dalwood	27,597	Ordinary shares
G Bird	22,651	Ordinary shares
Gresham House Holdings Ltd	706,806	Ordinary shares

During the year to 31 March 2017, SPARK Venture Management Ltd (SVML), former investment manager to the Company, received management incentive fees of £Nil (2016: £2.265m), management fee of £Nil (2016: £263k) other fees of £Nil (2016: £15k) from Gresham House Strategic plc and £Nil (2016: £218k) from Quester Venture Partnership for its management. Quester Venture GP Ltd is the general partner of Quester Venture GP Partnership which is the General Partner of Quester Venture Partnership, an entity the Company has invested into.

The Company has signed a co-investment agreement with Gresham House Strategic Public Equity Fund LP ("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 will co-invest £7.5m with the SPE Fund LP.

The Company intends to satisfy the commitment by transferring 3,875,969 of IMImobile plc ("IMO") shares at 193.5p per shares into the co-investment structure. The Company has transferred in aggregate 2,374,431 IMO shares into the co-investment structure of which 300,308 ordinary shares in IMO were sold to Gresham House plc ("GHE") co-investment account and 2,074,123 ordinary shares were sold to the SPE Fund LP at a price of 193.5p per share (being the closing mid-market price on 15 August 2016).

14 Related party transactions (continued)

Up to a further 1,113,941 ordinary shares in IMO are expected to be automatically sold to the SPE Fund LP at a price of 193.5p per share, subject to a rebalancing exercise which will depend on the final level of commitment received by the SPE Fund LP at its final close, leaving 387,597 IMO ordinary shares held in its co-investment account. GHS's commitment under the co-investment agreement will remain at £7.5m irrespective of the total size of the SPE Fund LP at final close.

Currently 1,113,941 of IMO shares which are expected to be sold to related parties of the Company as per the co-investment agreement are held by the Company at the lower of the closing bid price and 193.5p per share.

The entering into the co-investment agreement and the sale of IMO shares to GHE and the SPE Fund LP are both deemed to be related party transaction under Rule 13 of the AIM Rules for Companies. The directors of the Company consider, having consulted with the Company's nominated adviser, finnCap Ltd, that the terms of the co-investment agreement and the sale of IMO shares are fair and reasonable insofar as its shareholders are concerned.

There are no other related party transactions of which we are aware in the year ended 31 March 2017.

15 Subsequent events note

Following the year end, the Company began and completed a share buy back exercise. In the period up to the 5th of May 2017 the Company purchased and cancelled a total of 33,000 shares, at an average price of 857 pence per share, leaving the new total number of shares in issue as 3,810,275 (2017: 3,843,275) with 155,771 (2017: 155,771) of these shares held in Treasury. There were no other material events after the statement of financial position that have a bearing on the understanding of the consolidated financial statements.

Gresham House Strategic plc

(the "**Company**")

NOTICE IS GIVEN that the Annual General Meeting of the Company will be held at the offices of Bracher Rawlins LLP, 2nd Floor, 77 Kingsway, London WC2B 6SR at 10.00am on Wednesday 5 July 2017 to consider the following resolutions, of which resolutions 1 to 8 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions:

Ordinary Resolutions

1. To receive the annual report and accounts for the year ended 31 March 2017.

2. To declare a final dividend of 15p 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 David Potter as a director of the Company.

6. To re-elect Helen Sinclair as a director of the Company.

7. To reappoint BDO (UK) 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 £635,045 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 2018, 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 Companies Act 2006 ("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 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 £190,513.

and this authority shall expire on the earlier of 30 September 2018 or the conclusion of the Company's Annual General Meeting in 2018 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 Companies Act 2006) of ordinary shares of 50 pence each in the capital of the Company ("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 571,541;

(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 per cent 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 2018 (or if earlier at the close of business on 30 September 2018) unless such authority is varied, revoked or renewed prior to such time by the Company in 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.

By order of the Board

Augentius Corporate Services Ltd
Company Secretary

12 June 2017

Registered Office:
77 Kingsway
London WC2B 6SR

NOTES

1. Right to attend, speak and vote

If you want to attend, speak and vote at the AGM you must be on the Company's register of members at the close of business on Monday 3 July 2017. This will allow us to confirm how many votes you have on a poll. Changes to the entries in the register of members after that time, or, if the AGM is adjourned, 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak or vote at the AGM.

2. Appointment of proxies

If you are a member of the Company you may appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the meeting. You may only appoint a proxy using the procedures set out in these notes and in the notes on the proxy form, which you should have received with this notice of meeting.

A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes on the form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

You may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares which you hold. If you wish to appoint more than one proxy you may photocopy the proxy form or alternatively you may contact the Company's registrars, Capita Asset Services, by calling 0871 664 0300 (+44 371 664 0300 if calling from outside the United Kingdom) between 9.00 am and 5.30 pm on any business day.

3. Appointment of proxy using hard copy proxy form

The notes to the proxy form explain how to direct your proxy how to vote on each resolution or to withhold their vote. 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 you do not indicate on the proxy form how your proxy should vote, they will vote or abstain from voting at their discretion. They will also vote (or abstain from voting) as they think fit in relation to any other matter which is put before the meeting.

To appoint a proxy using the proxy form, the form must be completed, signed and received by the Company's registrars no later than 48 hours (excluding non-working days) before the meeting. Any proxy forms (including any amended proxy forms) received after the deadline will be disregarded. A form of proxy may be returned in any of the following ways:

a) in hard copy form by post, by courier or by hand to the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or

b) electronically via www.signalshares.com

c) in the case of CREST members, by using the CREST electronic proxy appointment service in accordance with the procedures set out below.

If the shareholder is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer or attorney. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

4. *Appointment of proxy via CREST*

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service providers), should refer to their CREST sponsor or voting service providers), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment 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's ("Euroclear") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages/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 service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

5. *Appointment of proxy by joint members*

In the case of joint holders, where more than one joint holder 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).

6. *Changing your instructions*

To change your proxy instructions simply submit a new proxy form using the methods set out above. The amended instructions must be received by the Company's registrars by the same cut-off time noted above. Where you have appointed a proxy using a hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact the Company's registrars, Capita Asset Services, by calling 0871 664 0300 (+44 371 664 0300 if calling from outside the United Kingdom) between 9.00 am and 5.30 pm on any business day. If you submit more than one valid proxy form, the one received last before the latest time for the receipt of proxies will take precedence.

7. *Termination of proxy appointments*

In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer or attorney. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, your revocation notice must be received by the Company's registrars no later than 48 hours (excluding non-working days) before the meeting. If your revocation is received after the deadline, your proxy appointment will remain valid. However, the appointment of a proxy does not prevent you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

8. *Corporate Representatives*

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

9. *Communications with the Company*

Except as provided above, members who have general queries about the meeting should telephone the Company's registrars Capita Asset Services, by calling 0871 664 0300 (+44 371 664 0300 if calling from outside the United Kingdom) between 9.00 am and 5.30 pm on any business day (no other methods of communication will be accepted). You may not use any electronic address provided either in this notice of general meeting; or any related documents (including the proxy form), to communicate with the Company for any purposes other than those expressly stated.

10. *Issued shares and total voting rights*

As at 5.00pm, on the day immediately prior to the date of posting of this notice of meeting, the Company's issued share capital comprised of 3,810,275 ordinary shares of 50 pence each, with 155,771 ordinary shares held in treasury. Each ordinary share (except for the ordinary shares held in treasury) carries the right to one vote and therefore, the total number of voting rights in the Company at that time was 3,654,504.

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