



30 September

2021

Supporting UK businesses

Gresham House Strategic plc (GHS)

Interim results for the six months
to 30 September 2021



Gresham House
Specialist asset management

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Strategic Public Equity

A private equity approach to investing in quoted companies

Gresham House Strategic plc (GHS or the Company) is pleased to announce its unaudited half-year results for the period ended 30 September 2021.

About Gresham House Strategic plc

GHS invests in UK smaller public companies, applying private equity techniques and due diligence alongside a value investment philosophy to construct a portfolio focused in 10-15 companies.

About Harwood

Harwood Capital LLP ("HC LLP") was incorporated in 2003 and is the investment manager for Gresham House Strategic Plc, and of the Harwood Private Equity funds and of Harwood Private Clients. It is an investment adviser to North Atlantic Smaller Companies Investment Trust Plc.

HC LLP is a wholly owned subsidiary of Harwood Capital Management Limited and is authorised and regulated by the Financial Conduct Authority ("FCA"), authorisation number 224915.

Led by Christopher Mills, the funds managed and advised by HC LLP follow an active value approach towards the businesses in which they invest.



For more information visit
www.ghsplc.com

Financial highlights

- Unaudited NAV Total Return performance in the six months to 30 September 2021 of 24.4% to 1867.6p/share, materially outperforming the FTSE All-Share Index and the FTSE Small Cap (ex-ITs) Index total returns of 7.9% and 13.5% respectively
- TSR of 20.8% in the six months to 30 September 2021
- As at period end, TSR since inception was 141.5%, outperforming the FTSE All-Share Index by 12.0% per annum as a result of both NAV performance and the discount narrowing
- Three-year TSR to 30 September 2021 of 79.9%, outperforming the FTSE All Share Index total return by +70.3%
- A number of profitable exits and a takeover bid of portfolio holdings including Augean (101.2% IRR, 9.0x Money Multiple), Ted Baker (130.7% IRR, 1.9x Money Multiple), and Northbridge Loan Notes (15.1% IRR, 1.5x Money Multiple)¹

¹ Exit multiples and returns do not take account of any taxes as tax is not levied on individual sales

Chairman's Statement

"The Board is confident that there is potential further unrealised value in the portfolio that will be fully returned to shareholders"



Simon Pyper

Interim Chairman
Gresham House Strategic plc

Dear Shareholder,

Despite this having been a somewhat eventful period for the Company, it was pleasing to see and to report underlying NAV growth for the period.

With the agreement with the Company's principal shareholder the Board, as constituted, conducted a strategic review with the following clear objectives:

- To continue to achieve strong investment performance
- To reduce the Company's cost base to be in line with market standards
- To increase the scale of the Company in Net Asset Value ("NAV") terms through additional investment
- To ensure strong corporate governance arrangements are in place between the Board and its Investment Manager to avoid any potential conflict of interest

The conclusion of the Board review was to appoint Harwood Capital to replace Gresham House Asset Management on 10 October 2021.

The outcome of the strategic review did not secure the full support of the Company's shareholders, including our largest shareholder Gresham House PLC. Following negotiations between the Board and Gresham House, who received undertakings from a significant number of shareholders to support their proposals, the Board agreed to put resolutions to a general meeting of shareholders to place the Company into full run-off, returning all capital and to implement certain board changes.

As previously communicated, in May 2021 our previous Chairman, David Potter, resigned from the Board and in November 2021, Helen Sinclair and Charles Berry also stepped down. We thank them for their service. Also as previously communicated, Graham Bird was appointed as non-executive Director in June 2021 and the Board has commenced a process to identify another potential independent non-executive director who may be appointed as Chair. The Board will also consider whether the ongoing composition of the Board should comprise three or four directors. Further announcements in this regard will be made in due course.

Whilst the Company is changing strategy to one of run-off, the Board is confident that there is potential further unrealised value in the portfolio that will be fully returned to shareholders.

Simon Pyper
Interim Chairman,
Gresham House Strategic plc
7 December 2021

Investment Manager's Report



Laurence Hulse

Gresham House Asset
Management Limited,
previous Investment Manager

“During a mixed six months for UK equity markets, the team and portfolio have navigated the challenges of the ‘re-opening’ well and created material value for stakeholders”

Introduction

We are pleased to be able to report that during a mixed six months for UK equity markets, the team and portfolio have navigated the challenges of the ‘re-opening’ well and created material value for stakeholders. While UK equity markets and small cap investment sentiment has been subdued versus the euphoria of the previous six months, the team and the investee companies have used this period to drive growth and catalyse execution. This has clearly helped to capture value toward intrinsic worth even as markets and peers saw weakness. This thesis, the team's execution and the hard work by all last year to invest over 40% of NAV into new opportunities during the crisis has driven material outperformance through the reporting period.

We are pleased to have delivered strong NAV returns for GHS investors in the period with a GHS NAV total return performance in the six months to 30 September 2021 of 24.4% to 1867.6p/share, materially outperforming the FTSE All-Share Index and the FTSE Small Cap (ex-ITs) Index total returns of 7.9% and 13.5% respectively. Despite the discount to NAV widening over the period, the GHS Total Shareholder Return (TSR) of 20.8% in the six months also provided outperformance for clients.

Highlights for the period include:

- Unaudited NAV Total Return performance in the six months to 30 September 2021 of 24.4% to 1867.6p/share, materially outperforming the FTSE All-Share Index and the FTSE Small Cap (ex-ITs) Index total returns of 7.9% and 13.5% respectively
- TSR of 20.8% in the six months to 30 September 2021
- As at period end, TSR since inception was 141.5%, outperforming the FTSE All-Share Index by 12.0% per annum as a result of both NAV performance and the discount narrowing
- Three-year TSR to 30 September 2021 of 79.9%, outperforming the FTSE All Share Index total return by +70.3%
- Several profitable exits and a takeover bid of portfolio holdings including Augean (101.2% IRR, 9.0x Money Multiple), Ted Baker (130.7% IRR, 1.9x Money Multiple), and Northbridge Loan Notes (15.1% IRR, 1.5x Money Multiple)

Investment Manager's Report (continued)

Market commentary

The interim reporting period was a tale of two halves for equity markets. Indices coursed higher through the second quarter of 2021 as they further re-calibrated to earnings expectations, valuations and Covid-19 government policy, reflecting the truly unprecedented scale of fiscal stimulus, ease of monetary conditions and how well economies reacted to the crisis. 18 months ago, it would have been remarkable to expect record equity valuations and for the UK to witness, more or less, a full return to normality thanks to the successes of the vaccination programme. Markets entered the third quarter gravitating around three key themes: material GDP growth, 'transitory' inflation, and ever-supportive central banks, extending the clear direction of markets and sentiment. The team invested more than 40% of the portfolio during the volatile 2020 and as a result the portfolio benefitted from those tailwinds.

However, over the summer genuine concerns emerged from a chorus of respected economists and market participants about an increased monetary policy failure risk, and this is a view the team sympathised with. The transitory versus systemic inflation debate and central banks' responses is the key theme that will have implications for equity markets for the rest of 2021 and beyond. This narrative, combined with current record measures for manufacturing, purchasing and other macroeconomic metrics leave us cautious about how the next year for equities will compare to the previous year. Indeed, equity markets meandered through the third quarter of 2021 as expectations for earnings, inflation and monetary policy diverged, ending the quarter on a weak note. This was despite record breaking levels of M&A driving up the ratings of various targets and their peers – including investments in the GHS portfolio. We have previously commented on the remarkable position of markets and macroeconomics

vs. the depths of the pandemic. The third quarter certainly saw cause for moderation which was reflected in equity markets. It was particularly notable to see supply side issues feeding through to domestic and global energy markets and some of the first rate-hikes or 'taper talk' at various central banks.

We remain of the belief that monetary policy failure remains a key market risk and our caution over the next year (now nine months) for equities as there is certainly potential for increased volatility. Value is increasingly hard to find but, we believe, company forecasting is now in uncharted waters and that ought to provide our active small cap strategy with further pipeline opportunities in the months ahead as supply issues bite – we have previously discussed the inflationary blind spot facing companies. Having been fully invested for the past 15 months, the team had recently been realising significant profits and cash through a mix of secondary sales and takeovers.

Portfolio 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.

Performance (all indices are excluding investment trusts)	H1 2021	1 year	3 year	5 year	Since inception
GHS TSR	20.8%	76.0%	79.9%	128.2%	141.5%
GHS NAV Total Return	24.4%	57.0%	55.0%	85.6%	103.9%
FTSE Small Cap Total Return (SMXX)	13.5%	72.4%	38.8%	64.0%	75.5%
FTSE All Share Total Return (ASX)	7.9%	27.8%	9.6%	29.5%	41.4%
Relative Performance					
vs FTSE Small Cap Total Return	10.9%	-15.4%	16.2%	21.6%	28.4%
vs FTSE All Share Total Return	16.5%	29.2%	45.4%	56.1%	62.5%

Source: Bloomberg and Company as at 30 September 2021

The NAV Total Return per share rose by 24.4% to 1867.6p/share, materially outperforming the FTSE All-Share Index and the FTSE Small Cap (ex-ITs) Index total returns of 7.9% and 13.5% respectively. From our appointment as investment manager in August 2015 to the end of September 2021, NAV Total Return is 103.9% on an accumulative basis, outperforming the FTSE Small Cap Total Return Index (excluding investment trusts) by 28.4% in the same period.

The H1 share price performance reflected two quarters of consistent catalyst execution across the portfolio that extended the broader NAV recovery in line with equity markets during the first half of the reporting period (CYQ2).

As at period end, the company held investments in 16 UK companies (14 >2.0% NAV). Post-period end cash and cash equivalents in the portfolio has increased materially to £25,170,811 following the realisation of Augean and the disposal of the entire position in RPS by the new manager.*

Top ten shareholdings (30 September 2021)	£m	Shareholding in company	Portfolio NAV
Augean plc	£21.6m	5.6%	33.2%
Northbridge Industrial Services plc	£6.6m	13.4%	10.2%
RPS Group plc	£5.3m	1.6%	8.2%
Flowtech Fluidpower plc	£4.8m	5.8%	7.4%
Centaur Media plc	£4.3m	5.9%	6.6%
National World plc	£3.9m	4.7%	6.0%
Van Elle Holdings plc	£3.3m	6.4%	5.1%
M&C Saatchi	£3.2m	1.6%	4.9%
ULS Technology	£3.2m	6.6%	4.9%
Pressure Technologies plc	£3.1m	13.8%	4.8%
Other investments	£8.7m	-	13.4%
Cash and other working capital items	(£3.0m)	-	(4.6%)
Total NAV	£65.0m		100%

Top contributors to returns²

Top Five Contributors	CTR
Augean plc	17.4%
Northbridge Industrial Services plc	5.2%
National World plc	3.6%
Flowtech Fluidpower plc	3.0%
RPS Group plc	2.4%

² Before tax

Top detractors from returns

Bottom Five Detractors	CTR
Universe Group plc	-0.2%
Bonhill Group plc	-0.6%
ULS Technology plc	-0.6%
Pressure Technologies plc	-1.1%
Fulcrum Utility Services Ltd	-1.1%

Investment Manager's Report (continued)

Portfolio highlights & investment activity

Augean plc – AUG LN (Investment Exit; 101.2% IRR, 9.0x Money Multiple)

Our four-year investment in Augean; the sector leader in modernising hazardous waste management practice providing sustainable waste management solutions, came to a welcome conclusion for shareholders as the business was acquired following a prolonged bidding war. The investment, made by the team in 2017, has generated significant returns from an initial turnaround thesis based on the arbitrage between the distressed multiple the company traded on at the time and the 8-12x EBITDA valuation which private markets tend to pay for such assets. Four years later the business has been acquired at over 10x, generating profits of over c.£22m for GHS shareholders as the investment delivered a 9.0x Money Multiple return and an Internal Rate of Return (IRR) in excess of 100% from a final offer price of 372p per share vs. our original share purchases between 22p and 50p. Our active and engaged investment style allows GHS to 'run our winners' and in-depth ongoing due diligence, alongside Investment Committee input, through the holding period allowed us to capture supernormal returns by retaining our position over the past couple of years and through the takeover offers, at a time when many took profits. Credit and thanks must go to Augean's management team and board for such a recovery in just four years.

Northbridge Industrial Services plc – NBI LN (Investment Exit of Loan Notes; %15.1 IRR)

It was a very busy summer following various operational, strategic and personnel changes at Northbridge, where GHS is the largest shareholder. The company, which manufactures, hires and sells specialist electrical equipment, repeatedly reported improving trading and outlook. This was particularly profound in the Crestchic division which designs, manufactures and hires load banks for test generators and has been generating a return on capital in excess of 20%. Strategically, there has been progress on the disposal process for the more challenged Tasman division and investment to increase capacity at Crestchic. The improving picture was underlined by director share purchases and increased investor relations activity.

Most importantly, we secured a profitable exit from 80% of our loan notes held in the company. We redeemed £1.6m of notes which generated a total profit of £790k (quarterly and redemption interest). The remaining 20% was converted at 90p vs. a current market price of 163.50p as at 29 October 2021, leaving GHS with a remaining portfolio weighting of c.10% in Northbridge equity.

The company continued to deliver further upgrades in Q3 adding to momentum. It has been particularly pleasing to see changes that the team have made with the Board feeding through to what matters so quickly – the numbers. Leadership change was cited in Northbridge's interim results as speeding up decision making, and improved investor relations and communications appears to have helped the stock to re-rate. A renewed focus on Return on Investment (ROI) and Return on Capital Employed (ROCE) for the fleet from power markets and the targeted disposal of Tasman are creating the opportunity for additional profitable growth, quickly driving upgrades and interim results cite the opportunity for further growth in the medium term.

Pressure Technologies plc – PRES LN

It was a frustrating period for Pressure Technologies, a business that provides engineering solutions for their products used in harsh operating environments. The turnaround strategy had begun to show encouraging signs especially in the cylinder's division, before metal supply issues and operational disruption led to a profit warning. Whilst it was reassuring to see share purchases by the Chair and Non-Executive Directors after the announcement performance was still disappointing and management have recalibrated their three-year plan to include, what we feel, is a delay to the underlying growth in the equity story. The business has been the most heavily impacted by Covid-19 of all our holdings and, as shareholders would expect, we are actively supporting the business where we can, working closely with the team and Board. Recovery in Oil & Gas markets and further successes in the Hydrogen sector are key near-term catalysts for the business.

M&C Saatchi plc – SAA LN

Another recovery story has been building in a very different company to Northbridge; M&C Saatchi. Since our investment 12 months ago, the new management team and Board have rapidly got to grips with the two key drivers of margin: costs and turnover. Their self-help initiatives following a troublesome period have quickly driven both profit growth and cash generation. There has been material rationalisation of a bloated cost base and the strategy is narrowing its focus to core revenue opportunities, driving a series of upgrades. We were also impressed to see a rapid use of cash generation to buy out future put option liabilities in order to reduce future dilution to returns.

Ted Baker plc – TED LN (Investment exit – 130.7% IRR 1.9x Money Multiple)

In line with some of the market commentary in factsheets and this report and accounts, we took profits from our investment in Ted Baker in Q3. The drivers for this were threefold. Firstly, retail sector data simply had not rebounded over the summer as much as we had modelled at the point of investment in the 'Covid raise' at 72p and consumer confidence more generally started to stall too. This was sullied further with the company revealing 'under-indexing' in eCommerce on both quantitative and qualitative measures at the interims. It is not controversial to deem online execution key to any B2C business in the post-pandemic world, so this diluted conviction further. Finally, given the above, the material re-rating from 72p to the 150p-202p spread where we sold shares this year represented fair representation of the initial cost reduction efforts and a de-risking of the balance sheet that the raise provided and therefore it was deemed prudent to take profits.

Laurence Hulse
Fund Manager,
Gresham House Strategic*

7 December 2021

*Post period end Harwood Capital were appointed Investment Manager of Gresham House Strategic, replacing Gresham House.

Board



Simon Pyper
Interim Chairman

Simon was formerly the Chief Executive Officer and Chief Financial Officer of digital marketing group Be Heard Group plc. Simon was appointed Chief Financial Officer of Be Heard Group plc in May 2018 and undertook the role of CEO from September 2018. Prior to this, he was Chief Financial Officer of AIM listed GlobalData plc from 2007 to 2017. During his tenure, Simon oversaw its reverse takeover of TMN plc and admission to AIM and facilitated its acquisition led growth strategy. Simon was recently appointed as Chief Financial Officer of CPP Group plc.



Kenneth Lever
Non-Executive Director

Ken Lever is Chairman of Biffa plc and RPS Group plc and Non-Executive Director of Blue Prism plc and Vertu Motors plc. Ken was previously 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.

In his early career Ken qualified as a Chartered Accountant and became a partner in Arthur Andersen. Until 2014 Ken was a member of the UK Accounting Standards Board. He graduated from Manchester University with a degree in Management Sciences.



Graham Bird
Non-Independent
Non-Executive Director

Graham is the CFO of Escape Hunt and is experienced in fund management and in building both corporate advisory and asset management businesses. Formerly the Fund Manager of Gresham House Strategic. Graham spent six years as a senior executive at PayPoint plc, most recently as director of strategic planning and corporate development.

He was also executive chairman and president of PayByPhone, a multi-national division of PayPoint operating out of Canada, the UK and France between 2010-2014. Graham began his career in audit and corporate finance at Deloitte and Cazenove, and holds an MA in Economics from the University of Cambridge.

Unaudited Condensed Statement of Comprehensive Income

for the six months ended 30 September 2021

	Notes	Six months to 30 September 2021 £'000 Unaudited	Six months to 30 September 2020 £'000 Unaudited	Year to 31 March 2021 £'000 Audited
Gains on investments at fair value through profit or loss	5	17,845	5,350	19,837
Revenue				
Bank interest income		–	2	2
Loan note interest income		312	1,202	753
Portfolio dividend income		55	–	–
Other income		–	1	1
		367	1,205	756
Administrative expenses				
Investment management fees	10	(562)	(383)	(832)
Performance fees	6	(2,567)	–	(2,294)
Directors fees	10	(84)	(69)	(148)
Other costs		(612)	(357)	(707)
Total administrative expenses		(3,825)	(809)	(3,981)
Profit before taxation		14,387	5,746	16,612
Taxation	8	(1,500)	–	–
Profit for the financial period/year		12,887	5,746	16,612
Attributable to:				
– Equity shareholders of the Company		12,887	5,746	16,612
Basic and Diluted earnings per ordinary share for profit from continuing operations and for profit for the period/year (pence)	9	370.23p	165.06p	477.24p

There are no components of other comprehensive income for the current period (30 September 2020: Nil, 31 March 2021: Nil), all income arose from continuing operations.

Unaudited Condensed Statement of Financial Position

as at 30 September 2021

	Note	30 September 2021 £'000 Unaudited	30 September 2020 £'000 Unaudited	31 March 2021 £'000 Audited
Non-current assets				
Investments at fair value through profit or loss	5	67,987	38,461	53,888
		67,987	38,461	53,888
Current assets				
Trade and other receivables		105	72	99
Cash and cash equivalents		1,833	3,852	1,605
		1,938	3,924	1,704
Total assets		69,925	42,385	55,592
Current liabilities				
Trade and other payables		(849)	(173)	(641)
Deferred tax liability		(1,500)	-	-
Performance fee payable		(2,567)	-	(2,294)
Total liabilities		(4,916)	(173)	(2,935)
Net current (liabilities)/assets		(2,978)	3,751	(1,231)
Net assets		65,009	42,212	52,657
Equity				
Issued capital		1,751	1,751	1,751
Share premium		13,063	13,063	13,063
Revenue reserve		39,321	16,524	26,969
Capital redemption reserve		10,874	10,874	10,874
Total equity		65,009	42,212	52,657

The NAV per share on 30 September 2021 is 1,867.6 pence (30 September 2020: 1,212.7 pence, 31 March 2021: 1,512.8 pence).

These financial statements were approved and authorised for issue by the Board of Directors on 7 December 2021. Signed on behalf of the Board of Directors.

Simon Pyper
Interim Chair

Kenneth Lever
Director

Unaudited Condensed Statement of Cash Flows

for the six months ended 30 September 2021

	Notes	Six months to 30 September 2021 £'000 Unaudited	Six months to 30 September 2020 £'000 Unaudited	Year to 31 March 2021 £'000 Audited
Cash flow from operating activities				
Cash outflow from operations	a	(3,233)	(636)	(783)
Dividend income		43		
Net cash outflow from operating activities		(3,190)	(636)	(783)
Cash flow from investing activities				
Purchase of investments	5*	(1,457)	(9,173)	(14,943)
Sale of investments	5*	5,410	7,243	11,334
Net cash inflow/(outflow) from investing activities		3,953	(1,930)	(3,609)
Cash flow from financing activities				
Dividends paid	7	(535)	(446)	(867)
Net cash outflow from financing activities		(535)	(446)	(867)
Change in cash and cash equivalents		228	(3,012)	(5,259)
Opening cash and cash equivalents		1,605	6,864	6,864
Closing cash and cash equivalents		1,833	3,852	1,605

Note

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

		£'000	£'000	£'000
Profit for the period/year		12,887	5,746	16,612
Rolled up interest		(164)	(1,020)	(345)
Gains on investment at fair value through profit or loss	5	(17,845)	(5,350)	(19,837)
Portfolio dividends		(55)	-	-
Adjustment for accrued interest on redemption/conversion		(48)	-	-
Operating loss		(5,225)	(624)	(3,570)
Decrease/(increase) in trade and other receivables		5	(7)	(33)
Increase/(decrease) in trade and other payables		1,987	(5)	2,820
Net cash outflow from operations		(3,233)	(636)	(783)

* The purchase and sale of investments are the cash paid or received during the period and excludes unsettled investments as at 30 September 2021.

Unaudited Condensed Statement of Changes in Equity

for the six months ended 30 September 2021

Six months to 30 September 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 2020 (audited)	10	1,741	13,063	11,224	10,874	36,912
Profit and total comprehensive income for the period	–	–	–	5,746	–	5,746
Total profit and comprehensive income for the period	10	1,741	13,063	16,970	10,874	42,658
Contributions by and distributions to owners						
Dividends paid	–	–	–	(446)	–	(446)
Balance at 30 September 2020 (unaudited)	10	1,741	13,063	16,524	10,874	42,212

Year to 31 March 2021

	D shares £'000	Ordinary Share Capital £'000	Share Premium £'000	Revenue Reserve £'000	Capital Redemption Reserve £'000	Total Equity £'000
Balance at 31 March 2020 (audited)	10	1,741	13,063	11,224	10,874	36,912
Profit and total comprehensive income for the year	–	–	–	16,612	–	16,612
Total profit and comprehensive income for the year	10	1,741	13,063	27,836	10,874	53,524
Contributions by and distributions to owners						
Dividends paid	–	–	–	(867)	–	(867)
Balance at 31 March 2021 (audited)	10	1,741	13,063	26,969	10,874	52,657

Six months to 30 September 2021

	D shares £'000	Ordinary Share Capital £'000	Share Premium £'000	Revenue Reserve £'000	Capital Redemption Reserve £'000	Total Equity £'000
Balance at 31 March 2021 (audited)	10	1,741	13,063	26,969	10,874	52,657
Profit and total comprehensive income for the period	–	–	–	12,887	–	12,887
Total profit and comprehensive income for the period	10	1,741	13,063	39,856	10,874	65,544
Contributions by and distributions to owners						
Dividends paid	–	–	–	(535)	–	(535)
Balance at 30 September 2021 (unaudited)	10	1,741	13,063	39,321	10,874	65,009

Notes to the Unaudited Condensed Interim Financial Statements

1. General information

Gresham House Strategic plc (the "Company") is a company incorporated in the UK and registered in England and Wales (registration number: 03813450). The information set out in these unaudited condensed interim financial statements for the periods ended 30 September 2021 and 30 September 2020 does not constitute statutory accounts as defined in section 435 of Companies Act 2006. Comparative figures for 31 March 2021 are derived from the financial statements for that year. The financial statements for the year ended 31 March 2021 have been delivered to the Registrar of Companies and contain an unqualified audit report and did not contain a statement under emphasis of matter or statements under section 498(2) or (3) of the Companies Act 2006. These unaudited condensed interim financial statements have been prepared in accordance with the AIM rules.

2. Basis of accounting

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Gresham House Strategic plc transitioned to UK-adopted International Accounting Standards in its Financial Statements on 1 April 2021 and are consistent with those that the Company expects to apply in its financial statements for the year ended 31 March 2022. This change constitutes a change in accounting framework.

The principal accounting policies adopted in the preparation of the financial information in these unaudited condensed interim financial statements have changed from those used in the Company's financial statements for the year ended 31 March 2021 as a result of the change in framework. However, there is no impact on recognition, measurement or disclosure in the period reported.

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting. They do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 March 2021.

Going concern

The financial statements are prepared on a going concern basis and the Board considered this and concluded that the use of the going concern basis continued to be appropriate as no formal decision to wind the Company has been taken. This will be voted on by shareholders in the forthcoming general meeting of shareholders. Even if the financial statements were not prepared on a going concern basis there would be no material change to the figures disclosed in the financial statements because the portfolio of investments are valued at fair value.

New Standards issued but not yet effective

Standards and amendments will be effective for annual reporting periods beginning on or after 1 January 2023 and which have not been early-adopted by the Company include:

- IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- IAS 8 - Definition of Accounting Estimates
- IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

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.

3. Estimates

The preparation of the unaudited condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The valuation of unquoted investments represents the key estimate. Actual results may differ from these estimates.

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation were the same as those that applied to the Company financial statements as at and for the year ended 31 March 2021. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited condensed interim financial statements are disclosed in note 5 in relation to the valuation of unquoted investments.

Notes to the Unaudited Condensed Interim Financial Statements (continued)

4. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the Company financial statements as at and for the year ended 31 March 2021.

5. Investments at fair value through profit or loss

The Company's investments are valued using the following basis:

- (a) Quoted investments are recognised on trading date and valued at the closing bid price at the period end.
- (b) Unquoted Investments are valued according to the to the Directors' best estimate of the Company's share of that investment's value. This value is calculated in accordance with the International Private Equity and Venture Capital Valuation Guidelines (the IPEV guidelines) and industry norms which include calculations based on appropriate earnings or sales multiples.

The movements in the investments at fair value through profit or loss are as follows:

	Value at 31 March 2021 £'000	Additions £'000	Disposal Proceeds £'000	Gain on disposal/ conversion £'000	Revaluation £'000	Transfer between levels* £'000	Value at 30 September 2021 £'000
Investments in quoted companies (Level 1)	47,565	596	(3,428)	725	17,085	1,739	64,282
Other unquoted investments (Level 3)	6,323	1,019	(1,933)	–	35	(1,739)	3,705
Total investments at fair value through profit or loss	53,888	1,615	(5,361)	725	17,120	–	67,987

- Northbridge Convertible Bond was purchased on 10 April 2018, and a further investment was made on 3 July 2018. 20% of Northbridge Industrial Services plc loan notes were converted into equity shares and 80% were redeemed on 14 June 2021. The strike price of each option was 90 pence for every £1 nominal value converted into 433,207 ordinary shares. The accrued interest (£32,045) and redemption premium (£389,886) on the loan notes up to this period were paid at the time of redemption therefore no further interest is accrued. As a result of this, there was a transfer from Level 3 to Level 1 of £389,886 Northbridge loan notes converted to equity shares.
- National World plc Bond was purchased on 11 February 2021. It was fully converted into 12,263,013 equity shares on 7 May 2021. The conversion premium and accrued interest up to the date of conversion were given in the form of equity shares and included in the above. As a result of this, there was a transfer from Level 3 to Level 1 of £1,348,931 National World plc loan notes converted to equity shares.

	Value at 31 March 2020 £'000	Additions £'000	Disposal Proceeds £'000	Gain on disposal £'000	Revaluation £'000	Transfer between levels £'000	Value at 30 September 2020 £'000
Investments in quoted companies (Level 1)	23,558	9,173	(5,204)	108	5,073	–	32,708
Other unquoted investments (Level 3)	6,402	1,020	(1,838)	–	169	–	5,753
Total investments at fair value through profit or loss	29,960	10,193	(7,042)	108	5,242	–	38,461

Investments in quoted companies have been valued according to the quoted share price as at 30 September 2021.

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

- 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.
- Hanover Co-Invest S.C.A. SICAV-RAIF Sub Fund 1 was purchased on 2 September 2021. It is valued based on the NAV of the fund which approximates to the fair value of its underlying investments which are held at fair value.

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

Notes to the Unaudited Condensed Interim Financial Statements (continued)

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

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

- (i) level one measurements are at quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

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

	30 September 2021 £'000	31 March 2021 £'000
Level 1	64,282	47,565
Level 2	-	-
Level 3	3,705	6,323
	67,987	53,888

6. Performance Fee

Under the terms of the Investment Management Agreement with GHAM, 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. As a result of the Board terminating the investment management contract with GHAM, this fee became payable as at 11 October 2021. Further details are provided in note 10 and 11.

	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000
Performance Fee	2,567	-	2,294

7. Dividends

The Company paid £534,664 in dividends to shareholders during the period which represents a final dividend for the year ended 31 March 2021. A final dividend for the year ended 31 March 2020 (£445,553) was paid on 30 September 2020.

8. Taxation

The Company has brought forward tax losses of £152m. Tax legislation introduced in April 2020 restricts the amount of brought forward losses that can be used in each tax year if taxable profit including realised gains exceed £5m in any one year.

As such, the Company has accrued an estimated tax liability of £1.5m for the period ended 30 September 2021 (31 March 2021: Nil, 30 September 2020: Nil), for the realised capital gains made to date in the current year. The Company does not recognise any deferred tax asset in respect of brought forward losses that can be utilised against taxable profits up to £5m in any one year.

Following the period end, certain shareholder resolutions have been proposed (but not yet approved) to liquidate the Company in the next 24 months and return cash to shareholders. As at 30 November 2021, the Company had unrealised capital gains of £11.3m. If all investments were to be liquidated at these values, an estimated tax liability of £1.1m would be applicable, based on the current corporation tax rate. However, the Company believes that certain investments where the Company's shareholding is greater than 10% may be eligible for Substantial Shareholdings Exemption and this would decrease this liability significantly. Furthermore, an orderly exit over the next 24 months is planned for the remaining investments and as such, any realised gains are likely to be crystallised across different tax years, enabling the Company to utilise more of its brought forward tax losses, against future gains. Accordingly, no further tax liability has been recognised for these unrealised gains.

Notes to the Unaudited Condensed Interim Financial Statements (continued)

9. Earnings per share

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

	Six months to 30 September 2021 £'000	Six months to 30 September 2020 £'000	Year to 31 March 2021 £'000
Earnings			
Profit for the period/year	12,887	5,746	16,612
Number of shares ('000)			
Weighted average number of ordinary shares in issue for basic EPS	3,481	3,481	3,481
Weighted average number of ordinary shares in issue for diluted EPS	3,481	3,481	3,481
Earnings per share			
Basic and diluted earnings per share	370.23p	165.06p	477.24p

As at 30 September 2021, the total number of shares in issue was 3,480,884 (30 September 2020: 3,480,884, 31 March 2021: 3,480,884). During the period, the Company cancelled nil Treasury shares (30 September 2020: Nil, 31 March 2021: Nil) and no shares were bought back (30 September 2020: Nil, 31 March 2021: Nil). There are no share options outstanding at the end of the period.

There are no dilutive or potentially dilutive instruments and therefore basic and diluted earnings per share are the same.

10. 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.

The Directors' remuneration paid and payable in respect of each Director who served during the financial period to 30 September 2021 were as follows:

	As at 30 September 2021 £'000	As at 30 September 2020 £'000	As at 31 March 2021 £'000
David Potter	24	27	55
Charles Berry	14	14	28
Kenneth Lever	14	14	28
Helen Sinclair	22	14	27
Graham Bird	9	–	–
Social security costs	1	–	10
Total	84	69	148

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

On 11 June 2021, David Potter resigned as Chairman of the Board and Helen Sinclair acted as Interim Chair. On 10 June 2021, Graham Bird was appointed to the Board as a non-executive-director. Helen Sinclair resigned as Interim Chair of the Board on 5 November 2021, during this period Charles Berry acted as Interim Chair until his resignation on 22 November 2021, on this date Simon Pyper joined the Board and is now acting as Interim Chair.

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

During the half year to 30 September 2021, Gresham House Strategic plc was charged management fees of £561,753 (30 September 2020: £382,661, 31 March 2021: £832,408) by Gresham House Asset Management Limited (GHAM).

Notes to the Unaudited Condensed Interim Financial Statements (continued)

10. Related party transactions (continued)

The total payable to GHAM is as follows:

Particulars	As at 30 September 2021	As at 30 September 2020	As at 31 March 2021
Performance fee (including VAT)	£2.57 million	Nil	£2.29 million
Management fee	£0.10 million	£0.07 million	£0.08 million
Other miscellaneous	£0.00 million	Nil	£0.01 million
Total	£2.67 million	£0.07 million	£2.38 million

The Company has terminated the Investment Management Agreement with GHAM on 11 October 2021. As a result of termination of this agreement by the Board, the estimated performance fee charged and payable was £2,566,903 as at 30 September 2021 (30 September 2020: Nil, 31 March 2021: 2,294,456). No payment was made to GHAM in lieu of notice and GHAM is not entitled to any further fees from the date of termination.

As at 30 September 2021, the following shareholders of the Company that are related to GHAM had the following interests in the issued shares of the Company:

	As at 30 September 2021	As at 30 September 2020	As at 31 March 2021
A L Dalwood	36,302 Ordinary Shares	33,381 Ordinary Shares	31,183 Ordinary Shares
G Bird	26,543 Ordinary Shares	22,451 Ordinary Shares	22,651 Ordinary Shares
Gresham House plc	812,913 Ordinary Shares	812,913 Ordinary Shares	812,913 Ordinary Shares

The Company has signed a co-investment agreement with Gresham House Strategic Public Equity Fund LP (SPE Fund LP), a sister fund to the Company launched by Gresham House Asset Management Ltd (GHAM) on 15 August 2016. Under the agreement, the Company undertook to co-invest £7.5m with the SPE Fund LP. The Investment Period for the SPE Fund LP ended on 15 February 2021 and as a result, no further co-investments will be made.

There are no other related party transactions of which we are aware in the six months ended 30 September 2021.

11 – Subsequent events note

Harwood Capital LLP (Harwood) was appointed as the Alternative Investment Fund Manager (“AIFM”) of Gresham House Strategic plc on 10 October 2021 and the agreement with Gresham House Asset Management Limited (GHAM) was terminated on 11 October 2021.

The Company's name will be changed to Rockwood Realisation plc, conditional on the resolutions put to shareholders in a circular dated 29 November 2021 being passed.

Change of Directorship

On 5 November 2021, Helen Sinclair resigned from the Board and Charles Berry was appointed as Interim Chair. On 22 November 2021, Simon Pyper joined Board as Chairman and Charles Berry left the board.

Augean plc

On 23 September 2021, the boards of Augean and Eleia Bidco announced that they had agreed the terms of a superior recommended cash offer for Augean by Eleia Bidco pursuant to which Eleia Bidco will acquire the entire issued and to be issued share capital of Augean at a price of 372 pence per Augean Share to be implemented by way of a court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the “Scheme”).

Under the terms of the Scheme, Scheme Shareholders on the register of members of Augean at the Scheme Record Time (6.00 p.m. on 19 October 2021) will be entitled to receive 372 pence for each Scheme Share held at the Scheme Record Time by no later than 3 November 2021.

Trading in Augean Shares on AIM was suspended with effect from 7.30 a.m. on 20 October 2021.

Corporate Information

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G Bird
K Lever

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**Post period end Harwood Capital were appointed Investment Manager of Gresham House Strategic, replacing Gresham House.*

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



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