Since 1857

Gresham House

Specialist asset management

GRESHAM HOUSE STRATEGIC PLC

REPORT AND ACCOUNTS

For the year ended 31 March 2019

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, the majority of which is 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

INVESTMENT HIGHLIGHTS

- One of the top-performing UK small-cap funds[1], delivering a market-leading NAV Total Return of 8.0% from 1 April 2018 to 31 March 2019, vs -3.1% total return for the FTSE Small Cap Index
- NAV growth driven by the strong performance of several investments, including Augean, Tax Systems, IMImobile and Northbridge
- Realisations of £16.4m generating net realised profits of £5.4m against cost; including IMImobile (£13.8m, £4.96m profit), and Miton group (£1.7m, £0.57m profit)
- Significant positive engagement in investments experiencing performance difficulties; value recovery plans are underway or currently being prepared
- Final dividend of 11.1p per share proposed, bringing total dividends for the year to 19.85p per share

OPERATIONAL HIGHLIGHTS

- Total shareholder returns of 20.4% in the year as the GHS share price rose from 827p to 970p and dividends paid, £1.9m cash returned to GHS shareholders
- Share price discount to NAV reduced from 30.0% at 31 March 2018 to 22.6% at 31 March 2019
- Significant portfolio construction efforts to create a more balanced portfolio; IMImobile weighting reduced from 43% to c.20%, five smaller investments exited, new strategic investments built in Augean and Pressure Technologies
- Exciting pipeline of strategic deals targeting completion in H1 FY 2020
- The recently announced Joint Venture between Gresham House and Aberdeen Standard Investments relating to the Strategic Public Equity (SPE) strategy, is expected to deliver significant positive benefits for GHS over the longer term (see Chairman's Statement)

POST-PERIOD END:

- Completion of sale of Tax Systems, generating £2.0m proceeds and £0.7m profit
- Announcement of a £2.5m strategic investment into Pressure Technologies, an AIM-listed engineering business, investing alongside other Gresham House funds creating a combined holding in Pressure Technologies in excess of 19%
- Completion in June of a pre-IPO £2.1m strategic investment into Lakes Distillery plc by means of a fixed-return, secured Convertible Loan Note (CLN)
- NAV Total Return performance has continued post-period end, up a further 1.4% to 1335.3p in the eight weeks to 31 May 2019, again outperforming the FTSE Small Cap (-0.9%) and the All-Share (-2.2%) Indices

[1] Data compiled by *FE Trustnet* and *Morningstar* for the year to 31 December 2018, shows that Gresham House Strategic plc outperformed all open-ended UK smaller companies funds and UK smaller companies close-ended funds, achieving total NAV Total Returns of 8.9%. Since inception in August 2015, GHS has outperformed its benchmark by 13.3%.

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 the Manager believes can generate a 15% IRR over the medium to long-term principally through capital appreciation
- Profitable, cash generative companies with scope to improve return on capital
- Investments where the 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 £250m
- We expect an investment 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

CHAIRMAN'S STATEMENT

THIS INVESTMENT APPROACH HAS BEEN SHOWN TO DELIVER SUPERIOR RETURNS OVER THE LONGER TERM

DAVID POTTER CHAIRMAN

Dear Shareholder,

I am glad to say that, for the second year running, it has been the best year's performance since we engaged Gresham House as the Manager. Given the volatility of markets and the high level of political uncertainty globally this is an excellent achievement. As you will see from the accounts, this performance has, for the first time, triggered the success-related incentive fee of £2.3m (inclusive of VAT). To remind shareholders, the incentive fee is set at 15% of the upside achieved subject to a hurdle rate of 7% p.a. and the usual high watermark provisions - this fee is accumulative for three years of above-hurdle performance.

I said last year that the Strategic Public Equity (SPE) strategy often necessitates a downward trip on the J curve before the actions the Manager takes start to have their effect. I think the results described in more detail in the Manager's Report supports this statement. They demonstrate the thesis that our investment approach can deliver superior returns over the longer term.

After an initial investment period, the GHS NAV performance is now starting to reflect the longer-term 15-year track record of the Investment Team, which has outperformed the indices on average by 10.7% p.a. - this year the GHS NAV outperformed the FTSE Small Cap by 11.1%.

There are several other funds that, broadly speaking, follow the same investment philosophy and we are hopeful that through all our efforts SPE will become more recognised as a distinct strategy to which investors (individual and institutional) should have an allocation in their portfolio. We believe that the Joint Venture announced by Gresham House with Aberdeen Standard Investments will give this further momentum. Some of the benefits we hope to see for GHS include; increased breadth and depth of team, greater deal flow and increased investor awareness of GHS as the only listed vehicle offering the SPE strategy managed by the Gresham House team.

The headline rise in the share price over the year was 827p to 970p and the headline rise in NAV was 1175.1p to 1253.9p. The Board has also proposed to declare a final dividend of 11.1p per share which follows the interim dividend of 8.75p per share paid in December 2018, and brings the total dividends declared for the year to 19.85p (prior year 17.25p). The rise in NAV coupled with the increased dividend and the commitment to raise it by at least 15% in each of the next two years to 31 March 2021 has demonstrated two things. Firstly, that our strategies towards investee companies are delivering good returns and, secondly, the confidence of the Board that this trend will be maintained.

CHAIRMAN'S STATEMENT (CONTINUED)

I have mentioned in all my recent reports that our discount to NAV is still too high. The reasons for this that I have identified in the past are being addressed continually. Our track record is getting longer, we have rebalanced the IMI holding within the portfolio, we are fully invested, we have used share buy backs and will continue to do so. We have not been able to address the issue of our small size, but we are hopeful that the combination of these factors plus the good performance will continue to help to reduce the discount. Over the last year it has fallen from 30.0% to 22.6% at the year-end. The Board's aim is to reduce the discount to the point where the Company can realistically consider raising fresh capital. Becoming larger is more than an end in itself, it will also enable the Company to reduce its cost ratio which, although it has declined again, is higher than the Board would like.

I am pleased to report that some existing wealth manager shareholders have increased their stakes and new ones have joined our register. We believe that the support of individual investors and their wealth managers is the key to growing our shareholder base and eventually to raising new capital.

I wrote last year about MIFID II and its negative implications. Those comments have turned out to be apposite. Although there is some recognition in regulatory circles that the new rules have many flaws I fear it will be some time before some of the more glaring ones (like KIDs) will be changed. Overall there remains every likelihood that the trend seen already of reduced research on smaller cap companies will continue. Whilst this is bad news in general for companies and investors, it is very good news for our investment strategy and thus we are extremely confident that the pipeline of possible investments will continue to exist and grow.

The Manager's Report that follows will give you more detail on the performance, our larger holdings and the rationale behind them.

I would like to thank my colleagues on the Board for another busy year, our Managers and all their support staff.

We have had one change in our external support arrangements in that we now have an independent company secretarial service provided by Shakespeare Martineau with the renamed IQEQ (formally Augentius) providing all accounting and administrative service provision.

I would like to take this opportunity to thank shareholders for their continued support.

DAVID POTTER
CHAIRMAN

25 June 2019

INVESTMENT PORTFOLIO HOLDINGS

TOP TEN PORTFOLIO HOLDINGS AS AT 31 MARCH 2019

Company	Deal Type	% of total portfolio	Value	% ownership of the company
IMImobile	Secondary - growth and re-rating; re-investment of cashflow	23.4%	£10.4m	5.4%
Augean PLC	Secondary - cash generation, performance recovery and re-rating	15.5%	£6.9m	7.0%
Northbridge	Primary recovery and growth capital - equity and CLN	13.9%	£6.2m	10.9%
Be Heard	Primary growth capital equity and CLN. Now focused on integration, cash generation and organic growth	7.3%	£3.3m	11.2%
MJ Hudson	Primary - pre-IPO growth capital - Equity and CLN	5.6%	£2.5m	1.0%
Tax Systems	Secondary - operational initiative, de-gearing and re-rating and organic growth	4.5%	£2.0m	2.0%
Centaur Media	Secondary - strategic refocus, sum of the parts thesis	3.8%	£1.7m	2.1%
Private & Commercial Finance	Primary growth capital	2.8%	£1.2m	1.5%
swallowfield	Secondary - strategic refocus and operational improvement	2.6%	£1.2m	3.8%
universe	Secondary - strategic refocus; stabilisation and re-rating	2.6%	£1.1m	10.2%

INVESTMENT MANAGER'S REPORT

INTRODUCTION

Following on from the Chairman's comments, I am pleased to be able to write to shareholders about a busy and, in some senses, transformational year for Gresham House Strategic on both operational and investment fronts. The Investment Team, supported by the Gresham House platform and wider resource, made a number of important investments and divestments and achieved a number of operational objectives in the year. We have also identified opportunities for further work and improvement for the financial year ahead.

INVESTMENT HIGHLIGHTS

- One of the top-performing UK small-cap funds[3], delivering market-leading NAV Total Return performance of 8.0% to 1,253.9p[4]/share vs FTSE Small Cap Index Total Return of -3.1% in the year from 1 April 2018 to 31 March 2019
- Three-year anniversary of management by Gresham House marked in August 2018 with NAV Total Return of 31.4% from inception and operational milestones achieved
- NAV growth driven by the strong performance of a number of investments, including Augean, Tax Systems, IMImobile and Northbridge
- Partial realisations of £16.4m generating net realised profits of £5.4m against cost; including IMImobile (£13.8m, £4.96m profit), and Miton group (£1.7m, £0.57m profit)
- A total of £13.1m capital invested between the start of the financial year and the publication of the results
- Significant positive engagement in investments where value recovery plans are underway or being prepared
- GHS has generated a Sharpe Ratio of 1.54 since inception to the time of writing, significantly outperforming its peers[5] and indicative of an attractive risk / reward profile
- Final dividend of 11.1p per share proposed, bringing total dividends for the year to 19.85p per share

POST-PERIOD END

- Completion of sale of Tax Systems, generating £2.0m proceeds and £0.7m profit
- Growth in NAV has continued post-period end, up a further 1.4% since the year-end to 1335.3p in the eight weeks to 31 May 2019
- Announcement in April of a £2.5m strategic investment into Pressure Technologies, an AIM-listed engineering business
- Completion in June of a pre-IPO, £2.1m strategic investment into Lakes Distillery plc by means of a fixed return, secured CLN

OPERATIONAL HIGHLIGHTS

- Total shareholder returns of 20.4% in the year as the GHS share price rose from 827p to 970p and FY 2018 dividend and FY 2019 interim dividend paid, this share price strength continued post period end, closing at 1150p as at 31 May 2019
- £1.9m cash returned to GHS shareholders via a buy-back and dividend in the financial year
- Share price discount to NAV reduced from 30.0% at 31 March 2018 to 22.6% at 31 March 2019
- Significant portfolio construction efforts; IMImobile weighting reduced from 43% to <20%, five smaller investments exited, new strategic investments built in Augean, and Pressure Technologies creating a more balanced portfolio
- Exciting pipeline of strategic deals targeting completion for H1 FY 2020
- We expect the recently announced Joint Venture between Gresham House and Aberdeen Standard Investments, relating to the Strategic Public Equity (SPE) strategy, to deliver significant positive benefits for GHS over the longer term, as described in the Chairman's statement

MARKET COMMENTARY

It was a volatile twelve months for UK equity markets, which failed to break through their all-time highs. Weakness and volatility dominated in the middle of the reporting period, notably through the end of the calendar year, with more buoyant performance in Q2 2018 and Q1 2019. Markets flitted between the more positive global growth narrative and bearish political concerns, most notably President Trump's trade policies and Brexit negotiations (and their possible impact on global growth). The summer started strongly, largely off the back of a strong Q2 earnings season (especially in the US) and what looked like progress on Brexit. Frustratingly all this was relinquished between September and December as the Trump administration ramped up aggressive trade rhetoric, and uncertainty in Europe increased as Brexit negotiations soured and concerns about Italian sovereign debt re-emerged. The UK AIM and Small-Cap markets were punished

[3] Data compiled by *FE Trustnet* and *Morningstar* for the year to 31 December 2018, shows that Gresham House Strategic plc outperformed all open-ended UK smaller companies funds and UK smaller companies close-ended funds, achieving total NAV Total Returns of 8.9%. Since inception in August 2015, GHS has outperformed its benchmark by 13.3%

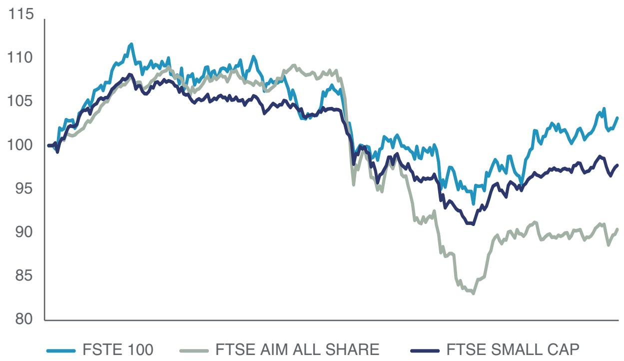
[4] The unaudited NAV per share includes valuations of the Company's unlisted investments as at 31 December 2018. The valuation of all unlisted investments, which comprise approximately 15% of the NAV the majority of which are CLN, will be reviewed for the purposes of the audited financial statements for the year-ended 31 March 2019

[5] Data compiled, and peer group defined by finnCap as at 21 June 2019

INVESTMENT MANAGER'S REPORT (CONTINUED)

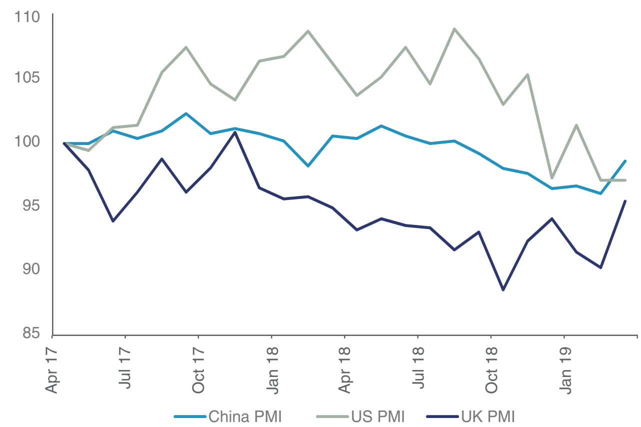
particularly hard, as were technology stocks, and most equity indices entered into bear market territory at the end of 2018. The UK AIM and Small-Cap Indices ended 2018 at 22.4% and 13.9% respectively off their 52-week highs.

UK Indices March 2018 - March 2019



Source: Bloomberg data as at 31 March 2019

As is often the case, just when many thought the decade-long bull market had come to an end, the first three months of 2019 saw a sharp rebound in global equity markets. In our view, the drivers of this were threefold.



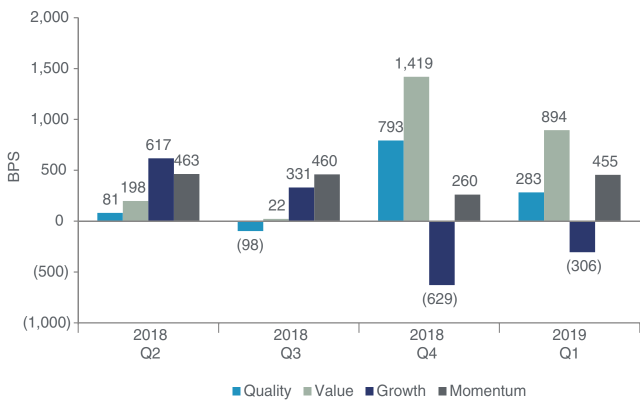
Source: Bloomberg data as at 31 March 2019

Firstly, as the chart above demonstrates, the first few months of 2019 have seen a stabilisation of economic data which have started to soften (US) and show signs of recovery in other key regions (Europe and China). This has provided equity markets with a platform from which to rally, as a near-term global growth slowdown had been the key theme roiling markets at the back end of last year. As we have flagged to our investors over the past six months, we remain cautious of how lengthy the current cycle has become - and last year's concerns were by no means unwarranted. We remain cautious on a longer-term view, though in the short to medium term we are more positive on the global economy in the form of an eventual US-China trade deal and a bounce in Europe driven by Brexit clarity. We note, that on 1 April, Goldman Sachs raised their US Q1 GDP estimate from 0.8% to 1.2%.

Secondly, the market fear clearly caught the attention of Capitol Hill and Beijing, for just as equities formally entered bear markets at the back end of December, a flurry of political statements and monetary/fiscal policies emerged, clearly designed to support confidence. In the US, the Treasury Secretary sought to calm the nerves of banks and held out an olive branch in the trade negotiations with China. In Beijing, significant stimulus increases were announced. The Federal Reserve offered its own contribution with a halt to rate hike plans. These efforts clearly worked - global equity markets bottomed the day Steve Mnuchin held a conference call with the President's Working Group on Financial Markets.

Thirdly, the first two drivers discussed herein have meant that the c.20% declines across major equity indices in the US and Europe created an attractive buying point for investors who had been wary of valuations in 2018.

Fig. 4 - Relative performance versus the benchmark



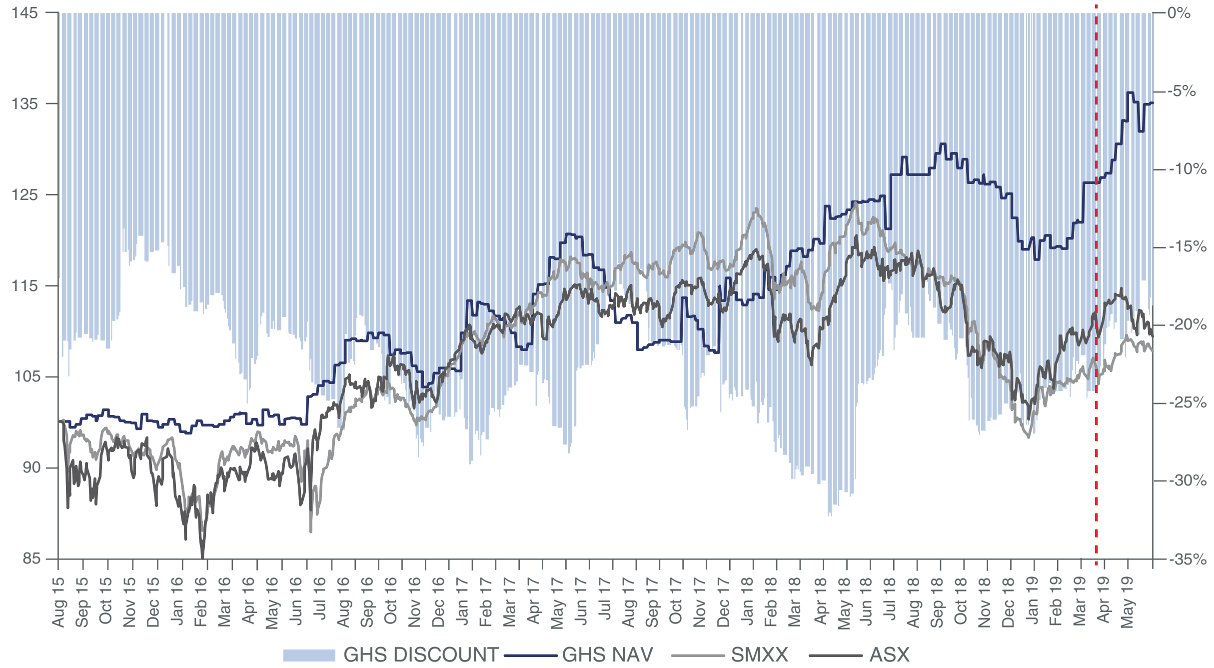
Source: finnCap Research May 2019

Perhaps more positively for our shareholders, in terms of investment style, there have been interesting changes in direction over the past twelve months. As fig. 4 shows, 'growth' has been the real casualty of the Q4 market sell-off versus its performance at the start of the year (and for most of the past decade) and has been closely followed by 'momentum'. The best relative performer by some distance has been 'value', having previously been the laggard. This is encouraging for investors in GHS as we have a more 'value oriented' portfolio of investments, something that is core to our approach. More on this in portfolio review. We would argue that some of the stronger performance this year can be attributed to this emerging change in backdrop and we anticipate this trend extending into next year as a decade-long dominance of growth and momentum investing recedes.

INVESTMENT MANAGER'S REPORT (CONTINUED)

PERFORMANCE REVIEW AND ATTRIBUTION

Fig. 5 - Relative Performance
(Red line denotes end of reporting period)



Source: Bloomberg Data as at 30 May 2019

Fig. 6

Start date	**14-Aug-15**	**31-Mar-18**	**31-Mar-18**	***30-Sep-18***
End date	**31-Mar-19**	**31-Mar-19**	***30-Sep-18***	**31-Mar-19**
	Since inception	**FY 2019**	**H1 2019**	**H2 2019**
Share price total return	31.5%	20.4%	*22.9%*	*-2.1%*
NAV Total Return	31.4%	8.0%	*8.1%*	*-0.1%*
FTSE Small Cap Total Return	16.9%	-3.1%	*4.8%*	*-7.5%*
FTSE All Share Total Return	26.8%	6.3%	*8.2%*	*-1.8%*

	Since inception	**FY 2019**	***H1 2019***	***H2 2019***
Relative Performance				
NAV vs Small Cap	14.5%	11.1%	*3.3%*	*7.5%*
NAV vs All Share	4.6%	1.7%	*-0.2%*	*1.7%*

Source: Bloomberg Data as at 31 March 2019

Note: Inception August 2015

Despite the market volatility, it has been another pleasing twelve months for the GHS NAV, as we built on the improved performance of FY 2018 and accelerated it with the NAV growing 5.7% from 1186.3p to 1253.9p in a year where we were also able to deliver two dividends to our shareholders bringing the shareholder total return to 8.0%. This improving performance is in line with our 3-5-year investment horizon, with us entering the fourth year of management of the Company in August 2018.

The financial year started well with the NAV tracking ahead of the comparator indices into the summer, driven by IMImobile's share price strength in June and July and supported by consistent performance in Augean and Northbridge. This created an outperformance spread that was then maintained throughout the year (and then widened recently post-period end) and the NAV reached a high for the reporting period (and for GH management) of 1290.7p in early September.

INVESTMENT MANAGER'S REPORT (CONTINUED)

Our 'value' approach was seemingly better insulated than the market from the volatility that set in shortly thereafter (late Q3 and Q4), as our performance softened to end the calendar year at 1188p but remained positive for the year and ahead of indices. The fall was driven by declines in most of our holdings, but the sharpest was in IMImobile. The impact was lessened, however, by the fact that we had reduced our holding by c.60% during August and September, locking in a significant profit and attractive return. It also meant we were holding a substantial cash balance as the market went into bear market territory, further insulating us from the market declines.

The NAV then almost fully recovered in Q1 2019 in line with equity markets in a broad-based rally across the portfolio, to end the reporting period at 1253.9p. The strong relative and absolute performance for the year would have been more pronounced were it not for some setbacks at Be Heard, Quarto and SpaceandPeople, where we have put value recovery plans in place. More detail on these can be found later in the portfolio section of the commentary.

The NAV total return performance for the financial year ended at +8.0% whilst the FTSE Small Cap (excluding Investment Trusts) Total Return Index delivered -3.1%. The key contributors and detractors to the positive performance are laid out in the performance attribution table below, and detail to these moves is given later in this portfolio review. After an initial investment period, the GHS NAV performance is now starting to reflect the longer-term 15-year track record of the Investment Team, which has outperformed the indices by 10.7% p.a. on average managing UK small-cap funds. This year the GHS NAV outperformed the FTSE Small Cap Index by 11.1%.

We are pleased to be able to report that this NAV performance has accelerated further post-period end, with the NAV growing +1.4% in the eight weeks to 31 May 2019, ending the month at 1335.3p, continuing to outperform equity markets. The positive drivers of NAV post period end were more focused than the broad strength of Q1 2019, strong share price performances in Augean, Northbridge and our new investment in Pressure Technologies supported the NAV during April and May and offset modest weakness across the rest of the portfolio.

This year of performance has helped generate a Sharpe Ratio of 1.54 since inception to the time of writing for the Company, significantly outperforming its peers[6]. We are pleased and proud to be able to produce this blend of high returns and low volatility for our shareholders - creating an attractive risk reward ratio. For reference, the ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk.

Fig 7. NAV performance attribution

Top 5 Performers	£m	% uplift	/share
IMImobile plc	£4.2m	9.7%	117.9
Augean plc	£4.0m	9.3%	113.5
Northbridge Industrial Services plc	£0.9m	2.0%	24.2
Tax Systems plc	£0.6m	1.4%	17.1
Centaur Media plc	£0.2m	0.4%	5.5
Bottom 5 Performers			
ProPhotonix Limited	(£0.2m)	(0.5%)	(6.3)
SpaceandPeople	(£0.6m)	(1.3%)	(16.0)
Be Heard Group plc	(£0.7m)	(1.7%)	(20.4)
Quarto Group Inc.	(£0.8m)	(1.8%)	(21.5)
Escape Hunt	(0.9m)	(2.1%)	(25.6)

Data as at 31 March 2019

INVESTMENT ACTIVITY

It has been a busy year for the Investment Team as we brought the portfolio close to being 'fully invested', investing some of our cash balance tactically but also rotating some large existing positions to follow our investment theses.

We had total realisations of £18.8m, almost entirely from profitable investments in the period; including IMImobile (£13.8m), Miton group (£1.7m), and Tax Systems (£2.0m).

IMImobile was a partial sale based on portfolio construction and we trimmed our position by 57% to lock in some profits for our investors and reduce the growing exposure to the company. The IRR on these sales delivered returns of 28.2% IRR and 2.12x MM for the Company.

We also elected to exit the remainder of our Miton position given that our investment thesis had played out and our identified catalysts had been achieved, delivering a 1.6x MM and 26% IRR for our investors.

Tax Systems, on the other hand, was acquired by Bowmark Capital LLP for 115p per share vs our average in price of 72p per share. Whilst we felt over the longer term there was potentially more value creation to be captured, the offer fairly reflected where the business had got to and we were pleased with a liquidity event that delivered a return of 26.4% IRR and 1.5x MM for our investors within two years.

[6] Data compiled and peer group defined by finnCap as at 21 June 2019

INVESTMENT MANAGER'S REPORT (CONTINUED)

We also sold out of toe-hold positions in Smartspace software and Stadium group as the investment case failed to materialise, other similar situations in the portfolio remain under review.

We put £8.3m of cash to work in the year to 31 March 2019, and an additional £4.1m post-period end. We invested the majority of this into new investments including CLN at Northbridge and Lakes Distillery, and equity investments into Hydrodec, Pressure Technologies and Swallowfield. We also increased our existing investments in Augean, Universe Group, Be Heard, Centaur Media and Escape Hunt, building bigger stakes as we have seen evidence of progress towards milestones or taking advantage of pricing anomalies. We also made a modest further investment into IMImobile in Q1 2019 for the same reasons, as the market volatility of Q4 2018 created a higher than average number of such opportunities.

The majority of our investments and realisations are discussed in detail in the 'Investment Review' section of this report.

INVESTMENT REVIEW

After a year of strong relative performance and operational progress, there is plenty of good news to cover in the portfolio. We focused on making one or two selective new investments and supporting our investments per our investment strategy, which in a number of cases benefited from some traction in the mid-year and H2. However, we would like to start by reviewing some of the setbacks and what we are doing about them - as this is a key part of our strategy, but also where we think we are laying the foundations for value recovery and therefore additional returns in the coming months and years.

The five obvious ones were Quarto, Be Heard, Universe Group, SpaceandPeople and Escape Hunt. We covered our work on Quarto extensively in the interim results and our factsheets, so we will not repeat it here as the situation there has stabilised, with Andy Cumming as Chairman and C K Lau, the major shareholder, as Chief Executive. Initiatives at Universe Group and Be Heard all progressed materially in the year and have started to bear tangible results. We have also been closely engaged with SpaceandPeople and Escape Hunt - though these efforts are at an earlier stage.

Be Heard

After a few eventful quarters for Be Heard, peppered with operational hiccoughs and ultimately downgrades to forecasts and which reached a climax in early summer 2018 concluding a disappointing nine months for the business, we became increasingly engaged and active with the company. It had become evident in January that change was required to rectify some of the operational issues the business was facing. Initially changes were made in the finance area, with the well-regarded Simon Pyper joining in April, following the departure of Robin Price. Peter Scott then left his position as CEO in September, with Simon Pyper stepping up to the role. Ben Rudman joined the board as COO.

Simon and Ben have brought fresh perspective to the operational management of the business, with a greater focus on delivering benefits from the integration of Be Heard's divisional businesses and a new approach to cost and expenditure management, both of which we are highly supportive of. The 2018 results demonstrated the difference these changes have made; after some significant reorganisation work EBITDA leapt in H2 to £2.4m driving full year EBITDA up to £3.0m from £1.6m in the prior year and in line with the revised forecasts made in the summer. With trading on track (Q1 ahead of budget) based on a macro-aware budget we are encouraged at this early stage in the year. We continue to work closely with Chairman David Morrison, Simon and Ben on the future for the business and efforts to translate the improving operational performance into value recovery for our investment. We believe the outlook for Be Heard is now increasingly positive.

SpaceandPeople

We have started a period of similarly intense levels of engagement with SpaceandPeople, following the two profit warnings this year. The business is sub-scale and has met a clear inflection point in its story. Whilst this is a small investment and we are conscious of where we spend our time, we are lending our corporate expertise and knowledge to formulating and enacting a strategic plan for the next phase of the business' life.

Universe Group

At Universe Group our efforts have been more subtle but nonetheless supportive of the improving equity story after the difficulties the business faced following the collapse of Conviviality when the company lost a major future earnings prospect. Universe had signed them as a client a year or so before and the teething problems with the roll-out are now more easily explainable. After this setback, we looked to support Chairman Andrew Blayze and CEO Jeremy Lewis as they sought to refocus resources within the business, adjusting for the contract loss, but also positioning it for winning new business. Some evidence of the benefit is beginning to show, with progress announced post-period end including a strategic acquisition and improved forecasts.

Escape Hunt

Escape Hunt has, frustratingly, been the weakest performer in the portfolio in the reporting period as delays in site roll-outs have had a knock-on impact on the company's profitability profile and cash consumption, which has weakened the P&L and balance sheet but also muddied the equity story. As our shareholders would expect we are now increasing our engagement with the company to rectify all the issues at hand and we expect to be able to provide our shareholders with much more information over the summer.

Whilst we have been busy stabilising and laying the foundations to recover value in the few investments that have breached our original investment thesis, there has been plenty

INVESTMENT MANAGER'S REPORT (CONTINUED)

of good news and positive engagement within the portfolio too as the performance this year suggests. Whilst we will not trawl through each and every one here (case studies are available on our website) some of the stand-out performers and events on which we will provide some more information include: Augean, IMImobile (major realisation and reinvestment), Tax Systems take-out and Northbridge. There were also two new investments into the portfolio - Pressure Technologies and Swallowfield - for which we will provide a summary of our investment case.

Augean

It has been a remarkable year for the turnaround strategy at Augean and our investment - first made in October 2017 and subsequently increased on growing conviction through 2018 - to become one of the largest positions in the portfolio. Having had the second half of 2017 to formulate a recovery strategy, 2018 was a year in which the executive team, led by Jim Meredith (Executive Chairman) and Mark Fryer (FD), began to enact the plan, starting with a rightsizing of the cost base to respond to the anticipated HMRC assessment to landfill tax and related penalties and fines (quantum as yet undecided, but final assessments have provided an expected cap) but also the significantly reduced size of the business. These early efforts set the platform for a pleasing summer for Augean as the company began to deliver on our investment thesis, with better than expected cash generation and margin growth.

In the Autumn, the company released a bullish trading update and a stronger than expected set of interims, citing 36% year-on-year pre-tax profit growth. Credit should go to the management team for their strategy and its delivery. Once it had become clear that the strategic changes were being implemented we added to our investment through the year. The first few months of 2019 brought further good news, with upgrades to forecasts announced. The company materially increased its guidance for FY 2019, FY 2020 and FY 2021 following strong performances from its businesses in Q1 and good continuing momentum built on broad-based progress. This also created a corresponding increase in net cash expectations to £50.5m by the end of 2021[7]. The final assessments on the landfill tax issue would suggest the company's worst-case outcome would be a liability of approximately £35m (including interest). We still regard a significantly better outcome as a reasonably high probability, but nevertheless feel that the current valuation factors, in an outcome which the company itself believes, would be unfavourable. Later in 2019 we look forward to signs of further progress on the next key catalysts; further advancement on the HMRC assessment and additional earnings growth.

IMImobile

It was a year of significant progress for our major investment in IMImobile as well. As discussed in depth at the interims, we rebalanced the portfolio by reducing our IMImobile stake in August by 57%, generating a 28.2% IRR and 2.12x Money Multiple. Further detail on the realisation can be found in the interim results and the RNS made at the time of the sale, which we will not repeat here. However, post our disposals the shares significantly de-rated during the technology sell-off of Q4 2018, trading as low as 197p. As a team that knew the company in-depth, the valuation argument to reinvest became hard to ignore and, as a result, we re-evaluated the investment thesis and the company's operating performance, engaging management as well as desktop due diligence.

This work concluded a strong re-investment case and GHS purchased 420,000 shares at these lower levels in February 2019 (note the reinvestment size was materially smaller than the realisation as we remain conscious of portfolio construction). We were pleased to see the shares trade better as market volatility eased and the company then released a strong trading update showing that it continues to grow organically at double digit rates as well as winning clients, allowing the shares to end the year trading around the 300p pence level.

Tax Systems

We were also pleased to see an execution of our takeout thesis for Tax Systems, for a final offer price of 115p. This compares to our entry price of 72p two years ago, delivered an IRR of 26.4% and 1.5x money, and generated a profit of £0.7m for our investors, well ahead of our 15% IRR target. The shares were delisted shortly before our year end and the sale completed in the first week of April.

Northbridge

In the case of Northbridge, over the past twelve months the sector recovery story that underpins our investment thesis has begun to accelerate from the early indicators evident at the end of 2017. This has started to translate into increased business activity, leading to an acceleration of capital expenditure to support new contracts. The traditional markets for load banks as well as newer, emerging areas, such as Data Centres and Energy Storage Systems, have provided resilience and growing opportunity and the joint venture in Malaysia has been tracking satisfactorily.

We evidenced our growing conviction for the recovery story with a significant additional investment into the company in April last year. We played a leading role in a comprehensive financing package; initiating, structuring and completing in the form of a £4m CLN issue, of which GHS subscribed for c.£2m. The CLN pays an 8.0% p.a. coupon quarterly over a three-year term and has a conversion price of 125p. The issue was in conjunction with renewed banking facilities for the next three years.

As at the GHS year-end the Northbridge recovery story remains ongoing. Brokers were able to increase their profit before tax forecasts for 2020 and 2021 in October, driving the share price as high as 150p, double the price at which we made our initial investment in 2016 and leaving our CLN comfortably in the money (125p exercise price).

[7] N+1 Singer Forecast as at April 2019

INVESTMENT MANAGER'S REPORT (CONTINUED)

The company's strong results posted after the end of our financial year-end provided further evidence for our recovery thesis, led by the equipment rental unit in Australia, which was the earliest unit to suffer from the oil market turndown and which was the main contributor to a 44% rise in EBITDA in FY 2018, described as a "watershed" year. "Further good progress" for the oil and electrical tools group is expected for financial year 2019 and we look forward to updating shareholders in due course.

NEW INVESTMENTS POST PERIOD END

Pressure Technologies

- A £2.5m investment via a secondary block placing into Pressure Technologies, making Gresham House managed funds the largest shareholder
- The thesis on Pressure Technologies is one of recovery, organic growth and strategic refocus, backing a new management team to deliver a return of organic growth and simplification of the operational structure of the business

Lakes Distillery

- A pre-IPO investment of £2.1m via a secured, CLN that pays an 8% cash yield and an additional 12% PIK roll-up interest, combining to generate a 20% p.a. return - the loan notes convert to equity at the point of IPO
- This is to provide growth capital to the business to further develop production capacity and fund additional whisky production ahead of an anticipated IPO over the next 24-36 months

OUTLOOK

We enter the 2019/20 financial year invigorated from a year of significant activity and accelerating NAV performance. We are excited to be continuing to make progress in spite of some of the setbacks and to be capitalising on selective opportunities ahead of us, some of which we have discussed 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 via our factsheets.

While we continue to believe areas of equity markets are expensive compared to historic ranges, 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, especially given our 'value' orientation. Whilst wary of the stage in the cycle and some sector valuations relative to historic ranges, we remain cautiously optimistic in our outlook for the shorter term, especially when focusing on the UK. If a resolution to the Brexit uncertainty can be found, as we continue to believe it can (albeit after some additional dramatic posturing from both sides), then the case for UK equities is even stronger. In the event of a Brexit resolution we would expect to see an improvement in consumer confidence (helped by a likely stronger UK currency) as seen in the US over the past six months, and an element of catch up from withheld capital expenditure by businesses during the last two years of uncertainty. Whilst this may be offset by a reversal of the recent stock-building which has supported growth ahead of the Brexit deadline, we believe the overall impact would be positive. We are following developments closely and are engaged with our portfolio investments on their plans either way.

All of this considered, we are selectively assessing interesting, differentiated value opportunities, particularly those that offer defensive characteristics against a potential slowdown in global economic growth should trade wars escalate, and those that are not highly-rated momentum stocks, a number of which have been propelled to lofty valuations during the current bull market. The sell-off at the end of 2018 provided a helpful reminder of the risks of such valuations.

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 indicating that a company is intrinsically undervalued, such as low valuation multiples, high free cash return on capital characteristics and tangible asset cover. There is a strong focus on cash generation, improving return on capital, and - where we believe there are opportunities to - we look to create shareholder value through strategic, operational or management initiatives.

Our approach is differentiated from other public equity investment strategies in several ways. This includes the 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:

- Market characteristics and dynamics
- The Company's competitive positioning within the market, including barriers to entry, ability to grow, pricing power, and client/customer quality
- The strength, experience and alignment of management
- The financial characteristics, focusing on areas such as customer concentration, sustainability of margins, capital intensity and cashflow characteristics, stability and predictability

INVESTMENT MANAGER'S REPORT (CONTINUED)

- The likely attractiveness to other buyers, whether institutional, trade or private equity
- The intrinsic value in relation to the market value
- Our ability to acquire a stake and assist in value creation and enhancement to bridge the value gap

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 Investment Committee and Gresham House Advisory Group.

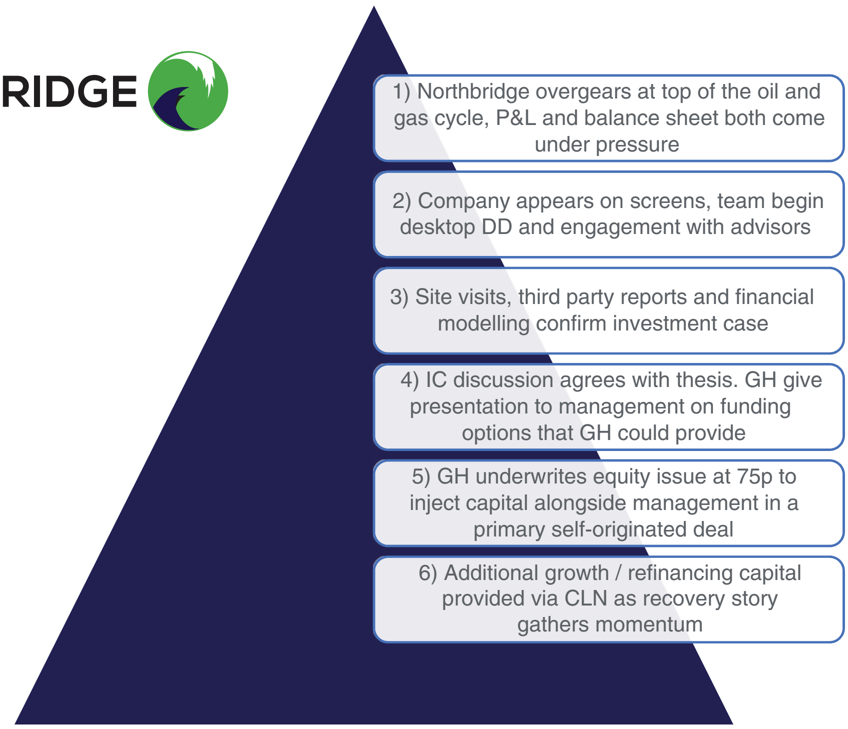
Gresham House believes this approach can lead to superior investment returns, exploiting inefficiencies in certain segments of the public markets. There are over 1,000 companies in the FTSE Small Cap index and on AIM. These companies typically suffer from a lack of research coverage and often have limited 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. This enables us to support pre-IPO and take private opportunities as well as being able to invest in different parts of the capital structure.

CASE STUDY EXAMPLES OF THE INVESTMENT STRATEGY

CASE STUDY 1 - Investment Philosophy creates unique deals - Northbridge plc

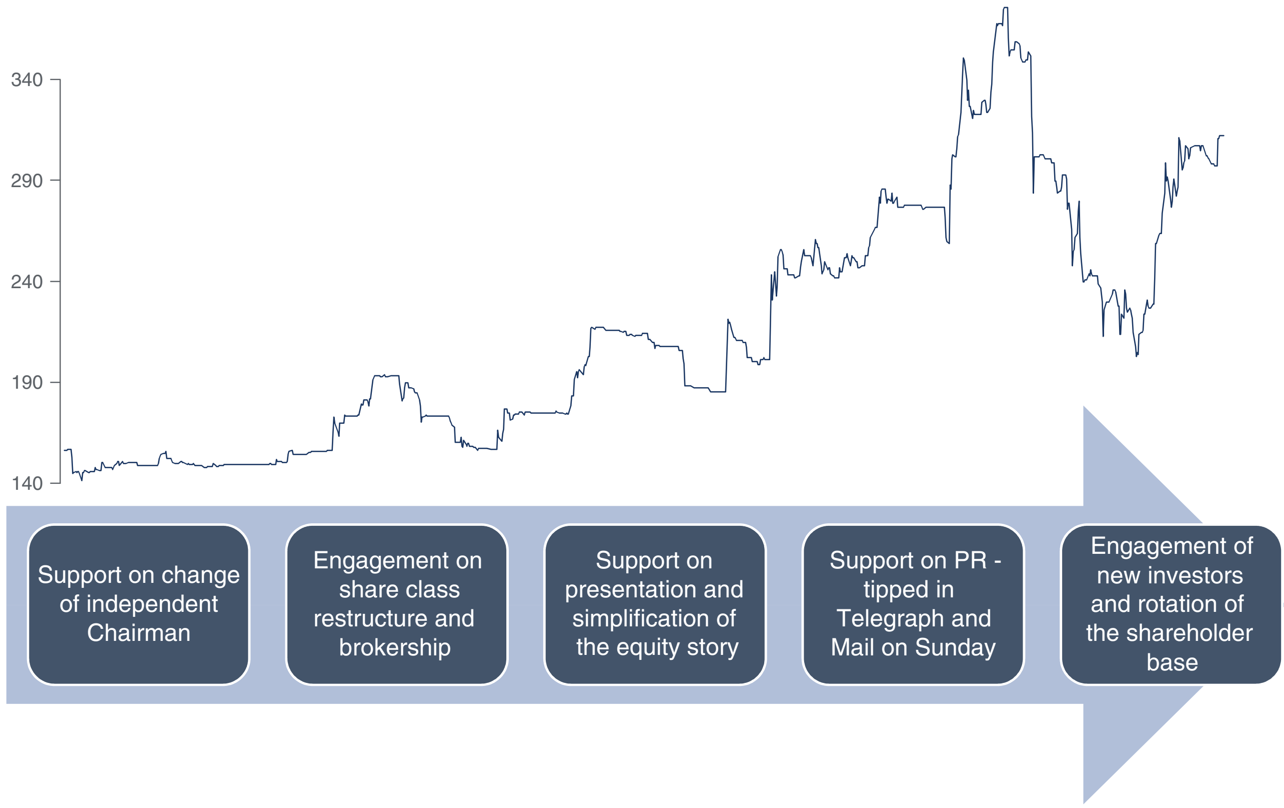
NORTHBRIDGE



INVESTMENT MANAGER'S REPORT (CONTINUED)

CASE STUDY 2 - Investment Process creates greater conviction - Augean plc

CASE STUDY 3 - Post-deal catalyst execution helps drive returns - IMImobile plc



Source: Bloomberg Data as at 31 March 2019

ABOUT THE MANAGER

ANTHONY (TONY) DALWOOD

FUND MANAGER & 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 (later UBS Global Asset Management). He was a member of the UK Equity Investment Committee with responsibility for managing over £1.5bn of UK equities.

Tony is currently CEO of Gresham House and former 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 & 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 Master's degree in Economics from the University of Cambridge.

LAURENCE HULSE

INVESTMENT MANAGER

Laurence is a part of the Investment Team for the Strategic Public Equity strategy at Gresham House, a strategy which he has over four years of experience in. This work includes both public and private equity transactions across a range of sectors for the SPE funds, including Gresham House Strategic and Strategic Public Equity LP.

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.

ABOUT THE MANAGER (CONTINUED)

INVESTMENT COMMITTEE

THOMAS (TOM) TEICHMAN

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

BRUCE CARNEGIE-BROWN

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

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.

BOARD OF DIRECTORS

DAVID POTTER
NON-EXECUTIVE CHAIRMAN

David is currently Chairman of Illustrated London News and Coeus Software and a Non-Executive Director of Fundsmith Emerging Equities Trust. He is also a Council member of The Centre for the Study of Financial Innovation, Chairman of the National Film and TV Foundation and the Bryanston Foundation. 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 was appointed Chairman of GHS in 2015 and joined the Board on 20 March 2002.

CHARLES BERRY
NON-EXECUTIVE DIRECTOR

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

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 also a Non-Executive Director of Blue Prism Group plc and Vertu Motors plc.

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

Appointed to the Board on 1 January 2016.

HELEN SINCLAIR
NON-EXECUTIVE DIRECTOR

Helen is currently 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.

CORPORATE GOVERNANCE REPORT

AIC CODE STATEMENT OF COMPLIANCE

Gresham House Strategic plc is a member of the Association of Investment Companies and has adopted the AIC Code of Corporate Governance issued in July 2016 ("the AIC Code") which sets out the framework of best practice in respect of the governance of investment companies.

The Board has considered the principles and provisions of the AIC Code which addresses the principles and provisions set out in the UK Corporate Governance Code, as well as setting out additional provisions on issues that are of specific relevance to the Company. The Board considers that reporting against the AIC Code which has been endorsed by the Financial Reporting Council provides better information to shareholders.

The Company complies with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below:

- The Company has chosen not to appoint a Senior Independent Director as the Board considers that this would be unnecessarily burdensome. Shareholders may contact the Chairman of the Audit Committee if they have any concerns which they do not feel able to raise with the Chairman.

The Company is aware that the AIC has issued a revised Code of Corporate Governance in February 2019 and the Company will be required to fully report against this code in next year's Annual Report and Accounts.

THE BOARD OF DIRECTORS

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

The Board consists of three independent Non-Executive Directors and a Non-Executive Chairman all of whom are independent of the Investment Manager. No one individual dominates the Board's decision making. David Potter and Charles Berry were directors of Spark Ventures plc prior to its reincarnation with a new investment philosophy, a new investment manager, new shareholders and a new name. The AIC Code recommendations note that Boards of investment companies are likely to benefit from having at least one director with considerably longer than nine years' experience.

All members of the Board hold a certain number of shares in the Company (less than 0.5% of the issued share capital). Further detail on each of their shareholding can be found on page 22. After consideration of the above factors, and taking into account guidance from the AIC, which encourages Directors owning shares, the Board is of the view that all the Non-Executive Directors continue to be, independent in character and judgement and free from relationships or circumstances that could affect their judgement within the meaning of the AIC Code. The Board considers that all Directors continue to be committed to their roles and have sufficient time available to meet their Board responsibilities.

The names and responsibilities of the Directors, together with their biographies and details of their significant commitments, are set out on pages 17-19, 22, 25. The Directors possess a wide range of skills, knowledge and experience relevant to the leadership of the Company, including financial, legal, regulatory and industry experience as well as the ability to provide constructive challenge to the views and assumptions of the Investment Manager and other Directors.

BOARD AND COMMITTEE MEETINGS

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

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

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

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

The table below sets out the attendance record of individual Directors at the scheduled Board and Committee meetings held during the year-ended 31 March 2019:

	Scheduled Board Meetings	Scheduled Audit Committee Meetings
	Number attended	Number attended
David Potter	4/4	-
Charles Berry	3/4	1/2
Kenneth Lever	4/4	2/2
Helen Sinclair	4/4	1/2

CONFLICTS OF INTEREST

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

DIRECTORS' APPOINTMENT AND RE-ELECTION

All Non-Executive Directors are appointed on the basis of letters of appointments which provide for a maximum of three months' notice of termination by the Director or the Company. The letters of appointment are available for inspection at each AGM. The Board is aware of the AIC Code provisions relating to tenure but has decided against imposing term limits on the appointment of the Non-Executive Directors subject to continued satisfactory performance.

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

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

The Company considers annual re-election of Directors to be good corporate governance and has therefore chosen to follow this practice. The Directors have considered the performance of each Director serving on the Board, including the Chairman, and believe that each of the Directors continues to make a valuable contribution to Board discussions and decisions and supports their re-election at the 2019 AGM.

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

BOARD EVALUATION

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

The results of the evaluation revealed no significant concerns amongst the Directors about the effectiveness of the Board, the Audit Committee or the Investment Manager. The Board does not consider it necessary at present to employ the services or to incur the additional expense of an external third party to conduct the evaluation process but will keep this under review.

CONTINUING APPOINTMENT OF THE INVESTMENT MANAGER

The performance of the Investment Manager is monitored and reviewed by the Board as a whole in the absence of a Management and Engagement Committee. In addition, an annual appraisal of the Investment Manager's performance is undertaken as part of the Board Evaluation process. It is the opinion of the Board that the continuing appointment of the Investment Manager is in the interests of shareholders as a whole.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. Further details are provided on note 12.

SHAREHOLDER RELATIONS

The Board is committed to ensuring there is open and effective communication with the Company's shareholders and communicates with its shareholders in a number of ways including: The Annual and Half-Yearly Reports, regulatory announcements and through its website. The website provides

CORPORATE GOVERNANCE REPORT (CONTINUED)

all existing and potential shareholders with information about the Company, its investment policy and performance to allow shareholders to fully understand the risk/reward balance of holding shares in the Company. In addition, the Chairman meets with the Company's major shareholders annually if they wish to do so to discuss matters of governance, strategy and performance against the Company's investment objective and policy. Feedback from shareholder meetings are reviewed and discussed at Board meetings to ensure that the Board as a whole have a clear understanding of shareholder views. The AGM provides a further opportunity to communicate with shareholders who attend and for the Board to respond to their questions at the meeting. All shareholders are encouraged to attend and vote at the Company's AGM, to be held on 19 September 2019 at 10:00am.

Shareholders are also 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.

SHARE CAPITAL

During the year, on various dates between 24 May 2018 and 18 June 2018, the Company bought back 99,174 Ordinary Shares of 50p each at an average price of 952p. The shares bought back, along with any other Ordinary Shares purchased by the Company pursuant to the Buyback Programme, were immediately cancelled. As at 31 March 2019, the Company's issued share capital was 3,555,330 Ordinary Shares of 50p each, of which none were held in treasury.

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

Approved by the Board of Directors:

SGH COMPANY SECRETARIES LIMITED
COMPANY SECRETARY

25 June 2019

AUDIT COMMITTEE REPORT

The Audit Committee is chaired by Charles Berry and its other members are Ken Lever and Helen Sinclair. Charles Berry has recent and relevant financial experience and the Audit Committee as a whole has competence in the investment company sector. The Chairman and the Investment Manager are not members of the Committee but may be invited to attend meetings of the Committee.

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

The purpose of the Committee is to:

- Monitor the integrity of the Financial Statements of the Company and any formal announcements relating to the Company's financial performance;
- Review the significant issues/judgements relating to the financial statements, and how these issues were addressed;
- Ensure that the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- Review and make recommendations to the Board relating to the content of the Financial Statements and accompanying narrative included within the Annual Report;
- Review and assess the independence, objectivity and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor;
- Approve the remuneration of the independent auditors; and
- Monitor and review the effectiveness of the Company's internal financial controls, internal control and risk management systems.

PRINCIPAL ACTIVITIES DURING THE YEAR

- Reviewed the full year and half-year results, including the underlying accounting issues and judgements and the processes underpinning the preparation of those documents;
- Considered the external auditor's annual scope and reports on the full and half-year results;
- Reviewed and recommended the reappointment of BDO LLP as the external auditor for the Company; and
- Reviewed the need to establish an internal audit function.

EXTERNAL AUDITOR

The Committee reviews the continued appointment of BDO LLP each year, taking into account the relevant legislation, guidance and best practice appropriate for a company of its size, nature and stage of development.

In March 2019, the Committee discussed the performance of the external auditor and the effectiveness of the audit process by discussing the results of the 2018 external audit, including their views on material accounting issues and key judgements; considering the robustness of the audit process; reviewing the quality of the people and service provided by BDO LLP; and assessing their independence and objectivity.

The Committee was satisfied with the effectiveness of the external auditor and recommends the reappointment of BDO LLP as the external auditor for the Company at its 2019 AGM.

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

CHARLES BERRY
CHAIRMAN, AUDIT COMMITTEE

25 June 2019

DIRECTOR'S REMUNERATION REVIEW

The report on Directors' remuneration for the year-ended 31 March 2019 is set out in the table below. As mentioned previously, the full Board undertake the role of the Remuneration Committee given the size of the Board.

Furthermore, as the Company is an externally managed investment company with no employees or executive directors, the Board does not consider it appropriate to put in place a remuneration policy. The fees paid to the Board are reviewed periodically and may also be reviewed when new Non-Executive Directors are recruited to the Board.

Under the Company's Articles of Association ("Articles"), Directors are entitled to be paid all reasonable expenses properly incurred in the performance of their duties as Directors including their expenses travelling to and from Board and Committee meetings.

As the Board is solely composed of Non-Executive Directors, the consideration of their remuneration does not involve any variable or performance-related bonuses, or other benefits such as pensions.

REMUNERATION FOR THE YEAR ENDED 31 MARCH 2019

The tables below set out amounts paid to each Director during the financial year-ended 31 March 2019:

	Annual Fees £'000
David Potter	50
Charles Berry	25
Kenneth Lever	25
Helen Sinclair	25

Under the Articles of Association, the total aggregate annual fees that can be paid are £250,000.

The level of remuneration has been set in order to attract individuals of a calibre appropriate to the future development of the Company and reflects the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs.

DIRECTORS AND THEIR INTERESTS

The Directors serving during the year-ended 31 March 2019 had the following interests in the share capital of the Company:

	Ordinary Shares			
	31/03/2019	18/06/2018	31/03/2018	31/03/2017
D Potter	17,313	17,125	14,719	14,576
C Berry	2,550	2,550	2,550	2,550
K Lever	3,330	3,330	3,330	3,330
H Sinclair	1,767	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			
	31/03/2019	18/06/2018	31/03/2018	31/03/2017
Graham Bird	22,651	22,651	22,651	22,651
Anthony Dalwood	31,183	31,183	31,183	27,597

There have been no changes to the Directors' share interests between 31 March 2019 and the date of this Report.

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 2019.

ACTIVITIES

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

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

DIRECTORS

The Directors in office at the date of this Annual Report are shown on page 17.

SUBSTANTIAL SHAREHOLDINGS

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

Shareholder	Number of Ordinary Shares held	% of total voting rights
Gresham House plc and GH Holdings Ltd	812,913	22.9
M&G Investment Management	428,129	12.0
Smith & Williamson Investment Management	231,474	6.5
Unicorn Asset Management	200,528	5.6
Hargreaves Lansdown Asset Management	169,743	4.8
Miton Asset Management Ltd	132,500	3.7
Berkshire County Council	105,000	3.0

There have been no changes notified to the Company between 31 March 2019 and the date of this Report.

DIVIDENDS

The Directors have recommended the payment of a final dividend in respect of the year ended 31 March 2019 of 11.1p per Ordinary Share (bringing total dividends for the year to 19.85p per share), payable on 30 September 2019 to shareholders who appear on the register of members on 6 September 2019 (2018: 17.25p per share).

FINANCIAL RISK MANAGEMENT

The principal risks and uncertainties regarding the Company's future financial performance are set out in note 12 of the Financial Statements. 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 934.9p. In the year the share price reached a maximum of 1,040.0p and a minimum of 827.5p. The closing share price on 31 March 2019 was 970.0p.

SUBSEQUENT EVENTS

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

AUDIT INFORMATION

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

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

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

ANNUAL GENERAL MEETING

The Notice of Annual General Meeting to be held at 10:00am on Thursday 19 September 2019 is set out on pages 46 to 49. Details of the business to be transacted are outlined below:

Report and accounts

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

Dividend

Shareholders will be asked to approve the final dividend of 11.1p per share.

Re-election of directors

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

Auditor

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

Directors' authority to allot shares

The Directors are seeking the usual authority to allot shares. Resolution 8 in the Notice of Annual General Meeting seeks authority to allot Ordinary Shares up to an aggregate nominal amount of £586,629 (being an amount equal to 33% of the total issued share capital of the Company as at the date of this report).

DIRECTORS' REPORT (CONTINUED)

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% of the total issued ordinary share capital of the Company as at the date of this report) without the application of the pre-emption rights described above.

Resolution 10 gives the Company authority to make market purchases of up to 533,300 Ordinary Shares, representing 14.99% of the Company's issued ordinary share capital (excluding treasury shares) as at 25 June 2019 (the latest practicable date before publication of this document).

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

The authorities contained in Resolutions 8 to 10 will continue until the AGM of the Company in 2020, or 30 September 2020 if earlier. It is intended that renewal of these authorities will be sought at each AGM.

RECOMMENDATION

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

Approved by the Board of Directors
and signed on its behalf

SGH COMPANY SECRETARIES LIMITED
COMPANY SECRETARY

25 June 2019

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

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WEBSITE PUBLICATION

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GRESHAM HOUSE STRATEGIC PLC

OPINION

We have audited the Financial Statements of Gresham House Strategic plc (the Company) for the year-ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, 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, International Financial Reporting Standards (IFRSs) as adopted by the European Union and 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 2019 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matter	Audit response
Valuation of Investments (note 1 page 34 and note 8 on page 40): Investments comprise investments in both quoted and unquoted companies. Investments are primarily held in quoted companies which should not generally require significant judgement in their valuation. However, as the most material figure on the Statement of Financial Position, this was the area that had the greatest effect on the overall audit strategy and allocation of resources in the audit. 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 publicly 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 through review of recent trading information and performance reports ■ Reviewed the treatment of accrued redemption premium/other fixed returns in line with accounting standards In respect of unquoted equity investments, we 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 judgments 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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could reasonably influence the economic decisions of users that are taken on the basis of the financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality Measure	Purpose	Key considerations and benchmarks	2019 Quantum (£)	2018 Quantum (£)
Financial Statement Materiality (1.2% of the value of the investment portfolio) (2018: 1% of the value of the investment portfolio)	Assessing whether the financial statements as a whole present a true and fair view.	■ The value of investments ■ The level of judgement inherent in the valuation ■ The nature and disposition of the investment portfolio	490,000	400,000
Performance Materiality (75% of financial statement materiality) (2018: 75% planning 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	370,000	300,000

Under ISA (UK) 320, an auditor is required to consider whether there are one or more particular classes of transactions or account balances, for which misstatements of lesser amounts than materiality are appropriate. We consider that the Company's on-going costs and net realised revenue returns could influence users of the financial statements and we have therefore applied a lower specific materiality level of £140,000 (2018: £70,000) to investment income, costs and other relevant transactions and balances that drive the revenue return to shareholders. This has been based on 10% of gross expenditure (2017: 5% of gross expenditure).

We agreed with the Audit Committee that we would report to the committee all individual audit differences in excess of £24,000. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

OTHER INFORMATION

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

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

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the 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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- The 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.

BDO LLP

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

25 June 2019

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 2019

	Note	Year-ended 31 March 2019 £'000	Year-ended 31 March 2018 £'000
Gains on investments	8	**6,102**	5,562
Revenue			
Bank Interest income		**11**	2
Loan note interest income		**634**	324
Portfolio dividend income		**225**	162
		870	488
Administrative expenses			
Salaries and other staff costs	3	**(129)**	(138)
Performance fee	13	**(2,333)**	–
Other costs	4	**(1,257)**	(1,235)
Total administrative expenses		**(3,719)**	(1,373)
Profit before taxation		**3,253**	4,677
Taxation	5	**–**	–
Withholding tax expense		**–**	(8)
Profit for the financial year		**3,253**	4,669
Attributable to:			
– Equity shareholders of the Company		**3,253**	4,669
Basic and Diluted earnings per ordinary share for profit from continuing operations and for profit for the year (pence)	6	**91.06p**	127.70p

There are no components of other comprehensive income for the current year, (2018: None).

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Non-current assets			
Investments at fair value through profit or loss	8	**40,718**	40,449
		40,718	40,449
Current assets			
Trade and other receivables	9	**106**	71
Cash and cash equivalents		**6,728**	3,044
		6,834	3,115
Total assets		**47,552**	43,564
Current liabilities			
Trade and other payables		**(473)**	(209)
Performance fee payable		**(2,333)**	–
Total liabilities	10	**(2,806)**	(209)
Net current assets		**4,028**	2,906
Net assets		**44,746**	43,355
Equity			
Issued capital	11	**1,788**	1,837
Share premium		**13,050**	13,060
Revenue reserve		**19,071**	17,670
Capital redemption reserve		**10,837**	10,788
Total equity		**44,746**	43,355

The NAV per share on 31 March 2019 is 1,258.6p (2018: 1,186.3p).

These Financial Statements were approved and authorised for issue by the Board of Directors on 25 June 2019. Signed on behalf of the Board of Directors.

DAVID POTTER
CHAIRMAN

CHARLES BERRY
DIRECTOR

STATEMENT OF CASH FLOWS

FOR THE YEAR-ENDED 31 MARCH 2019

	Note	Year-ended 31 March 2019 £'000	Year-ended 31 March 2018 £'000
Cash flows from operating activities			
Cash flow from operations	a	**(686)**	(928)
Net cash outflow from operating activities		**(686)**	(928)
Cash flows from investing activities			
Purchase of financial investments		**(10,124)**	(12,539)
Sale of financial investments	8	**16,356**	4,355
Net cash inflow/(outflow) from investing activities		**6,232**	(8,184)
Cash flows from financing activities			
Dividends paid		**(924)**	(548)
Share buy backs		**(938)**	(283)
Net cash outflow from financing activities		**(1,862)**	(831)
Change in cash and cash equivalents		**3,684**	(9,943)
Opening cash and cash equivalents		**3,044**	12,987
Closing cash and cash equivalents		**6,728**	3,044

NOTE

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

		£'000	£'000
Profit for year		**3,253**	4,669
Rolled up interest		**(266)**	–
Gains on investment	8	**(6,102)**	(5,562)
Operating results		**(3,075)**	(893)
Change in trade and other receivables		**(35)**	18
Change in trade and other payables		**2,424**	(53)
Net cash outflow from operations		**(686)**	(928)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR-ENDED 31 MARCH 2019

	D shares £'000	Ordinary Share Capital £'000	Share Premium £'000	Revenue Reserve £'000	Capital Redemption Reserve £'000	Total Equity £'000
Balance at 31 March 2017	**10**	**1,922**	**13,063**	**13,829**	**10,693**	**39,517**
Profit and total comprehensive income for the year	–	–	–	4,669	–	4,669
Share buy back	–	(17)	(3)	(280)	17	(283)
Dividends paid	–	–	–	(548)	–	(548)
Treasury share cancellation	–	(78)	–	–	78	–
Balance at 31 March 2018	**10**	**1,827**	**13,060**	**17,670**	**10,788**	**43,355**
Profit and total comprehensive income for the year	–	–	–	3,253	–	3,253
Share buy back	–	(49)	(10)	(928)	49	(938)
Dividends paid	–	–	–	(924)	–	(924)
Balance at 31 March 2019	**10**	**1,778**	**13,050**	**19,071**	**10,837**	**44,746**

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 accounting policies applied are consistent with the prior year.

Basis of preparation

The financial statements for the year-ended 31 March 2019 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.

New standards effective in the year

IFRS 9 "Financial instruments" became effective for accounting periods beginning on or after 1 January 2018. The new standard requires the Directors to evaluate the classification, measurement and recognition of financial assets and financial liabilities.

The company has adopted IFRS 9 for the financial year-ended 31 March 2019, which has the following impact:

- No effect on the classification and measurement of its investment portfolio, as these are held at fair value through profit or loss and will continue to be measured on the same basis under IFRS 9. After application of the business model test, the investments met the criteria to be held at fair value through profit and loss under IFRS9; and
- No impact on the accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. The Company has no such financial liabilities.

IFRS 15 "Revenue from contracts with customers" became effective for accounting periods beginning on or after 1 January 2018.

The core principle of the new standard is for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Company expects to be entitled in exchange for those goods or services.

The Company is not exposed to IFRS 15 given its business model and therefore this has no impact on the Company.

New standards and interpretations not yet applied

IFRS 16 "Leases" will not become effective until accounting periods beginning on or after 1 January 2019.

The adoption of the above standard does not have an impact on the Company's reported assets.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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) 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.

The Company has chosen not to early adopt the IPEV guidelines which are effective for reporting periods beginning on or after 1 January 2019.

The core principles of the new guidelines are:

(a) Price of a recent investment removed as a valuation technique; and

(b) Valuing debt investment is expanded.

The Company is still in the process of accessing the full impact of the IPEV guidelines and will adopt the amendment when it becomes effective.

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 IFRS 9 'Financial Instruments', IFRS 13 '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 year and taken to retained earnings. The difference between the market value of financial investments and book value to the Company is shown as a gain or loss for the year and taken to the statement of comprehensive income.

Revenue

Dividends receivable on unquoted equity shares are brought into account when the Company's right to receive payment is established and there is no reasonable doubt that payment will be received. Interest accruing on debt assets measured at fair value through profit or loss, calculated using the effective interest rate method on the principal amount, is recognised in loan interest income. Other movements in the fair value of these instruments are recognised in gains on investments. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 year, using tax rates that have been enacted or substantially enacted by the reporting date. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit and are accounted for using the statement of financial position liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also 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.

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 12. 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 £3.253m (2018: profit of £4.669m).

The Company has recognised gains on investment through the statement of comprehensive income of £6.102m (2018: £5.562m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year-ended 31 March 2019 £'000	Year-ended 31 March 2018 £'000
Directors' remuneration summary		
Basic salaries	**125**	125
Social security costs	**4**	13
	129	138

	Year-ended 31 March 2019			Year-ended 31 March 2018		
	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	**–**	**4**	**4**	–	13	13
	125	**4**	**129**	125	13	138

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

	Year-ended 31 March 2019 No.	Year-ended 31 March 2018 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 2019 £'000	Year-ended 31 March 2018 £'000
Auditors remuneration		
Fees payable to the current auditor for the audit of the Company's annual financial statements	**26**	26
Fees payable to the Company's current auditor and its associates for other services:		
Other services relating to taxation	**10**	10
Analysis of other costs:		
Professional fees	**374**	420
Management and secretarial fee	**795**	741
Other general overheads	**88**	74
	1,257	1,235

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. TAXATION

	Year-ended 31 March 2019 £'000	Year-ended 31 March 2018 £'000
UK corporation tax		
Corporation tax liability at 19% (2018: 19%)	–	–
Current tax	–	–
Deferred tax	–	–
Tax on profit 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% (2018: 19%)

The differences are explained below:

	Year-ended 31 March 2019 £'000	Year-ended 31 March 2018 £'000
Current tax reconciliation		
Profit before taxation	3,253	4,677
Current tax charge at 19% (2018: 19%)	618	889
Effects of:		
Non-taxable income	(1,202)	(1,087)
Deferred tax not recognised	584	198
Tax on profit on ordinary activities	–	–

Deferred tax

There remains an unrecognised deferred tax asset in respect of tax losses and other temporary differences. The unrecognised deferred tax asset is £26m (2018: £27.0m) for the Company. The decrease in the balance for unrecognised deferred tax is due to the combination of an increase to management expenses carried forward available for deduction against future income and a decrease in the capital losses available. The assessed loss on which no deferred tax has been recognised amounts to £153m (2018: £159m).

	Year-ended 31 March 2019 £'000	Year-ended 31 March 2018 £'000
Company deferred tax asset		
Balance at 1 April	–	–
Movement in the year	–	–
Balance at 31 March	–	–

The movement in the year is taken to the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit/loss attributable to ordinary shareholders by the weighted average number of Ordinary Shares during the year. Diluted earnings per share is calculated by dividing the profit/loss attributable to shareholders by the adjusted weighted average number of Ordinary Shares in issue. The adjustment made is to add to the total number of 'in the money' share options in issue to the weighted average number of Ordinary Shares in issue for basic EPS.

	Year-ended 31 March 2019 £'000	Year-ended 31 March 2018 £'000
Earnings		
Profit for the year	**3,253**	4,669
Number of shares ('000)		
Weighted average number of ordinary shares in issue for basic EPS	**3,573**	3,656
Weighted average number of ordinary shares in issue for diluted EPS	**3,573**	3,656
Earnings per share		
Basic EPS	91.06p	127.70p
Diluted EPS	91.06p	127.70p

As at 31 March 2019, the total number of shares in issue was 3,555,330 (2018: 3,654,504). During the year, the Company cancelled nil Treasury shares (2018: 155,771). In June 2018, 99,174 shares were bought back (2018: 33,000). There are no share options outstanding at the end of the year.

7. DIVIDENDS

The Company paid £924,387 in dividends to shareholders in the year-ended 31 March 2019 (2018: £548,175).

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Value at	Year-ended 31 March 2019					Value at
	31 March 2018 £'000	Additions £'000	Disposals Proceeds £'000	Gain on Disposals £'000	Revaluation £'000	Transfer between Levels £'000	31 March 2019 £'000
Investments in quoted companies	36,283	**8,248**	**(16,256)**	**2,783**	**2,785**	**(1,994)**	**31,849**
Other unquoted investments	4,166	**2,275**	**(100)**	**–**	**534**	**1,994**	**8,869**
Total investments at fair value through profit or loss	40,449	**10,523**	**(16,356)**	**2,783**	**3,319**	**–**	**40,718**

Investments in quoted companies have been valued according to the quoted share price as at 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Investments in Other unquoted investments represent the following:

- MJH Convertible Bond that was issued 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 rolled up premium interest. There has been no change in the circumstances of MJH that would indicate a material change in value since the investment was made;
- MJH Equity that was purchased on 8 August 2017 with a recent revaluation on December 2018 in respect to BVCA guidelines in the valuation of unlisted shares at the most recent fund raising involving third parties. There has been no change in circumstances of MJH since this fund raising that would indicate a material change in the value of the equity;
- Hanover Equity Partners II LP that was purchased on 11 July 2017, which is valued based on the NAV of the fund which is a proxy for fair value as its underlying investments are held at fair value.
- Be Heard Group plc Bond that was purchased on 28 November 2017, which is valued at fair value which approximates cost. There has been no change in the circumstances of Be Heard Group plc that would indicate a material change in value since the investment was made;
- Northbridge Convertible Bond that was purchased on 10 April 2018 and 3 July 2018, which is valued at fair value which approximates cost plus the “in the money” value of the conversion right, which has been valued using a Black Scholes valuation model; and
- Tax Systems plc ceased trading on AIM due to a takeover immediately prior to the year-end. The security is valued based on the cash paid by the acquiring company to the shareholders of the company.

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

	Value at 31 March 2019 £’000	Value at 31 March 2018 £’000
Opening valuation	**40,449**	27,003
Acquisitions	**10,523**	12,079
Unrealised and realised gains on investment	**6,102**	5,562
Disposal proceeds	**(16,356)**	(4,195)
Closing valuation	**40,718**	40,449

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The Company's investments are summarised as follows:

	31 March 2019 £'000	31 March 2018 £'000
Level 1	**31,849**	36,283
Level 2	**–**	–
Level 3	**8,869**	4,166
	40,718	40,449

During the year, there was a transfer from Level 1 to Level 3 for Tax Systems plc which amounted to £1,994,168 (2018: no movements between levels)

9. TRADE AND OTHER RECEIVABLES

	Company 31 March 2019 £'000	Company 31 March 2018 £'000
Other debtors	**101**	63
Prepayments	**5**	8
	106	71

10. TRADE AND OTHER PAYABLES

	31 March 2019 £'000	31 March 2018 £'000
Performance fees payable	**2,333**	–
Other creditors	**212**	40
Trade creditors	**176**	83
Accrued expenses	**79**	80
Social security and other taxes	**6**	6
	2,806	209

Included in other creditors is £0.21m that relates to the acquisition of further equities in Northbridge Industrial Services, Be Heard plc and Swallowfield plc, all are existing investments, in March 2019. This was settled in April 2019 (2018: £0.04m that relates to the acquisition of further equity in Centaur Media plc).

11. ISSUED CAPITAL

	31 March 2019 £'000	31 March 2018 £'000
Called up, allotted and fully paid:		
3,555,330 (2018: 3,654,504) ordinary shares of 50p (2018: 50p)	**1,778**	1,827
10,000 (2018: 10,000) D shares of 100p (2018: 100p)	**10**	10
	1,788	1,837

As at 31 March 2019, the total number of shares in issue were 3,555,330 (2018: 3,654,504). During the year the Company bought back 99,174 shares (2018: 33,000).

The average share price of Gresham House Strategic plc quoted Ordinary Shares in the year-ended 31 March 2019 was 934.9p. In the year the share price reached a maximum of 1,040.0p and a minimum of 827.5p. The closing share price on 29 March 2019 was 970.0p.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 the UK, the Company maintains liquidity balances in the form of cash held for follow-on financing and debtors and creditors that arise directly from its operations. As at 31 March 2019, £31.8m of the Company's net assets were invested in quoted investments, £8.9m in unquoted investments and £6.7m in liquid balances (31 March 2018: £36.3m in quoted investments, £4.2m in unquoted investments and £3.0m 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 £40.7m (2018: £40.5m).

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 2019, the Company held interests in 15 companies (2018: 16 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, 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% (2018: 20%) movement in overall share prices.

	2019 £'000s Profit and net assets	2018 £'000s Profit and net assets
Decrease if overall share prices fell by 20% (2018: 20%), with all other variables held constant.	**(6,370)**	(7,257)
Decrease in earnings, and NAV per Ordinary Share (in pence)	**(179.16)p**	(198.52)p
Increase if overall share prices rose by 20% (2018: 20%), with all other variables held constant.	**6,370**	7,257
Increase in earnings, and NAV per Ordinary Share (in pence)	**179.16p**	198.52p

The impact of a change of 20% (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 accounts 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 2019 £'000s	31 March 2018 £'000s
Loan stock investments	**6,156**	3,625
Cash and cash equivalents	**6,728**	3,044
Trade and other debtors	**106**	71
	12,990	6,740

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 2019, 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, HAEP II LP investment and Northbridge Industrial Plc convertible bond (Level 3), fall into the category 'Level 1' under the IFRS 7 fair value hierarchy (2018: all investments, except for the investment MJH Group Holdings Limited loan notes and MJH Group Holdings equity, Be Heard Group Holdings Limited loan notes and HAEP II LP investment (Level 3)). A reconciliation of fair value measurements in Level 1 is set out in note 8 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

A summary of the Level 3 investments are as follows:

	31 March 2019		31 March 2018	
	Material investments included	£'000s	Material investments included	£'000s
Cost (reviewed for impairment)	**MJH Group Holdings (Bond)**	**2,063**	MJH Group Holdings (Bond)	1,837
	MJH Group Holdings (Equity)	**475**	MJH Group Holdings (Equity)	389
	Be Heard Group Holdings	**1,788**	Be Heard Group Holdings	1,788
	HAEP II LP	**230**	HAEP II LP	152
	Northbridge Industrial Services plc convertible bonds	**2,319**		
	Tax Systems plc	**1,994**		
Contracted sales proceeds in post balance sheet period	**None**	**–**	None	–
		8,869		4,166

Level 3 unquoted equity and loan stock investments are valued in accordance with International Private Equity and Venture Capital Guidelines as disclosed in note 8.

Valuation policy: Every six months, the Investment Manager within Gresham House Asset Management Limited is asked to revalue the investments that he looks after and submit his valuation recommendation to the Investment Committee and the Finance Team. The Investment Committee considers the recommendation made, and assuming the Finance Team confirm that the investment valuation calculations are correct, submits its valuation recommendations to the Board of the Company to consider. The final valuation decision taken by the Board is made after taking into account the recommendation of the Manager 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 2019. 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 2019 is £44.7m (31 March 2018: £43.4m) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 2019, Gresham House Strategic plc was charged management fees of £795k (2018: £741k) by Gresham House Asset Management Limited (GHAM).

GHAM is also due a Performance Fee of £2,333k (inclusive of VAT) in accordance with the Investment Management Agreement based on the Company's NAV as at 31 March 2019 (2018: Nil). The amount of Performance Fee payable to GHAM as at 31 March 2019 is £2,333k, which includes VAT (2018: Nil). The Performance Fee is calculated as 15% of the amount (if any) by which the NAV Total Return per share exceeds the High Watermark, multiplied by the time-weighted average number of shares in issue during the Performance Fee Period and is subject to a 7% p.a. performance Hurdle. The Performance Fee payable in the current year covers the period from 7 August 2015 to 31 March 2019. No Performance fee has previously been paid to GHAM and as a result, the High Watermark for the current Performance Fee Period was the adjusted NAV per share on 7 August 2015, being 968.8p. The NAV Total Return per share as at 31 March 2019 was 1324.2p per share and the time-weighted average number of shares in issue during the period was 3,647,428. Following the payment of the Performance Fee, the High Watermark for the purposes of the next Performance Fee Period will be 1258.6p per share subject to adjustments for any future dividends or returns of capital.

As at 31 March 2019, the total amount owing to GHAM is £2,465k (2018: £64k).

As at 31 March 2019, 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	33,381	Ordinary shares
G Bird	22,651	Ordinary shares
Gresham House Holdings Ltd	812,913	Ordinary shares

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

There are no other related party transactions of which we are aware in the year-ended 31 March 2019.

14. SUBSEQUENT EVENTS NOTE

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 10:00am on Thursday 19 September 2019 to consider the following resolutions, of which resolutions 1 to 8 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions:

ORDINARY RESOLUTIONS

1. To receive the Annual Report and Accounts for the year-ended 31 March 2019.

2. To declare a final dividend of 11.1p 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 £586,629 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 2020, whichever is earlier, and provided further that the Company shall be entitled before such expiry to make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant Rights under such offer or agreement as if this authority had not expired.

SPECIAL RESOLUTIONS

9. THAT, subject to and conditional upon the passing of resolution 8 above, the Directors of the Company be empowered under section 570 of the Companies Act 2006 ("the Act") to allot equity securities (within the meaning of section 560 of the Act) for cash and/or to sell or transfer shares held by the Company in treasury (as the directors shall deem appropriate) under the authority conferred on them under section 551 of the Act by resolution 8 above as if section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

    (a) the allotment of equity securities in connection with any rights issue or other pro-rata offer in favour of the holders of Ordinary Shares of 50p 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 2020 or the conclusion of the Company's AGM in 2020 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.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

10. THAT, the Company be generally and unconditionally authorised to make market purchases (as defined in the Companies Act 2006) of Ordinary Shares of 50p 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 50p;

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

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

    (e) the authority conferred by this resolution shall expire at the end of the AGM in 2020 (or if earlier at the close of business on 30 September 2020) 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.

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

By order of the Board

SGH COMPANY SECRETARIES LIMITED
COMPANY SECRETARY

25 June 2019

Registered Office:
77 Kingsway
London
WC2B 6SR

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NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

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 by close of business on Tuesday 17 September 2019. 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. Calls cost 12 pence per minute plus your phone company's access charge. If calling from outside the UK please call +44 371 664 0300. Calls outside the UK will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm Monday to Friday excluding public holidays in England and Wales."

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.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

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. Calls cost 12 pence per minute plus your phone company's access charge. If calling from outside the UK please call +44 371 664 0300. Calls outside the UK will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm Monday to Friday excluding public holidays in England and Wales. 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. Calls cost 12 pence per minute plus your phone company's access charge. If calling from outside the UK please call +44 371 664 0300. Calls outside the UK will be charged at the applicable international rate. Lines are open 9.00 am to 5.30 pm Monday to Friday excluding public holidays in England and Wales. You may not use any electronic address provided either in this notice of general meeting; or any related documents (including the proxy form), to communicate with the Company for any purposes other than those expressly stated.

10. Issued shares and total voting rights

As at 5.00pm, on the day immediately prior to the date of posting of this notice of meeting, the Company's issued share capital comprised of 3,555,330 Ordinary Shares of 50p 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.

By order of the Board

SGH COMPANY SECRETARIES LIMITED
COMPANY SECRETARY

25 June 2019

Registered Office:
77 Kingsway
London
WC2B 6SR

CORPORATE INFORMATION

DIRECTORS
D R W Potter (Chairman)
C R Berry
K Lever
H R Sinclair

COMPANY SECRETARY
SGH Company Secretaries Limited
6th Floor
60 Gracechurch Street
London
EC3V 0HR

REGISTERED OFFICE
77 Kingsway
London
WC2B 6SR

INVESTMENT MANAGER
Gresham House Asset Management Ltd
Octagon Point
5 Cheapside
London
EC2V 6AA

BANKERS
The Royal Bank of Scotland plc
Abbey Gardens
4 Abbey Street
Reading
Berkshire
RG1 3BA

SOLICITORS
CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place
78 Cannon Street
London
EC4N 6AF

Bracher Rawlins
77 Kingsway
London
WC2B 6SR

AUDITOR
BDO LLP
55 Baker Street
London
W1U 7EU

REGISTRARS
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

NOMINATED ADVISOR AND BROKER
finnCap Ltd
60 New Broad Street
London
EC2M 1JJ

FOR YOUR NOTES

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STRATEGIC PUBLIC EQUITY

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