Since 1857

Gresham House

Specialist asset management

GRESHAM HOUSE STRATEGIC PLC

REPORT AND ACCOUNTS

For the year ended 31 March 2018

Gresham House Strategic plc ("GHS" or "the Company") 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.

Strategic Public Equity

A Private Equity approach to quoted 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.

IN THIS REPORT

HIGHLIGHTS

- Strong investment performance driving a Net Asset Value ("NAV") per share increase of 10.7% during the year to 31 March 2018, and 20.1% since the appointment of Gresham House Asset Management Ltd ("GHAM") as Investment Manager
- NAV total return (including dividends paid) of 12.1% during the year to 31 March 2018 and 21.7% since the appointment of GHAM
- NAV per share at an all-time high of 1,227.4p per share as at 1 June 2018, outperforming the FTSE Small-Cap and All-Share indices
- Proposed dividend of 17.25p per share (15% growth on previous year)
- £11.1m deployed into new investments during the period – portfolio now 'fully invested'
- £3.6m realisations, including significant completed exits, all of which crystallised returns above our 15% IRR target at attractive money multiples
- Realised profits providing opportunity to grow the dividend and add further value through NAV discount control
- Up to £1m share buy-back initiated post period end
- Clear action plans on existing investments identified and initiated where investment theses are behind plan

FINANCIAL HIGHLIGHTS

- NAV at 31 March 2018 of £43.4m (2017: £39.5m)
- Realised gains on investments of £1.3m in the year to 31 March 2018 (2017: £1.6m)
- Profit before tax of £4.7m (2017: £2.8m)*
- Earnings per share of 127.70p (2017: 76.07p)*
- Proposed full year dividend per share of 17.25p (2017: 15p)

[1] Prior year figures are stated on a consolidated Group rather than Company basis.

CORPORATE INFORMATION

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H R Sinclair

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STRATEGY

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

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

PRIVATE EQUITY APPROACH

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

PORTFOLIO INVESTMENTS WILL TYPICALLY HAVE THE FOLLOWING CHARACTERISTICS:

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

- GHS 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

STRONG PERFORMANCE AS FULLY INVESTED PORTFOLIO GAINS TRACTION

DAVID POTTER CHAIRMAN

Dear Shareholder,

I am pleased to report the best year in your Company's short history since adopting the strategic public equity mandate in August 2015.

Net Asset Value per share grew 10.7% to 31 March 2018 compared to the FTSE Small Cap Index performance of minus 0.7% and the FTSE All-Share Index fall of 2.6%.

When the strategic public equity strategy was launched in the summer of 2015 the Board noted that seeking undervalued companies and helping them to realise their full potential would take time and this has proved to be the case. It is also widely acknowledged that undervalued companies or those that are out of fashion or which need help, may go through a "J" curve in terms of stock market price as, in the early period of investment, the results of change take a while to materialise. Hence, we have longer term investment horizons of typically three to five years, in order to generate superior performance from identifying areas of inefficient markets.

The recent outperformance of NAV could be evidence that the value potential of a number of our investments is gaining recognition. We are confident in the investment management team which has an extremely long track record, with over 20 years of outperformance – including 15 years in strategic value-based small company investment.

Despite this positive news, the deep discount of the share price to NAV has persisted. Last year, I identified the four main reasons for this:

- Our relatively short track record under the new investment mandate
- Our overweight position in IMImobile
- The fact that we were not fully invested
- The size of the Company remaining relatively small

The Board believes that the strengthening NAV performance coupled with the underlying intrinsic value of the companies in which we invest demonstrates we are overcoming the first obstacle in a timely fashion and in line with our three to five year investment horizon.

The Board has strong confidence in IMImobile and believes that "backing winners" is the right strategy. We therefore remain strong supporters of what is presently the best performing asset in the portfolio whilst cognisant of the portfolio construction aspects of this substantial weighting.

We are now fully invested and, until we can eliminate the discount of our share price to NAV, it will be difficult to raise new funds, although we believe that if the current strong performance continues this possibility will become more realistic. In the interim, our Investment Manager remains focused on driving performance of the portfolio.

CHAIRMAN'S STATEMENT

Since the financial year end, we have announced a £1m share buyback. At the time of writing, we have seen the share price rise by circa 12% and the discount has begun to narrow.

We are pleased to see that wealth managers on the shareholder register (who represent a number of different underlying shareholders) have tended to increase their stakes, as have the online investment platforms. The Board is concerned that those shareholders who invest through platforms do not receive direct communications from the Company. If you are a shareholder in this category, we would encourage you to press your platform provider to share any information they receive from us. The Company's website has recently been upgraded and is constantly updated with new information. Contact details are available on the website and GHAM also operates a number of email distribution lists to which you are invited to sign up.

During the year our investment management team and brokers have conducted numerous road shows and presentations designed to widen familiarity with your Company and similar efforts are made through public relations. We have seen some benefit from this with a number of new shareholders joining the register. We are also pleased to see individuals within the investment management team themselves buying shares in GHS, a welcome dynamic to increase long-term alignment with shareholders.

This year, the accounts have been prepared on a Company rather than consolidated Group basis following the dissolution of the remaining subsidiary companies. The comparative figures are stated on a consolidated Group basis. A table showing a reconciliation of the figures is set out beneath the Statement of Comprehensive Income on page 32.

Our small size does have a negative influence on costs and cost ratios. Despite this, our total costs, management fees, administration fees, custody fees, regulatory expenses and Board fees were contained at a similar level to last year, at circa £1.4m. During the year the Board had a detailed review of all costs resulting in a number of supplier changes and cost reductions, which will impact next year's financial statements.

In this context, I would draw your attention to a number of recent EU regulatory changes broadly under the banner of MIFID II. These affect how research is conducted and paid for and we fear that this may lead to a decline in independent research into smaller companies. There are also prescriptive rules about information that goes into the new Key Information Document ("KID"), which we are obliged to publish, that are in direct contradiction to the traditional investment company disclaimer that 'past performance is not a guide to the future'. The KID uses a mandatory algorithmic approach for providing indications of potential future returns, a calculation about which we have significant reservations, and you should remember that there are other sources of information in the Annual Report, on the website, analyst reports and journalistic comment. By way of example, the formulae require use of the last five years' of data, two of which were prior to the adoption of the new investment policy managed by GHAM and hence not strictly relevant to the evaluation of the Company's prospects. This further move away from principles-based regulation to rules-based regulation makes life more complicated and expensive for investment companies. The benefits of this 1,000 page document are yet to become apparent.

As a result of profits made on investment realisations during the year, the Board is pleased to say that it plans (subject to shareholder approval) to pay a dividend of 17.25p, an increase of 15% on the previous year's dividend, in line with its policy to return up to 50% of gains on realisations via dividends and/or share buybacks.

As the hard investment work of the last two and a half years starts to bear fruit, the Board looks to the future with a degree of confidence notwithstanding an external environment that still has many economic and political headwinds.

I would like to thank our Investment Manager, Gresham House Asset Management Ltd and all our professional advisers for their diligence during a year of substantial regulatory change. I appreciate the counsel of my colleagues on the Board. Finally, I want to thank all of our shareholders for their ongoing support.

DAVID POTTER
CHAIRMAN

18 June 2018

INVESTMENT PORTFOLIO HOLDINGS

TOP TEN PORTFOLIO HOLDINGS AS AT 31 MARCH 2018

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 clients rapidly create and deploy mobile and digital user journeys.

Deal type
Secondary – growth and re-rating

% ownership of the company
12.0%

% of total portfolio
44.6%

Value
£19.3m

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
9.5% + £1.8m convertible loan note

% of total portfolio
8.6%

Value
£3.8m

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 data centres and energy storage sites.

Deal type
Primary capital supporting balance sheet restructure and providing growth and working capital

% ownership of the company
11.4%

% of total portfolio
8.0%

Value
£3.5m

MJ HUDSON

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 and Luxembourg. 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

% ownership of the company
1.3% + £1.8m convertible loan note

% of total portfolio
5.0%

Value
£2.2m

INVESTMENT PORTFOLIO HOLDINGS

Miton

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

The investment in Miton was fully exited in April 2018 generating an IRR of 25.9% and 1.6x money multiple.

Deal type
Secondary – operational gearing, AUM growth and improved return on capital

% ownership of the company
2.3%

% of total portfolio
3.9%

Value
£1.7m

Centaur Media

Centaur is a business to business ("B2B") media company that informs, advises and connects business professionals through insight, data and events with products and services that help accelerate the performance of its customers' businesses.

Deal type
Secondary – supporting business transformation

% ownership of the company
2.1%

% of total portfolio
3.6%

Value
£1.5m

Tax Systems

Tax Systems is a leading supplier of corporation tax software to the large corporate sector and the accounting profession in the UK and Ireland.

Deal type
Strategic change and expansion

% ownership of the company
2.1%

% of total portfolio
3.2%

Value
£1.4m

The Quarto Group

A 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 total portfolio
3.1%

Value
£1.3m

INVESTMENT PORTFOLIO HOLDINGS

ESCAPE HUNT

Escape Hunt ("EH") was founded by Paul Bartosik in July 2013. It sits within the leisure and entertainment sector and provides 'experiential entertainment'. It is a leader in the provision of 'escape games' currently operating 36 sites (209 games rooms) in 26 countries on 6 continents.

Deal type
Site rollout, earnings growth, high return on capital

% ownership of the company
4.6%

% of total portfolio
2.4%

Value
£1.0m

S P A C E A N D P E O P L E

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 – margin improvement and strategic refocus

% ownership of the company
16.2%

% of total portfolio
2.2%

Value
£0.9m

INVESTMENT MANAGER'S REPORT

INTRODUCTION

In an echo of the Chairman's statement, I am pleased to be able to write to shareholders on what has been a busy and productive year for GHS with the investment team, supported by the GHAM platform and wider resource, working on various operational and investment initiatives throughout the year and post period end in line with our investment philosophy. These are detailed throughout this Investment Manager's report. The key highlights for the year include:

- £11.1m deployed into new investments – portfolio now 'fully invested'[1]
- £3.6m realisations, including significant completed realisations, all of which crystallised returns above our 15% IRR target at attractive money multiples
- NAV at an all-time high and ahead of the comparator indices since GHAM took on the mandate
- Major workstreams on existing investments identified and initiated to generate returns or recover shareholder value in cases where there has been underperformance
- Operational progress across the portfolio and importantly in our two largest holdings, IMImobile and Northbridge Industrial Services
- Successfully growing the dividend 15% to 17.25p and a continuation of share buybacks post year end

In this Investment Manager's report, we write to shareholders about our high-level views of the UK economy and global equity markets, summarise the NAV performance and major dealing activity in the year before discussing activity in our major holdings. The report ends with our outlook for the year ahead.

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 – typically three to five years. 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 enhance 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 and analysis 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:

- The attractiveness of the market in terms of its characteristics and dynamics
- The company's competitive positioning within the market, including product and service offering, 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 alongside an experienced decision making forum at the Investment Committee.

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 as well as being able to invest in different parts of the capital structure.

MARKET COMMENTARY

The past year has been yet another eventful period for the UK economy and global stock markets with the heady cocktail of Brexit, snap-elections, a sense of gradual tightening monetary policy, political uncertainty and last but certainly not least, President Trump's protectionist rhetoric keeping investors on their toes. The increasing uncertainty and volatility on the world stage eventually filtered through to investors in Q1 of 2018 which saw a return of volatility in global markets as US 10-year yields approached 3% and global equity markets pared back from near record highs.

[1] Subject to retention of cash for follow-on investments and contingencies

Understandably some investors and commentators sought to call time on one of the longest bull markets in history. However, taking an objective view of the global economy and UK markets, there remains much to be positive about and we have seen some recovery into the second quarter. As we have argued consistently in the market commentary section of our factsheets this year, we feel UK markets are well positioned to capitalise on the sustained growth of the global economy. This view is based on several key conclusions we hold and explain here:

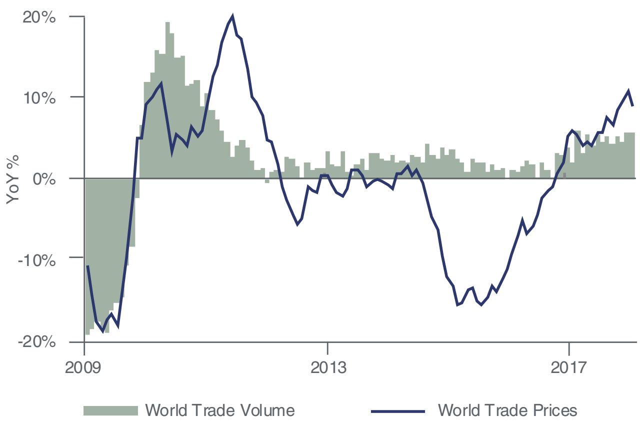
1) The global economy is in a phase of harmonised and continuing growth as dovish monetary policy is slowly withdrawn (Fig. 1).

Fig. 1 – Global Composite PMI

Source: MARKIT, as at 30 April 2018

The global economic backdrop is growing increasingly supportive with the return of real earnings growth and a global economy growing at its fastest rate for seven years. Forecasts are for 3.9% growth this year as 120 economies (3/4 of global GDP) saw a pickup in growth in YoY terms[2]. The pickup in growth has been broad based, with notable upside surprises in Europe and Asia and has been driven by US tax policy changes, continued supportive monetary policy and a slow-down in fiscal 'tightening'. Some of the recent global trade data (Fig. 2) further supports this picture.

Fig. 2 – Global trade



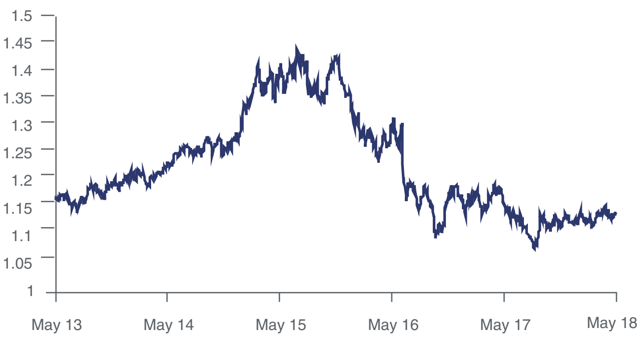
Source: Panmure Gordon Economic Research, as at 15 February 2018

2) UK Recovery – as we stated in our two most recent factsheets, we believe UK companies and investors are relatively well positioned to benefit from the stronger global outlook in the medium-term[3]. This view is based on three key assumptions.

Firstly, we believe the domestic political situation is more stable than current market sentiment suggests. The benefits of this for UK companies and the economy are well understood. We also maintain that, while it may come down to the wire, rationality will prevail and some sort of amicable Brexit deal or at least extension to the transition agreement will come to pass ahead of the deadline. Theresa May and David Davis made progress through the year towards a transitional deal and talks are now moving to a trade deal. Our European partners have sounded more conciliatory and some of the recent recovery in sterling can be attributed to this. Commentators have seen this as a boon to the UK's economic prospects, reducing uncertainty and increasing the likelihood of a softer Brexit environment for 'UK Plc'.

Secondly, the Brexit vote has created an uncertain economic environment in the UK for the past two years and this has had two key implications. The first was a significant devaluation in sterling following the vote which effectively gave the UK a one-off pricing advantage (Fig. 3) on exports just as global GDP and demand for goods and services is starting to tick up.

Fig. 3 – GBP/USD exchange rate



Source: Bloomberg as at 21 May 2018

Early evidence suggests this dynamic is playing out, particularly whilst the UK maintains access to the Single Market as the exit from the EU and a transition deal are negotiated. Whilst a weaker currency impacted domestic inflation and eroded consumer spending power, some early indications of the benefits can be found in the recent UK Industrial Production data, which has accelerated its expansion since Q3 2016 after the vote (Fig. 4)[4] and 40% of manufacturers are now planning to expand[5] – the most optimistic outlook since 2014. A second implication that took slightly longer to emerge was the problem

(2) IMF World Economic Outlook Update, January 2018
(3) Morgan Stanley, 14 May 2018, Panmure Gordon Economic Research
(4) UK Industrial Production data, Office for National Statistics
(5) EEF British Manufacturing Survey, 10 January 2018

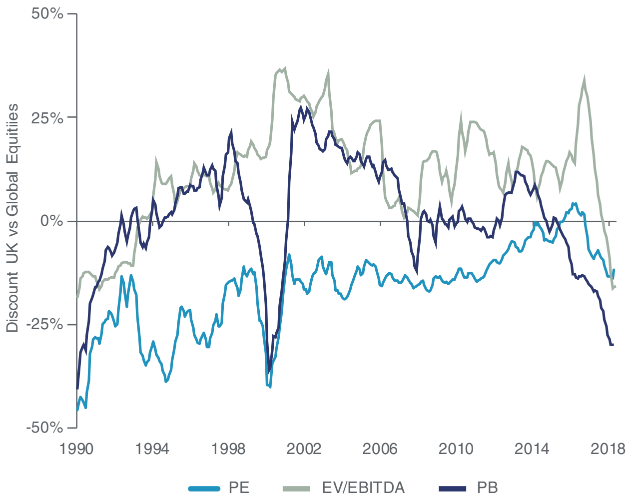
of deferred investment in the UK both domestically and from global investors, as most market participants sat on the sidelines, seeking greater clarity and predictability around the outcome of Brexit and the minority government. We anticipate that as a greater element of predictability returns to the UK economy and political scene, these nerves should subside and there will be an element of 'catch up' in UK GDP in the medium term – supporting both corporate Profit and Loss statements and share prices. We note that the UK has reversed from leading the G7 economy for growth to becoming the laggard since the Brexit vote.

Fig. 4 – UK Industrial Output

Source: ONS, as at 31 March 2018

3) Our third belief is derived from the previous two – we argue that the UK stock market now represents value on a relative basis. As Fig. 5 shows, UK average relative valuations are close to historic lows not experienced since the 1990s and the UK is now valued at 4% on a dividend yield basis[(6)] – one of the highest globally. The drivers for this are clear and mentioned above, as is our reasoning for why this presents an opportunity rather than a problem for UK focussed equity investors and funds.

Fig. 5 – UK Equity Valuation discount



Source: Panmure Gordon Economic Research, as at 18 May 2018

[(6)] Morningstar, JP Morgan

From an investment style perspective, we believe there is an unprecedented argument to favour 'value' over 'growth' or 'momentum' investment styles and we believe there are strong reasons that active investment (stock picking) should form a larger proportion in investment portfolios than index tracking in the coming years, reversing the one-way tide that has been evident over the last few years.

Fig. 6 – Value versus Growth

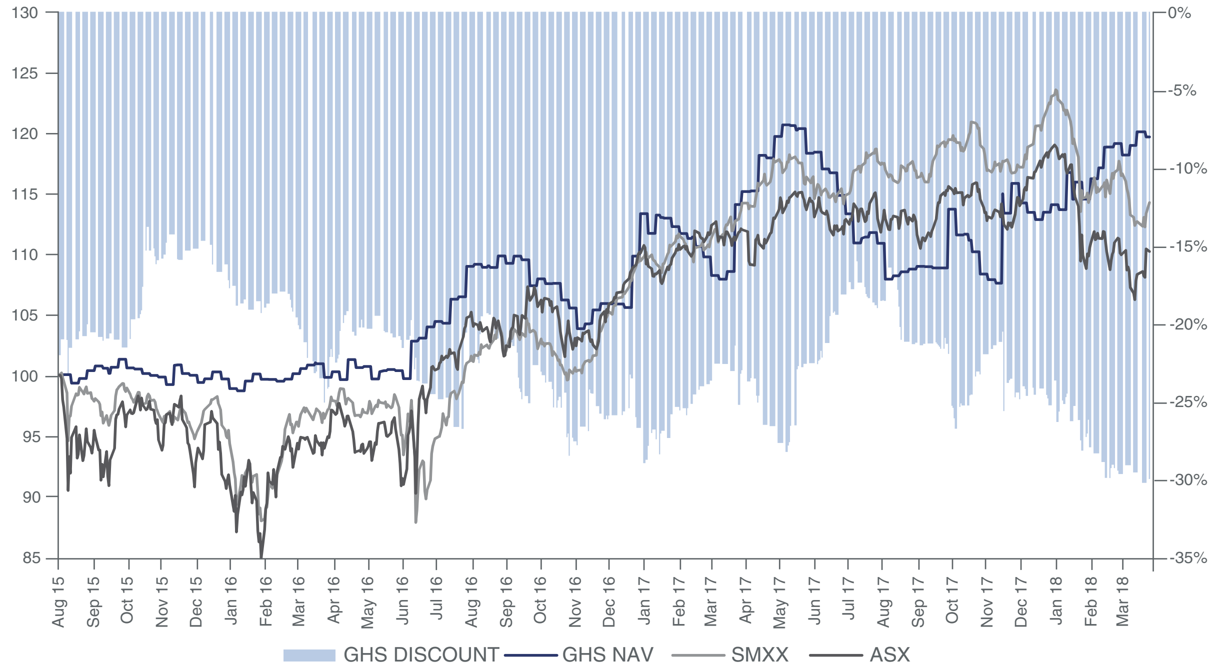
Source: Bloomberg data

Figure 6 shows the relative performance of 'value' against 'growth' over a 43 year period, highlighting the longer term outperformance of 'value'. As can be seen, in the period, there have only been two occasions in which the underperformance of 'value' has been more than two standard deviations away from the trend; one was immediately prior to the collapse of the dot.com bubble, and the other is now. What is unprecedented is the prolonged period of underperformance of 'value' which has been experienced since the financial crisis in 2008. This coincides with the period of record low interest rates and Quantitative Easing (QE) globally. As QE slows and gradually begins to unwind, coupled with gradually rising interest rates, we believe there is a strong likelihood that 'value' will again outperform, as has been evident in other rising interest rate environments. Our investment philosophy is value-oriented, with our holdings, on average, trading at substantial discounts to their peers, whilst our focus on smaller companies means growth projections are higher than the market as a whole. Hence on a forward looking basis, the valuation discount is even higher – an investor is able to buy higher growth for a substantially lower price by investing in GHS.

Finally, whilst the UK stock market is attractively valued on a relative basis, stock markets more generally are still on valuations towards the upper end of their historic ranges. This means that upward share price movements are more likely to be driven by earnings growth than further re-rating and it will be individual performances driving the indices higher, rather than market momentum more generally. This environment favours a stock picking strategy focused on company fundamentals. GHS offers a highly focused stock picking strategy, which we believe has a case for outperformance over the medium to longer term.

PERFORMANCE REVIEW AND ATTRIBUTION

Fig. 7 – Relative Performance to 31 March 2018



	Since inception to 31 March 2018	12 months to 31 March 2018	6 months to 31 March 2018
GHS NAV per share	20.1%	10.7%	2.9%
FTSE Small Cap Ex-Investment Trusts (SMXX)	12.3%	-0.7%	-2.3%
FTSE All-Share Ex-Investment Trusts (ASX)	8.6%	-2.4%	-2.7%
Relative Performance			
vs FTSE Small Cap Ex-Investment Trusts (SMXX)	7.8%	11.3%	5.2%
vs FTSE All-Share Ex-Investment Trusts (ASX)	11.5%	13.0%	5.6%

Note: Inception August 2015

As demonstrated by Fig. 7, it has been a pleasing 12 months for the GHS NAV overall. The financial year started well with the NAV tracking ahead of the comparator indices for most of the spring and early summer, driven by the ongoing Northbridge recovery story and IMImobile's share price strength in early April. This coupled with an ongoing recovery in the Spaceandpeople share price lifted NAV performance in April and May. However, all of these gains were given up over the following six months as two of our investments, Quarto and Be Heard saw significant share price weakness – these are discussed in depth in the investment review section. This coincided with some general weakness across the portfolio including in IMImobile in the Autumn which pared the gains in Northbridge, Revolution Bars and ProPhotonix.

During this period, we focused on supporting our major investments as per our investment strategy, which bore fruit over the Christmas period and into Q1 2018. Some key initiatives were around major holdings (IMImobile, Quarto, Be Heard, Northbridge) to help drive NAV performance and these are detailed later in the report. Encouragingly, the GHS financial year ended robustly with NAV per share recovering to near all-time highs (1,186p per share) under GHAM as our investment thesis in IMImobile really began to play out and the Northbridge recovery story solidified. The performance was also supported by positive contributions from Spaceandpeople, Augean, Centaur Media and PCF Group. This drove the NAV back to well ahead of the comparator indices since GHAM took on the investment mandate as equity markets became volatile and sold off aggressively while our performance improved. The NAV per share performance for the financial year ended at +10.7% whilst the FTSE All Share and FTSE Small Cap (excluding investment trusts) indices finished -2.4% and -0.7% respectively.

We are encouraged that the positive performance has continued into April and May and at the time of writing this report, the NAV per share sits at or around all-time highs of 1,227.4p.[7]

Fig. 8 – NAV Performance Attribution

Top 5 and bottom 5 contributors to and detractors from NAV performance	£'000	Per share	%
NAV at 31 March 2017	39,517	1,071.6	
IMImobile plc	6,604	179.1	16.7%
Northbridge Industrial Services Plc	937	25.4	2.4%
Revolution Bars Group Plc	689	18.7	1.7%
SpaceandPeople	285	7.7	0.7%
Private & Commercial Finance Group Plc	138	3.7	0.3%
Redstoneconnect Plc	(157)	(4.3)	(0.4%)
Escape Hunt	(216)	(5.9)	(0.5%)
Universe Group Plc	(365)	(9.9)	(0.9%)
Quarto Group Inc.	(899)	(24.4)	(2.3%)
Be Heard Group Plc	(1,427)	(38.7)	(3.6%)
Other net movements, including operating costs	(1,785)	(36.7)	(3.4%)
NAV at 31 March 2018	43,355	1,186.3	

Data as at 31 March 2018

Performance has been driven by some fairly binary moves within the portfolio, which is not unusual as various investments are at different stages of their investment thesis. One of our more progressed investment theses, IMImobile, was the top performer on a monetary (+£6.6m) and share price basis (+50%) and was the clear primary driver of this year's performance, contributing +16.7% to NAV performance in the year. We have been actively engaged with IMImobile over the past two years, focusing on simplifying the investment story and helping broaden awareness and coverage within the investor community. It is pleasing to see that this is now paying off, backed by strong performance and clear strategic direction. Similarly, the Northbridge recovery thesis is starting to take hold and that again was a positive contributor to NAV (+£0.9m), up 37% in the year. Some smaller holdings such as SpaceandPeople and Tax Systems performed strongly in the year on a percentage basis (+42%, +19%) also contributing to NAV performance, albeit to a lesser extent given their weightings.[8]

These significant positive contributors to performance were pared with some weakness in other investments (Be Heard, Escape Hunt, Universe Group and Quarto). Be Heard was the weakest share price performer and the largest detractor from NAV performance in the period. However, the company is at an early stage in its development and our investment thesis and we remain confident in its prospects – this is detailed later in the report. Quarto has been a frustratingly weak performer over the period, and the issues the company has faced, as well as the work we are doing to rectify these issues are detailed later in this report. Overall the NAV per share ended the year +£3.8m and the NAV per share +10.7% for the year. We discuss the individual investment performances in more detail below.

DEALING ACTIVITY

It has been a busy year for the investment team as we brought the portfolio close to being 'fully invested' whilst rotating some existing positions to manage the cash position and follow our investment theses.

We put £11.1m of cash to work in the year to 31 March 2018 through a combination of new investments including Centaur Media, Universe Group, Tax Systems, and Escape Hunt, increases to existing positions (MJ Hudson, Be Heard, Northbridge) and a number of toehold positions (Augean, Redstone Connect, ProPhotonix, PCF Group) as we develop a deeper understanding of those opportunities.

We also made £3.6m of realisations which generated £1.3m of profits for the Company, 50% of which is available under the current policy to grow the dividend to 17.25p per share this year. These realisations included some complete exits (Alpha FX, Revolution Bars) as our investment theses were borne out and target prices reached.

The majority of our investments and realisations are discussed in detail below in the 'investment review' section of this report.

REVIEW OF TOP 10 INVESTMENTS AND SIGNIFICANT REALISATIONS

IMImobile

It has been a pleasing year for our major holding both operationally and on the market as the company continued to execute its strategy of organic and acquisitive growth in the digital services sector, which was confirmed with a bullish trading statement post period-end in April 2018.

Operationally, the year started strongly with a trading update at the end of April highlighting continued double digit organic growth and performance slightly ahead of expectations, driven by some major contract wins with Telenor and BT as well as a renewal of the MTN partnership in Africa. Importantly the company flagged the strengthening market position of the IMI Connect product following the Infracast acquisition in April 2017. EBITDA cash conversion was >100% for the sixth year in a row, illustrating the strong cash generation capability of the group. The subsequent strong momentum in the shares from those results as well as the conclusion of certain strategic initiatives within the company in the previous year (share capital restructure, governance improvements, repositioning of the product suite and simplification of the investment story) at the start of the financial year for GHS represented key milestones and provided an opportunity for the crystallisation of some profit on the investment as we facilitated some liquidity to help broaden the shareholder register in August 2017.

[7] GHS NAV per share as at 1 June 2018
[8] Bloomberg data as at 29 March 2018

The latter half of 2017 saw IMImobile (IMI) post another set of strong interim results, continuing the good progress of FY17 with cash generation and organic growth maintained – driven by growth in Europe, India and South-East Asia and particularly strong integration of the Infracast acquisition. Two further acquisitions were announced, Sumotext in the USA and Healthcare Communications in the UK, the former of which provides an entry point to the US market and the latter of which cements IMI as the UK leader in its field in the health sector. The interims provided a catalyst for some of the market awareness work we had been working on over the medium-term, and this had a positive impact. Shortly after the results, an interview with Tony Dalwood on IMI published in the Telegraph 'Questor' column, along with the placing out of a large stake held by Tosca (a perceived overhang on the share price) to a new set of investors that Gresham House and its advisory network had helped the company to engage, drove the share price to the new highs of around 250p.

2018 has seen the company continue its positive momentum and growth trajectory. The acquisition strategy is contributing meaningfully to this momentum. We have met the Healthcare Communications team and the market opportunity in the more defensive healthcare sector is clear, providing a complementary revenue stream to IMI's existing offering and giving the company leadership in another key consumer vertical. All three acquisitions made in FY18 have performed well and management's track record of M&A to date has been excellent. We see further opportunity through this channel.

The year ended as it started for the business – strongly. In the run up to their FY18 results we engaged Gresham House's PR advisers with an initiative to support where we can with market awareness and coverage of the company as its major shareholder. These efforts gained traction with Gresham House facilitating coverage in a number of high-profile financial publications, which contributed to the share price performance which reached its highest level since IPO. Post period-end the company published a trading statement ahead of its preliminary results citing revenue ahead of expectations with significant new business success across the portfolio, notably for IMI Connect. We believe this has set up a solid foundation for FY19.

Northbridge

It was a year of transition for Northbridge, now our second largest holding in the portfolio. 2017/18 saw the company (and sector) stabilise from the significant market downturn of the past 3 years and more recently move into what now appears to be a stronger recovery.

The GHS financial year began with Northbridge announcing its preliminary results at the end of April, with numbers in line with forecasts – but still representing declines as business activity had failed to pick up in 2016/17 as hoped. More positively the results confirmed the execution of significant cost cutting efforts in the year, allowing the company to generate £1.8m cash from operations and maintain a level of operational gearing in the event of recovery. As a part of our efforts to support the Northbridge recovery story – and our engaged investment philosophy – we introduced Nitin Kaul who was invited to join the board in May as a NED. Nitin has brought a wealth of industry experience and network of industry contacts, notably in the Far East, to the company.

The pre-close trading update in August cited some increased stability in the market but no material signs of recovery. More positively, the company was about to take its first orders on a Malaysian JV it had entered earlier that year, and this opportunity remains substantial. Whilst not expected to impact numbers until 2018, the JV opened a new revenue stream and geography for Northbridge where existing equipment could be deployed. There were also some early stage indicators or 'green-shoots' from other areas in the sector and supply chain, namely from global kit manufacturers like Caterpillar and upticks in activity in the US more generally – however this had not fed through to the Northbridge order book at that stage. Again, as a part of our supportive and engaged investment strategy we had introduced the company to Hazel Capital (now Gresham House New Energy) over the summer. Hazel Capital's Energy Storage Systems required load banks and this is opening a potential new market and diversification opportunity for Northbridge.

It was in the final quarter where the sector recovery story which underpins our investment thesis really began to emerge from early indicators and data-sets into increased business activity. Meetings with management in the new year highlighted a brightening picture both for the industry and the company. The traditional markets for load banks as well as newer, emerging areas such as Data centres and Energy Storage System work have provided resilience and growing opportunity and the JV in Malaysia that took its first orders in September 2017 has been tracking well. We are now looking to support the company with marketing and IR as the improving story emerges to increase investor and market awareness of the equity story – the first of these efforts was a joint interview with Graham Bird (GHS Fund Manager) and Eric Hook (NBI CEO) on Share Talk in April.

We evidenced our growing conviction for our Northbridge investment thesis and the recovery story with a significant additional investment into the company which we completed post period-end but had been working on for the preceding 3 to 4 months. We played a leading role in a comprehensive refinancing package which has enabled the company to fully repay one of its bankers and to secure favourable, new three-year debt facilities from its lead banker, RBS. We initiated, structured and completed a £4m convertible loan note issue the majority of which was covered by Gresham House managed funds. GHS subscribed for c.£2m of the issue. The bonds carry an 8% cash paid coupon and have a conversion price of 125p over a 3yr 3m term. We are extremely pleased with this example of how the Strategic Public Equity strategy can source and deliver unique deals and generate shareholder value for investors, whilst supporting our investee companies.

Be Heard

Strategically, Be Heard had a successful year during which we have begun to see the evidence of the opportunity that lies in being able to offer a comprehensive set of digitally focused marketing services. Within the financial markets, the year has been more challenging, with adverse sentiment in the advertising sector, coupled with some teething problems experienced by Be Heard as a young, start-up business which together contributed to a weak share price performance. This has highlighted significant work to be done by the Gresham House team this year to support the investment through this period and this remains the case going into the new financial year as we look to realise the original thesis which we maintain is still achievable – offering material upside from the current situation.

A core component of the growth story entailed a buy-and-build strategy to create a network of digital marketing capabilities. The acquisition of The Corner, in November completed the suite of capabilities that Peter Scott had initially identified and the group has gone on to win a number of significant new clients. Importantly, 13 clients are now using more than one of the Be Heard service offerings and the recent global mandate awarded by Blu, was a major win under the Be Heard name.

Adverse sector sentiment contributed to a challenging fund raise to finance the acquisition of The Corner. GHS engaged in this process and led a £3m convertible loan note issue providing the principal funding. The loan note pays an 8% cash coupon and is convertible into ordinary shares at a price of 3.5p at any time over its four-year term.

A slower than expected December, coupled with a contract delay and certain cost overruns led to a £600k downgrade to EBITDA forecasts for the year in early January and this precipitated a 30% fall in the share price. This was obviously extremely frustrating news given the previous encouraging commentary from management and the seemingly avoidable nature of the miss. Putting the news in context, the company delivered 24% organic growth in the year, 50% growth in trading EBITDA and 100% increase in group EBITDA, highlighting the otherwise successful year from an operational point of view. Nevertheless, the news triggered an immediate internal review within the Gresham House investment team that generated a number of key action points on this investment, with the aim of fully understanding the issues the company faced and then establishing how we can support efforts to rectify problems and recover value. The role of CEO and Chairman has now been split, with David Morrison who was introduced by Gresham House taking on the chairman role and Peter Scott becoming CEO. The company immediately set out to find a dedicated CFO, and we were delighted that Simon Pyper agreed to take the role from April this year. Significant improvements have also been made to the financial forecasting and reporting environment, so we believe there is a substantially stronger control environment now in place.

The outlook for digitally focused marketing remains very positive and we believe that Be Heard is well positioned to take advantage of the shifts in the way large corporations are allocating their marketing budgets. Whilst the share price performance has been disappointing, a significant portion of our investment is through the convertible loan note, offering an attractive yield and a privileged position in the capital structure. 2018 will be a year of greater internal focus as Be Heard aims to deliver on its potential.

MJ Hudson

It was an important year of development for MJ Hudson, our first unquoted investment in the fund as the company sought to consolidate the group formed in 2016, continue the bolt-on acquisition strategy, and manage the ongoing response to Brexit and its potential impact on the industry.

The company made one small acquisition in the year with added IT capability which will help it grow its platform business and data solutions. Frustratingly, a number of other acquisition opportunities were turned away either on price or for other reasons, but the company has been able to continue developing its capabilities organically including two areas of greenfield start-up activity. We helped fund this growth activity alongside other investors via an increase in our investment through the convertible loan note structure and a small equity position. However, the distraction of Brexit, coupled with frothy valuations in the sector (as highlighted by JTC's recent IPO on an EV/EBITDA of 16.3x) has tempered MJ Hudson's acquisitive growth model and this will likely push out plans for an IPO as the group takes longer to achieve the necessary scale for a flotation. Organic growth remains robust within the existing array of services to the alternative asset management industry and our investment, largely through the convertible loan note structure which provides us with an attractive cash return and protected capital growth whilst the company continues to develop its strategy.

Miton

It was a strong year of operational and strategic success for Miton Group despite a backdrop of market volatility and regulatory change and we were encouraged to see our investment thesis play out and complete. Over the course of 2017, AUM grew organically from £2.9bn to £3.8bn, a significant acceleration of the previous year's growth. This was driven by successful European and US fund launches and growth in the real assets space, dovetailed with some impressive performance from existing funds as 87% of funds were first or second quartile.

In the year, our final outstanding milestones for our investment in Miton were achieved as board re-organisation was completed following the completion of operational objectives identified by the incumbent management team. Operating margins have improved significantly, helped by the operational gearing in the business and are now closer to industry norms than was the case when we took on the investment. AUM has grown strongly, turning around the declines seen in 2015 and the business has achieved a significant milestone with AUM exceeding £3.8bn. With these achievements behind him, Ian Dighe announced his intention to step down as Executive Chairman, with David Barron stepping in as interim CEO. This process concluded in November 2017 with the appointment of Jim Pettigrew as Non-Executive Chairman, with David Barron promoted to Chief Executive – marking the start of a new phase for Miton Group. This process completed our investment thesis and also saw the shares hit our target price. Readers will note the sale of a portion of our investment in Miton in the 'dealing' section of this report. It should be added that post period-end, we exited the investment fully, taking advantage of some significant liquidity at our target price. The result was that our investment comfortably exceeded our IRR return target, delivering a 26% IRR and a 1.6x money multiple over the 2.5 year holding period.

The Quarto Group

Quarto has had a difficult year both operationally and in the markets and has occupied a significant portion of the investment team's focus and efforts over the past six months as we look to recover value for shareholders and support the company on a path to success.

Two legacy, non-core businesses were sold in early 2017, altering both the group profile and the seasonality of earnings. In May it transpired that the market had underestimated the dilutive impact of the sales and the impact on seasonality. Coupled with a weak H1 performance, influenced partly by a weaker consumer environment, but more significantly by a number of one-off issues, this led to a significant downgrade in expectations and triggered the resignation of CFO Mike Connole. The shares weakened significantly following the announcement, from around 250p to 130p.

As our shareholders would expect, at this point we became significantly engaged with company management despite only being a 4.5% shareholder. Brian Porrit was brought in as an interim CFO and immediately went about a thorough review of the cost base and control environment. Substantial improvements have been made in both areas. Towards the end of the year we introduced Andy Cumming with a view to bolstering the board with banking and restructuring expertise as the company faced up to its strategic options in the months ahead, including managing the banks. Andy Cumming was appointed as a Non-Executive Director in early 2018. He brings a wealth of commercial banking expertise from his time at Lloyds Bank and he has already been instrumental in the company's next steps and strategic thinking.

A second objective was to secure the finance function. As a result, we supported the Board in its search for a permanent Finance Director, while maintaining a close working relationship with interim Finance Director Brian Porrit. We were pleased to see the appointment of Carolyn Bresh with effect from April for what is a vital appointment during the current difficulties the business faces and we will be working closely with Carolyn in the coming months where appropriate.

Thirdly, with the first two objectives achieved – we have been engaging management, the Board, the companies' advisers and major shareholders to explore the best strategic path for the business going forward – dealing with the leverage the business currently carries but most importantly recovering maximum value for shareholders. This process has been complicated by the emergence of two new significant shareholders over the past 6 months, Laurence Orbach and C K Lau, each with stakes of over 20%. Their activism manifested itself in a board room coup at the company's AGM on 17 May, where the Chairman and three other Non-Executive Directors were voted off the board and Laurence Orbach, C K Lau and two others were appointed. The CEO, Marcus Leaver has subsequently resigned. These changes have created significant uncertainty and a major hurdle towards our ability to effect and influence change. We remain closely engaged with both shareholders and the company's advisers to do what we can to ensure broader shareholder interests are protected.

Centaur Media

Centaur was a new investment made within the year after several months' work in early 2017, following the company's appearance on our value screens and subsequent due diligence and engagement with management. A brief summary of the investment case is as follows:

- Value creation is driven by earnings growth and re-rating from historic 6.2x to industry averages closer to 9.5x EBITDA.
- There is significant revenue growth potential as the company faces an inflection point where the decline in traditional advertising revenue has potentially bottomed out, whilst the newer, digital subscription, events and consulting revenues continue to grow strongly.
- Additive acquisitions create the opportunity to add further turnover and revenue, creating scale which will put Centaur on the radar screen of larger institutional investors and potentially trade buyers.

The business is cash generative and we anticipate cash to be deployed in further acquisitions over the short term, driving synergy and scale. It was a progressive year of strategic change and deal activity at Centaur during the first 12 months of our investment as the management team continued its ambitious but increasingly achievable refocus away from legacy print publications business into a B2B information services platform. The key moment for the company in the year was the transformational back-to-back M&A transaction in August where the consumer facing 'home interest' division was sold to Future Group for £32.5m – significantly ahead of expectations. MarketMakers was purchased from private ownership to supplement the growing business engagement services Centaur is building for its clients. The deal helps accelerate the transformation of Centaur into a pure B2B focussed business.

The company ended the year in pleasing fashion with an impressive investor day at one of their flagship events; the business travel shows where investors were given an extensive teach-in on the value-add of Market Makers and how the offering complements Centaur's existing product suite. This was followed up with a strong set of year-end results a few weeks later that beat analyst forecasts on cash and profits (EBIT 10% ahead) while managing to achieve strategic milestones in the year. We are encouraged that the year started well with 'healthy' bookings for some key trade events and shows. The share price has been frustrating over the past 12 months as we feel it has not yet recognised some of the strategic and operational achievements in the year.

Tax Systems

Tax Systems was another new investment made in the year. The company is a leading supplier of corporate tax and associated software and services to large corporates and the accountancy profession in the UK and Ireland. It has a 25-year track record.

We acquired a modest position in the secondary market during May 2017 and the investment case can be summarised as follows:

- The business is highly cash generative with >90% recurring revenues and a sticky client base; we expect it to command a high rating as it becomes an established listed business.
- Products are not cyclical and are embedded into the regular processes of a large number of clients; the client base is a valuable asset.
- The cash generation will pay down debt and provide dividend capability, driving equity value; this profile of the business should be highly attractive to private equity.
- Historically, it appears to have been managed as a lifestyle business; under a strong new management team there is a plan to reinvigorate the business, cut out unnecessary cost and grow the range of services sold to the high-quality client base.

As expected, it has been a quiet year for Tax Systems on the market as the company focusses on the de-gearing story and maintaining and growing its client base. The year ended with some in-line results post the GHS year-end and the share price has reflected this steady but consistent progress, trading up from the low 70's and forming a strong level of support above 80p.

Escape Hunt

Escape Hunt was another new investment made in the year.

We were originally introduced to Escape Hunt in October 2016 as a pre-IPO opportunity. The company was then approached by Dorcaster, a cash shell that was looking to invest in the leisure sector. Negotiations and due diligence ensued and ultimately culminated in a reverse takeover and re-Admission to AIM in April. Gresham House was instrumental in pricing the issue as a lead and early engaged investor.

Escape Hunt was founded by Paul Bartosik in July 2013. It sits within the leisure and entertainment sector and provides 'experiential entertainment'. It is a leader in the provision of 'escape games' currently operating 36 sites (209 games rooms) in 26 countries on 6 continents.

The investment team spent several months getting to know the management of Escape Hunt; incoming CEO Richard Harpham (formerly of Pret a Manger) and a new UK MD Andrew Jacobs (Giraffe restaurants). The investment opportunity centres on the following key themes:

- Strong growth in experiential activity – notably escape rooms – driven by a shift in consumer spending.
- A significant change in the profit opportunity for the business as it shifts from a franchise operation to owner-managed in certain territories; this significantly amplifies the accessible profit pool.
- Highly attractive return on capital characteristics; payback on the average site is less than 12 months with significant opportunity to deploy capital.
- Attractive cashflow and financial characteristics; players pay in advance, employee costs are largely variable as staff work part time on an 'as needed' basis.
- 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, as noted above. The business model has extremely attractive cash flow characteristics and return on capital dynamics.
- The opportunity to build value around a global brand; unique in the industry and that can become an asset to covet.

The business has since launched its first sites in the UK, albeit that it has taken longer to sign the right sites than initially expected. However, the team has remained disciplined and focussed on getting the right locations and we remain confident of the future prospects.

SpaceandPeople

It has been a year of continued recovery for SpaceandPeople as the company focussed on its core business and geography, avoiding the distractions of new ventures and international geographies that previously impacted performance negatively. As mentioned in the last annual report, we took the opportunity to increase our position in the company in early 2017 and engaged the company heavily with strategic advice, participating in their strategy offsite. By May the company was able to release a trading update citing profit and revenue ahead of management expectations – raising PBT estimates significantly to £1.1m.

The company then had a quiet 6 months, focussing on extending the gains from the strategic refocus and improving its operations over the summer and into Christmas. In January the company provided the market with a bullish trading update confirming the return to profitability, an intention to recommence dividends, and an important contract renewal. This invigorated the share price further as the recovery story continued to play out. With the company approaching a full 12 months of recovery, we have now begun to engage the Board on the company's strategic future.

REALISATIONS COMPLETED IN THE PERIOD

Revolution Bars

Revolution Bars Group (RBG) was an investment we entered and exited within the year as a part of our 'toehold' policy of building small initial stakes while we undertook more in depth due diligence, which was introduced and discussed with last year's annual report.

RBG flagged up on our value screens following a profits warning in early 2017 as the rollout of its Revolution de Cuba restaurant chain – designed to complement the existing revolution bars business, stalled. The share price almost halved to 110p and this put this business on an attractive EBITDA rating of sub 4x. The investment team also felt the markets had overreacted on the announcement and a lot of negativity was now 'priced in' meaning the potential future value of the business (once this hiccup was overcome) was being ignored or at least mispriced.

As a result, the team did some initial desktop due diligence and held internal discussions, which produced two key action points for the team:

1) To take a 2% position in the fund to capitalise on the share price weakness in the short term.

2) To prioritise some more extensive due diligence so that the opportunity could be brought to investment committee and a more significant holding could be considered.

We managed to secure the 'toehold' position at an average in-price of 120p for a total consideration of £720k while deeper due diligence began over the summer. However, before our due diligence process could conclude, Stonegate pubs bid for Revolution Bars at 203p per share. This was then followed up with a rival merger proposal from The Deltic Group in a cash and paper deal. We sought to capitalise on the share price strength these counter offers created and crystallise some strong returns and sold down roughly two-thirds of our position at 206p. This proved to be prudent as both offers failed to conclude and the share price subsequently fell back towards pre-bid levels. We exited the remainder of our investment securing shareholders a 144% IRR and a 1.5x money multiple.

Alpha FX

Alpha FX (Alpha) ended up as a very short-term holding, but still managed to produce above target returns for our shareholders. We met Alpha six months before their IPO roadshow as a possible pre-IPO opportunity. The business then decided to float instead, so we were able to build on our initial interest in the business, and followed this initial positive meeting up with a site visit. We were extremely impressed with the company's operating systems. The shorter timetable of the IPO constrained us to an initial 'toehold' position while we undertook more extensive due diligence. Unfortunately, we were heavily scaled back at IPO due to significant demand for the shares and the valuation of the company increased quickly and materially after IPO. The size of the holding (£400k) and the quickly escalating valuation made further work unwarranted and we subsequently sold the shares within a month of the IPO for +25% return and 1.25x money multiple.

OUTLOOK

We enter the 2018/19 financial year invigorated from a year of significant activity and excited at some of the challenges and opportunities ahead of us – some of which we discuss in this report. Other opportunities remain in our investment pipeline and we look forward to being able to discuss these with shareholders in due course.

While we continue to believe equity markets are expensive compared to historic ranges, which suggests that equity indices as a whole are likely to generate lower returns from this point, opportunities remain and the UK is attractively positioned on a value basis relative to other economies and markets. We feel this creates opportunities for our existing holdings and new investment ideas in the medium term.

We maintain the view that there is a compelling argument for investors to be switching out of over-owned and highly valued 'growth' and 'momentum' stocks into 'value' investments that have been overlooked for much of the past 11 years. We have seen some early evidence of this in some of our holdings but the general trend has remained strongly in favour of growth stocks this year. The smaller companies that our investment strategy focuses on have continued to face barriers to access capital and these inefficiencies in the market have helped create the attractive opportunities we have capitalised on this year and we expect this to continue to be the case in the medium term. We believe the changes brought about by MiFID II will increase the size of this opportunity for us and we therefore look forward with continued optimism.

ABOUT THE MANAGER

ANTHONY (TONY) DALWOOD

FUND MANAGER AND CHAIRMAN OF THE INVESTMENT COMMITTEE

Tony is an experienced investor and adviser to numerous public and private equity businesses. In 2002 Tony founded and became CIO of SVG Investment Managers and CEO of SVG Advisers (formerly Schroder Ventures (London) Limited), the global private equity funds business and specialist alternatives manager. He established and led the growth of SVG Investment Managers, before launching Strategic Equity Capital plc, a London listed Investment Trust in 2005.

Tony started his career at Phillips & Drew Fund Management or PDFM (later UBS Global Asset Management). He was a member of the UK Equity Investment Committee with responsibility for managing over £1.5 billion of UK equities.

Tony is currently CEO of Gresham House and Chair of the London Pension Fund Authority's Investment Panel. He is also an Independent non-executive of JPEL Plc, and advises St Edmund College's Endowment Fund.

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 multi-national division of PayPoint operating out of Canada, the UK and France between 2010-2014. Prior to joining PayPoint, Graham was a Fund Manager and Head of Strategic Investment at SVG Investment Managers where he helped to establish and then co-manage the Strategic Recovery Fund II and Strategic Equity Capital Investment Trust.

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

PARDIP KHROUD

INVESTMENT DIRECTOR

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 where she spent time in Audit, Transaction Services and Global Tax Advisory.

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).

Prior to this Pardip spent five years at Lloyds Banking Group where she worked in the Global Corporate Business Support Unit executing several large restructurings and spent two years directly supporting the managing director of Global BSU to manage distressed assets in the UK, US, Ireland, Europe and Australia, which at its peak comprised a portfolio of circa £180bn.

ABOUT THE MANAGER

LAURENCE HULSE
INVESTMENT ASSOCIATE

Laurence is a part of the investment team at Gresham House, working on both public and private equity transactions across a range of sectors for Gresham House Strategic as a part of the SPE Team.

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 working on the Mergers and Acquisitions Team in the Industrials sector and Barclays Capital on the Equities trading floor.

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. Tom has been a start-up investor/Director of lastminute.com, mergermarket.com, Chairman of Kobalt Music, notonthehighstreet.com, ARC, MAID, amongst others. He has also been an investor/Director in System C Healthcare, Argonaut Games, World Telecom and has delivered various disposals to trade, Private Equity, and through IPO. Tom has a BSc Econ(Hons). He is a Non-Executive Director of Market-Tech.

BRUCE CARNEGIE-BROWN

Bruce is Chairman of Lloyd's Insurance and 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 he was 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 30 years' experience in Private Wealth and Asset Management. As 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. Rupert is currently Managing Director of Gresham House Asset Management and Chairman of Gresham House Forestry.

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 Coeus Software. He is also a Council member of The Centre for the Study of Financial Innovation, Chairman of the National Film and TV School Foundation and The Bryanston Foundation. 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.

David became Chairman of Gresham House Strategic plc on its creation in July 2015.

CHARLES BERRY

NON-EXECUTIVE DIRECTOR

Charles is a Director with DST Systems, part of the SS&C group, a NASDAQ quoted financial technology and services business, where he is responsible for the company's Business Process Software division. Charles has worked at Virgin Group building Virgin's mobile phone and related ventures around the globe and also at Lloyds Banking Group working on restructuring the bank's largest customers and delivering 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 Biffa plc and RPS Group plc. He is a non-executive Director of Blue Prism Group plc and Vertu Motors plc.

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

Appointed to the Board on 1 January 2016.

HELEN SINCLAIR

NON-EXECUTIVE DIRECTOR

Helen is a Non-executive Director of The Income & Growth VCT plc, Mobeus Income & Growth 4 VCT plc, North East Finance (Holdco) Ltd, and Chairman of British Smaller companies VCT plc.

After working in investment banking Helen spent nearly eight years at 3i plc focusing on MBOs and growth capital investments. She later co-founded Matrix Private Equity (now Mobeus Equity Partners) in early 2000 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 issued in July 2016, (the AIC Code) which sets out a framework of best practice for its member companies.

THE BOARD

All of the Directors are independent of the Investment Manager and all are considered to be independent. David Potter and Charles Berry were directors of Spark Ventures plc prior to its reincarnation with a new investment philosophy, a new investment manager, new shareholders and a new name. The Board therefore regards them as independent. The AIC Code recommendations note that the boards of investment companies are likely to benefit more than most other companies from having at least one director with considerably longer than nine years' experience.

All of the Directors stand for re-election at each AGM. The Directors consider the performance and ongoing suitability of each Director, including the Chairman, to continue to serve on the Board. For the 2018 AGM, the Board considers that each of the Directors continues to make a valuable contribution to Board discussions and decisions and supports their re-election at the 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.

The Board fully endorses the AIC Code with respect to diversity on the Board and would always consider diversity when making any new Director appointments.

Biographical details of each of the Directors are given on page 21. 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 Directors are provided with appropriate updates on legal, regulatory and governance issues and issues relating to the investment company sector.

BOARD MEETINGS

Representatives from the Investment Manager are invited to attend board meetings. The Board may also meet from time to time without the Investment Manager present, when considering the Manager's performance, fees and contractual arrangements.

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. During the year the Board reviewed the arrangements for its advisers and outsourced service providers and as a result costs have been reduced. Other potential providers were considered as part of this process.

As disclosed elsewhere in the annual report, the Board has regular discussions with the Investment Manager and its advisers about the discount to net asset value at which the shares trade and how this might be reduced. Over the past two years, the Company has undertaken share buybacks in an effort to address the discount.

The Board held four scheduled meetings during the year. Charles Berry and Ken Lever were present for all of these meetings. David Potter and Helen Sinclair attended three out of the four meetings. In addition, there was one telephone board meeting in which all Directors participated.

BOARD COMMITTEES

The Board has an audit committee, the members of which are Charles Berry (Chairman), Ken Lever and Helen Sinclair. Charles Berry has recent and relevant financial experience and the audit committee as a whole has competence in the investment company sector. The committee normally meets before the release of the full and half year results. During the 2018 financial year the committee met once and all members were present.

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 are 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. The Chairman meets with the Company's major shareholders annually if they wish to do so to discuss matters of governance and strategy. The Company uses the AGM to communicate with those shareholders who attend and the board responds to their questions at the meeting.

The Company's website is used to provide all existing and potential shareholders with information about the Company, its investment policy and performance in order that they may understand the risk/reward balance of holding shares in the Company.

Shareholders are able to communicate with the Company's registrars (Link Asset Services) in relation to questions about their holdings and may also communicate with the Investment Manager or the Board. Details of how to do this are on the Company's website.

COMPLIANCE WITH THE AIC CODE

The Board endeavours to comply with the AIC Code insofar as it considers it appropriate.

Given the size of the Board, the Directors do not consider it necessary to appoint a Senior Independent Director. Shareholders may contact the Chair of the Audit Committee if they have any concerns which they do not feel able to raise with the Chairman.

An externally facilitated board evaluation has not taken place during the year as the Board does not believe the cost is justified. During the coming year, the Board may use a form of evaluation provided and run by the company secretary (which is, in any case, an external provider). The company secretary has very wide experience of other boards, their practices and capabilities.

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

AUGENTIUS CORPORATE SERVICES LIMITED
COMPANY SECRETARY

18 June 2018

DIRECTORS' REPORT

The contents of the Strategic Report are spread between the Chairman's Statement and Investment Manager's Report. The Directors present their annual report and the audited financial statements for the year ended 31 March 2018.

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

SHARE CAPITAL

During the year, on various dates from 7 April 2017 to 4 May 2017, the Company bought back 33,000 ordinary shares of 50p each at prices ranging from 831p to 865p. The shares were cancelled. On 13 December 2017 155,171 shares which were held in treasury were also cancelled. At 31 March 2018, the Company's issued share capital was 3,654,504 ordinary shares of 50p each, of which none were held in treasury.

Since the year end up to 18 June 2018 the Company has bought back a total of 99,174 ordinary shares of 50p each at prices ranging from 920 pence to 953 pence. The shares have been cancelled. The Company's issued ordinary share capital at 18 June 2018 was 3,555,330 ordinary shares of 50p each none of which were 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 18 June 2018 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	804,380	22.62
M&G Investment Management	428,129	12.03
River & Mercantile Asset Management	312,130	8.78
Smith & Williamson Investment Management	261,856	7.36
Credo Capital	121,316	3.41
Michael Whitaker	114,161	3.21

DIVIDENDS

A final dividend of 17.25p per share is proposed in respect of the year ended 31 March 2018. If approved by shareholders at the AGM, the dividend will be paid on 31 July 2018 to shareholders on the register of members at 6 July 2018. (2017: 15p per share).

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 12, 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 2018 was 859.13p pence. In the year the share price reached a maximum of 931.0 pence and a minimum of 812.50 pence. The closing share price on 31 March 2018 was 827.5 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 2018 had the following interests in the share capital of the Company:

	Ordinary shares		
	18/06/2018	31/03/2018	31/03/2017
C R Berry	2,550	2,550	2,550
K Lever	3,330	3,330	3,330
D R W Potter	17,125	14,719	14,576
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		
	18/06/2018	31/03/2018	31/03/2017
G Bird	22,651	22,651	22,651
A Dalwood	31,183	31,183	27,597

SUBSEQUENT EVENTS

There have been no material events since the date of the statement of financial position other than those detailed in note 14 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 4.00pm on Tuesday 24 July 2018 is set out on pages 47 to 50. 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 17.25p 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 £592,555 (being an amount equal to 33 per cent of the total issued share capital of the company as at 18 June 2018). 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 £177,766 (being an amount representing 10 per cent of the total issued ordinary share capital of the Company as at 18 June 2018) without the application of the pre-emption rights described above.

Resolution 10 gives the Company authority to make market purchases of up to 533,300 ordinary shares, representing is per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 18 June 2018 (the latest practicable date before publication of this document).

The resolution sets minimum and maximum prices. The Directors have no intention of exercising this authority once the £1m commitment to the current buyback programme has been utilised. However, they consider it useful to retain the authority for the future, in case circumstances alter.

The authorities contained in resolutions 8 to 10 will continue until the Annual General Meeting of the Company in 2019, or 30 September 2019 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

18 June 2018

DIRECTORS' RESPONSIBLIITIES

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 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 Company and of the profit or loss 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

OPINION

We have audited the financial statements of Gresham House Strategic plc (the 'Company') for the year ended 31 March 2018 which comprise the Income Statement, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of the Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

KEY AUDIT MATTERS

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

Key audit matter	Audit response
Valuation of investments (Note 1 page 37 and Note 8 on page 41): Investments are primarily held in quoted companies which should not generally require significant judgement in their valuation. There may be a higher level of estimation uncertainty involved in determining the unquoted investment valuations.	**QUOTED** In respect of quoted investments we performed the following: ■ Agreed the bid price of the investee company's shares as at the year end to publically available data ■ Re-performed the calculation of the value attributable to the company ■ Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation **UNQUOTED** For all debt instruments held at fair value, we performed the following: ■ Vouched security held to documentation and consider recoverability of loans through consideration of the investee company's ability to repay them ■ Considered the assumption that fair value is not significantly different to cost by challenging the assumption that there is no significant movement in the market interest rate since acquisition and considering the "unit of account" concept ■ Reviewed the treatment of accrued redemption premium/other fixed returns in line with accounting standards ■ Challenged the investment manager on the need for impairment through review of recent trading information and performance reports In respect of unquoted equity investments we have performed the following procedures: ■ Considered whether the assumptions and underlying evidence supporting the year end valuations are in line with accounting standards ■ Considered whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines ■ Re-performed the calculation of the investment valuations ■ Verified and benchmarked key inputs and estimates to independent information ■ Challenged the Investment Manager regarding significant judgements made based on our understanding of the market ■ Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements. The application of these key considerations gives rise to different levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality. (1.0% of gross investments)	Assessing whether the financial statements as a whole present a true and fair view.	■ The value of gross investments ■ The level of judgement inherent in the valuation ■ The range of reasonable alternative valuations	£400,000 (31 March 2017: £270,000)
Performance materiality (75% of materiality)	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	■ Financial statement materiality ■ Risk and control environment ■ History of prior errors (if any)	£300,000 (31 March 2017: £202,500)
Specific materiality – classes of transactions and balances which impact on net realised returns. (5% gross expenditure)	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	■ Level of gross expenditure	£70,000 (31 March 2017: £70,000)

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £20,000 (31 March 2017: £13,500), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit approach was developed by obtaining an understanding of the Company's activities, the key functions undertaken on behalf of the Board by the Investment Manager and Administration Manager and, the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement and focussed our audit approach on those areas.

OTHER INFORMATION

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

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

INDEPENDENT AUDITOR'S REPORT

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

USE OF OUR REPORT

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

STUART COLLINS (SENIOR STATUTORY AUDITOR)
For and on behalf of
BDO LLP, Statutory Auditor
London

18 June 2018

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Note	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Continuing operations			
Gains on investments at fair value through profit or loss			
Realised gains		**1,277**	1,614
Unrealised gains		**4,285**	2,314
	8	**5,562**	3,928
Revenue			
Bank interest income		**2**	28
Loan note interest income		**324**	81
Portfolio dividend income		**162**	173
Other income		**–**	13
		488	295
Administrative expenses			
Salaries and other staff costs	3	**(138)**	(138)
Other costs	4	**(1,235)**	11,892
Total administrative expenses		**(1,373)**	11,754
Profit before taxation		**4,677**	15,977
Taxation	5	**–**	(716)
Withholding tax expense		**(8)**	(28)
Profit for the financial year		**4,669**	15,233
Attributable to:			
– Equity shareholders of the Company		**4,669**	15,233
Basic and Diluted earnings per ordinary share for profit from continuing operations and for profit for the year (pence)	6	**127.70p**	413.15p

As at 31 March 2018 the financial statements are presented on a standalone basis for the first time, due to the liquidation of all subsidiaries in the prior year. The Company's comparative figures as at 31 March 2017 include subsidiary balances of £13.144m which have since been written off and which net off when preparing the consolidated accounts. The below reconciles the Company only results to the Consolidated Group results for the year to 31 March 2017:

Profit for the financial year to 31 March 2017 for the Company (£'000)		15,233
Less subsidiary balances written back in the year due to voluntary liquidation (£'000)		(13,144)
Add back taxation eliminated on consolidation (£'000)		716
Profit for the financial year to 31 March 2017 for the Group as previously stated (£'000)		2,805
Basic and Diluted earnings per ordinary share for profit from continuing operations and for profit for the year for the Group (pence)	6	76.07p

There are no components of other comprehensive income for the current year, (2017: None).

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Note	31 March 2018 £'000	31 March 2017 £'000
Non-current assets			
Investments at fair value through profit or loss	8	**40,449**	27,003
		40,449	27,003
Current assets			
Trade and other receivables	9	**71**	249
Cash and cash equivalents		**3,044**	12,987
		3,115	13,236
Total assets		**43,564**	40,239
Current liabilities			
Trade and other payables	10	**(209)**	(722)
Total liabilities		**(209)**	(722)
Net current assets		**2,906**	12,514
Net assets		**43,355**	39,517
Equity			
Issued capital	11	**1,837**	1,932
Share premium		**13,060**	13,063
Revenue reserve		**17,670**	13,829
Capital redemption reserve		**10,788**	10,693
Total equity		**43,355**	39,517

These financial statements were approved and authorised for issue by the Board of Directors on 18 June 2018. Signed on behalf of the Board of Directors.

DAVID POTTER
CHAIRMAN

CHARLES BERRY
DIRECTOR

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Note	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Cash flows from operating activities			
Net cash outflow from operations	a	**(928)**	(1,194)
Net cash outflow from operating activities		**(928)**	(1,194)
Cash flows from investing activities			
Purchase of financial investments		**(12,539)**	(8,099)
Sale of financial investments	8	**4,355**	5,770
Proceeds from liquidation of subsidiary		**–**	142
Net cash outflow from investing activities		**(8,184)**	(2,187)
Cash flows from financing activities			
Dividends paid		**(548)**	–
Share buy back		**(283)**	–
Net cash outflow from financing activities		**(831)**	–
Change in cash and cash equivalents		**(9,943)**	(3,381)
Opening cash and cash equivalents		**12,987**	16,368
Closing cash and cash equivalents		**3,044**	12,987

NOTE

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

		£'000	£'000
Profit for the year		**4,669**	15,233
Gains on investments	2	**(5,562)**	(3,928)
Non-cash items:			
Investments in subsidiaries written-off		**–**	392
Intercompany liability written-off		**–**	(13,500)
Tax expense		**–**	716
Operating results		**(893)**	(1,087)
Change in trade and other receivables		**18**	(67)
Change in trade and other payables		**(53)**	(40)
Net cash outflow from operations		**(928)**	(1,194)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	D shares £'000	Ordinary Share Capital £'000	Share Premium £'000	Revenue Reserve £'000	Capital Redemption Reserve £'000	Total Equity £'000
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**
Share buyback	–	(17)	(3)	(280)	17	(283)
Dividends paid out	–	–	–	(548)	–	(548)
Treasury share cancellation	–	(78)	–	–	78	–
Profit and total comprehensive income for the year	–	–	–	4,669	–	4,669
Balance at 31 March 2018	**10**	**1,827**	**13,060**	**17,670**	**10,788**	**43,355**

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Gresham House Strategic plc (the "Company") is a company incorporated in the UK and registered in England and Wales (registration number: 3813450). The financial statements for the year ended 2018 have been prepared on a standalone basis for the first time. The financial statements for the year ended March 2017 were prepared on a consolidated basis and included the financial statements of the Company and its subsidiaries (together 'the Group'). The accounting policies applied are consistent with the prior year.

Basis of preparation

The financial statements for the year ended 31 March 2018 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 Company, are effective for annual periods beginning on or after 1 January 2018 and have not yet been applied in preparing these financial statements. The Company intends to adopt these standards, if applicable, when they become effective.

- IFRS 9 'Financial Instruments' will eventually replace IAS 39 in its entirety. The standard addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. This standard becomes effective for accounting periods beginning on or after 1 January 2018. If IFRS 9 had been applied to the current reporting period, it would not have had a significant impact on the financial statements.
- 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. The Company has assessed the impact of IRFS 15. Revenue recognition under IFRS 15 is expected to be consistent with current practice for the Group's revenue. If IFRS 15 had been applied to the current reporting period, it would not have had a significant impact on the financial statements.
- 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 has been adopted by the EU and will become effective for accounting periods beginning on or after 1 January 2019. The Company has assessed the impact of IFRS 16, and has concluded that the standard will not have a significant impact.

Annual Improvements to IFRSs 2014-2016 Cycle

- 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 Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report and Investment Manager's report. The key risks facing the business and management's policy and practices to manage these are further discussed in note 12. In assessing the Company as a going concern, the Directors have considered the forecasts which reflect the Directors' proposed strategy for portfolio investments and the current economic outlook. The Company's forecasts and projections, taking into account reasonably possible changes in performance, show that the Company is able to operate within its available working capital and continue to settle all liabilities as they fall due for the foreseeable future.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES 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.

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.

Financial Investments

Investments are included at valuation on the following basis:

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

(b) Unquoted investments 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 Company'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 Company'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 Company is assessed through the capital gains and losses arising from the investment activity of the Company.

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 Company is shown as a gain or loss for the period and taken to the statement of comprehensive income.

Revenue

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

The Company's profit for the year was £4.669m (2017: Company profit of £15.233m; 2017 Group profit of £2,805m). The apparent decrease in Company income over the year is due to the fact that the previous year's Company accounts were inclusive of intercompany balances that have been cleared post liquidation of subsidiaries.

The Company has recognised realised and unrealised investment gains through the statement of comprehensive income of £5.562m (2017: £3.928m).

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Directors' remuneration summary		
Basic salaries	**125**	125
Social security costs	**13**	13
	138	138

	Year ended 31 March 2018			Year ended 31 March 2017		
	Emoluments £'000	Social Security costs £'000	Total £'000	Emoluments £'000	Social Security costs £'000	Total £'000
Analysis of Directors' remuneration						
C Berry	**25**	**–**	**25**	25	–	25
D Potter	**50**	**–**	**50**	50	–	50
H Sinclair	**25**	**–**	**25**	25	–	25
K Lever	**25**	**–**	**25**	25	–	25
Social security costs	**–**	**13**	**13**	–	13	13
	125	**13**	**138**	125	13	138

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

	Year ended 31 March 2018 No.	Year ended 31 March 2017 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 2018 £'000	Year ended 31 March 2017 £'000
Auditors remuneration		
Fees payable to the current auditor for the audit of the Company's annual financial statements	**28**	28
Fees payable to the Company's current auditor and its associates for other services:		
Other services relating to taxation	**8**	10
Analysis of other costs:		
Professional fees	**420**	394
Management and secretarial fee	**741**	697
Other general overheads	**74**	123
Other costs	**1,235**	1,252
Gain on waiver of intercompany creditor	**–**	(13,144)
Other costs after gain on waiver of intercompany creditor	**1,235**	(11,892)

5. TAX ON PROFIT FROM ORDINARY ACTIVITIES

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
UK corporation tax		
Corporation tax liability at 19% (2017: 20%)	–	–
Total current tax	–	–
Deferred tax	–	–
Tax on profit/(loss) from ordinary activities	–	–

Factors affecting the tax charge for the current period

The tax assessed for the year is different than that resulting from applying the standard rate of corporation tax in the UK: 19% (2017: 20%)

The differences are explained below:

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Current tax reconciliation		
Profit before taxation	**4,677**	15,977
Current tax charge at 19% (2017: 20%)	**889**	3,195
Effects of:		
Expenses not deductible for tax purposes	–	6,775
Non-taxable income	**(1,087)**	(10,054)
Deferred tax not recognised	**198**	819
Exempt dividend income	–	(19)
Tax for the year	–	716

Deferred tax

There remains an unrecognised deferred tax asset in respect of tax losses and other temporary differences. The unrecognised deferred tax asset is £27.0m (2017: £26.8m) for the Company. The increase in the balances for unrecognised deferred tax is due to an increase to management expenses carried forward available for deduction against future income. The assessed loss on which no deferred tax has been recognised amounts to £159m (2017: £158m).

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Company deferred tax asset		
Balance at 1 April	–	716
Movement in the year	–	(716)
Balance at 31 March	–	–

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

6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit/loss attributable to ordinary shareholders by the weighted average number of ordinary shares during the 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.

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Earnings		
Profit for the year	**4,669**	15,233
Number of shares ('000)		
Weighted average number of ordinary shares in issue for basic EPS	**3,656**	3,687
Weighted average number of ordinary shares in issue for diluted EPS	**3,656**	3,687
Earnings per share		
Basic EPS	**127.70p**	413.15p
Diluted EPS	**127.70p**	413.15p
Earnings for the Group for the year to 31 March 2017		
Profit for the year (£'000)		2,805
Weighted average number of ordinary shares in issue for basic and diluted EPS ('000)		3,687
Earnings per share (basic and diluted)		76.07p

As at 31 March 2018, the total number of shares in issue was 3,654,504 (2017: 3,687,504). During the year, the Company cancelled all 155,771 Treasury shares, leaving 3,654,504 shares in issue, of which nil remained in Treasury. In April and May 2017, 33,000 shares were bought back (2017: nil). There are no share options outstanding at the end of the year.

7. DIVIDENDS

The Company paid £548,175 in dividends to shareholders in the year ended 31 March 2018 (2017: Nil).

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Year ended 31 March 2018			
	Value at 31 March 2017 £'000	Additions £'000	Disposals at valuation £'000	Revaluations £'000	Value at 31 March 2018 £'000
Investments in quoted companies	25,966	**8,908**	**(2,881)**	**4,290**	**36,283**
Other unquoted investments	1,037	**3,171**	**(37)**	**(5)**	**4,166**
Total investments at fair value through profit or loss	27,003	**12,079**	**(2,918)**	**4,285**	**40,449**

Investments in quoted companies have been valued according to the quoted share price as at 31 March 2018.

Investments in other unquoted investments represent the investment in MJ Hudson ('MJH') Convertible Bond that was purchased on 4 November 2016, further investments in MJH Convertible Bond on 9 August 2017 and 30 September 2017, which is valued at fair value which approximates to cost plus premium interest and an investment in MJH Equity that was purchased on 8 August 2017, which is valued at fair value which approximates to cost. An investment in Hanover Equity Partners II LP that was purchased on 11 July 2017, which is valued at fair value as disclosed in the NAV of the fund. An investment in Be Heard Group plc Bond that was purchased on 28 November 2017, which is valued at cost.

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS continued

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.

	Value at 31 March 2018 £'000	Value at 31 March 2017 £'000
Opening valuation	**27,003**	21,777
Acquisitions	**12,079**	7,228
Unrealised and realised gains on valuations	**5,562**	3,928
Disposals	**(4,195)**	(5,930)
Closing valuation	**40,449**	27,003

9. TRADE AND OTHER RECEIVABLES

	Company 31 March 2018 £'000	Company 31 March 2017 £'000
Other debtors	**63**	229
Prepayments and accrued income	**8**	20
	71	249

10. TRADE AND OTHER PAYABLES

	Company 31 March 2018 £'000	Company 31 March 2017 £'000
Trade creditors	83	154
Social security and other taxes	6	6
Other creditors	40	500
Accruals and deferred income	80	62
	209	722

Included in other creditors is £0.04m that relates to the acquisition of further equity in Centaur Media plc, an existing investment, in March 2018. This was settled in April 2018 (2017: £0.5m that relates to the acquisition of further equity in Private & Commercial Finance Group plc).

11. ISSUED CAPITAL

	Company 31 March 2018 £'000	Company 31 March 2017 £'000
Called up, allotted and fully paid:		
3,654,504 (2017: 3,843,275) ordinary shares of 50p (2017: 50p)	**1,827**	1,922
10,000 (2017: 10,000) D shares of 100p (2017: 100p)	**10**	10
	1,837	1,932

As at 31 March 2018, the total number of shares in issue were 3,654,504 (2017: 3,843,275) with Nil (2017: 155,771) of these shares held in Treasury. During the year, the Company cancelled all 155,771 Treasury shares, leaving 3,654,504 shares in issue, of which nil remained in Treasury. During the year the Company bought back 33,000 shares (2017: nil).

The average share price of Gresham House Strategic plc quoted ordinary shares in the year ended 31 March 2018 was 859.13 pence. In the year the share price reached a maximum of 931.00 pence and a minimum of 812.50 pence. The closing share price on 31 March 2018 was 827.50 pence.

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

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company 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 Company maintains liquidity balances in the form of cash held for follow-on financing and debtors and creditors that arise directly from its operations. As at 31 March 2018, £36.3m of the Company's net assets were invested in quoted investments, £4.2m in unquoted investments and £3.0m in liquid balances (31 March 2017: £27.0m in investments and £13.0m in liquidity).

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

The main risks arising from the Company's financial instruments are due to fluctuations in market prices (market price risk), 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 Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future of the economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £40.5m (2017: £27.0m).

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

The Board's strategy in managing the market price risk is determined by the requirement to meet the Company's investment objective. Risk is mitigated to a limited extent by the fact that the Company holds investments in several companies. At 31 March 2018, the Company held interests in 16 companies (2017: 8 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% (2017: 20%) movement in overall quoted share prices.

	2018 £'000s Profit and net assets	2017 £'000s Profit and net assets
Decrease if overall share prices fell by 20% (2017: 20%), with all other variables held constant.	**(7,257)**	(5,193)
Decrease in earnings, and net asset value per Ordinary share (in pence)	**(198.52)p**	(140.85)p
Increase if overall share prices rose by 20% (2017: 20%), with all other variables held constant.	**7,257**	5,193
Increase in earnings, and net asset value per Ordinary share (in pence)	**198.52p**	140.85p

The impact of a change of 20% (2017: 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.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued

ii) Currency risk

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

iii) Cash flow interest rate risk

As the Company has no borrowings, it only has limited interest rate risk. The impact is on income and operating cash flow and arises from changes in market interest rates. Some of the Company's cash resources are placed 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 Company.

The Company's maximum exposure to credit risk is:

	31 March 2018 £'000s	31 March 2017 £'000s
Loan stock investments	**3,625**	1,000
Cash and cash equivalents	**3,044**	12,987
Trade and other debtors	**71**	249
	6,740	14,236

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

The Company's cash balances are maintained by major UK clearing banks.

c) Liquidity risk

The Directors consider that there is no significant liquidity risk faced by the Company. The Company 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 2018, all investments, except for the investment in MJH Group Holdings Limited loan notes and MJH Group Holdings Limited equity, Be Heard Group Holdings Limited loan notes and HAEP II LP investment (Level 3), fall into the category 'Level 1' under the IFRS 7 fair value hierarchy (2017: all investments, except for the investment in Quester Venture Partnership and MJH Group Holdings Limited loan notes (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 2018		31 March 2017	
	Material investments included	£'000s	Material investments included	£'000s
Fair value	**MJH Group Holdings**	**2,226**	MJH Group Holdings	1,037
	Be Heard Group Holdings	**1,788**		
	HAEP II LP	**152**		
Contracted sales proceeds in post balance sheet period	**None**	**–**	MJH Group Holdings	–
		4,166		1,037

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 2018. The purchase was completed in November 2016.

In August 2017, an agreement was entered into with MJH Group Holdings limited to purchase loan notes for a value of £0.6m. This price plus premium interest has been used as the best indicator of fair value for this investment as at 31 March 2018. The purchase was completed in August 2017.

In August 2017, an agreement was entered into with MJH Group Holdings limited to purchase equity for a value of £0.4m. This price has been used as the best indicator of fair value for this investment as at 31 March 2018. The purchase was completed in October 2017.

In September 2017, an agreement was entered into to acquire MJH Holdings Limited loan notes from a value of £0.05m from an existing loan note holder. This price plus premium interest has been used as the best indicator of fair value for this investment as at 31 March 2018. The purchase was completed in August 2017.

In November 2017, an agreement was entered into with Be Heard Group plc to purchase loan notes for a value of £1.8m. This price has been used as the best indicator of fair value for this investment as at 31 March 2018. The purchase was completed in November 2017.

In July 2017, an agreement was entered into with Hanover Equity Partners II LP to purchase a holding for a value of £0.2m. This NAV valuation has been used as the best indicator of fair value for this investment as at 31 March 2018. The purchase was completed in July 2017.

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 into account the views of the Company's auditors.

The valuation policy for the holding in Hanover Equity Partners II limited is based on the NAV of the fund.

The quoted investments have been valued by multiplying the number of shares held with the closing bid price as at 31 March 2018. As such, there are no unobservable inputs that have been used in valuing investments.

Capital disclosures

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

The capital subscribed to the Company has been managed in accordance with the Company's objectives. The available capital at 31 March 2018 is £43.4m (31 March 2017: £39.5m) as shown in the statement of financial position, which includes the Company'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.

13. RELATED PARTY TRANSACTIONS

The related parties of Gresham House Strategic plc are its Directors, persons connected with its Directors and its Investment Manager.

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

During the year to 31 March 2018, Gresham House Strategic plc was charged management fees of £742k (2017: £697k) by Gresham House Asset Management Limited (GHAM). As at 31 March 2018, the Company had a balance of £64k (2017: £121k) owing to GHAM.

As at 31 March 2018, 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	31,183	Ordinary shares
G Bird	22,651	Ordinary shares
Gresham House Holdings Ltd	706,806	Ordinary shares

The Company 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 undertook to co-invest £7.5m with the SPE Fund LP.

Under the terms of the agreement, the Company allocated 3,875,969 IMImobile plc (“IMO”) shares at 193.5p per share (£7.5m) to the co-investment structure.

Of these, 2,374,431 IMO shares were sold generating cash proceeds of £4.6m; this sale comprised a sale of 300,308 ordinary shares in IMO to Gresham House plc (“GHE”) co-investment account and 2,074,123 ordinary shares to the SPE Fund LP at a price of 193.5p per share (being the closing mid-market price on 15 August 2016).

Dependent on the level further commitments that were made to the SPE Fund LP, up to a further 1,113,941 ordinary shares in IMO, that the Company held, were to be automatically sold, and these shares were valued in the Company’s accounts at the lower of the closing bid price and 193.5p per share.

The SPE LP Fund was closed to new investors on 15 February 2018 with no further commitments having been made. Consequently, the 1,113,941 shares that had been held subject to this contingent sale are now valued at bid price along with the rest of the Company’s holding in IMO.

GHS’s commitment under the co-investment agreement remains at £7.5m, as at 31 March 2018, 62% of the commitment had been fulfilled leaving a residual commitment of £2.8m. All investments held pursuant to the co-investment agreement are held directly by the Company.

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 transactions 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 2018.

14 SUBSEQUENT EVENTS NOTE

The Company has appointed a new depositary in INDOS as at 1 May 2018.

On 11 April 2018, the Company fulfilled a further 11% of its co-investment commitment with the SPE Fund LP. The remaining commitment as at 18 June 2018 is £2.025m.

Following the year end the Company undertook a share buyback exercise. In the period up to 18 June 2018, the Company purchased and cancelled a total of 99,174 ordinary shares at an average price of 936 pence per share, leaving the new total number of shares in issue as 3,555,330 (2017: 3,654,504). None of these shares are held in Treasury.

There were no other material events after the statement of financial position that have a bearing on the understanding of the financial statements.

NOTICE OF ANNUAL GENERAL MEETING

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 4.00 pm on Tuesday 24 July 2018 to consider the following resolutions, of which resolutions 1 to 7 will be proposed as ordinary resolutions and resolutions 8 and 9 will be proposed as special resolutions:

Ordinary Resolutions

1. To receive the annual report and accounts for the year ended 31 March 2018

2. To declare a final dividend of 17.25p 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 £592,555 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 2019, 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 7 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 7 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 £177,766.

   and this authority shall expire on the earlier of 30 September 2019 or the conclusion of the Company's Annual General Meeting in 2019 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 533,300;

    (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 2019 (or if earlier at the close of business on 30 September 2019) 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

25 June 2018

Registered Office:

77 Kingsway
London
WC2B 6SR

NOTICE OF ANNUAL GENERAL MEETING

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 close of business on Friday 20 July 2018. 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, Link Asset Services, by calling 0871 664 0300 (+44 208 639 3399 if calling from outside the United Kingdom) between 9.00 am and 5.30 pm on any business day. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate.

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) at 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, Link 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, Link Asset Services, by calling 0871 664 0300 (+44 208 639 3399 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, Link 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 Link Asset Services, by calling 0871 664 0300 (+44 208 639 3399 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 5.00 pm, on 18 June 2018, the Company's issued share capital comprised of 3,555,330 ordinary shares of 50 pence each, no shares held in treasury. Each ordinary share (except for any ordinary shares held in treasury) carries the right to one vote and therefore, the total number of voting rights was 3,555,330.

FOR YOUR NOTES

FOR YOUR NOTES

STRATEGIC PUBLIC EQUITY

www.ghsplc.com