Since 1857

Gresham House

Specialist asset management

Gresham House Strategic plc

Report and Accounts

For the year ended 31 March 2020

Gresham House Strategic plc invests in UK 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 comprise 10-15 companies.

Strategic Public Equity

A private equity approach to quoted companies

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

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

STRATEGY

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

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

PRIVATE EQUITY APPROACH

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

PORTFOLIO INVESTMENTS WILL TYPICALLY HAVE THE FOLLOWING CHARACTERISTICS

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

CHAIRMAN'S STATEMENT

SPE strategy on track

DAVID POTTER CHAIRMAN

Dear Shareholder,

Making forward looking statements in Chairman's letters is a risky business. I am sure I am not alone in getting it wrong when I wrote to you in November. I was speculating that once the Brexit uncertainty was out of the way, things would look set fair for the SPE strategy and our Company. Along with virtually every other business, we did not have 'pandemic' anywhere on our risk register and certainly not at the top. But here we are, and an old saying has come right again "the hurricane always strikes from a different direction".

Although it is too early to make definitive conclusions about the fallout from COVID-19, a few things seem discernible in the fog:

Households, businesses and governments lacked resilience. There were no savings, no reserves, no stocks, too much leverage, too long supply chains and too much on a knife edge of "just in time". It is possible to expect a more cautious and conservative approach in the future.

History tells us that when governments take sweeping powers, they are reluctant to give them up quickly. The nature of the policy response prioritising massive borrowing will be a cost to the younger generation who may welcome an ongoing higher level of Government involvement in the economy.

There will be differential outcomes for various industrial sectors as it is generally assumed that practices and behaviours across customers, suppliers and the nature of business interaction will experience some permanent structural change and without doubt there will be a rapid and dramatic shift to digitalisation.

How does this leave GHS and our shareholders? Having had two years when I could report that we have outperformed the market and indices, it is ironic to be able to say that we have done it again in falling markets. The GHS net asset value (NAV) outperformed the FTSE Small Cap Index by 10.5% in the year and by 29.3% over the three years to the end of March 2020. And on a Total Shareholder Return (TSR) basis, GHS beat the index by 41.4% over the three years, coming second among its UK Smaller Companies peers, both compared to other investment companies, and the equivalent open-ended funds. Despite the downward market adjustment during February and March, our decline has been less than the market and it is important to understand why that is.

Our portfolio contained only one company engaged, and even then only to a small extent, in retail, leisure, hospitality or transportation; the four sectors immediately decimated by the lockdown. We entered the market collapse with nearly 20% of the Company in cash. So that is the good news from an historical perspective.

The second piece of good news is that in markets like these, babies can get washed out with the bathwater. Many secure companies with reasonable business plans and prospects find themselves in difficulty, usually because they need finance in some form. As we are in close communication with and have a deep understanding of our investee companies, we can move fast to help if needed and appropriate. In the wider market we will actively seek out the best opportunities. During March, extensive communications occurred with all our investee companies to assess their situation. Most were able to manage within their existing financial resources, but a few needed some assistance. Our pipeline of possible investments has never been longer and since the end of the year a couple of new investments have been made.

CHAIRMAN'S STATEMENT (CONTINUED)

In the Investment Manager's Report, you will see a summary of each of the key companies we are invested in and our assessment of their resilience in the face of what comes next. I am convinced that our knowledge of, and relationships with, our investee companies will demonstrate the validity of the Strategic Public Equity strategy in the coming months.

I mentioned in November that Richard Staveley had joined the management team at Gresham House as joint Fund Manager alongside Tony Dalwood, who remains also Chairman of the Investment Committee, bringing his track record of over 20-years in this specialist area to the day to day process. Graham Bird remains a member of the Investment Committee as he pursues his Executive and Non-Executive career. I am glad that his experience and corporate knowledge will still be at our disposal having made a significant contribution to the Company since inception. In addition to Richard Staveley, the team has been strengthened by the appointment of Paul Dudley, who joins the team alongside Laurie Hulse, to handle the corporate finance aspects of our transactions. Gresham House, our largest shareholder, is growing as a platform for SPE investing as a result of other investment mandate wins and is expanding its capabilities in areas such as marketing, public relations and investor relations.

There have been some changes to our shareholder base. M&G, who had been a founding shareholder in the Company in 2015 wished to realise their 12% holding in December 2019 with various existing and new shareholders taking their place. The GHS TSR of 24.5% since inception[1] compares to the FTSE Small-Cap Index of 11.6%. We have continued to grow our investor base among private individuals mainly through their wealth managers. The events of the last year have underlined the benefits of closed-end funds, particularly for private investors. We have underlined our commitment to all investors by honouring our promise to raise our dividend by 15% this year and commit to do so by at least that again in 2020/21.

One of the most pleasing aspects of the year has been the narrowing of the discount between the share price and the NAV (*-22.9% March 2019, -15% March 2020.*) This has been as a result of good performance and a careful programme of share buy-backs. During the year, we spent £1.7 million which helped support the share price rising from 1,030 pence to 1,320 pence. Maintaining a smaller discount remains an important objective of the company and it reached a low of -3% before COVID-19 impacted markets. We believe that there has never been a better opportunity amongst unloved and un-researched small companies. MIFID II has also continued to work to our advantage as research on small companies dwindles and I hope that next year we will be able to capitalise further as the manager builds in team capabilities. There has been increased focus on how investment companies can attract and involve retail shareholders. The closed-end structure has proved its worth recently and it is to be hoped that IFAs and the retail platforms focus on bringing these benefits to the attention of their clients in seeking the best way to access the excess returns we have delivered historically through our specialist approach.

We have a large number of quite small shareholders, some of whom appear to have lost touch with us. Shareholders may be surprised to hear that we have £22k of uncashed dividend payments. We make continuous efforts to trace these shareholders, however, we shall in due course apply to the courts for the relevant outstanding sums to be re-credited for the benefit of the remaining shareholders.

I would like to thank my colleagues on the Board, our Investment Management team at Gresham House and all our other stakeholders for their constructive engagement during the year.

DAVID POTTER
CHAIRMAN

22 June 2020

[1] To 31 May 2020

INTRODUCTION TO THE ASSET CLASS

What was already a difficult backdrop in 2019 for UK small-cap investors, with political uncertainty and the Woodford situation, has been overshadowed by the Coronavirus outbreak. Despite measures put in place by the Government to help small businesses survive the crisis, talk of insolvencies has clouded the horizon for UK smaller companies.

Indeed, many investors have retreated to the safety of larger corporations, where they hope historical strength will be an indication of future survival. However, outstanding valuations and the opportunity to re-finance small businesses with considerable recovery potential present an optimal entry point for medium-term investors prepared to break from market consensus.

By adopting a highly-engaged approach to investing and mapping out an exit strategy from the start, investors can uncover hidden gems and help these companies realise their potential for strong profit recovery, above average growth and attractive dividend outlooks.

FIGHTING OFF BIASES

With a recession priced in, UK small caps are particularly cheap compared to large caps - reminiscent of the post Brexit referendum period, or at the bottom of the financial crisis more than a decade ago. Within small caps, value stocks are the cheapest compared to growth in a decade. Small cap growth stocks are trading at a 12-month forward P/E of 24.4x versus 13.3x for small cap value stocks - a gap only surpassed in December 2009.

However, periods of risk-off sentiment are characterised by behavioural traits - such as loss aversion, anchoring to prior beliefs and being slow to react to changing information - which are making investors miss these discounts. In market sell-offs, investors are afraid of straying from consensus and continue buying the same factors which have been successful prior to the crisis - in this case, large-cap, growth, tech and US stocks, as well as bond proxies. With many companies needing to borrow money to survive this crisis, investors have also flocked to businesses with strong balance sheets.

This narrow market consensus is stretching the band between extreme levels of valuation. Many investors concerned about capital protection in the short term are willing to pay more for companies with proven success - leaving untested stocks to plummet. This is creating a window of opportunity for medium-term investors willing to write off 2020 performance in favour of returns for the next three to five years.

We expect this opportunity set to last for the next 18 months, as waves of capital raises succeed each other - first, from companies needing to raise cash immediately, then from those finding themselves in too much debt, followed by companies which did not raise enough in the first instance. When the economy begins to recover, there will be a vast acceleration in activity, where an even wider range of companies will need further capital to enable growth.

ASSISTING RECOVERY

While investing in companies that are going through a tough time might seem like too much trouble for many mainstream funds, these are exactly the type of businesses we seek out - and which seek us out. We choose to participate in turnaround situations where we can provide companies with capital and support them at a critical moment in their business evolution. These value creation opportunities allow us to buy low, add value, then sell high.

Even before investing in a company, we identify our exit thesis. This means considering potential acquirers of the business and what needs to be done to ensure the company is attractive to that buyer. We conduct extensive research and use our resource platform at Gresham House to understand the multiples private equity acquirers are willing to pay and what sectors they are active in.

We take large stakes in companies, ranging from 5-25%, where the most likely outcome is a buyout, rather than a gradual exit to other investors. Because we invest such a large proportion of the portfolio in businesses facing initial difficulties, we stress the importance of due diligence and take an in-depth private equity approach to engaging with company management, end customers and other stakeholders.

RICHARD STAVELEY
MANAGING DIRECTOR, STRATEGIC PUBLIC EQUITY AT GRESHAM HOUSE AND JOINT FUND MANAGER, GHS

ABOUT THE MANAGER

ANTHONY (TONY) DALWOOD

FUND MANAGER & CHAIRMAN OF THE INVESTMENT COMMITTEE

With over 25 years in the industry, Tony is an experienced investor and has advised numerous public and private equity businesses. In 2002, Tony founded and became CIO of SVG Investment Managers and subsequently 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 was Chairman of the Investment Committee for the successful PFS Downing Active Management Fund. In December 2014, Tony became CEO of Gresham House and brought in a new management team that has transformed the company from an investment trust into a London Stock Exchange quoted specialist asset management group. Tony spent eight years as a non-executive member of the Board for the London Pensions Fund Authority and was Chair of the Investment Panel for three years overseeing strategic asset allocation for the £5 billion LPFA fund. He is also an Independent non-executive Director of JPEL plc (formerly JP Morgan PE Ltd plc) and advises St. Edmund's College, Cambridge, Endowment Fund.

RICHARD STAVELEY

FUND MANAGER & MEMBER OF THE INVESTMENT COMMITTEE

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

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

PAUL DUDLEY

CORPORATE FINANCE

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

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

LAURENCE HULSE

INVESTMENT MANAGER

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

BRUCE CARNEGIE-BROWN

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

GRAHAM BIRD

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

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

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

KEN WOTTON

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

BOARD OF DIRECTORS

DAVID POTTER

AGE: 75

NON-EXECUTIVE CHAIRMAN

David is currently Chairman of Illustrated London News and Coeus Software and a Non-Executive Director of Fundsmith Emerging Equities Trust. 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 joined the Board in 2002 and was appointed Chairman of the renamed Gresham House Strategic plc in 2015.

CHARLES BERRY

AGE: 49

NON-EXECUTIVE DIRECTOR

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

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

KENNETH LEVER

AGE: 66

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

AGE: 54

NON-EXECUTIVE DIRECTOR

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

After working in investment banking Helen spent nearly eight years at 3i plc focusing on MBOs and growth capital investments. She later co-founded Matrix Private Equity (now Mobeus Equity Partners) in early 2000 establishing 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.

INVESTMENT PORTFOLIO HOLDINGS

TOP TEN PORTFOLIO HOLDINGS AS AT 31 MARCH 2020

Company	Deal type	% of total portfolio	Value	% ownership of the company
Augean PLC **Hazardous and Industrial waste management services in the UK.**	Secondary - cash generation; performance recovery and re-rating	23.3%	£8.6m	6.1%
NORTHBRIDGE **Specialist load bank and drilling tool design and rental serving global markets.**	Recovery and growth capital - equity and Convertible Loan Note (CLN)	11.2%	£4.2m	11.8%
Pressure Technologies **Specialist metallic components and wear-parts for high pressure and hazardous environments.**	Secondary recovery capital - strategic refocus to drive organic growth and cultural change	6.7%	£2.5m	15.1%
EST 2011 THE LAKES DISTILLERY **Whisky distillery based in a UNESCO world heritage site in the Lake District.**	Primary growth capital, CLN	6.0%	£2.2m	N/A
IMImobile **Digital consumer communications software and services.[2]**	Secondary - growth and re-rating, reinvestment of cashflow	5.6%	£2.1m	0.8%
BE HEARD **Mid-market UK digital media group.**	Original investment through growth capital equity and CLN. Now focused on integration, cash generations and organic growth	5.5%	£2.0m	10.6%
MJ HUDSON **Legal services focussed on the Asset Management sector in the UK and Europe.**	Primary - pre-IPO growth capital - equity and CLN converted into equity	4.9%	£1.8m	2.4%
CENTAUR MEDIA **Digital media and marketing business.**	Secondary - strategic refocus, operational initiatives	4.2%	£1.5m	4.9%
ULS® technology **Technology business developing property conveyancing software.**	Secondary growth capital - product roll out, re-rating and improved communications	4.0%	£1.5m	6.6%
brandarchitekts passionate about beauty **Portfolio of UK healthcare and beauty brands.**	Secondary growth capital - strategic refocus	2.8%	£1.0m	5.4%

[2] The investment in IMIMobile was exited post year end.

INVESTMENT MANAGER'S REPORT

INTRODUCTION

The background to the last 12 months for Gresham House Strategic plc has been tumultuous. The UK has been grappling with the uncertainty of Brexit and related negotiations, a General Election pitching vastly different views on the best path forward for the future of Britain, anaemic worldwide economic activity and the final few weeks of the financial year brought the onslaught of COVID-19 to the globe and UK. Whilst the NAV has fallen, it has outperformed almost all relevant competitors and stock indices.[3] Additionally, both the team and the portfolio have evolved during the year and whilst the post period-end economic and 'lock-down' conditions create much uncertainty, we are even more confident that the SPE approach and process will deliver excellent future returns. The investment and economic environment are creating the opportunities that will drive the portfolio to meet and hopefully exceed our return targets in the future.

INVESTMENT HIGHLIGHTS

- GHS Total Shareholder Return[4] of -5.19% in the year to 31 March 2020 compares to the average IMA open-ended fund universe of -17.95% where GHS has outperformed all but one UK Small Companies OEIC[5]
- 12-month NAV total return[6] performance of -14.3% to 1,062.2 pence[7]/share vs FTSE Small Cap Index total return of -24.7% in the year from 1 April 2019 to 31 March 2020
- Four-year anniversary of management by Gresham House marked with strong audited NAV total return of 31.6% since inception vs FTSE Small Cap Index total return of 13.9%
- £1.7 million return of cash to GHS shareholders via a share buy-back and dividends funded by net profitable realisations and dividend income
- Share price discount to NAV[8] reduced from 22.6% at 31 March 2019 to 15% at 31 March 2020, having reached a low point discount of 3.4% in December prior to the recent market sell-off
- A total of £11.1 million capital invested (in portfolio companies) between the start of the financial year and 31 May 2020[9]
- Final dividend of 12.8 pence per share proposed, bringing total dividends for the year to 22.9 pence per share

POST-PERIOD END

- Completed the realisation of the investment in IMImobile, reducing weighting from 23.4% to 5.6% during the year and generating £14.6 million profits and a 23.8% IRR over the past five years since strategy inception
- NAV began to recover post period end, increasing 16.3% since the year-end to 1233.4 pence in the eight weeks to 31 May 2020

PORTFOLIO HIGHLIGHTS

- Portfolio evolution:
  - Outstanding investment performance from Augean plc and IMImobile plc
  - Conversion of loan notes at IPO in MJ Hudson Group plc
  - Five smaller investments exited
  - Material progress of strategic catalysts at Pressure Technologies plc
  - New investments in ULS Technology plc, Lakes Distillery Company plc and Van Elle Holdings plc
  - Increased investment in Centaur Media plc
- Increasing opportunities, as a result of COVID-19 and oil price shock, for private equity techniques to identify attractive investments at lower valuations and increased engagement

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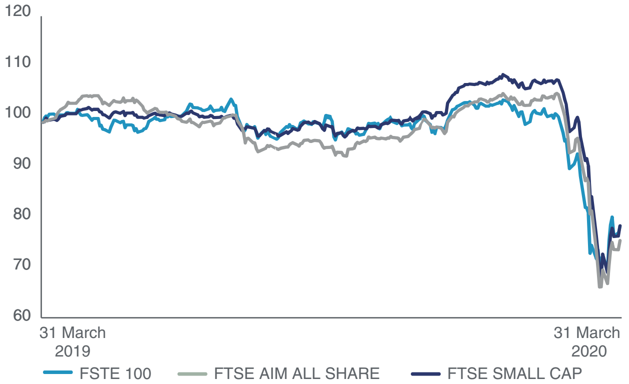
3 The FTSE Small Cap Index is referenced because we invest in small companies and the FTSE All-share Index is referenced because the Company mainly invests in equities
4 Total shareholder return is the financial gain that results from a change in the stock's price plus any dividends paid by the Company during the measured interval divided by the initial purchase price of the stock
5 Data compiled by FE Trustnet and Morningstar for the year to 31 March 2020, shows that GHS outperformed all but one open-ended UK smaller companies' funds. Since inception in August 2015, GHS has outperformed its benchmark by 17.7%
6 NAV total return is the change in the net asset value of the Company over a given time period
7 The audited NAV per share includes valuations of the Company's unlisted investments as at 31 March 2020. The valuation of all unlisted investments, which comprise approximately 15% of the NAV, almost all of which are CLN, will be reviewed for the purposes of the audited financial statements for the year-ended 31 March 2020
8 The discount is the difference between share price and NAV per share, expressed as a percentage
9 As at 31 May 2020

INVESTMENT MANAGER'S REPORT (CONTINUED)

MARKET COMMENTARY

This was not a 'game of two-halves'. The reporting period is better described as one of phases. From March 2019 through to the appointment of Boris Johnson as leader of the Conservative Party in July 2019, market participants worried over the nature and outcome of Brexit negotiations and economic confidence waned. The next phase was characterised by the General Election campaign where a hard-left manifesto was adopted by the Labour Party. News of a historic Conservative victory in December 2019, providing a large majority, generated clarity of the direction of travel on Brexit and reduction in risk around a hard-left policy suite. Confidence was boosted and markets rallied. Even before the first Budget from the new government was announced, COVID-19 had emerged and the outlook for consumers, corporates and governments was transformed beyond any New Year prediction made just a few weeks earlier. Other factors in the background include the collapse of Woodford Investment Management and low economic growth in Europe, much slower growth in China and the linked trade war rhetoric and actions under President Trump. It is rare that a 12-month period can incorporate both the lowest level of unemployment in decades and the conditions for a return to the highest levels in the outlook.

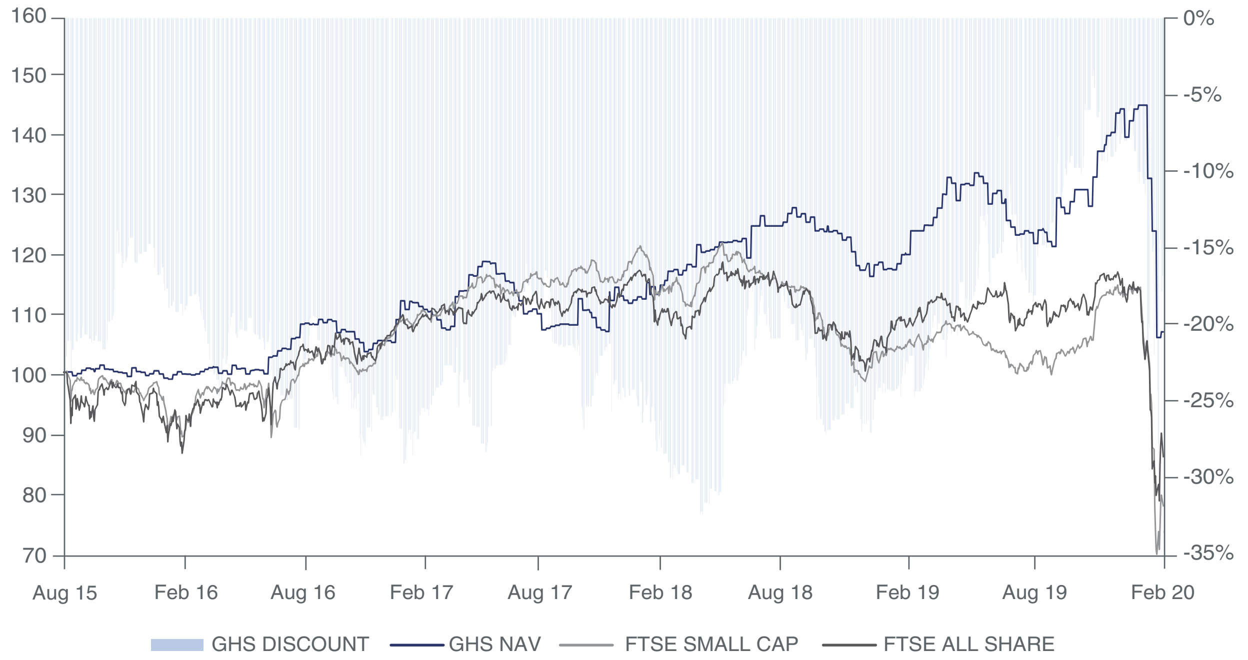
Fig. 1 - UK Indices March 2019 - 2020



Source: Bloomberg data as at 31 March 2020

PERFORMANCE REVIEW AND ATTRIBUTION

Fig. 2 - Relative performance



Source: Bloomberg Data as at 31 March 2020

Fig. 3 - Table of performance

Start date End date	14 Aug 15 31 Mar 20	31 Mar 19 30 Sep 19	30 Sep 19 31 Mar 20	31 Mar 19 31 Mar 20	01 Apr 17 31 Mar 20
	Since inception	FY20 H1	FY20 H2	1 year	3 year
Share price total return	24.5%	11.4%	-15.0%	-5.3%	16.2%
NAV total return	13.0%	-0.2%	-14.1%	-14.3%	4.1%
FTSE Small Cap total return	-11.6%	-0.3%	-24.2%	-24.4%	-25.2%
FTSE All Share total return	3.1%	4.5%	-22.2%	-18.7%	-12.5%

Source: Bloomberg Data as at 31 March 2020

Note: Inception August 2015

INVESTMENT MANAGER'S REPORT (CONTINUED)

PERFORMANCE

The portfolio is very concentrated and therefore it should be expected that over any shorter period, such as a year, a dominant stock or two will drive performance. On a positive basis, this period's driver has been Augean plc. We will always run our winners if our investment thesis still holds and valuation upside exists, which is the case for Augean, but we remain ever mindful of our exit thesis.

On the negative side, we decided to exit our investment in Escape Hunt and crystallise a material loss. The investment was already disappointing compared to our original investment thesis, which left it vulnerable as COVID-19 set in. The company had failed to become profitable on schedule, making our equity investment in the company vulnerable to an extended lockdown - the company's operations require consumers to be locked inside a room for 60 minutes and in close proximity to others. We, therefore, chose to recover what capital we could to reinvest in new opportunities than risk further value erosion.

We are pleased to be able to report that the NAV performance has partially recovered post-period end, with the NAV growing 16.3% in the eight weeks to 31 May 2020, ending the month at 1,233.4 pence and continuing to outperform equity markets.

Fig 7. NAV performance attribution

Top 5 contributors to NAV FY 20

Top five performers	Profit/Loss in the year	% uplift	p/Share
Augean plc	£3,692,287	10.0%	106.07
IMImobile plc	£1,642,317	4.4%	47.18
The Lakes Distillery Company plc (CLN)	£338,344	0.9%	9.72
Pressure Technologies plc	£98,996	0.9%	9.72
Hanover Active Equity Partners II LP (HAEP II LP)	£23,759	0.3%	2.84

Top 5 detractors to NAV FY 20

Investment	Profit/Loss in the year	% uplift	p/Share
Escape Hunt	(£2,567,069)	(6.9%)	(73.75)
Northbridge Industrial Services plc (equity and CLN)	(£2,384,353)	(6.4%)	(68.50)
Centaur Media plc	(£1,365,135)	(3.7%)	(39.22)
Be Heard plc (equity and CLN)	(£1,168,225)	(3.2%)	(33.57)
Brand Architekts Group plc	(£642,749)	(1.7%)	(18.47)

Data as at 31 March 2020

INVESTMENT ACTIVITY

During the period we made a number of portfolio changes. We purchased five new holdings and exited five positions. We also continued to reduce the holding in IMImobile as our investment thesis was completed. This has now been fully exited, post period-end.

During the first half of the year, we exited a number of small positions where our investment theses have not delivered, enabling deployment of capital into higher conviction opportunities. These were Quarto, Prophotonix and Hydrodec. During the final quarter, with COVID-19 emerging, we exited leisure business Escape Hunt and alternative lender PCF plc where risk profiles had increased significantly. Total realisations in the reporting period were £12.4 million, almost entirely from profitable investments in the period; including IMImobile (£5.3 million, 24.5% IRR), Augean (£1.6 million, 162% IRR) and Tax Systems (£1.9 million, 26.4% IRR).

We put £11.1 million of cash to work in the year to 31 March 2020, and an additional £3.2 million post-period end. We invested the majority of this into new investments: £2.1 million into The Lakes Distillery, £2.1 million into ULS Technology plc, £2.0 million into Van Elle Holdings plc and smaller investments of £940k in Fulcrum Utility Services and £490k in Bonhill Group plc. We also increased our investments in Centaur Media plc by £1.4 million and in Pressure Technologies by £1.5 million.

INVESTMENT REVIEW

To varying degrees, all portfolio companies will be impacted by the first order and knock-on effects of this enforced economic shutdown which, despite fast and material central bank monetary and government fiscal support, will significantly curtail economic activity and cause bankruptcies, impair end-market demand, extend sales cycles, reduce credit availability, as well as disrupt employees and suppliers. Furthermore, the collapse in the oil price will have additional negative effects on those of our holdings with exposure to this industry. However, the portfolio finishes the year with little direct exposure to the impacted sectors of oil production, travel, leisure, retail or financial industries. We seek to support our portfolio companies more than ever through this difficult period, including financially, if prudent to do so, and we will also exploit share prices which are at an even greater discount to intrinsic value. We remain heavily engaged across the portfolio and highlight the excellent news of the appointment of Sir Roy Gardner as Chairman of Pressure Technologies in January. Some new investments were established prior to the recent market sell-off, which has affected small quoted companies more than large plc's in line with other 'risk-off' periods and across the board. However, we believe these companies offer compelling value and strong business prospects once economic activity recommences and we are confident they will generate the returns we target over our typical three to five-year holding period.

INVESTMENT MANAGER'S REPORT (CONTINUED)

TOP 10

Augean plc

Our investment was 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, in 2018 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). Having exceeded 30% of the portfolio during the final quarter, we reduced our position modestly into secondary market demand. The management team have done an outstanding job developing and delivering upon their strategy, which resulted during 2019 in justified remuneration. External factors have driven further outperformance as strong volumes and pricing in waste flows created by emerging 'energy-for-waste' plants have boosted profitability and cash flow such that Augean has been able to 'pay' the still disputed HMRC assessments, without admitting 'guilt' or accepting them, thus de-risking the equity investment case for other investors. We anticipate COVID-19 effects on profitability will be modest, mainly centred on North Sea activities. As such, Augean will in 2020 again demonstrate the highly cash generative business that it is, driven from its strategic position as the largest hazardous waste company in the UK. The shares now trade, in our view, at a significant discount to intrinsic value and transaction multiples in the relevant sector.

Northbridge Industrial Services plc (Northbridge)

It remains the case that the recent results from Northbridge finally provided a material return to profitability following our initial investment in 2016. Increased business activity, in the US and the traditional markets for load banks, have benefitted from emerging areas, such as Data Centres and Energy Storage Systems. The 'Crestchic' business division therefore entered our financial year with a full production schedule. The collapse in the oil price and world-wide economic downturn is going to have a negative effect, the extent of which is currently unclear. The company has reduced debt and has unencumbered freehold properties, in addition to its significant asset-backed hire fleet. The 'Tasman' business division will be more heavily impacted but is a smaller proportion of group profitability than in the last downturn and has pivoted more to gas projects, which may be more resilient than oil. We are currently heavily engaged with the Board and Executive team to ensure that the company drives and protects shareholder value during the next period.

Pressure Technologies plc

Additional investment via a block placing at the start of the year made us the largest shareholder, backing a new management team to deliver a return of organic growth and simplification of the operational structure of the business. Chesterfield Specialist Cylinders (CSC) is a leader in the design, manufacture and maintenance of large-scale high-pressure cylinders for military, marine and oil and gas industries. A significant opportunity is emerging for their expertise in the Hydrogen sector. Defence activities remain the dominant sector. Precision Machined Components (PMC) supplies key metallic engineered components that are destined for extreme or hostile environments in mission critical functions, such as the oil and gas and extractive industries. It came under significant pressure in the oil and gas downturn between 2014 and 2018 and will do so again. New CEO, Chris Walters joined in September 2018 and commenced the implementation of a revised strategy to dispose of the loss-making alternative energy business, reducing debt in the process, and to rationalise the core businesses PMC and CSC with a goal of reinvigorating organic growth. He now has a new set of challenges. We are delighted, therefore, that the highly experienced Sir Roy Gardner has become the new Chairman to help guide the business through this period.

The Lakes Distillery Company plc (Lakes Distillery)

We made a pre-IPO investment of £2.1 million via a secured CLN that pays an 8% cash yield and an additional 12% payment in kind (PIK) roll-up interest, combining to generate a 20% per annum return. The loan notes convert to equity at the point of IPO which is now likely to be delayed. We provided growth capital to the business to further develop production capacity and fund additional whisky production in future. Lakes Distillery is a recently established, leading English distillery with a vision to create one of the prime single malt whiskies in the world. The company was formed in 2011, commenced operations in 2014 and has steadily grown retail sales. It has an impressive facility in the Lake District, with a number of income streams to support the growth of its brands. The distillery is based on the banks of the River Derwent in the English Lake District National Park, a UNESCO World Heritage Site. The company has already established a UK and international sales base with gin, vodka and blended whisky ahead of its largest release of a premium single malt whisky product, and online sales have accelerated significantly in recent months. It runs a visitor centre, bistro and shop at the distillery which hosts over 100,000 visitors per annum generating sales of c.£2 million but is currently closed due to 'lock-down' restrictions. If the company has not floated within three years, the loan plus rolled up interest are repayable or can be extended on pre-agreed terms. We have security over the property and whisky stocks.

IMImobile plc

The company has been a material part of the portfolio since the Investment Manager's appointment. A clear investment thesis was developed and has pleasingly been delivered for this international mobile communications services specialist. During the period, the company made an acquisition in the US and delivered further organic top-line growth. The technology sector both in the UK and elsewhere has performed strongly and valuations across the sector have moved higher, in some cases to all-time high multiples. IMImobile shares have themselves been re-rated in recent years, not in the least part, in our view, due to the engagement and involvement we provided. Key workstreams included revised investor relations and communications approach, simplified share capital structure and Board composition changes. During the period, we further reduced the position and post-period end have exited.

INVESTMENT MANAGER'S REPORT (CONTINUED)

Be Heard Group plc (Be Heard)

As has been previously reported, following disappointment to our original investment thesis we have been heavily engaged with our investment in marketing services company Be Heard. 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 replace him. 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 2019 results demonstrated the difference these changes have made. After significant reorganisation work, full-year EBITDA has increased to £4 million from £1.6 million in 2017. 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.

MJ Hudson Group plc (MJ Hudson)

We made our original investment in MJ Hudson in 2016. The company is led by the highly experienced and dynamic Matthew Hudson who is utilising his extensive prior business-building capabilities to develop a leading services business to the asset management industry. This is being achieved both organically and through acquisition. The attractions of what the group offers and the quality of what has been built to date were demonstrated by him and his senior management team listing the company on AIM on 12 December 2019, the day of the General Election. This was no mean feat, during a very difficult year for new issues generally. The business now faces a disrupted end market which will no doubt create opportunities and the net cash balance sheet is well positioned for further progress.

Centaur Media plc

We doubled our existing position in Centaur Media, where the new CEO's strategy to rebuild margins after significant portfolio restructuring is highly focused on future value creation. The business struggled, like many B2B media businesses, to adapt quickly enough to the structural changes that were occurring in the business world as a result of digitalisation. The previous CEO had very effectively grasped the nettle and disposed of a range of titles and divisions, ably supported by Finance Director (and now the new CEO) Swag Mukerji utilising his private equity experience and with this process almost completed handed over the reins. What remains has significant unrecognised value. There are two divisions: Legal and Marketing. Significant cost savings are being extracted from the business due to historic central costs reflecting a much larger business. The legal division centres on the industry-leading property "The Lawyer". The marketing division has a range of activities serving that industry including the top industry event "Festival of Marketing". The impact of COVID-19 on the events industry is clear, and a down-turn in advertising is also inevitable. However, Centaur Media's properties have largely migrated to subscription and digital activities; with net cash we believe the new team is highly focused on shareholder value with lots of levers to pull.

ULS Technology plc

During the period, we purchased ULS Technology, the leading digital conveyancing platform for housing transactions. Their new product, DigitalMove, has potentially transformational capabilities for the business, improving the efficiency and speed of the process materially for consumers and advisers alike. Despite high investor desire for 'platform' businesses and with resulting valuations commensurate, ULS Technology is valued very attractively. We believe this is in part due to unexpected executive changes in 2018, in addition to a fragile housing transaction market and the loss of a material client. Since then, significiant material Board changes have been made, most importantly the appointment of Martin Rowlands as Chairman. As market leader, the company still has quite a small market share in a fragmented market, and we see the opportunity for ULS Technologies to grow substantially once the housing market re-opens. Further work is required to clearly explain and communicate this to investors, whilst financial delivery on DigitalMove is critical to driving the significant value that trade and private equity potential buyers also see in this digitisation of the housing market. The company generated £4.8 million profit in the year to 31 March 2020 and was capitalised at £23 million (31 March 2020) at period end.

Brand Architekts Group plc (Brand Architekts)

This was a year of huge change for the company, formerly known as Swallowfield. The reasons for this stem from the sale of the company's low margin contract manufacturing activities for £35 million consideration (100% cash) in July 2019. This has left shareholders with a large net cash balance and also a need for executive change. The Board has only recently announced the appointment of a new CEO and FD. They take responsibility for activities now solely in the development of consumer brands in the personal care category of consumer retail. Lead brands are Super Facialist, Fish, Dr Salts and Dirty Works. The portfolio clearly has some work to do and the external environment is extremely challenging, albeit the company has a listing and good relationships with key retailers such as Boots and Sainsburys. Innovation, digital channels and creativity are going to be key whilst from a strategic viewpoint, scale - either organically or acquisitively - is required to offset central costs.

NEW TOP TEN INVESTMENT POST-PERIOD END

Van Elle Holdings plc (Van Elle)

We took an initial position in Van Elle, a leading piling and ground engineering specialist for the construction industry and a market leader in the Rail sector, pre COVID-19. We have subsequently acted as a cornerstone investor in an issue of new stock to support the business through the period of disruption and through to the opportunities which lie ahead. Van Elle will benefit from a high level of infrastructure spending that we expect in the next few years. This spending was arguably well overdue, and the clear communication by the new UK Government provided confidence of a commitment to this changing. This was subsequently evidenced by the 'go-ahead' for the massive HS2 project, which Van Elle should benefit from. The company, however, has been disappointing investors since its IPO in 2016. We are backing a new management team and

INVESTMENT MANAGER'S REPORT (CONTINUED)

Board evolution to professionalise the business, enhance the banking arrangements and drive improved returns in future years from a very well invested fleet of equipment.

OUTLOOK

All companies and individuals are striving to predict what lies ahead. The recent crisis demonstrates that often we have an inaccurate sense of certainty or confidence in what the future holds. Therefore, it is so important to have an understanding of value. With careful analysis, a conservative approach to financial leverage and deep insight into a company's value drivers, a material margin of safety can be created to enable investments into stocks with significant medium-term returns. Near-term outlooks have of course been impaired, but for those that survive this current crisis their market positions may be stronger, the competitive position easier and their cost-bases leaner, primed for profit growth in the future.

We expect the national discussion around 'lives' vs 'livelihoods' to intensify. The speed of transition back to normality (if in many instances this is indeed ever possible) is fraught with uncertainty. We believe it is prudent to expect, on average, economic activity to be impaired for some time based on the debt overhang this crisis is generating. The work on tests for antibodies and a vaccine is likely to be successful eventually. Those over-leveraged companies and weaker industry players going into this crisis may not survive, including many of the already loss-making businesses that have been increasingly in vogue in recent years, but the banking sector is better placed to deal with this stress than when it entered the global financial crisis of 2008-09. The longer-term repercussions of the use of helicopter money and the level of fiscal stimulus taking government debt to previously unacceptable levels await us all.

The financial requirements of companies due to COVID-19 will generate significant opportunities for capital deployment during this financial year. Abundant additional capital from public markets to support these already ignored and under-researched companies is not in evidence. These conditions typically influence fund managers to focus primarily on what they own and know. We must remain careful to consider what structural changes are underway such that value traps are avoided and ensure we have a sufficient margin of safety to offset an on-going challenging environment. However, by hunting in an overlooked area of the market, driving influence in outcomes and behaviours via our engaged approach, we believe the seeds for continued and future performance of the portfolio are available. We believe strongly that our concentrated, engaged, SPE approach and portfolio are well positioned for the challenges ahead.

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 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 make a qualitative assessment of 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 cash flow characteristics, stability and predictability
- 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 other capital instruments.

CORPORATE GOVERNANCE REPORT

AIC CODE STATEMENT OF COMPLIANCE

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

The AIC Code is made up of eighteen principles and 42 provisions over five sections covering:

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

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

- The Company has chosen not to appoint a Senior Independent Director as the Board considers that this would be 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 Directors do not consider it appropriate to establish a nomination, remuneration or a management and engagement Committee. The functions carried out by these committees are dealt with by the full Board.
- As the Company has no employees and its functions are undertaken by third parties, the Audit Committee does not consider it necessary for the Company to establish its own internal audit function.

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

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

THE BOARD OF DIRECTORS

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

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.

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

All members of the Board own shares in the Company. Further detail on each of their shareholding can be found on page 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 page 7.

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 three years, the Company has undertaken share buybacks in an effort to reduce this discount. Further information on the Company's share buyback programme during the year can be found on page 17.

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

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

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

The table below sets out the attendance record of individual Directors at the scheduled Board and Committee meetings held during the year-ended 31 March 2020:

	Scheduled Board meetings	Scheduled Audit Committee meetings
	Number attended	Number attended
David Potter*	8/8	–
Charles Berry	7/8	1/1
Kenneth Lever	8/8	1/1
Helen Sinclair	8/8	1/1

*not a member of the Audit Committee

CONFLICTS OF INTEREST

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

DIRECTORS' APPOINTMENT AND RE-ELECTION

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

The Company considers annual re-election of Directors to be good corporate governance and has therefore chosen to follow this practice. The Directors have considered the performance of each Director serving on the Board, 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 2020 AGM.

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

BOARD EVALUATION

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

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

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

SHARE CAPITAL

During the year, on various dates between 18 October 2019 and 27 March 2020, the Company bought back 74,446 Ordinary Shares of 50 pence each at an average price of 1,201 pence. The shares bought back, along with any other Ordinary Shares purchased by the Company pursuant to the Buyback Programme, were immediately cancelled. A special resolution to renew the Company's authority to buy back shares is proposed at the Company's forthcoming AGM.

As at 31 March 2020, the Company's issued share capital was 3,480,884 Ordinary Shares of 50 pence each, of which none were held in treasury.

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

SECTION 172 STATEMENT

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

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Stakeholder group	Importance of engagement	Key methods of engagement	Topics of engagement	Outcome and actions
Shareholders	Shareholders remain central to the Company's ability to access capital to support its strategic objectives and goals and in ensuring the long-term success of the business The Board is committed to ensuring that there is open and effective communication with the Company's shareholders on a range of matters including: governance, strategy and performance against the Company's investment objective and policy to ensure that the Directors understand the views of shareholders on such matters	The Company communicates with its shareholders in a number of ways including: ■ Through its annual and half-yearly reports ■ Regulatory announcements ■ Website – the website provides all existing and potential shareholders with information about the Company, its investment policy and performance to allow shareholders to fully understand the risk/reward balance of holding shares in the Company ■ Informal meetings: the Chairman meets with the Company's major shareholders annually if they wish to do so to discuss matters of governance, strategy and performance against the Company's investment objective and policy ■ Annual General Meeting: this provides a further opportunity to communicate with shareholders who attend and for the Board to respond to their questions at the meeting. All shareholders are encouraged to attend and vote at the Company's AGM, to be held on 17 September 2020 at 10:00am	■ Review of the Company's discount and the decision to undertake a Share Buyback to narrow discount ■ Review of marketing strategy to raise awareness of GHS and the SPE strategy ■ Review of Dividend Policy	■ Following the conclusion of the buyback, the Company's discount narrowed to -3% ■ Appointment of Edison, KL Communications as PR Firm and Panmure Gordon as joint broker. Launch of new website and subscription to Directors' talk ■ Confirmation of the Company's commitment to increase dividend by 15%

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Stakeholder group	Importance of engagement	Key methods of engagement	Topics of engagement	Outcome and actions
Regulators	GHS can only operate with the approval of its regulators who have a legitimate interest in how the Company operates in the market and treats its shareholders.	The Company continues to monitor and ensure its compliance with the relevant regulatory, legal and statutory obligations along with corporate governance best practice.	The Board reviewed its compliance with the AIC Code of Governance published in February 2019 to assess the extent of its compliance and identify any gaps. Regular updates are received from the Company Secretary on governance matters to inform the Board of any changes in market practice or any legal or statutory obligations which could affect the Company.	No specific action required

SGH COMPANY SECRETARIES LIMITED
Company Secretary

22 June 2020

AUDIT COMMITTEE REPORT

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

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

The purpose of the Committee is to:

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

PRINCIPAL ACTIVITIES DURING THE YEAR

- Considered the external auditor's annual scope and reports on the full year results and the key areas of focus;
- Reviewed the full year and half-year results, including the underlying accounting issues and judgements and the processes underpinning the preparation of those documents;
- Reviewed the information presented in the Interim and Annual Reports to assess whether, taken as a whole, the Reports are fair, balanced and understandable and the information presented will enable the shareholders to assess the Company's performance and strategy;
- Reviewed and recommended the reappointment of BDO LLP as the external auditor for the Company; and
- Reviewed the need to establish an internal audit function.

EXTERNAL AUDITOR

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

In March 2020, the Board discussed the performance of the external auditor and the effectiveness of the audit process by discussing the results of the 2019 external audit, including their views on material accounting issues and key judgements; considering the robustness of the audit process; reviewing the quality of the people and service provided by BDO LLP; and assessing their independence and objectivity.

The Committee is satisfied with the effectiveness of the external auditor and recommends the reappointment of BDO LLP as the external auditor for the Company at its 2020 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

22 June 2020

DIRECTORS' REMUNERATION REVIEW

The report on Directors' remuneration for the year-ended 31 March 2020 is set out in the table below. As mentioned previously, the full Board undertake the role of the Remuneration Committee given the size of the Board.

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

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

	31 March 2020	31 March 2019
David Potter	51,250	50,000
Charles Berry	25,624	25,000
Kenneth Lever	25,624	25,000
Helen Sinclair	25,624	25,000
Total	128,122	125,000

The annual fee for members of the Board with effect from 1 January 2020 is as follows: Chairman £55,000, other Non-Executive Directors: £27,500.

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

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

DIRECTORS AND THEIR INTERESTS

The Directors serving during the year-ended 31 March 2020 had the following interests in the share capital of the Company:

	As at 22 June 2020	31 March 2020	31 March 2019
David Potter	22,312	20,085	17,313
Charles Berry	2,550	2,550	2,550
Kenneth Lever	3,330	3,330	3,330
Helen Sinclair	1,767	1,767	1,767

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

	31 March 2020	31 March 2019
Anthony Dalwood	33,381	33,381
Richard Staveley	5,179	–

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 2020.

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 7.

SUBSTANTIAL SHAREHOLDINGS

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

Shareholder	Number of Ordinary Shares held	% of total voting rights
Gresham House plc and GH Holdings Ltd	812,913	23.3%
James Sharp & Co	238,015	6.8%
Hargreaves Lansdown Asset Management	227,104	6.5%
Unicorn Asset Management	217,528	6.2%
Smith & Williamson Investment Management	194,858	5.6%
Premier Miton Investors	176,225	5.1%
Interactive Investor Glasgow	119,734	3.4%
Investec Wealth & Investment	107,596	3.1%
Berkshire County Council	105,000	3.0%

DIVIDENDS

The Directors have recommended the payment of a final dividend in respect of the year-ended 31 March 2020 of 12.8 pence pence per Ordinary Share (bringing total dividends for the year to 22.9 pence per share), payable on 30 September 2020 to shareholders who appear on the register of members on 4 September 2020 (2019: 11.1 pence 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.

The COVID-19 pandemic has presented the Company with additional immediate risks in respect of the performance and valuation of portfolio companies. The pandemic has adversely affected the valuation of the portfolio as at 31 March 2020 and has caused substantial volatility in financial markets. The Directors nevertheless consider the Company to be well placed to operate through the crisis and to continue to operate for at least twelve months from the date of this report, as the Company has sufficient cash liquidity to pay its liabilities as and when they fall due and also to invest in new opportunities as they arise. The cash and publicly tradeable investments when compared to the non-discretionary cash outflows of the Company are more than sufficient to allow the Company to continue to meet these commitments, even if investee companies cease to be able to pay dividends or loan stock interest. This has been further discussed in Note 1 to the financial statements.

SHARE PRICE

The average share price of the Company's quoted Ordinary Shares in the year-ended 31 March 2020 was 1,138.5 pence. In the year the share price reached a maximum of 1,355.0 pence and a minimum of 865.05 pence. The closing share price on 31 March 2020 was 902.5 pence.

SUBSEQUENT EVENTS

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

The COVID-19 pandemic continues to adversely impact the UK and world economy. The effect of this on the investment portfolio has been reflected in the fair value of investments at 31 March 2020. As the full impact of the pandemic and Government restrictions is unknown, there may be further information that emerges but the impact of this could not be known at 31 March 2020.

It is noted that post year end, the unaudited NAV has increased to 1,237.6 pence per share as at 5 June 2020 (1,060.4 pence per share at 31 March 2020).

AUDIT INFORMATION

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

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

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

DIRECTORS' REPORT (CONTINUED)

ANNUAL GENERAL MEETING

In light of the UK Government's social distancing guidelines associated with the COVID-19 pandemic restricting public gatherings and non-essential travel, physical attendance at the Company's AGM may not be permitted. It is accordingly necessary to adjust the way in which our AGM's are conducted going forward. The formal part of the AGM will be held with a quorum of members only, supplemented by way of a conference call allowing shareholders to dial into the AGM at which time they can submit questions to the Board. Shareholders wishing to access the conference call facility or submit questions to Board ahead of the meeting are asked to contact the Company Secretary. Please note that it will not be possible to vote on the matters to be considered at the AGM through the dial-in facility.

The Notice of Annual General Meeting to be held at 10:00am on Thursday 17 September 2020 is set out on pages 46 to 47. Details of the business to be transacted are outlined below:

Report and accounts

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

Dividend

Shareholders will be asked to approve the final dividend of 12.8 pence per share.

Re-election of directors

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

Auditor

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

Directors' authority to allot shares

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

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

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

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

Resolution 10 gives the Company authority to make market purchases of up to 521,785 Ordinary Shares, representing 14.99% of the Company's issued ordinary share capital (excluding treasury shares) as at 22 June 2020 (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 2021, or 30 September 2021 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

22 June 2020

DIRECTORS' RESPONSIBLIITY STATEMENT

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

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs 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.

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

WEBSITE PUBLICATION

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

INDEPENDENT AUDITOR'S REPORT

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 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the notes to the Financial Statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its loss 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 judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) 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 matters	How our audit addressed the key audit matters
Valuation of Investments (Page 39 and note 8) Investments are primarily held in quoted companies which should not generally require significant judgement in their valuation. However there is a higher level of estimation uncertainty involved in determining the unquoted investment valuations. This risk is enhanced by the fact that the Investment Manager is remunerated based on the Net Asset Value of the Company, which is largely driven by the valuation of the investment portfolio.	**QUOTED** In respect of all quoted investments we performed the following: ■ Agreed all additions and disposals to supporting contract notes ■ Agreed the bid price of the investee company's shares as at the year end to publically available data ■ Re-performed the calculation of the value attributable to the Company based on the closing bid price ■ Considered the economic environment in which the investment operates to identify factors that could impact the investment valuation ■ Reviewed the workings behind the MJH loan conversion and agreed the inputs to publically available data surrounding the initial public offering and the relevant agreements in place. **UNQUOTED** For all debt instruments held at fair value, we performed the following: ■ Agreed security held to supporting documentation and considered the recoverability of loans through consideration of the investee company's ability to repay them through review of recent financial information ■ Considered the assumption that fair value is not significantly different to par value by challenging the assumption that there is no significant movement in the market interest rate since acquisition by comparing the par value to the Investment Manager's assessment of the fair value of the loan instruments ■ Reviewed the treatment of accrued redemption premium/other fixed returns in line with the requirements of applicable accounting standards ■ Considered the need for impairment through review of the investee's recent trading information and performance reports ■ Considered the inputs and assumption applied in valuing conversion options where applicable and benchmarked these to publically available information. For all unquoted equity instruments held at fair value we have: ■ Considered whether the assumptions and underlying evidence supporting the year end valuations were in line with applicable 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 ■ Agreed the valuation to the report from the fund General Partner ■ Considered the sector in which the investment operates to identify factors that could impact the investment valuation. Key observations: Based on the procedures performed we concluded that the valuation of the investments was not materially misstated.

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

The application of these key considerations gives rise different of materiality, the quantum and purpose of which are tabulated below.

Materiality Measure	Purpose	Key considerations and benchmarks	2020 Quantum (£)	2019 Quantum (£)
Financial Statement Materiality (1.25% of the value of the investment portfolio) (2019: 1.2% 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	375,000	490,000
Performance Materiality (75% of financial statement materiality) (2019: 75% financial statement materiality)	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	■ Financial statement materiality ■ Risk and control environment ■ History of prior errors	280,000	370,000

We also determined that for other classes of transactions, balances or disclosures relating to the Company's investment income, costs and other relevant transactions and balances that drive the revenue return to shareholders, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users as it is a measure of the Company's on-going costs and net realised revenue returns. As a result we determined that materiality for these areas should be £75,000 (2019: £70,000) based on 5% of gross expenditure (2019: 5% of gross expenditure excluding the performance fee).

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £20,000 (2019: £24,000).

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit approach was developed by obtaining an understanding of the Company's activities and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of the valuation of investments.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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, or returns adequate for our audit have not been received from branches not visited by us; or
- 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 shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

PETER SMITH (SENIOR STATUTORY AUDITOR)

For and on behalf of
BDO LLP, Statutory Auditor
London, United Kingdom

22 June 2020

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 2020

	Note	Year-ended 31 March 2020 £'000	Year-ended 31 March 2019 £'000
(Losses)/Gains on Investments	8	**(5,728)**	6,102
Revenue			
Bank Interest income		**8**	11
Loan note interest income		**782**	634
Portfolio dividend income		**265**	225
		1,055	870
Administrative expenses			
Salaries and other staff costs	3	**(138)**	(129)
Performance fee	13	**–**	(2,333)
Other costs	4	**(1,363)**	(1,257)
Total administrative expenses		**(1,501)**	(3,719)
(Loss)/profit before taxation		**(6,174)**	3,253
Taxation	5	**–**	–
(Loss)/profit for the financial year		**(6,174)**	3,253
Attributable to:			
– Equity shareholders of the Company		**(6,174)**	3,253
Basic and Diluted earnings per ordinary share for (loss)/profit from continuing operations and for profit for the year (pence)	6	**(174.34p)**	91.06p

There are no components of other comprehensive income for the current year, (2019: None), all income arose from continuing operations.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Non-current assets			
Investments at fair value through profit or loss	8	**29,960**	40,718
		29,960	40,718
Current assets			
Trade and other receivables	9	**266**	106
Cash and cash equivalents		**6,864**	6,728
		7,130	6,834
Total assets		**37,090**	47,552
Current liabilities			
Trade and other payables		**(178)**	(473)
Performance fee payable		**–**	(2,333)
Total liabilities	10	**(178)**	(2,806)
Net current assets		**6,952**	4,028
Net assets		**36,912**	44,746
Equity			
Issued capital	11	**1,751**	1,788
Share premium		**13,063**	13,063
Revenue reserve		**11,224**	19,058
Capital redemption reserve		**10,874**	10,837
Total equity		**36,912**	44,746

The NAV per share on 31 March 2020 is 1,060.4 pence (2019: 1,258.6 pence)

These financial statements were approved and authorised for issue by the Board of Directors on 22 June 2020. Signed on behalf of the Board of Directors.

DAVID POTTER
CHAIRMAN

CHARLES BERRY
DIRECTOR

STATEMENT OF CASH FLOWS

FOR THE YEAR-ENDED 31 MARCH 2020

	Note	Year-ended 31 March 2020 £'000	Year-ended 31 March 2019 £'000
Cash flow from operating activities			
Cash flow from operations	a	**(3,157)**	(686)
Net cash outflow from operating activities		**(3,157)**	(686)
Cash flows from investing activities			
Purchase of financial investments	8*	**(11,360)**	(10,124)
Sale of financial investments	8*	**16,313**	16,356
Net cash inflow from investing activities		**4,953**	6,232
Cash flows from financing activities			
Dividends paid	7	**(752)**	(924)
Share buy backs		**(908)**	(938)
Net cash outflow from financing activities		**(1,660)**	(1,862)
Change in cash and cash equivalents		**136**	3,684
Opening cash and cash equivalents		**6,728**	3,044
Closing cash and cash equivalents		**6,864**	6,728

NOTE

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

		£'000	£'000
(Loss)/profit for the year	2	**(6,174)**	3,253
Rolled up interest		**(329)**	(226)
Losses/(gains) on investment	8	**5,728**	(6,102)
Operating results		**(775)**	(3,075)
Change in trade and other receivables		**42**	(35)
Change in trade and other payables		**(2,424)**	2,424
Net cash outflow from operations		**(3,157)**	(686)

* The purchase and sale of financial investments are the cash paid or received during the year and excludes unsettled investments as at 31 March 2020.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR-ENDED 31 MARCH 2020

	D shares £'000	Ordinary Share Capital £'000	Share Premium £'000	Revenue Reserve £'000	Capital Redemption Reserve £'000	Total Equity £'000
Balance at 31 March 2018	**10**	**1,827**	**13,063**	**17,667**	**10,788**	**43,355**
Profit and total comprehensive income for the year	–	–	–	3,253	–	3,253
Total profit and comprehensive income for the year	**10**	**1,827**	**13,063**	**20,920**	**10,788**	**46,608**
Contributions by and distributions to owners						
Share buy back	–	(49)	–	(938)	49	(938)
Dividends paid	–	–	–	(924)	–	(924)
Balance at 31 March 2019	**10**	**1,778**	**13,063**	**19,058**	**10,837**	**44,746**
Loss and total comprehensive loss for the year	–	–	–	(6,174)	–	(6,174)
Total Loss and comprehensive income for the year	**10**	**1,778**	**13,063**	**12,884**	**10,837**	**38,572**
Contributions by and distributions to owners						
Share buy back	–	(37)	–	(908)	37	(908)
Dividends paid	–	–	–	(752)	–	(752)
Balance at 31 March 2020	**10**	**1,741**	**13,063**	**11,224**	**10,874**	**36,912**

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 2020 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 16 "Leases" is effective for accounting periods beginning on or after 1 January 2019.

The adoption of the above standard had no impact on the Company's reported net assets as the Company does not have any leases.

New and revised accounting standards and amendments that are effective for annual periods beginning on or after 1 January 2019:

- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Annual Improvements to IFRSs 2015 – 2017 Cycle
- IFRIC 23: Uncertainty over Income Tax Treatments

The adoption of the standards and amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New Standards and interpretations not yet applied

Other standards and amendments that are effective for subsequent reporting periods beginning on or after 1 January 2020 and which have not been early-adopted by the Company include:

- Definition of Material (Amendments to IAS 1 and IAS 8);
- Revised Conceptual Framework for Financial Reporting

These standards and amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore detailed disclosures have not been provided.

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 Directors acknowledge that the coronavirus (COVID-19) outbreak has had a significant adverse economic impact globally, and that this has caused substantial volatility in financial markets. The Directors nevertheless consider the Company to be well placed to operate through the crisis and to continue to operate for at least twelve months from the date of this report, as the Company has sufficient liquidity to pay its liabilities as and when they fall due and also to invest in new opportunities as they arise. The Company is in a net current asset position of £7.0 million (2019: £4.0 million) and a net asset position of £36.9 million (2019: £44.7 million). Furthermore, the Company has a cash balance of £6.9 million (2019: £6.7 million) and non-discretionary expenditure for the financial year was £1.5 million (2019: £3.7 million), which is covered 4.6 times by the year end cash position. The Company's forecasts and projections, taking into account the current economic environment and other, reasonably possible changes in performance, show that the Company is able to operate within its available working capital and continue to settle all liabilities as they fall due for the foreseeable future. The Company has consistent, predictable ongoing costs and all major cash outflows, such as for the payment of dividends or for investment into portfolio companies, are at the full discretion of the Board.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Financial instruments:

Trade debtors and creditors

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

Cash and cash equivalents

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

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 the International Private Equity and Venture Capital Valuation Guidelines (the IPEV guidelines) and industry norms which include calculations based on appropriate earnings or sales multiples.

The IPEV guidelines which are effective for reporting periods on or after 1 January 2019 have been adopted by the Company. The core principles of the new IPEV guidelines are:

(i) Price of a recent investment removed as a valuation technique and is no longer a valid methodology in its own right; and

(ii) Valuing debt investment is expanded.

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 IPEV 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.

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

Interest receivable is included on an effective interest rate basis.

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 recognised in equity.

Performance Fee

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

The performance fee is calculated for each performance fee period which is aligned with the Company's accounting year. It is accounted for on an accrual basis and is recognised in the Statement of Comprehensive Income once a performance fee is triggered during the performance fee period. The performance fee becomes payable at the end of the performance fee period.

Foreign exchange

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

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. It also requires Management to exercise their judgement in the process of applying the accounting policies. The main area of estimation is in the inputs used in determination of the valuation of the unquoted investments in Note 8. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Management believes that the underlying assumptions are appropriate and that the Company's financial statements are fairly presented.

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 loss for the year was £6.174 million (2019: profit of £3.253 million).

The Company has recognised losses on investments through the Statement of Comprehensive Income of £5.728 million (2019: gains of £6.102 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year-ended 31 March 2020 £'000	Year-ended 31 March 2019 £'000
Directors' remuneration summary		
Basic salaries	**129**	125
Social security costs	**9**	4
	138	129

	Year-ended 31 March 2020			Year-ended 31 March 2019		
	Emoluments £'000	Social Security costs £'000	Total £'000	Emoluments £'000	Social Security costs £'000	Total £'000
Analysis of Directors' remuneration						
C Berry	**26**	**–**	**26**	25	–	25
D Potter	**51**	**–**	**51**	50	–	50
H Sinclair	**26**	**–**	**26**	25	–	25
K Lever	**26**	**–**	**26**	25	–	25
Social security costs	**–**	**9**	**9**	–	4	4
	129	**9**	**138**	125	4	129

The Company has no employees.

	Year-ended 31 March 2020 No.	Year-ended 31 March 2019 No.
Directors		
Investment and related administration	**4**	4
	4	4

4. OTHER COSTS

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

	Year-ended 31 March 2020 £'000	Year-ended 31 March 2019 £'000
Auditors remuneration		
Fees payable to the current auditor for the audit of the Company's annual financial statements	**31**	26
Fees payable to the Company's current auditor and its associates for other services:		
Under provision of audit fee for year ended 31 March 2019	**3**	–
Fees paid for review of interim report	**3**	–
Other services relating to taxation	**13**	10
Analysis of other costs:		
Professional fees	**379**	338
Management fee	**858**	795
Other general overheads	**76**	88
	1,363	1,257

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. TAXATION

	Year-ended 31 March 2020 £'000	Year-ended 31 March 2019 £'000
UK corporation tax		
Corporation tax liability at 19% (2019: 19%)	–	–
Current tax	–	–
Deferred tax	–	–
Tax on (loss)/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% (2019: 19%)

The differences are explained below:

	Year-ended 31 March 2020 £'000	Year-ended 31 March 2019 £'000
Current tax reconciliation		
Loss before taxation	(6,174)	3,253
Current tax charge at 19% (2019: 19%)	(1,173)	618
Effects of:		
Non-taxable income	1,037	(1,202)
Deferred tax not recognised	136	584
Tax on (loss)/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 £29 million (2019: £26 million) for the Company. The increase in the balance for unrecognised deferred tax is due to an increase to management expenses carried forward available for deduction against future income. The assessed loss on which no deferred tax has been recognised amounts to £151 million (2019: £153 million).

	Year-ended 31 March 2020 £'000	Year-ended 31 March 2019 £'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.

	Year-ended 31 March 2020 £'000	Year-ended 31 March 2019 £'000
Earnings		
(Loss)/Profit for the year	**(6,174)**	3,253
Number of shares ('000)		
Weighted average number of ordinary shares in issue for basic EPS	**3,541**	3,573
Weighted average number of ordinary shares in issue for diluted EPS	**3,541**	3,573
Earnings per share		
Basic EPS	**(174.34p)**	91.06p
Diluted EPS	**(174.34p)**	91.06p

As at 31 March 2020, the total number of shares in issue was 3,480,884 (2019: 3,555,330). During the year, the Company cancelled nil Treasury shares (2019: nil). From October 2019 to March 2020, 74,446 shares were bought back (2019: 99,714). There are no share options outstanding at the end of the year.

7. DIVIDENDS

The Company paid £752,374 in dividends to shareholders in the year ended 31 March 2020 (2019: £924,387).

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

		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	Value at 31 March 2019 £'000
Investments in quoted companies (Level 1)	36,283	**8,248**	**(16,256)**	**2,783**	**2,785**	**(1,994)**	**31,849**
Other unquoted investments (Level 3)	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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The revaluations and (loss)/gain on disposals above are included in the Statement of Comprehensive Income as (losses)/gains on investments.

	Value at 31 March 2020 £'000	Value at 31 March 2019 £'000
Opening valuation	**40,718**	40,449
Acquisitions	**11,484**	10,523
Unrealised and realised (losses)/gains on investment	**(5,728)**	6,102
Disposals	**(16,514)**	(16,356)
Closing valuation	**29,960**	40,718

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

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

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

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

The Company's investments are summarised as follows:

	31 March	
	2020 £'000	2019 £'000
Level 1	**23,558**	31,849
Level 2	**–**	–
Level 3	**6,402**	8,869
	29,960	40,718

On 12 December 2019, MJ Hudson floated and was admitted to AIM. As a result of this, there was a transfer from Level 3 to Level 1 of the fair value hierarchy for MJ Hudson which amounted to £2,300,574. For the year ended 31 March 2019, there was a transfer from Level 1 to Level 3 for Tax Systems plc which amounted to £1,994,168, as a result of a take-over and subsequent de-listing of the company.

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 2020 and 31 March 2019, all investments, except for the investments in the table below, fall into the category 'Level 1' under IFRS 7 fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

A summary of the Level 3 investments are as follows:

	31 March 2020		31 March 2019	
	Material investments included	**£'000s**	**Material investments included**	**£'000s**
Market value (reviewed for impairment)	**Be Heard Group Holdings**	**1,838**	MJH Group Holdings (Bond)	2,063
	The Lakes Distillery Company	**2,348**	MJH Group Holdings (Equity)	475
	HAEP II LP	**254**	Be Heard Group Holdings	1,788
	Northbridge Industrial Services plc convertible bonds	**1,962**	Northbridge Industrial Services plc convertible bonds	2,319
			HAEP II LP	230
			Tax Systems plc	1,994
Contracted sales proceeds in post balance sheet period	**None**	**–**	None	–
		6,402		8,869

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.

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

- Hanover Equity Partners II LP was purchased on 11 July 2017. It is valued based on the NAV of the Limited Partnership which is a proxy for fair value as its underlying investments are held at fair value;
- Be Heard Group plc Bond was purchased on 28 November 2017, and a further investment was made on 10 July 2019. The bonds are valued at fair value which approximates to the bond issue amount, as the value of the conversion right is considered to be nil. There has been no change in the circumstances of Be Heard Group plc that would indicate a material change in value;
- Northbridge Convertible Bond was purchased on 10 April 2018, and a further investment was made on 3 July 2018. The bonds are valued at fair value which approximates the bond issue amount plus the "in the money" value of the conversion right, valued using a Black Scholes valuation model; and
- The Lakes Distillery Company plc Convertible Bond was purchased on 20 June 2019. It is valued at fair value which approximates to the bond issue amount plus rolled up "payment in kind" notes and capitalised interest.

Investments in quoted companies (Level 1) have been valued according to the quoted bid price as at 31 March 2020.

9. TRADE AND OTHER RECEIVABLES

	31 March 2020 £'000	31 March 2019 £'000
Other debtors	**244**	101
Prepayments	**22**	5
	266	106

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. TRADE AND OTHER PAYABLES

	31 March 2020 £'000	31 March 2019 £'000
Performance fees payable	**–**	2,333
Other creditors	**7**	212
Trade creditors	**91**	176
Accrued expenses	**74**	79
Social security and other taxes	**6**	6
	178	2,806

Other creditors related to the acquisition of further equities in Fulcrum Utility Services Ltd, an existing investment, in March 2020. This was settled in April 2020 (2019: £0.21 million that related to the acquisition of further equities in Northbridge Industrial Services, Be Heard plc and Swallowfield plc).

11. ISSUED CAPITAL

	31 March 2020 £'000	31 March 2019 £'000
Called up, allotted and fully paid:		
3,480,884 (2019: 3,555,330) Ordinary Shares of 50 pence (2019: 50 pence)	**1,741**	1,778
10,000 (2019: 10,000) D shares of 100 pence (2019: 100 pence)	**10**	10
	1,751	1,788

As at 31 March 2020, the total number of shares in issue were 3,480,884 (2019: 3,555,330). During the year the Company bought back 74,446 shares (2019: 99,174).

The average share price of Gresham House Strategic plc quoted Ordinary Shares in the year-ended 31 March 2020 was 1,138.5 pence. In the year the share price reached a maximum of 1,355.0 pence and a minimum of 865.0 pence. The closing share price on 31 March 2020 was 902.5 pence.

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

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company invests in quoted companies in accordance with the investment policy and SPE 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 2020, £23.6 million of the Company's net assets were invested in quoted investments, £6.4 million in unquoted investments and £6.9 million in liquid balances (31 March 2019: £31.8 million in quoted investments, £8.9 million in unquoted investments and £6.7 million in liquidity).

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

The main risks arising from the Company's financial instruments are due to fluctuations in market prices (market price risk), 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 financial assets at amortised cost and all financial liabilities are categorised as amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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 £30.0 million (2019: £40.7 million).

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

The Board's strategy in managing the market price risk is determined by the requirement to meet the Company's investment objective. Risk is mitigated to a limited extent by the fact that the Company holds investments in several companies. At 31 March 2020, the Company held interests in 15 companies (2019: 15 companies). The Directors monitor compliance with the investment policy, review and agree policies for managing this risk and monitor the overall level of risk on the investment portfolio on a regular basis.

MARKET PRICE RISK SENSITIVITY

The Board considers that the value of investments in quoted equity instruments is ultimately sensitive to changes in quoted share prices. The value of investments in CLN, where the valuation methodology is to estimate the value of the conversion option of the instrument, is similarly linked to quoted share prices. The table below shows the impact on the return and net assets if there were to be a 25% (2019: 20%) movement in overall share prices.

As at 31 March 2020

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

As at 31 March 2019

			+20%		-20%	
Security	**Valuation basis**	**Fair value**	**Impact £'000**	**Impact per share (in pence)**	**Impact £'000**	**Impact per share (in pence)**
Quoted investments	Latest share price	31,849	6,370	179.16	(6,370)	(179.16)
Unquoted investments – *Northbridge and Be Heard CLNs*	Bond issue amount + conversion right	4,107	380	10.70	(278)	(7.83)

The impact of a change of 25% (2019: 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.

A sensitivity has not been performed for the other unquoted investments held by the Company, as there is no exposure to market price risk in the valuation methodology applied for these investments.

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 in an interest paying current account to take advantage of preferential rates and are subject to interest rate risk to that extent.

b) Credit risk

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

The Company's maximum exposure to credit risk is:

	31 March 2020 £'000s	31 March 2019 £'000s
Loan stock investments	**6,148**	6,156
Cash and cash equivalents	**6,864**	6,728
Trade and other debtors	**266**	106
	13,278	12,990

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

The Company's cash balances are maintained by major UK clearing banks. The credit rating of The Royal Bank of Scotland plc by Fitch Ratings is A+ (2019: A+)

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.

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 2020 is £36.9 million (31 March 2019: £44.7 million) 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, its Investment Manager and Gresham House plc as a significant shareholder.

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

During the year to 31 March 2020, Gresham House Strategic plc was charged management fees of £858k (2019: £795k) by Gresham House Asset Management Limited (GHAM).

There is no performance fee payable to GHAM as at 31 March 2020 (2019: £2,333k (includes VAT)).

As at 31 March 2020, the total amount owing to GHAM is £61k (2019: £2,465k).

As at 31 March 2020, 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
R Staveley	5,179	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 GHAM on 15 August 2016. Under the agreement, the Company undertook to co-invest £7.5 million with the SPE Fund LP.

The Directors' remuneration and their interest in the Company are disclosed in the Director's remuneration review on page 22.

There are no other related party transactions of which we are aware in the year ended 31 March 2020.

14. SUBSEQUENT EVENTS NOTE

The COVID-19 pandemic continues to adversely impact the UK and world economy. The effect of this on the investment portfolio has been reflected in the fair value of investments at 31 March 2020. As the full impact of the pandemic and Government restrictions is unknown, there may be further information that emerges but the impact of this could not be known at 31 March 2020.

It is noted that post year end, the unaudited NAV has increased to 1,237.6 pence per share as at 5 June 2020 (1,060.4 pence per share at 31 March 2020).

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 Shakespeare Martineau LLP, 60 Gracechurch Street, London EC3V 0HR at 10:00am on Thursday 17 September 2020 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:

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

ORDINARY RESOLUTIONS

1. To receive the Annual Report and Accounts for the year-ended 31 March 2020

2. To declare a final dividend of 12.8 pence per share

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

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

5. To re-elect David Potter as a Director of the Company

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

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

8. THAT the Directors of the Company be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the Act) to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for, or convert any security into, shares in the Company (Rights) up to an aggregate nominal amount of £574,345 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the next Annual General Meeting of the Company or on 30 September 2021, whichever is earlier, and provided further that the Company shall be entitled before such expiry to make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant Rights under such offer or agreement as if this authority had not expired.

SPECIAL RESOLUTIONS

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

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

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

   and this authority shall expire on the earlier of 30 September 2021 or the conclusion of the Company's Annual General Meeting in 2021 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 50 pence each in the capital of the Company (Ordinary Shares) on such terms and in such manner as the Directors may from time to time determine, provided that:

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

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

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

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

    (e) the authority conferred by this resolution shall expire at the end of the Annual General Meeting in 2021 (or if earlier at the close of business on 30 September 2021) 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 shareholders 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

22 June 2020

Registered Office:
77 Kingsway
London
WC2B 6SR

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

NOTICE OF MEETING NOTES:

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

1. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at close of trading on Tuesday 15 September 2020. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

2. Shareholders, or their proxies, intending to attend the Meeting in person are requested, if possible, to arrive at the Meeting venue at least 20 minutes prior to the commencement of the Meeting at 9:40am (UK time) on Thursday 17 September 2020 so that their shareholding may be checked against the Company's Register of Members and attendances recorded. **In light of the UK Government's social distancing guidelines associated with the COVID-19 pandemic restricting public gatherings and non-essential travel, physical attendance at the Company's AGM may not be permitted. The Company encourages shareholders to vote electronically, or to appoint the Chair as their proxy with their voting instructions.**

3. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different Ordinary Share or Ordinary Shares held by that shareholder. A proxy need not be a shareholder of the Company.

4. In the case of joint holders, where more than one of the joint holders' purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

6. You can vote either:

   - by logging on to www.signalshares.com and following the instructions;
   - You may request a hard copy form of proxy directly from the registrars, Link Asset Services (previously called Capita), on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

   In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Asset Services at 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 10am on Tuesday 15 September 2020.

7. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

8. The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in note 11 below) will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so. As mentioned above, the Company advises shareholders to vote electronically, or to appoint the Chair as their proxy as physical attendance in person may now be permitted.

9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 10am on Tuesday 15 September 2020. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.
13. As at 22 June 2020 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 3,480,884 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 22 June 2020 are 3,480,884.
14. Any shareholder attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
15. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day from the date of this Notice until the time of the Meeting and may also be inspected at the Meeting venue, as specified in this Notice, from 10am on the day of the Meeting until the conclusion of the Meeting: copies of the Directors' letters of appointment or service contracts.
16. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

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

By order of the Board

SGH COMPANY SECRETARIES LIMITED
COMPANY SECRETARY

22 June 2020

Registered Office:
77 Kingsway
London
WC2B 6SR

CORPORATE INFORMATION

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

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

FOR YOUR NOTES

FOR YOUR NOTES

STRATEGIC PUBLIC EQUITY

www.ghsplc.com