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# Annual Report and Audited Consolidated Financial Statements

For the year ended 31 December 2023



# We strive to compound shareholders' capital at high rates of return.

Castelnau Group was formed by Phoenix Asset Management Partners Limited in 2020. The listed structure provides the manager with a permanent capital vehicle with which to make long-term investments and acquisitions of all structures and sizes.

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# Our Mission.

**At Castelnau Group we strive to compound shareholders' capital at high rates of return. The higher the better.**

We aim to do this by collecting businesses which possess a competitive advantage, at attractive prices.

Our structure helps us clear away short-term pressures that inhibit value creation and nurture rational long-term capital allocation frameworks in our holdings.

# Strategic Report

The growth potential of Castelnau's traditional businesses and enabling companies is hugely exciting.



# Summary Information

## The Group

Castelnau Group Limited (the “Company”, “Castelnau” or “CGL”) and its subsidiary (collectively, the “Group” or “Castelnau Group”) is a Guernsey domiciled closed-ended investment company which was incorporated on 13 March 2020 under the Companies (Guernsey) Law, 2008. The Company is classified as a registered fund under the Protection of Investors (Bailiwick of Guernsey) Law, 2020. Its registered office address is PO Box 255, Les Banques, Trafalgar Court, St. Peter Port, Guernsey GY1 3QL. The Company’s Ordinary Shares were admitted to trading on the London Stock Exchange’s Specialist Fund Segment (“SFS”) on 18 October 2021.

This Annual Report and Audited Consolidated Financial Statements (the “Financial Statements”) comprise the financial statements of Castelnau Group Limited and Castelnau Group Services Limited (incorporated on 14 June 2022).

## Investment Objective

The Group’s investment objective is to compound Shareholders’ capital at a higher rate of return than the FTSE All-Share Total Return Index over the long term.

## Investment Policy

The Group will seek to achieve a high rate of compound return over the long term by carefully selecting investments using a thorough and objective research process and paying a price which provides a material margin of safety against permanent loss of capital, but also a favourable range of outcomes.

The Group will follow a high conviction investment strategy. The expertise and processes developed by the Investment Manager can be applied to all parts of the capital structure of a business, both private and publicly quoted. These positions could be represented by a minority stake, a control position combined with operational involvement, full ownership of a company, a joint venture, a loan or convertible instrument, a short position or any other instrument which allows the Group to access value.

The Group may select investments from all asset classes, geographies and all parts of the capital structure of a business. Both private and public markets are within the scope of the Group’s investment policy. The constraints on the Investment Manager lie in the high standards, strict hurdles and diligent processes used to select investments. These constraints help to maximise returns by reducing mistakes, enforcing a margin of safety and only accepting investments with a favourable range of outcomes.

The Group expects to hold a concentrated portfolio of investments and the Group will not seek to reduce concentration risk through diversification. The opportunity set will dictate the number of holdings and the weighting of investments in the Portfolio. The investments with the best return profiles will receive the largest weightings. The Group will therefore have no set diversification policies.

The volatility of mark-to-market prices does not affect the investment process. It is likely that volatility in the market price of a listed investment will provide attractive entry or exit points and so investors should expect high volatility to sit alongside the high long-term compounding rates that the Group is aiming to achieve.

The constituents of local indices, the weightings of investments in these indices and the volatility of the indices relative to the Group will not affect investment decisions. It is anticipated that agnosticism towards local indices will help focus research efforts, decision making and ultimately investment performance.

The Group may invest directly or through special purpose vehicles if considered appropriate.

## Shareholder Information

As at 31 December 2023, the number of Ordinary Shares in issue was 318,635,256 (31 December 2022: 183,996,058). For further details, see note 12 to the Financial Statements. The existing clients of Phoenix Asset Management Partners Ltd (the “Investment Manager”, “Phoenix” or “PAMP”) made up 70.3% of the issued shares and the investment from SPWOne III Limited, 7.6%.

## Summary Information - continued

### Results and Performance

The results for the year are set out in the Consolidated Statement of Comprehensive Income. Retained earnings remain negative and they include realised and unrealised gains and losses on the Group's assets. Income and expenses have been accrued in line with the accounting policies during the year.

The Group's loss before tax for the year amounted to £7,772,322 (31 December 2022: £34,091,196).

The benchmark is the FTSE All-Share Index (total return). The Group's performance since PAMP was appointed is shown below:

	Year ended 31 December 2023 pence	Year ended 31 December 2022 pence	Change/ return %
NAV per Ordinary Share*	72.58	75.02	(3.25)
Ordinary Share price	75.50	69.00	9.42
Benchmark return			7.92

Source: Bloomberg, Phoenix Asset Management Partners Limited.

The Ongoing Charges Ratio was as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Ongoing charges ratio*	0.59	0.52

\* These are Alternative Performance Measures ("APMs")

### Alternative Performance Measures ("APMs")

The disclosures of performance above are considered to represent the Group's APMs. An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Definitions of these APMs together with how these measures have been calculated can be found on page 80.

### Premium/Discount to NAV

The premium/discount of the Ordinary Share price to NAV per Ordinary Share is closely monitored by the Board. The Ordinary Share price closed at a 4.02% premium to the NAV per Ordinary Share as at 31 December 2023 (31 December 2022: discount of 8.02%).

### Fees

The Investment Management Agreement with Phoenix Asset Management Partners Ltd ("PAMP") creates significant Shareholder alignment, as PAMP does not earn a management fee, but earns a performance fee only, which is paid in shares, and not in cash.

The Company's performance is measured over consecutive periods of not less than three years (each a "Performance Period") and the performance fee is equal to one-third of the relative outperformance of the NAV Total return to the FTSE All-Share Total Return Index for each Performance Period. The first Performance Period will run from initial admission to 31 December 2024. No performance fees have been earned to date.

### Dividend

No dividend is being issued for the year.

# Chair’s Statement

## Performance Review

This report covers a twelve-month period from 1 January 2023 to 31 December 2023.

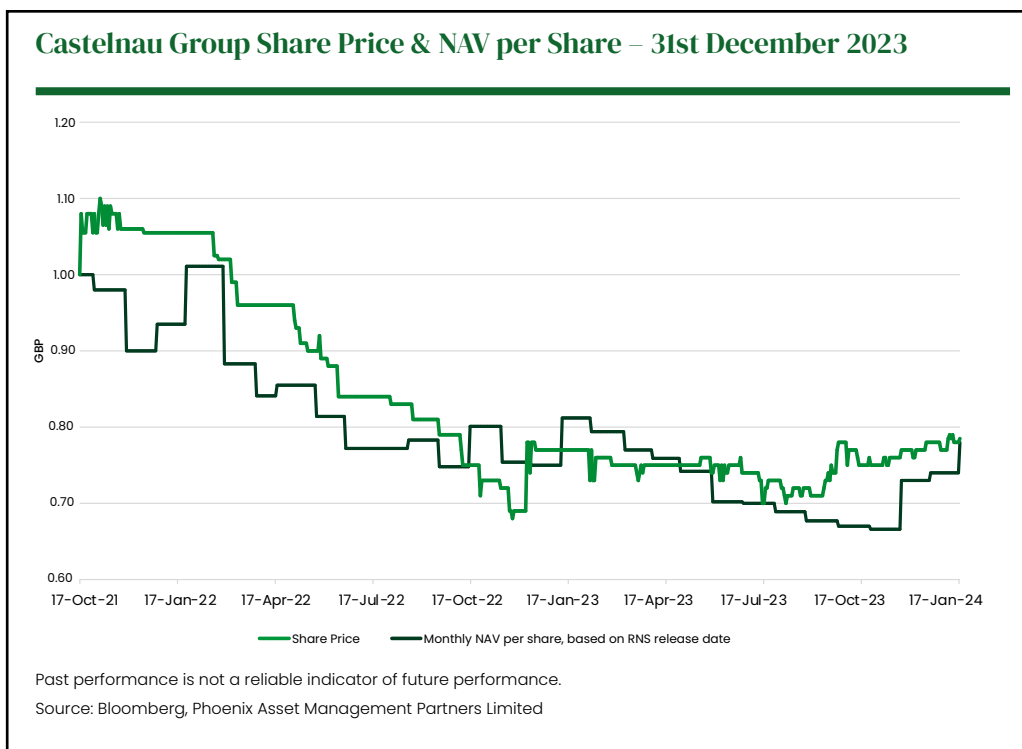
The total number of Ordinary Shares in the Company at the year end date was 318,635,256 versus 183,996,058 at year end 2022, which equates to a 73.2% increase year-on-year. This increase was primarily driven by the share issuance linked to the acquisition of Dignity Plc (“Dignity”) during the year, details of which can be found in note 12 to the Financial Statements. The NAV total return for the year ended 31 December 2023, was -3.3%, versus the benchmark FTSE All-Share Total Return Index of +7.9%. That represents a -11.2% relative underperformance to the NAV. The share price return was +9.4%, which reflects a 1.5% outperformance compared to the benchmark.

The main contributors to the underperformance in the NAV were Cambium International Ltd. (“Cambium”), Phoenix S.G. Ltd (“Phoenix S.G”) and Hornby Plc (“Hornby”). Cambium represents 4.2% of the investment portfolio and had a -40.5% investment return, Hornby represents 5.1% of the investment portfolio with a -43.9% investment return, and Phoenix S.G represents 3.6% of the investment portfolio and had a -48.6% investment return.

Offsetting this with positive performance was Valderrama Ltd. (“Valderrama”) (owner of Dignity Plc), which represents 76.9% of the investment portfolio which had a +21.6% investment return.

Additional commentary on investment performance can be found in the Alternative Investment Fund Manager and Investment Manager’s Report.

The share price traded at a premium to NAV throughout the second half of 2023.



### Chair's Statement - continued

#### Outlook 2024

Performance during 2023 was clearly disappointing, albeit we believe only temporary and should be considered in the context of the long-term nature of our investment strategy. We discussed the strategic plan to buy Dignity Plc in last year's report. We were proud to deliver on that plan with the successful bid, via the bid vehicle, Valderrama, in May 2023, and we are now majority owners of that highly attractive business. This was a huge undertaking by the Castelnau, SPWOne V Limited ("SPWOne") and Phoenix teams and has set us on a path to delivering further long-term value to our shareholders. We are starting to see some of the value come through with Valderrama's NAV up 15.8% in December 2023. We also recognise the balance sheet implications of this transaction and are focused on ensuring that exposure is proactively managed.

We were pleased to announce the appointment of Richard Brown as CEO of Castelnau Group Services Limited in Q4 2023, reinforcing our dedication to bringing in top-tier talent to lead the strategy. Richard is expected to contribute significantly to the ongoing success of the Castelnau Group.

We also had to make some difficult decisions during the year such as at Stanley Gibbons, which went into a pre-pack administration. We subsequently acquired the business on the other side and hopefully, free of the material legacy liabilities that were holding back the business, it will have a chance to deliver on its potential. This decision did come at a short-term cost to our valuation, with Phoenix S.G's valuation at year end being 48.6% lower than at the start.

Whilst 2023 in many ways was a year of laying foundations for future success in many of our investments and at Castelnau Group level, we hope that 2024 will be a year of delivery. We see significant value in the strategies being implemented in our investments, if execution can follow the vision. The Board has spent considerable time thinking about how to ensure that we are providing the optimum support for our portfolio companies and what else we can do to support them. Consequently, during 2024 we are rolling out a range of initiatives with a view to fostering the best environment for our businesses to perform, as well as aiming to create a highly attractive home for potential future acquisitions.

We remain confident in our clear vision and growth strategy. We are committed to delivering value to our shareholders and believe that the outlook for Castelnau Group is exceptionally promising.

Thank you for your continued trust and support. If you would like to get in touch directly with me, as the Chair of the Board; please email [chair@castelnaugroup.com](mailto:chair@castelnaugroup.com).

**Joanne Peacegood**

Chair

18 April 2024



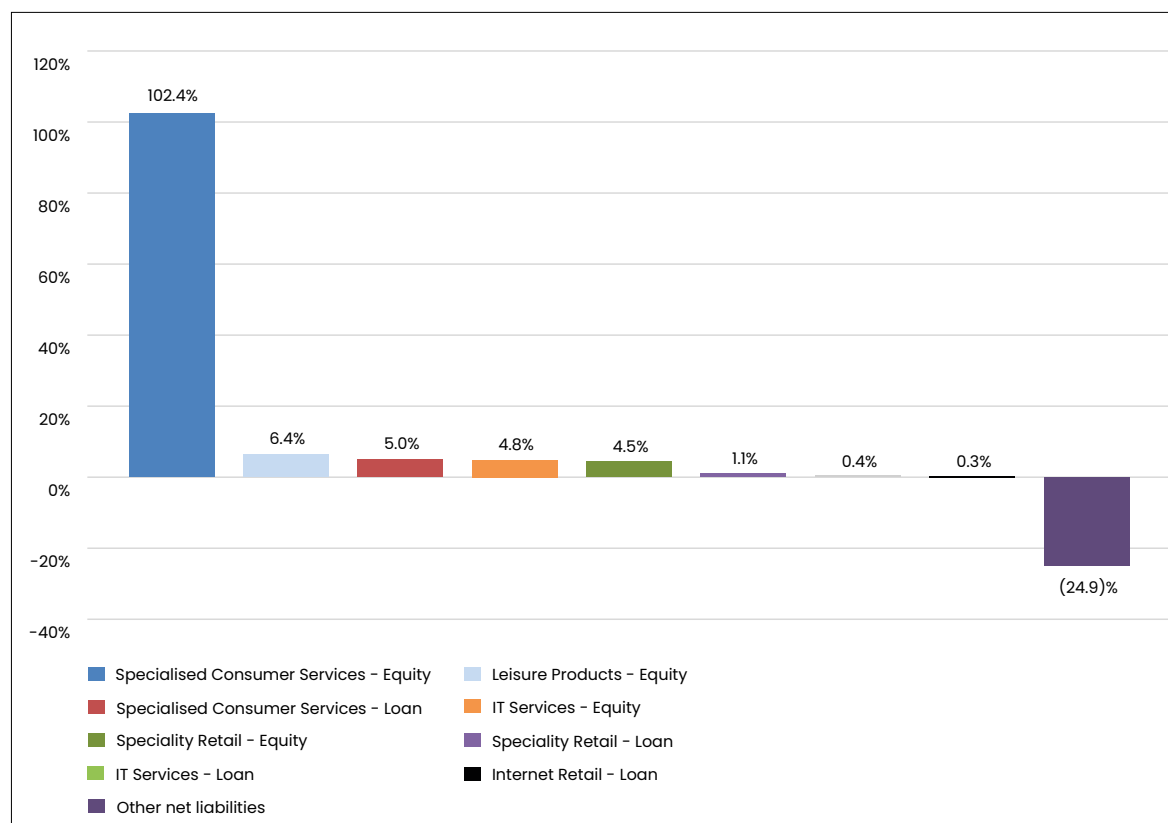
# Holdings as at 31 December 2023

Company	Sector	Holdings	Cost	Valuation	% of net assets 31 Dec 2023	% of net assets 31 Dec 2022
Valderrama Ltd	Specialised Consumer Services - Equity	194,294,182	196,667,644	222,106,336	96.0%	N/A
Hornby Plc	Leisure Products - Equity	92,406,448	39,061,617	14,785,032	6.4%*	19.1%
Cambium International Ltd	Specialised Consumer Services - Equity	19,291	22,629,471	12,198,426	5.3%	14.8%
Phoenix S. G. Ltd	Speciality Retail - Equity	10,093	24,134,303	10,451,874	4.5%	13.9%
Cambium International Ltd	Specialised Consumer Services - Loan	8,050,000	8,050,000	7,245,000	3.1%	0.4%
Rawnet Ltd ("Rawnet")	IT Services - Equity	284,173	5,500,001	6,200,000	2.7%	4.8%
Ocula Technologies Holdings Ltd ("Ocula")	IT Services - Equity	9,326	700,367	4,925,247	2.1%	3.6%
Silverwood Brands Plc ("Silverwood")	Specialised Consumer Services - Loan	4,400,000	4,400,000	4,400,000	1.9%*	4.3%
Silverwood Brands Plc	Specialised Consumer Services - Equity	4,570,353	3,199,247	2,467,991	1.1%*	1.6%
Phoenix S.G. Ltd	Speciality Retail - Loan	2,466,000	2,466,000	2,466,000	1.1%	N/A
Rawnet Ltd	IT Services - Loan	872,255	872,255	865,277	0.4%	0.6%
Showpiece Technologies Ltd ("Showpiece")	Internet Retail - Loan	2,950,000	2,950,000	643,000	0.3%	2.0%
Dignity Plc	Specialised Consumer Services - Equity	-	-	-	0.0%	31.2%
Showpiece Technologies Ltd	Internet Retail - Equity	8,000	8,000	-	0.0%	0.0%
<b>Total holdings</b>				<b>288,754,183</b>	<b>124.9%</b>	<b>96.3%</b>
Other net (liabilities)/assets				(57,502,396)	(24.9%)	3.7%
<b>Net assets</b>				<b>231,251,787</b>	<b>100.0%</b>	<b>100.0%</b>

\* As at 31 December 2023, Hornby Plc was a listed company and Silverwood Brands Plc, a previously listed company, has been temporarily suspended. Further discussion on the suspension is found in the Alternative Investment Fund Manager and Investment Manager's Report. All other companies were unlisted companies. All companies are UK businesses.

# Portfolio Analysis as at 31 December 2023

Sector	Percentage of Net Assets
Specialised Consumer Services – Equity	102.4%
Leisure Products – Equity	6.4%
Specialised Consumer Services – Loan	5.0%
IT Services – Equity	4.8%
Speciality Retail – Equity	4.5%
Speciality Retail – Loan	1.1%
IT Services – Loan	0.4%
Internet Retail – Loan	0.3%
Other net liabilities	(24.9%)
<b>Total</b>	<b>100.0%</b>



Refer to note 5 for additional disclosure on the valuation of the holdings.

# The Alternative Investment Fund Manager (“AIFM”) and Investment Manager’s Report

The number of the Company’s Ordinary Shares in issue has increased by 73.2%. The NAV relative to the All-Share index (“ASX”) for the year was -11.2%. As Joanne mentioned in the Chair’s report, the overall NAV return is disappointing but not unexpected given

the Company’s long-term focus. As long-term value investors, we have mastered the art of patience and are confident in our overall portfolio of businesses, nonetheless we are focused on looking to reward our shareholders patience.

<b>Castelnau Group Track Record Performance</b>	<b>Nav return %</b>	<b>Share price total return** %</b>	<b>All-Share index** %</b>	<b>Relative NAV to ASX %</b>
2023 (to 31 December)	(3.3)	9.4	7.9	(11.2)
2022 (to 31 December)	(19.8)	(34.6)	0.3	(20.2)
2021 (to 31 December)*	(6.5)	5.5	2.5	(9.0)
Cumulative*	(27.4)	(24.5)	11.0	(38.4)

\* From 18 October 2021

\*\* Share price return with dividends reinvested; All-Share index returns with dividends reinvested. Past performance is not a reliable indicator of future performance.

Source: Bloomberg, Phoenix Asset Management Partners Limited.

The table below reports the portfolio position and returns between 31 December 2023 and 31 December 2022:

<b>Asset</b>	<b>Investment Value Table £million</b>		<b>Investment Weight %</b>		<b>Investment Return 2023</b>
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	
Dignity/Valderrama	222.1	43.0	76.9%	30.6%	21.6%
Hornby	14.8	26.3	5.1%	18.8%	(43.9%)
Cambium	12.2	20.5	4.2%	14.6%	(40.5%)
Phoenix S.G	10.5	19.2	3.6%	13.7%	(48.6%)
Rawnet	6.2	6.6	2.1%	4.7%	(6.1%)
Ocula	4.9	4.9	1.7%	3.5%	0.0%
Silverwood	2.5	2.2	0.9%	1.5%	(34.5%)
Showpiece	–	0.01	0.0%	0.0%	(100.0%)
Loans	15.6	10.0	5.4%	7.1%	N/A
Cash	0.1	7.7	0.0%	5.5%	N/A

Source: Phoenix Asset Management Partners Limited.

The overall positions in the portfolio have not changed significantly during the year with the exception of Dignity Plc which is now held via the bid vehicle, Valderrama.

The overall ownership in Ocula decreased from 67.5% in 2022 to 50.3% in 2023 largely driven by their fundraising round. Our ownership in Silverwood increased from 0.9% in 2022 to 1.8% at year end, due to the partial conversion of the Silverwood loan to equity during the year. It is worth noting the Company’s loan

position of c.£4.4 million to Silverwood was converted to equity post year end and the Company currently owns 4.7%. On 20 February 2024, Silverwood issued a Proposed Reduction of Share Capital and Notice of General Meeting announcement. If the proposed Capital Reduction is confirmed on 18 April 2024, the Group’s ownership of Silverwood will change to 29.93%.

### The Alternative Investment Fund Manager (“AIFM”) and Investment Manager’s Report – continued

#### Dignity Plc Acquisition and Business Transformation

In 2022, the Company communicated its strategic objective of acquiring Dignity Plc, a milestone achievement aimed at delivering substantial long-term value. The bid process completed in May 2023, resulting in a successful acquisition where the Company increased its ownership stake from 21% to 65%. This acquisition marks a significant moment for the Company in its pursuit of long-term value creation.

In order to facilitate the Dignity Plc Acquisition, a loan facility was entered into with the Phoenix UK Fund (the “Facility”). During the year, the total Facility available to the Group was £109 million, which by the year end had reduced to £60 million. The purpose of the Facility was to provide the Group with available funds to enable it to participate in the acquisition of Dignity Plc. At year end, the loan payable in relation to this Facility was £47.7 million and accrued finance costs were £8.1 million. During the year, £89.2 million of the Facility was drawn down and £41.5 million was repaid. Facility interest payments of £2.5 million were made during the year.

Management acknowledges the impact of this transaction on the Group’s statement on financial position and cash flow position. Since H2 2023, management has actively pursued various strategies to address the resulting debt position. Management firmly believes that the long-term value potential of this investment far outweighs any short-term debt and cash flow challenges.

Post-acquisition, an extensive transformational effort has been underway to overhaul various facets of the business. Significant strides made in the latter half of the year are poised to positively impact financial performance in 2024. Notable initiatives include comprehensive branch reviews across all regions, resulting in the closure of underperforming locations, which has already been implemented in the Home Counties. This strategic realignment is expected to optimise operational efficiency, with emphasis placed on enhancing the performance of the remaining stores through targeted capital investments.

Key strategic hires during Q4 2023, including a Director of Memorialisation, a Chief Operating Officer and a Head of Performance, have bolstered the leadership team’s capabilities and sharpened the focus on growth. Furthermore, the business accessed £30 million from the funeral plan surplus to fuel business expansion without relying on external financing. The introduction of a funeral plan offering holds significant promise, particularly if it is possible to materially increase product penetration rates in the UK market, to more align with that in continental Europe.

Despite encountering challenges in our capital structure, negotiations with bondholders have yielded favourable terms for any successful bond buyback in 2024. The uptick in NAV performance in December underscores the groundwork laid in 2023, positioning us for sustained growth in the forthcoming year.

### Phoenix S.G / Strand Collectibles Group (formerly Stanley Gibbons)

During the first half of 2023, the business communicated its new strategy, with a heightened focus on auctions and diversifying collectible categories into entertainment and popular culture realms such as trading cards. Codification of cultural principles has served as a foundational cornerstone for all our Group companies.

Operational momentum gathered pace throughout the year, with October marked by a bustling and highly successful period for auctions, generating £1.1 million under the hammer in a single week. The inaugural Pokémon auction conducted by Stanley Gibbons proved to be a resounding success, with over 90% of lots sold.

However, it became evident over the course of the year that for Stanley Gibbons to secure a viable long-term future, it needed to free itself from legacy liabilities. Consequently, the company entered administration in December, following an exhaustive sales process during Q4 that failed to attract buyers or investors willing to assume the liabilities owed to Phoenix/Castelnau. While the decision to buy back the business post-administration entailed significant costs, it was deemed necessary to afford the business the opportunity to realise its future potential and safeguard jobs.

We remain steadfast in our belief in what is now the Strand Collectibles Group (comprising Stanley Gibbons and Baldwins), and the opportunities these renowned brands present. The NAV reduction at year end reflects the costs associated with administration and the pursuit of new, albeit unproven, business initiatives. Additional capital injections post-administration aim to drive new ventures within the business, including ventures into bullion and a digital stamp collecting experience, alongside the core businesses, further accentuating our commitment to growth.

### Hornby

Under stewardship of CEO, Olly Raeburn, a new strategy and vision is being implemented aimed at reshaping the company into an enterprise characterised by enhanced brand autonomy. This transition from a traditional corporate hierarchy to a network of semi-independent, brand-centric entities seeks to foster the unique development of each brand while leveraging shared central services and resources.

To implement Hornby's strategic vision, the company has recruited top-tier talent, including a Group Sales Director (previously with Mattel), a Head of Export Sales (previously with WHSmith), and a Head of Research and Insight (also formerly with Lego). Notable initiatives include the development of new products with entry-level pricing, increased engagement with customers, bolstering data analytics and customer loyalty programs.

The successful launch of WonderWorks, Hornby's interactive experience in Margate, underscores the company's commitment to innovation and customer engagement, with promising performance metrics and positive customer feedback.

Financially, interim results released in November 2023 demonstrated a 6% increase in group revenue for the six months ended September 2023 compared to the previous year, albeit with slight declines in gross margin attributed to product/channel mix variations and increased overheads. Despite these challenges, direct sales via Hornby's websites continued to exhibit robust growth, underpinning confidence in the strategic trajectory.

On 23 February 2024, Hornby announced that Frasers Group Plc ("Frasers"), the FTSE 100 listed company, had acquired 8.9% of Hornby. Hornby and Frasers are looking forward to exploring commercial opportunities in working together to unlock the full potential of Hornby's brands.

### The Alternative Investment Fund Manager (“AIFM”) and Investment Manager’s Report – continued

#### Cambium

Following the post-COVID wedding boost, which saw significant pent-up demand hit the market in 2022, 2023 saw a slowing of that demand and was a tough year.

This challenging backdrop has focused the business on operational efficiencies as it looks to achieve profitability in its core business. Cambium is looking to innovate in terms of automation, using artificial intelligence (“AI”) to augment workflows, as well as further embedding financial discipline across the business. We see Cambium as a business that can drive a lot of technological innovation, which should benefit the wider Castelnu Group companies.

To support the core Cambium business, Rock My Wedding, a wedding resource and planning platform, is being relaunched in 2024 to engage with customers at the beginning of their wedding journey and funnel them into the gift list business. Little List was launched in 2023 with a focus on the baby gifting market, which is nascent in the UK, but could have huge potential. The focus is on growing registrations and a detailed, measurable roadmap was implemented in Q4 2023. For both Rock My Wedding and Little List, given the early stage of the businesses, our focus has been on giving them sufficient capital and the opportunity to grow, but at the same time being clear on the shorter term key performance indicators and roadmap to achieve that growth so we can adapt and evolve the plans as needed.

The focus in 2024 for Cambium is to drive customer acquisition, conversions, and operational efficiencies through an improved personalised customer journey, using technology and AI to build a scalable, profitable business.

#### Silverwood

Silverwood was suspended from its Aquis Growth Market listing at the start of October 2023, due to legal proceedings around the Lush stake, however the company updated the market on 10 January 2024 that Lush is no longer being transferred into the listed entity. We remain excited about Silverwood’s other brands including Balmond’s, Nailberry, Steamcream and Cigarro, and the recent announcement of the acquisition of Sonotas.

On 29 January 2024, the Group agreed to convert its unsecured loan facility of £4.4 million to Silverwood Brands Plc into equity in Silverwood, increasing its equity holding in Silverwood.

On 20 February 2024, Silverwood issued a Proposed Reduction of Share Capital and Notice of General Meeting announcement. If the proposed capital reduction is confirmed on 18 April 2024, the Group’s ownership of Silverwood will change to 29.93%. Additional updates will follow upon the lifting of the suspension.

#### Ocula

Ocula started the year completing its seed funding round with the entry of LBG Equity Investments Limited, part of the Lloyds Banking Group (“Lloyds”), as a new investor and partner and a significant uplift in valuation validated by an arm’s length investor. This was an important partnership which opened an opportunity to offer Ocula products to business banking customers of Lloyds, who have a good history of investing in and assisting relatively new startups with their growth. Lloyds have a director on the Ocula board and opportunities have started to flow through the sales pipeline.

Ocula have continued to add external clients beyond Castelnu Group companies including Blain's, Direct Ferries, Covetrus, Boots and L.K. Bennett amongst others in the last 6 months. In Q4 2023, Ocula continued to grow rapidly both in terms of customer and annual recurring revenue ("ARR"), and moved through the £1 million ARR barrier driven by new customer acquisition. Since year end, it has also added Asda as a client.

Ocula's 'Boost' has been validated by existing customers such as AO who began on a paid trial initially, expanding to a single product contract and are now using Ocula for their entire website. AO is now a case study demonstrating the traction Ocula has with clients once they can see the tangible results.

Ocula formally commenced the Series A funding round in November 2023 and we look forward to seeing the outcome, which we expect to be in H1 2024.

### Rawnet

Despite hoping to reach breakeven, unfortunately Rawnet fell to a loss of c.£190,000 for the year due to weak trading in the last two months of the year. The shift in mandates that Rawnet had been seeing from lower margin development work to higher margin strategy/UX work continued in Q4 2023. This change in the market had an impact on utilisation of Rawnet and negatively impacted its results. Rawnet has undertaken an exercise to reshape its business during January 2024 to ensure its resources are aligned to the client demand it is seeing, which should leave it better placed for 2024.

### Showpiece

The Showpiece business model evolved during 2023 and the focus was reviewed to shift to a consignment model offering for future opportunities. Previously, assets had been acquired using capital investment and the fractionalisation then released the capital back to the company. The consignment model means that third-party asset-owners offer part or all of an asset for fractionalisation and a collector's ownership experience, with capital released back to the owner and Showpiece collecting sales commissions through the process along with returns from a marketplace on which fractions can be sold. The first consignment asset has been a Banksy piece – Valentine's Day Mascara, created on 14 February 2023. The first drop of fractions sold out very quickly, and a second drop of fractions began in Q4 2023. Following the first implementation of the consignment model approach, the success of this revised approach is being assessed.

Showpiece is a technology-driven company and very close to the Strand Collectibles team, operating out of their offices. During late 2023, the team has migrated into the Strand Collectibles structure and is an important part of developing the Stanley Gibbons website, digital marketing, auctions and digital catalogues, as well as the development of the Showpiece platform.

### Phoenix Asset Management Partners Ltd.

18 April 2024

# Statement from the CIO of the Investment Manager

## Dear Shareholders,

2023 was a busy year with the capital raise and completion of the acquisition of Dignity Plc. in H1. The Dignity acquisition is a pivotal strategic investment for the Group, laying groundwork for clear value creation, as we continue to refocus and improve the business. We also appointed Richard Brown as the new CEO of Castelnau Group Services Limited, who brings over 14 years of corporate finance experience, and will be important in driving future success at Castelnau.

During 2023, we spent a significant amount of time working out how best to enhance our support for portfolio companies – refining operational strategies through initiatives such as knowledge-sharing events, introducing the ‘Castelnau Way’ frameworks, emphasising prudent capital allocation and optimising board compositions for effectiveness. We have also been focused on embedding a sense of group identity across the portfolio companies, focusing on hosting compelling group-wide events, and we launched a quarterly newsletter as well.

We are aiming to launch Iona Star later in the year, a new fund supported by Phoenix and Castelnau, focusing on high-growth potential technology companies. Led by Gerry Buggy (one of the founders), a seasoned expert in technology investment, Iona Star’s track record speaks volumes about its ability to back promising ventures. With a focus on AI, Machine Learning, and Distributed Ledger Technology, Iona Star aligns closely with our strategic objectives. We are confident that this collaboration will contribute to the growth and success of Castelnau Group, providing valuable returns for our investors.

## Conclusion

Thank you for your support and patience. We believe we are laying the foundations for something special but we know that we have yet to demonstrate that in results. A lot of good work is going on behind the scenes which we expect will start to show up in tangible performance.

### Gary Channon

CIO, Phoenix Asset Management Partners Ltd.

18 April 2024



# Governance



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**We intend to  
conduct ourselves  
at all times with  
integrity and  
fairness.**

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# Board Members

Biographical details of the Directors are as follows:

## Joanne Peacegood

Independent Chair

(aged 46)

Joanne has over 24 years of experience in the financial services/asset management sector. Joanne is a non-executive director with a portfolio of clients including Financial Services and Operating Businesses. Joanne's portfolio includes Listed, Private Equity, Debt, Utilities, Renewables, Hedge, Real Estate and Asset Managers. Prior to becoming a non-executive director, Joanne worked for PwC in the Channel Islands, UK and Canada and held leadership roles in Audit, Controls Assurance, Risk & Quality and Innovation & Technology.

Joanne is an FCA with the ICAEW, graduating with an honours degree in Accounting and holds the IOD Diploma. Joanne is the Deputy Chair of the Guernsey International Business Association and the immediate past Chair of the Guernsey Investment & Fund Association. Joanne resides in Guernsey.

**Directorships in other public listed companies:**

NextEnergy Solar Fund Limited, London  
Volta Finance Limited, London & Euronext

## Andrew Whittaker

Independent Non-Executive  
Director

(aged 50)

Andrew is an experienced director and currently sits on several investment manager and investment fund boards specialising in debt, venture, renewables and buyouts. Andrew has over 20 years of experience in the investment sector and the funds industry.

Andrew is currently the Managing Director of Aver Partners, having previously been Managing Director at Ipes (Barings/Apex) and preceding that, Managing Director at Capita (Sinclair Henderson/Link). He has held senior management roles at Moscow Narodny (VTB Capital), DML (Halliburton) and qualified whilst at Midland (HSBC/Montagu).

Andrew graduated from Cardiff University and Aix-Marseille Université. He is a Chartered Management Accountant and is a Member of the Chartered Institute for Securities and Investment (CISI). Andrew is currently Chair of the British Venture Capital Association (BVCA) Channel Islands Working Group and a member of the Association of Investment Companies' (AIC) Technical Committee. He is a previous Chair of the Guernsey Investment Fund Association (GIFA), Council member of Guernsey International Business Association (GIBA), member of the Association of Real Estate Funds (AREF) Regulatory Committee and of Invest Europe's (formally European Venture Capital Association's (EVCA)) Technical Group.

**Directorships in other public listed companies:**

ARCH SRF Listed Holdco Limited, International  
Shore Capital Group Limited, Bermuda

### Board Members - continued

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## Joanna Duquemin Nicolle

**Independent Non-Executive  
Director)**

(aged 53)

Joanna has over 30 years' experience working in the finance industry in Guernsey. Joanna is currently Chief Executive Officer of Elysium Fund Management Limited, having previously been a Director and the Company Secretary of Collins Stewart Fund Management Limited where she worked on, and led, numerous corporate finance assignments and stock exchange listings in addition to undertaking fund administration and company secretarial duties.

Joanna has extensive experience in the provision of best practice corporate governance and company secretarial services to a diverse range of companies traded on the AIM market of the London Stock Exchange, listed on the Main Market of the London Stock Exchange, Euronext and The International Stock Exchange. Joanna qualified as an associate of ICSA: The Chartered Governance Institute UK & Ireland in 1994 and was elected to Fellowship in May 2023.

**Directorships in other public listed companies:**

MAN AHL Diversified PCC Limited, International

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## David Stevenson

**Non-Independent Non-Executive  
Director**

(aged 57)

David Stevenson is a columnist for the Financial Times, Citywire and Money Week and author of a number of books on investment matters. He was the founding director of Rocket Science Group. Currently, he is a director of Aurora Investment Trust Plc, Secured Income Fund Plc, Gresham House Energy Storage Fund Plc and AltFi Limited and a strategy consultant to a number of asset management firms and investment banks.

**Directorships in other public listed companies:**

Aurora Investment Trust plc, London

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## Richard Brown

**Non-Independent Non-Executive  
Director**

(aged 39)

Richard was appointed to the Board on 13 September 2023. A former investment banker, Richard has over 14 years of corporate finance experience. He has advised firms ranging from the largest FTSE 100 companies to private businesses, UK-focused as well as international. Richard has also played an instrumental part in numerous high-profile M&A and ECM transactions and has significant experience of acting more generally as a key boardroom adviser.

Richard most recently worked for more than seven years at Morgan Stanley in its UK investment banking and corporate broking team. He has previously worked at Peel Hunt and Barclays, having initially qualified as a chartered accountant at KPMG.

# Directors' Report

The Directors present their Annual Report and Audited Consolidated Financial Statements for the year ended 31 December 2023.

## Valderrama

During the year, Yellow (SPC) Bidco Limited ("Bidco"), a newly formed indirect wholly-owned subsidiary of Valderrama Limited ("Valderrama"), a joint venture between SPWOne and the Group, made an offer to acquire the issued and to be issued share capital of Dignity Plc (the "Acquisition"). Valderrama is a private company limited by shares that is incorporated in Guernsey. The cash consideration payable by Bidco to Dignity Shareholders under the terms of the Acquisition was financed by equity capital invested by SPWOne and the Group in Valderrama, which was made available by Valderrama to Bidco pursuant to a series of intercompany loans, via Valderrama subsidiaries.

Valderrama was set-up to invest in Dignity Plc and the Group holds 65.4% of the equity in Valderrama. Please refer to the AIFM and Investment Manager's Report and note 16 of the Financial Statements for additional details on the Acquisition.

## Castelnau Group Services Limited

Castelnau Group Services Limited ("CGSL"), the 100% subsidiary of the Castelnau Group, retained the services of an average of four staff during the year to 31 December 2023, all deployed to portfolio companies or to PAMP. During the year, one member of staff transitioned to a role in a portfolio company, as this integration was more suited for the role they were performing. However, we expect this member of staff to return to CGSL in 2024. A graduate intern was hired and immediately deployed within the Group. Mr. Richard Brown was appointed as Chief Executive Officer of CGSL on 13 September 2023, following the resignation of Mr. Graham Shircore. Mr. Graham Shircore remains an employee of PAMP.

## Dividend Policy

The Group has no stated dividend target. The Group's investment objective is one of capital growth and it is anticipated that returns for Shareholders will derive primarily from capital gains. The Group will target a Net

Asset Value total return of 10-15% above the return on the FTSE All-Share Total Return Index per annum and a minimum absolute Net Asset Value total return of 20% per annum.

Investors should note that the target returns stated above are targets only and not a profit forecast. There may be a number of factors that adversely affect the Company's ability to achieve the target returns and there can be no assurance that the target will be met.

## Borrowing Policy

There is no limit in the Articles on the level of gearing which the Group can employ. Whilst the Group does not currently expect to have long-term gearing as part of its strategy, any such gearing utilised would be expected to be below 50% of the Group's gross asset value (including undrawn capital commitments), in each case measured at the time of investment. The Board may, however, approve a higher level of gearing from time to time, in circumstances where the Investment Manager recommends it should do so on an opportunistic basis.

## Going Concern

The Directors believe that, having considered the Group's investment objective on page 3, financial risk management (see note 2 to the Financial Statements), principal risks and in view of the Group's holdings in cash and cash equivalents, the liquidity of investments and the income deriving from those investments, the Group has adequate financial resources and suitable management arrangements in place to continue as a going concern for at least twelve months from the date of approval of the Financial Statements.

## The Alternative Investment Fund Manager ("AIFM") and Investment Manager

### Investment Manager

The Investment Management Agreement with PAMP creates significant Shareholder alignment, as PAMP does not earn a management fee, but earns a performance fee only, which is paid in shares and not in cash. The performance fee period is three years and

is equal to one-third of the relative outperformance of the NAV total return over the FTSE All-Share Total Return Index for each Performance Period.

The Board considers that the interests of Shareholders, as a whole, are best served by the ongoing appointment of the Investment Manager to achieve the Company's investment objectives.

### **Alternative Investment Fund Manager ("AIFM")**

PAMP has been investing in UK listed equities for 24 years using a "value investing" approach to buy high-quality businesses at attractive prices. PAMP has delivered excellent long-term investment returns since being set up by Gary Channon in 1998. PAMP also manage the Aurora Investment Trust Plc and the Huginn Fund. Shareholders can view the historic track record of the Phoenix UK Fund here: <https://www.phoenixassetmanagement.com/performance/>

PAMP's investment process aims to identify great businesses and management through intensive primary research. PAMP is known for the depth of its research which can often last many years before making an investment. Once an investment is made, the investment team maintains this intensive approach to research by closely monitoring the investments.

PAMP has an investment philosophy and approach that is inspired and influenced by some of the great investors such as Warren Buffett, Phil Fisher, Charlie Munger and John Maynard Keynes. These philosophies have been built into a "Phoenix approach", which PAMP has continuously refined using experience of application and analysis and learning. This has turned the philosophical approach into a proprietary technical approach which has been applied to the investments managed by PAMP and has helped to deliver long-term outperformance.

This philosophy and approach are the bedrock for the approach which Castelnaud also takes. However, this has been further developed in order to be more applicable to entities which we control or are able to give greater assistance to. More information about this is included in our quarterly investor reports which can be found here: <https://www.castelnaugroup.com/investor-relations/reports-factsheets>

The Investment Management Agreement dated 23 September 2021 between the Company and the Investment Manager, pursuant to which the Investment Manager is appointed to act as the Company's Alternative Investment Fund Manager for the purposes of the UK AIFM Regime, and accordingly the Investment Manager is responsible for providing portfolio management and risk management services to the Company, subject to the overall control and supervision of the Directors. The Investment Manager, in its capacity as the Company's Alternative Investment Fund Manager, will also make the relevant notifications for the marketing of the Ordinary Shares in the United Kingdom and elsewhere (if required).

Shareholders may be interested in reading the historic track record of the Phoenix UK Fund since inception, which is an Appendix at the back of the Annual Report and Audited Consolidated Financial Statements.

Building on PAMP's experience of investing in private companies and companies where they have control or influence, the Investment Manager has built a "Castelnaud Toolbox", essentially a way of standardising PAMP's critical knowledge and techniques that can be applied to a specific type of investee company, which can be assessed and improved through application over time.

### **Control of the Level of Ongoing Charges**

The Board monitors the Group's operating costs carefully. Based on the Group's average net assets for the year ended 31 December 2023, the Group's ongoing charges figure calculated in accordance with the Association of Investment Companies ("AIC") methodology was 0.59% (2022: 0.52%). As the size of the Group grows, the Board will manage expenses with the intention of keeping costs down and reducing the ongoing charge ratio accordingly.

### **Custodian and Depositary**

Custody and Depositary services are provided by Northern Trust (Guernsey) Limited (the "Depositary"). The Depositary was appointed on 18 October 2021. The terms of the Depositary agreement allow the Depositary to receive professional fees for services rendered. The Depositary agreement includes

### Directors' Report - continued

custodian duties. For additional information, refer to note 15 to the Financial Statements.

#### Directors

The Directors of the Group during the year and at the date of this Report are set out in the Group Information section on page 82.

#### Directors' and Other Interests

The Directors of the Group held the following Ordinary Shares beneficially:

	31 December 2023 Number of Ordinary Shares	31 December 2023 % of issued share capital	31 December 2022 Number of Ordinary Shares	31 December 2022 % of issued share capital
Joanne Peacegood	10,000	0.00%	10,000	0.01%
Andrew Whittaker	40,000	0.01%	40,000	0.02%
Joanna Duquemin Nicolle	75,000	0.02%	75,000	0.04%
David Stevenson	–	–	–	–
Graham Shircore*	–	–	–	–
Richard Brown**	–	–	–	–

\* Resigned on 21 August 2023.

\*\* Appointed on 13 September 2023.

#### Corporate Governance

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment company in order to comply with the principles of the UK Corporate Governance Code (the "UK Code"). The Group is also required to comply with the Code of Corporate Governance (the "GFSC Code") issued by the Guernsey Financial Services Commission.

This Corporate Governance Statement, together with the Going Concern Statement, Viability Statement and the Statement of Directors' Responsibilities set out on pages 35 to 36, indicates how the Company has complied with the principles of good governance of the UK Code and its requirements on Internal Control.

The Group is a member of the AIC and by complying with the AIC Code of Corporate Governance (the "AIC Code") is deemed to comply with both the UK Code and the GFSC Code. The Board has considered the principles and recommendations of the AIC Code and considers that reporting against these will provide better information to Shareholders. To ensure ongoing compliance with these principles, the Board reviews a report from the Corporate Secretary at each quarterly

meeting, identifying how the Group is in compliance and identifying any changes that might be necessary.

The AIC Code is available on the AIC's website, [www.theaic.co.uk](http://www.theaic.co.uk). The UK Code is available in the Financial Reporting Council's website, [www.frc.org.uk](http://www.frc.org.uk).

Since listing on the SFS (Specialist Fund Segment) of the London Stock Exchange's Main Market on 18 October 2021, the Group has complied with the recommendations of the AIC Code and thus the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- The role of the Chief Executive;
- Executive Directors' remuneration;
- Annually assessing the need for an internal audit function; and
- Senior Independent Director.

It is acknowledged in the UK Corporate Governance Code that some of its provisions may not be relevant to externally managed investment companies (such as the Group). The Board does not consider that the above provisions are relevant to the Group. The Group will therefore not comply with these provisions.

Whilst the Group will seek to comply with the AIC Code as far as practicable, it is likely that it will not be able to comply with all of the AIC Code requirements. In particular, in relation to the Director appointed by the holder of the B Share, this Director will be appointed by the Investment Manager and therefore will not be entirely independent of the Investment Manager. Further, such Director will not be subject to annual re-election. In addition, the holder of the B Share has the power to ensure that no Directors are removed or appointed without its consent.

The Administrator maintains a system of internal control on which it reports to the Board. The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Administrator provide the assurance that a sound system of risk management and internal control should. An internal audit function specific to the Company is therefore considered unnecessary.

### **Role, Composition and Independence of the Board**

The Board is the Group's governing body and has overall responsibility for maximising the Group's success by directing and supervising the affairs of the business and meeting the appropriate interests of Shareholders and relevant stakeholders, while enhancing the value of the Group and also ensuring protection of investors. A summary of the Board's responsibilities is as follows:

- statutory obligations and public disclosure;
- strategic matters and financial reporting;
- risk assessment and management including reporting compliance, governance, monitoring and control; and
- other matters having a material effect on the Group.

The Board's responsibilities for the Annual Report and Audited Consolidated Financial Statements are set out in the Statement of Directors' Responsibilities on pages 35 to 36. Biographies for all the Directors can be found on pages 16 and 17.

The Board consists of five non-executive Directors all of whom have diverse skillsets and experience. Three of the five Directors are considered to be independent of the Investment Manager and as prescribed by

the Listing Rules. The Board does not consider it appropriate to appoint a Senior Independent Director at this time because the majority of the Directors are deemed to be independent of the Group. The Board considers that it has the appropriate balance of diverse skills and experience, independence and knowledge of the Group and the wider sector, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making.

The Chair is responsible for leadership of the Board and ensuring its effectiveness. The Chair is Joanne Peacegood. The Chair of the Board must be, and is considered to be, independent for the purposes of Chapter 15 of the Listing Rules.

The Board needs to ensure that the Annual Report and Audited Consolidated Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy. In seeking to achieve this, the Directors have set out the Group's investment objective and policy and have explained how the Board and its delegated Committees operate and how the Directors review the risk environment within which the Group operates and sets appropriate risk controls. Furthermore, throughout the Annual Report and Audited Consolidated Financial Statements, the Board has sought to provide further information to enable Shareholders to have a fair, balanced and understandable view.

The Board has contractually delegated responsibility for the management of its investment portfolio, the arrangement of custodial and depositary services and the provision of administration, accounting, registrar and company secretarial services including the independent calculation of the Group's NAV and the production of the Annual Report and Audited Consolidated Financial Statements which are independently audited.

The Board is responsible for the appointment and monitoring of all service providers to the Group.

The Directors are kept fully informed of investment and financial controls and other matters by all service providers that are relevant to the business of the Group and should be brought to the attention of the Directors.

### Directors' Report – continued

The Nominations Committee regularly reviews the structure, size, composition (including the skills, knowledge, experience and diversity) of the Board as a whole and makes recommendations to the Board with regard to any changes.

The Board has a breadth of experience relevant to the Group and the Directors believe that any changes to the Board's composition can be managed without undue disruption. With any new director appointment to the Board, consideration will be given as to what induction process is appropriate.

#### Directors' Attendance at Meetings

The Board holds quarterly Board meetings to discuss matters including portfolio performance, strategy, dividend policy, structure, finance, corporate governance, marketing, risk management, liquidity, compliance, asset allocation and gearing, contracts and Group performance. The quarterly Board meetings are the principal source of regular information for the Board enabling it to determine policy and to monitor performance, compliance and controls but these meetings are also supplemented by communication and discussions throughout the year.

A representative from each of the Investment Manager, AIFM, Administrator and Corporate Broker attends each Board meeting either in person or by telephone thus enabling the Board to fully discuss and review the Group's operation and performance. Each Director has direct access to the Portfolio Manager and Company Secretary and may, at the expense of the Group, seek independent professional advice on any matter. Both appointment and removal of these parties is to be agreed by the Board as a whole.

The Audit Committee meets five times a year, the Management Engagement Committee ("MEC") and Remuneration and Nomination Committee meet at least once a year. In addition, ad-hoc meetings of the Board to review specific items between the regular scheduled quarterly meetings can be arranged. Between formal meetings, there is regular contact with the Portfolio Manager, AIFM, Administrator, Custodian and Depositary and the Corporate Broker.

Although some of the Directors hold other listed Board positions, the Board is satisfied that they have

sufficient time to carry out their duties for the Group as evidenced by their engagement and attendance at the Board and Audit Committee meetings during the year.

At the Board meetings, the Directors review the management of the Group's assets and liabilities and all other significant matters so as to ensure that the Directors maintain overall control and supervision of the Group's affairs.

#### Appointment and Retirement of Directors

Subject to the Companies Law and the Articles, the Directors shall have power at any time, and from time to time, without sanction of the Group in general meeting but subject to receiving the written consent of the holder of the B Share, to appoint any person to be a Director, either to fill a casual vacancy or as an additional Director. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-appointment. Subject to the Companies Law and the Articles, the Group may by ordinary resolution appoint any person as a Director; and remove any person from office as a Director and there shall be no requirement for the appointment or removal of two or more Directors to be considered separately. A Director may resign from office as a Director by giving notice in writing to that effect to the Group. There is no age limit at which a Director is required to retire. At each annual general meeting of the Group, each Director, other than the Director appointed by the holder of the B Share pursuant to the Articles, shall retire from office and each Director may offer themselves for election or re-election by the Shareholders.

#### Board Performance and Training

On appointment to the Board, Directors will be offered relevant training and induction. Training is an ongoing matter as is discussion on the overall strategy of the Group. The Board undertakes an annual internal Board Evaluation of performance. This exercise was completed in March 2023 and 2024. The Company Secretary circulated questionnaires to each Director to complete independent of each other, and anonymously. Their completed forms were returned to the Company Secretary, and their responses collated



into a report that was tabled at the Nomination Committee meeting. The report findings were discussed at the meeting. The results of the evaluation were satisfactory with no issues identified.

On appointment to the Board, each Director considered the expected time needed to discharge their responsibilities effectively. The Directors confirmed that each had sufficient time to allocate and would inform the Board of any subsequent changes. In accordance with the AIC Code, if and when any Director, including the Chair, has been in office (or upon re-election would at the end of that term, be in office) for more than nine years, the Board will consider whether there is a risk that such Director might reasonably be deemed to have lost independence through such long service.

In respect of the Criminal Finances Act 2017 which has introduced a new corporate criminal offence (“CCO”) of failing to take reasonable steps to prevent the facilitation of tax evasion, the Board confirms that they are committed to zero tolerance towards the criminal facilitation of tax evasion.

### Board Diversity

When appointing new directors and reviewing the Board composition, the Board considers, amongst other factors, diversity, balance of skills, knowledge, gender, social and ethnic background and experience. The Board considers the Listing Rules requirement in appointing new directors, however, does not consider it appropriate to establish targets or quotas in this regard.

As at 31 December 2023, the Board consisted of two female and three male directors. Joanne Peacegood is the Chair of the Board and the Remuneration Committee, and Joanna Duquemin Nicolle is the Chair of the Management Engagement Committee. The Group has therefore met the targets set by the Listing Rules LR 9.8.6R(9) and LR 14.3.33R(1) in relation to board diversity for the percentage of its board members who are female and also in a senior position. The Group has not met the target to have at least one director from a minority ethnic background, but considers this satisfactory as the individual Board members are performing within their role and comprise a diverse skillset and knowledge. Looking forward,

when succession arises, the Board will consider the requirements of the Listing Rules.

### Board Committees and their Activities

#### Terms of Reference

All Terms of Reference of the Board’s Committees are available from the Administrator upon request.

#### Management Engagement Committee

In accordance with the AIC Code, the Group has established a Management Engagement Committee which is chaired by Joanna Duquemin Nicolle and includes Andrew Whittaker, Joanne Peacegood and David Stevenson. The Management Engagement Committee meets at least once a year or more often if required. Its principal duties are to consider the terms of appointment of the Investment Manager and other service providers and it annually reviews those appointments and the terms of engagement.

#### Audit Committee

The Group’s Audit Committee is chaired by Andrew Whittaker and includes Joanna Duquemin Nicolle and Joanne Peacegood. The Audit Committee meets at least five times a year. The Board considers that the members of the Audit Committee have the requisite skills and sector experience to fulfil the responsibilities of the Audit Committee. The Audit Committee examines the effectiveness of the Group’s control systems and amongst other items, reviews the annual and interim reports and also requests certain information from the Investment Manager and the Administrator. It also reviews the scope, results, cost effectiveness, independence and objectivity of the external Auditor.

Further details on the Audit Committee can be found in the Audit Committee Report on page 37.

#### Remuneration Committee

The Group’s Remuneration Committee consists of all of the Directors and is chaired by Joanne Peacegood. The Remuneration Committee meets at least once a year or more often if required. The Remuneration Committee’s main functions include:

- (i) agreeing the policy for the remuneration of the Directors and reviewing any proposed changes to the policy;

### Directors' Report – continued

- (ii) reviewing and considering ad hoc payment to the Directors in relation to duties undertaken over and above normal business; and
- (iii) appointing independent professional remuneration advice.

#### Nomination Committee

The Group's Nomination Committee consists of all of the Directors and is chaired by Andrew Whittaker. The Nomination Committee meets at least once a year or more often if required. Its principal duties are to advise the Board on succession planning bearing in mind the

balance of skills, knowledge and experience existing on the Board and make recommendations to the Board in this regard. The Nomination Committee advises the Board on its balance of relevant skills, experience, gender, race, ages and length of service of the Directors serving on the Board. All appointments to the Board are made in a formal and transparent manner.

For each Director, the tables below set out the number of Board and Committee meetings they were entitled to attend during the year ended 31 December 2023 and the number of such meetings attended by each Director.

	Held	Attended
<b>Scheduled Board Meetings</b>		
Joanne Peacegood	4	4
Andrew Whittaker	4	4
Joanna Duquemin Nicolle	4	4
David Stevenson	4	4
Graham Shircore*	3	3
Richard Brown**	1	1
<b>Management Engagement Committee Meetings</b>		
Joanne Peacegood	1	1
Andrew Whittaker	1	1
Joanna Duquemin Nicolle	1	1
David Stevenson	1	1
<b>Audit Committee Meetings</b>		
Joanne Peacegood	4	4
Andrew Whittaker	4	4
Joanna Duquemin Nicolle	4	4
<b>Remuneration Committee Meetings</b>		
Joanne Peacegood	1	1
Andrew Whittaker	1	1
Joanna Duquemin Nicolle	1	1
David Stevenson	1	1
Graham Shircore*	1	1
Richard Brown**	–	–

	Held	Attended
<b>Nomination Committee Meetings</b>		
Joanne Peacegood	2	2
Andrew Whittaker	2	2
Joanna Duquemin Nicolle	2	2
David Stevenson	2	2
Graham Shircore*	2	1
Richard Brown**	–	–

There were 10 Ad-hoc Committee meetings held during the year.

\* Resigned on 21 August 2023.

\*\* Appointed on 13 September 2023.

## Strategy

The Group will follow a high conviction investment strategy. The expertise and processes developed by the Investment Manager can be applied to all parts of the capital structure of a business, both private and publicly quoted. These positions could be represented by a minority stake, a control position combined with operational involvement, full ownership of a company, a joint venture, a loan or convertible instrument, a short position or any other instrument which allows the Group to access value.

## Internal Controls

The Board is ultimately responsible for establishing and maintaining the Group's system of internal financial and operating control and for maintaining and reviewing its effectiveness. The Group's risk matrix continues to be the core element of the Group's risk management process in establishing the Group's system of internal financial and reporting control. The risk matrix is prepared and maintained by the Board which initially identifies the risks facing the Group and then collectively assesses the likelihood of each risk, the impact of those risks and the strength of the controls operating over each risk. The system of internal financial and operating control is designed to manage rather than to eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

These controls aim to ensure that assets of the Group are safeguarded, proper accounting records are maintained and the financial information for

publication is reliable. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

This process has been in place for the year under review and up to the date of approval of this Annual Report and Audited Consolidated Financial Statements. It has been reviewed by the Board and is in accordance with the AIC Code.

The AIC Code requires Directors to conduct at least annually a review of the Group's system of internal financial and operating control, covering all controls, including financial, operational, compliance and risk management. The Board has evaluated the systems of internal controls of the Group. In particular, it has prepared a process for identifying and evaluating the significant risks affecting the Group and the policies by which these risks are managed. The Board also considers whether the appointment of an internal auditor is required and has determined that there is no requirement for a direct internal audit function.

The Board has delegated the day-to-day responsibilities for the management of the Group's investment portfolio, the provision of custodial and depositary services and administration, accounting, registrar and company secretarial functions including the independent calculation of the Group's NAV and the production of the Annual Report and Audited Consolidated Financial Statements which are independently audited.

Formal contractual agreements have been put in place between the Group and providers of these services. Even though the Board has delegated responsibility for these functions, it retains accountability for these functions and is responsible

### Directors' Report – continued

for the systems of internal control. At each quarterly Board meeting, compliance reports are provided by the Administrator, Company Secretary, Portfolio Manager, AIFM and Depositary. The Board also receives confirmation from the Administrator of its accreditation under its controls report.

#### Procedure for Identifying Risks

The procedures in place to identify emerging or principal risks are described below.

The Audit Committee regularly reviews the Group's risk matrix, focusing on ensuring that the appropriate controls are in place to mitigate each risk. A system has been established to identify emerging risks as they occur as detailed below. The experience and knowledge of the Audit Committee and Board is invaluable to these discussions, as is advice received from the Board's service providers, specifically the Investment Manager who is responsible for all portfolio management services.

The market and operational risks were discussed by the Board, with updates on operational resilience received from the Investment Manager, Administrator and other key service providers.

The following is a description of the role each service provider plays in the identification of emerging risks.

- I. Investment Manager: the Investment Manager advises the Board at each meeting on world markets, stock market trends, information on stock specific matters as well as regulatory, political and economic changes likely to impact the Group's portfolio;
- II. Distributor and Broker: provides advice periodically specific to the Board on the Group's share register, sector, competitors and the investment company market;
- III. Company Secretary and Accounting Advisor: briefs the Board on forthcoming legislation or regulatory changes that might impact the Group; and
- IV. AIC: The Group is a member of the AIC, which provides regular technical updates as well as drawing members' attention to forthcoming industry and regulatory issues.

#### Procedure for Oversight of Risks

Audit Committee: The risk matrix is kept under review. This includes a review of the risk procedures and controls in place at the key service providers to ensure that emerging (as well as known) risks are adequately identified and – so far as practicable – mitigated.

Experienced Non-Executive Directors on the Committee, each bringing external knowledge of the investment trust (and financial services generally) marketplace, trends, threats etc. as well as macro/strategic insight.

#### Principal Risks and Uncertainties

The principal risks faced by the Group, together with the approach taken by the Board towards them, have been summarised below.

#### Valuation of investments

Some of the Group's investments will include securities and other interests that are very thinly traded, for which no market exists or which are restricted as to their transferability under applicable laws and/or the relevant investment documentation. Whilst the valuations of the Group's investments will be in compliance with IFRS, some of the Group's investments will be difficult to value. Such valuations may be conducted on an infrequent basis, are subject to a range of uncertainties. The risks associated with valuation of investments are managed by the Investment Manager and reviewed by the Board. The Board considered the valuation of the investments held by the Group as at 31 December 2023 to be reasonable based on information provided by the Investment Manager, underlying portfolio companies, AIFM, Administrator, Custodian and Depositary on their processes for the valuation of these investments, which were validated by an independent third party.

The Board reviewed the valuation policy and PAMP has agreed the valuation process/techniques with the Board around private asset investments. There has been no change to the valuation policy and the process remains the same which has also been confirmed with the Board. The Board is satisfied with the approach and the valuation policy and processes.

The Board receives the monthly NAV as well as quarterly detailed updates on the portfolio which include changes to the valuations. The Board is updated when there is/or potential to be significant changes in valuation. As part of the annual audit process and the Board signing off on the annual financial statements, the Board receives the valuation packs and also the third-party (Kroll) reports. The Board scrutinises the valuations/reports and ensures they are satisfied prior to sign off.

The Board also asks questions regularly (including during quarterly Board meetings, or ad hoc meetings) to understand performance and the impact on valuation and receives regular presentations from the portfolio executives. The Board has access to detailed valuation reports as and when requested.

### **Market risk**

As a result of investments in publicly traded portfolio companies with a total value of £14,785,032 (31 December 2022: £69,315,063), the Group will be exposed to equity securities price risk. The market value of the Group's holdings in publicly traded portfolio companies could be affected by a number of factors, including, but not limited to: a change in sentiment in the market regarding such companies; the market's appetite for specific business sectors; and the financial or operational performance of the publicly traded portfolio companies which may be driven by, amongst other things, the cyclicity of some of the sectors in which some or all of the publicly traded portfolio companies operate. Equity prices and returns from investing in equity markets are sensitive to various factors, including but not limited to: expectations of future dividends and profits; economic growth; exchange rates; interest rates; and inflation.

The value of any investment in equity markets is therefore volatile and it is possible, even when an investment has been held for a long time, that an investor may not get back the sum invested. Any adverse effect on the value of any equities in which the Group invests from time to time could have a material adverse effect on the Group's financial condition, business, prospects and results of operations and, consequently, the Net Asset Value and/or the market price of the Ordinary Shares.

The Board receives updates on the Group's investment performance at quarterly Board meetings, or more frequently as required, and challenges the Investment Manager on investment performance, stock selection, and portfolio composition.

### **Liquidity risk**

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Investments made by the Group may be illiquid and this may result in delays/shortfall of expected cash flows to the Group.

Investments in private assets (including private portfolio companies) are highly illiquid and have no public market. There may not be a secondary market for interests in private assets. Such illiquidity may affect the Group's ability to vary its portfolio or dispose of, or liquidate part of, its portfolio, in a timely fashion (or at all) and at satisfactory prices in response to changes in economic or other conditions.

If the Group were required to dispose of or liquidate an investment on unsatisfactory terms, it may realise less than the value at which the investment was previously recorded, which could result in a decrease in Net Asset Value.

The performance of investments in private assets can also be volatile because those assets may have limited product lines, markets or financial reserves, or be more susceptible to major economic setbacks or downturns. Private assets may be exposed to a variety of business risks including, but not limited to: competition from larger, more established firms; advancement of incumbent services and technologies; and the resistance of the market towards new companies, services or technologies.

The crystallisation of any of these risks or a combination of these risks may have a material adverse effect on the development and value of a portfolio company and, consequently, on the portfolio and the Group's financial condition, results of operations and prospects, with a consequential adverse effect on the Net Asset Value and/or the market price of the Ordinary Shares.

### Directors' Report – continued

Furthermore, repeated failures by portfolio companies to achieve success may adversely affect the reputation of the Group or Investment Manager, which may make it more challenging for the Group and the Investment Manager to identify and exploit new opportunities and for other portfolio companies to raise additional capital, which may therefore have a material adverse effect on the portfolio and the Group's financial condition, results of operations and prospects, with a consequential adverse effect on the Net Asset Value and/or the market price of the Ordinary Shares.

The Board and Investment Manager review liquidity needs (including operational costs, and loan repayments), quarterly or more frequently as required, relative to the value and liquidity of the Group's assets and the Group's portfolio income. The majority of the expected liquidity requirements are known (for example operational costs) while others are at the discretion of the Group (for example share buy-backs). The Board is satisfied that the Group's unexpected liquidity needs are not significant.

#### **Credit risk**

Counterparties such as financial institutions may not meet their obligations regarding foreign currency and cash balances. The Board ensures that counterparties have an acceptable long and short-term credit rating.

#### **Concentration risk**

The Group expects to hold a concentrated portfolio of investments and the Group will not seek to reduce concentration risk through diversification. The opportunity set will dictate the number of holdings and the weighting of investments in the Portfolio. The investments with the best return profiles will receive the largest weightings. The Group will therefore have no set diversification policies.

### **Other Risks and Uncertainties**

#### **Cyber risk**

The Board ensures they have a sufficient understanding of cyber risk to enable them to manage any potential unauthorised access into systems and identifying passwords or deleting data. The Board discusses cyber risks at the quarterly Board meeting and also ensures they are continuing to keep themselves up to date on the risks through attending

professional seminars on the topic, following good password practices and vigilance to any suspicious links or attachments. The Group is exposed to the cyber risks of its third-party service providers. The Audit Committee received the internal controls reports of the relevant service providers, where available and was able to satisfy itself that adequate controls and procedures were in place to limit the impact to the Group's operations.

#### **Operational risk**

The Group is exposed to the operational risks of its third-party service providers and considered the risk and consequences in the event that these systems failed during the year. The Investment Manager, Registrar, Depositary, Administrator and Company Secretary each have comprehensive business continuity plans which facilitate continued operation of the business in the event of a service disruption or major disruption. The Audit Committee received the internal controls reports of the relevant service providers, where available and was able to satisfy itself that adequate controls and procedures were in place to limit the impact to the Group's operations, particularly with regard to a financial loss. The performance of service providers is reviewed annually via its Management Engagement Committee. Each service provider's contract defines the duties and responsibilities of each and has safeguards in place including provisions for the termination of each agreement in the event of a breach or under certain circumstances. Each agreement also allows for the Board to terminate subject to a stated notice period. At the meeting of the Management Engagement Committee on 13 December 2023, the Board undertook a thorough review of each service provider and agreed that their continued appointment remained appropriate and in the Group's long-term interest. The Board's next review will be at the next annual Management Engagement Committee meeting.

#### **Regulatory risk**

Poor governance, compliance or administration, including particularly the risk of loss of investment trust status and the impact this may have on the Group was considered by the Board. Having been provided with assurance from each of the key service providers during the year ended 31 December 2023, the Board

was satisfied that no such breach had occurred. The Board's next review will be at the next annual Management Engagement Committee meeting.

### Geopolitical risk

Russia's ongoing invasion of Ukraine, the Israel-Hamas conflict, and increasing tensions in the Middle East all continue to be risks to the global economy. Escalation in conflicts may result in an increase in sanctions globally affecting commodity prices and supply chains, and increasing compliance monitoring costs for businesses. The exceptional number of national elections scheduled to take place in 2024 also has the potential to increase volatility in financial markets and alter economic and investment landscapes.

### Environmental, Social and Governance ("ESG") matters

The Board recognises the importance of environmental, social and governance ("ESG") factors in the investment management industry and the wider economy as a whole. It is the view of the Board that direct environmental and social impact of the Group is limited and that ESG considerations are most applicable in respect of the asset allocation decisions made for its portfolio.

The Group has appointed the Investment Manager to advise it in relation to all aspects relevant to the Investment Portfolio. The Investment Manager has a formal ESG framework which incorporates ESG factors into its investment process. The Board receives regular updates from the Investment Manager on its ESG processes and assesses their suitability for the Group. ESG factors are assessed by the Investment Manager for every transaction as part of their investment process. Climate risks are incorporated in the ESG analysis under environmental factors.

The Group has entered into contractual arrangements with a network of third parties (the "Service Providers") who provide services to it. The Board, through the Management Engagement Committee, undertakes annual due diligence on, and ongoing monitoring of, all such Service Providers including obtaining a confirmation that each such Service Provider complies with relevant laws regulations and good practice and has ESG policies in place.

### Viability Statement

The Directors, with recommendation from the Audit Committee, have assessed the prospects of the Group and relevant stresses i.e. additional funding requirements to existing portfolio companies, loan repayments and expenses, over a longer period than required by the going concern provision. With recommendation from the Audit Committee, the Board chose to conduct a review for a period of five years to 31 December 2028 as it was determined to be an appropriate timeframe given the uncertainty of the investment world and the strategy period. In selecting this period, the Board considered the environment within which the Group operates and the principal and emerging risks and their mitigations associated with the Group. On a rolling basis, the Directors evaluate the outcome of the investments and the Group's financial position as a whole.

The Group's prospects are driven by its business model and strategy. The Group's investment objective is to compound Shareholders' capital at a higher rate of return than the FTSE All-Share Total Return Index over the long term. The Group will target a Net Asset Value total return of 10-15% above the return on the FTSE All-Share Total Return Index per annum and a minimum absolute Net Asset Value total return of 20% per annum.

In support of this statement, the Audit Committee recommended to the Directors to take into account all of the principal and emerging risks facing the Group as summarised on pages 26 to 29, the nature of the Group's business including cash reserves and other liquid investments held by the Group, the potential of its portfolio of investments to generate future income and capital proceeds, and the ability of the Directors to minimise the level of cash outflows, if necessary. The most relevant potential impacts of the identified principal risks and uncertainties on viability were determined to be:

- (i) investments are in line with the investment objective and investment policy as set out in the Group's prospectus; and
- (ii) the Group has the ability to meet running costs and standing expenses.

Each quarter, the Directors, through the Audit Committee, review threats to the Group's viability

### Directors' Report – continued

utilising the risk matrix, which it updates as required due to recent developments and/or changes in the global market. The Board relies on periodic reports provided by the Alternative Investment Fund Manager and Investment Manager, and Administrator regarding risks faced by the Group. When required, experts are utilised to gather relevant and necessary information, regarding tax, legal, and other factors.

The Alternative Investment Fund Manager and Investment Manager considers the future cash requirements of the Group before funding portfolio companies. Furthermore, the Board receives regular updates from the Alternative Investment Fund Manager and Investment Manager on the Group's cash position, which allows the Board to maintain their fiduciary responsibility to the Shareholders and, if required, limit funding for existing commitments.

Further information as to how the Board has had regard to the Section 172 factors:

Section 172 factor	Key examples	Location
Consequences of decisions in the long term	Investment Objectives and Policy Future Prospects Dividend Policy Viability Statement	Summary Information Directors' Report Directors' Report Directors' Report
Fostering business relationships with suppliers, customers and other stakeholders	Shareholder Engagement; Key Service Providers	Directors' Report
Impact of operations on the community and the environment	Environmental, Social and Governance	Directors' Report
Maintaining high standard of business conduct	Corporate Governance	Directors' Report

#### Directors' duty to promote the success of the Group

The Board seeks to understand the views of the Group's Shareholders and its other key stakeholders as well as how their interests and the matters set out in Section 172 of the Companies Act 2006 in the UK ("Companies Act") have been considered. As part of the Board and stakeholder evaluation processes that are undertaken annually, the Board reviews its engagement mechanisms to ensure they remain effective. In fulfilling their duties, the Directors carefully consider the likely consequences of their actions over the long term and on other key stakeholders.

- (i) the Group's investment objective and policy;
- (ii) the main trends and factors likely to affect the future development, performance and position of the Group's business;

Based on the aforementioned procedures and the existing internal controls of the Group, and the Alternative Investment Fund Manager and Investment Manager, the Board, with recommendation from the Audit Committee, has concluded that there is a reasonable expectation that the Group will remain viable over the five-year period to 31 December 2028.

#### Report under Section 172 of the Companies Act 2006

Although the Group is domiciled in Guernsey, in accordance with the guidance set out in the AIC Code, the Directors have included below how the matters set out in Section 172 of the UK Companies Act 2006 have been considered in their board discussions and decision making.

- (iii) the Group's key performance indicators;
- (iv) the Group's peers;
- (v) the Group's overall strategy; and
- (vi) the Group's core values which are integrity, accountability, transparency and commitment.

#### Identifying stakeholders

The Board has identified its key stakeholders which include Shareholders, Investee Companies, Investment Manager, Financial Advisers, the Company Secretary, Administrator, Registrar, Lawyers, Custodian and Depositary. The Board is aware of the need to foster the Group's relationships with its key stakeholders through its stakeholder management activities. The Board provides oversight and challenge to the



Investment Manager to ensure that the Group meets its requirements to create and preserve Shareholder value.

### **Shareholder engagement**

The Board welcomes Shareholders' views and places great importance on communication with its Shareholders. Shareholders wishing to meet with the Chair and other Board members should contact the Group's Administrator by emailing [Castelnau\\_group@ntrs.com](mailto:Castelnau_group@ntrs.com).

On 13 September 2023, Shareholders had the opportunity to vote on the resolutions as specified in the Notice of AGM. The Notice of the AGM and the results were released to the London Stock Exchange in the form of an announcement.

### **Key service providers**

The Board delegates responsibility for its day to day operations to a number of key service providers. The activities delegated, service levels and other related reports to the activities of each service provider (such as their own approach to such matters as cyber risk and assessment of climate change risk to operations) are closely monitored, where and as appropriate by the Board and they are required to report to the Board at set intervals.

### **Monitoring of key decisions and the outcome of those decisions**

The Board meets at least quarterly and at such other times as deemed appropriate. During these meetings, the Board considers reports from the Investment Manager on the Group's portfolio, its investment activity and sector diversity. In addition, the Investment Manager provides an overview of engagement with the investee companies as well as potential investee companies. The Board debates the Group's portfolio and notable acquisitions or disposals at each of its meetings and challenges stock selection where deemed appropriate. In between meetings, the Investment Manager and Board maintain contact through which they consider investment ideas, further fundraising initiatives and market outlook and strategies to consider adjusting the Group's portfolio in line with the Group's investment policy. During the year, the Board discussed the merits and structure of the Group, with the Investment Manager and advisers

and considered the long-term interests of the Group's Shareholders during those discussions.

In addition, the Board receives reports from the Financial Adviser on the Group's Shareholder base including any changes; its Secretary on latest governance issues, legal or market announcements; and its Administrator on the Group's management accounts. Furthermore, the Board receives reports from the Group's Broker on the performance of the Group's peers and ad hoc reports from its other key stakeholders as deemed appropriate.

On an annual basis, the Board will undertake a review of its stakeholders which include a review of their control report and policies, such as whistleblowing, anti-bribery, anti-money laundering and corruption, cyber security, data protection policies and each entity's business continuity arrangements to ensure they are in place and are adequate.

### **Stewardship code**

The Board and the Investment Manager support and have a strong commitment to the UK Stewardship Code, the latest version of which was issued by FRC took effect from 1 January 2020 and endorsed by the AIC which sets out the principles of effective stewardship by institutional investors.

### **Modern slavery disclosure**

Due to the nature of the Group's business, being a company that does not offer goods or services to consumers, the Board considers that it is not within the scope of modern slavery. The Board considers the Group's supply chains, dealing predominately with professional advisers and service providers in the financial service industry, to be low risk in this matter.

### **Anti-bribery and corruption**

It is the Group's policy to conduct all of its business in an honest and ethical manner. The Group takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Group's policy and the procedures that implement it are designed to support that commitment. The Board has made enquiries of its third-party service providers to ensure their

### Directors' Report – continued

procedures and policies are in place. Refer to page 31 for more information.

#### Tax evasion

The Group maintains a zero-tolerance policy towards the provision of illegal services, including the facilitation of tax evasion. The Group has received assurances from the Group's main contractors and suppliers that

they maintain a zero-tolerance policy towards the provision of illegal services, including the facilitation of tax evasion.

#### Significant Shareholdings

Shareholders with holdings of more than 5.0% of the Ordinary Shares of the Group at 17 April 2024 were as follows:

	Number of Ordinary Shares	% of issued share capital
State Street Nominees Limited OM01	123,925,672	38.89%
Nortrust Nominees Limited	100,657,878	31.59%
Goldman Sachs Securities (Nominees) Limited	26,540,000	8.33%

Those invested directly or indirectly in 5.0% or more of the issued share capital of the Group will have the same voting rights as other holders of the Ordinary Shares.

#### Annual General Meeting (AGM)

The Group's AGM will be held at 1.00pm on 18 September 2024 at the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands, GY1 3QL.

Should a Shareholder have a question that they would like to raise at the AGM, the Board requests that they ask the question in advance of the AGM by sending it by email to [Castelnau\\_group@ntrs.com](mailto:Castelnau_group@ntrs.com). All questions raised, together with the relevant answer, will be placed on the Group's website at [www.castelnaugroup.com](http://www.castelnaugroup.com).

#### Independent Auditor

A resolution for the reappointment of Grant Thornton Limited ("Grant Thornton") as auditor to the Group will be proposed at the annual general meeting. Grant Thornton have indicated their willingness to continue in office.

#### Upcoming Review of Performance Fee Arrangements

As shareholders will be aware, the Investment Manager does not charge a management fee to the Company and is instead incentivised solely via a performance based fee arrangement. In summary, the performance fee arrangement is measured over consecutive periods of not less than three years with first period commencing on the Company's IPO on 18 October 2021 and ending on 31 December 2024. The performance fee payable is one third of the outperformance of the Net Asset Value total return after adjustment for inflows and outflows, over the FTSE All-Share Total Return Index (the "Benchmark") with, subject to certain regulatory considerations, the performance fee being satisfied through the issuance of new ordinary shares.

The directors consider that the performance fee, measured over a three year period and receivable in shares, remains a significant point of alignment between the Company, its shareholders and the Investment Manager; however, the performance fee arrangement is under review to ensure this alignment is equitable to all parties. Pursuant to the terms of the Investment Management Agreement, the performance fee is paid based on the outperformance over the Benchmark, calculated by reference to the average adjusted net assets of the Company over each performance period. The averaging of the net asset value over the performance period does not fully take into account the outperformance that has

been delivered by the Investment Manager and principally for this reason, it is proposed that a limited number of adjustments will be made to the IMA, with the Company entering into a revised agreement in the near future. In considering a change to the performance fee arrangements, certain additional amendments are proposed, with the revisions summarised below.

- The fee will remain as one third of the outperformance over the Benchmark, however, the fee will be calculated by reference to the audited closing net asset value ("Closing NAV") rather than the average net asset value, and will be compared to the 'Benchmark NAV'.
- The Closing NAV is the reported audited net asset value of the Company at the period end, excluding any accrued performance fees. This will be compared to the Benchmark NAV, which is the Company's opening audited NAV for the performance period to which the Benchmark return is applied. The Benchmark NAV will also be adjusted for the impact of inflows and outflows to the share capital of the Company, to ensure that both the Closing NAV and Benchmark NAV reflect performance adjusted for the impact of these events.

- In addition, the revised fee arrangement will include a provision such that no performance fee would be earned until the net asset value ("NAV") per share is above the original NAV per share at IPO (100p), adjusted for the performance of the Benchmark.
- The fee will continue to be paid in shares.

For the avoidance of doubt, no performance fee for the period to 31 December 2024 would currently be payable under either the original or proposed revisions to the performance fee calculation. In addition, no additional changes to the IMA (other than in respect of the performance fee) are being proposed. A further announcement will be made following consultation and approval of the revised IMA and the revised performance fee arrangements, which it is planned will replace those currently in place for the period from IPO to 31 December 2024 and on a continuing basis.

Signed on behalf of the Board of Directors on 18 April 2024 by:

**Joanne Peacegood**  
Director

**Andrew Whittaker**  
Director

# Directors' Remuneration Report

The Group is not required to present a Directors' Remuneration Report, and this report does not purport to meet all of the requirements of a typical listed UK company's Directors' Remuneration Report, but has been provided as the Directors believe that it is a useful addition to this Annual Report and Financial Statements.

The aggregate amount of Directors' fees should not exceed £250,000 per annum to allow for the appointment of additional director(s), to allow for an overlap in appointments, thereby assisting with Board succession planning.

## Remuneration Policy

The Group's policy in regard to Directors' remuneration is to ensure that the Group maintains a competitive fee structure in order to recruit, retain and motivate non-executive Directors of excellent quality in the overall interests of Shareholders.

It is the responsibility of the Remuneration Committee to consider the Directors' remuneration. However,

the Nomination Committee will review any proposed changes. The Board ultimately receives the recommendations and approves the Directors' remuneration.

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long-term incentive plans from the Group.

Directors are remunerated in the form of fees, payable quarterly in advance, to the Directors personally. No Directors have been paid additional remuneration by the Group outside their normal Directors' fees and expenses.

Joanne Peacegood is entitled to an annual fee of £40,000. Andrew Whittaker is entitled to an annual fee of £35,000. Joanna Duquemin Nicolle and David Stevenson are entitled to an annual fee of £30,000. Graham Shircore and Richard Brown waived their right to receive a Director fee. The Directors received the following remuneration in the form of Directors' fees relating to the year ended 31 December 2023 and 31 December 2022:

	31 December 2023 GBP	31 December 2022 GBP
Joanne Peacegood	40,000	40,000
Andrew Whittaker	35,000	35,000
Joanna Duquemin Nicolle	30,000	30,000
David Stevenson	30,000	30,000
Graham Shircore*	–	–
Richard Brown**	–	–
	135,000	135,000

\* Resigned on 21 August 2023.

\*\* Appointed on 13 September 2023.

Appropriate Directors' and Officers' liability insurance cover is maintained by the Group on behalf of the Directors.

Each Director's appointment letter provides that, upon the termination of his/her appointment that he/she must resign in writing and all records remain the property of the Group. The Directors' appointments can be terminated in accordance with the Articles and without compensation.

A Director may resign from office as a Director by giving notice in writing to that effect to the Group. There is no age limit at which a Director is required to retire. Notwithstanding the foregoing, all Directors have agreed to stand for re-election annually and are re-elected by the Shareholders at the AGM.

The amounts charged to the Group for Directors as shown in note 7 to the Financial Statements are for services as non-executive Directors. No Director has a service contract with the Group, nor are any such contracts proposed.

Signed on behalf of the Board of Directors on 18 April 2024 by:

**Joanne Peacegood**  
Director

**Andrew Whittaker**  
Director

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Financial Statements in accordance with applicable Guernsey law and regulations.

The Companies (Guernsey) Law, 2008 requires the directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, 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 Group will continue in business.

The Directors confirm that they have complied with these requirements in preparing the Financial Statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008. They have the general responsibility for

taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

So far as each Director is aware, there is no relevant audit information of which the Group's auditor is unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

The Directors are responsible for the oversight of the maintenance and integrity of the corporate and financial information in relation to the Group website; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for ensuring that the Annual Report and Financial Statements include information requirements by the Disclosure Guidance and Transparency Rules ("DTR") of the Financial Conduct Authority ("FCA") with regard to corporate governance, require the Group to disclose how it has applied the principles, and complied with the provision of the corporate governance code applicable to the Group.

The Directors confirm that to the best of their knowledge:

- (a) The Financial Statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as at and for the year ended 31 December 2023.

### Statement of Directors' Responsibilities - continued

(b) The Annual Report includes information detailed in the Chair's Statement, Investment Manager's Report, Directors' Report, Statement of Directors' Responsibilities, Directors' Remuneration Report and Audit Committee Report and provides a fair review of the information required by:

(i) DTR 4.1.8 and DTR 4.1.9 of the Disclosure Guidance and Transparency Rules, being a fair review of the Group business and a description of the principal risks and uncertainties facing the Group; and

(ii) DTR 4.1.11 of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of the Group.

In the opinion of the Board, the Financial Statements taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Group's position and performance, business model and strategy.

By order of the Board,

**Joanne Peacegood**

Director

18 April 2024

**Andrew Whittaker**

Director

# Audit Committee Report

On the following pages, we present the Audit Committee Report, setting out the responsibilities of the Audit Committee and its key activities for the year ended 31 December 2023.

The Audit Committee has reviewed the appropriateness of the Group's system of risk management and internal financial and operating controls, the robustness and integrity of the Group's financial reporting, along with the external audit process. The Audit Committee has devoted time in ensuring that controls and processes have been properly established, documented and implemented.

During the course of the year, the information that the Audit Committee has received has been timely and clear and has enabled the Committee to discharge its duties effectively.

## Role and Responsibilities

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities. This includes reviewing the financial reports and other financial information and any significant financial judgement contained therein before publication.

In addition, the Audit Committee reviews the systems of internal and operating controls on a continuing basis that the Administrator, Portfolio Manager, AIFM, and Custodian and Depository and the Board have established with respect to finance, accounting, risk management, compliance, fraud and audit. The Audit Committee also reviews the accounting and financial reporting processes, along with reviewing the roles, independence and effectiveness of the external auditor.

The ultimate responsibility for reviewing and approving the annual and interim financial statements remain with the Board.

The Audit Committee's full terms of reference can be obtained by contacting the Group's Administrator.

## Risk Management and Internal Control

The Board, as a whole, considers the nature and extent of the Group's risk management framework and the risk profile that is acceptable in order to achieve the

Group's strategic objectives. As a result, it is considered that the Board has fulfilled its obligations under the AIC Code.

The Audit Committee continues to be responsible for reviewing the adequacy and effectiveness of the Group's ongoing risk management systems and processes. Its system of internal controls, along with its design and operating effectiveness, is subject to review by the Audit Committee through reports received from the Portfolio Manager, AIFM and Custodian and Depository, along with those from the Administrator and external auditor.

The Audit Committee has prepared a risk matrix, which considers the controls applied by the Board, the Investment Manager and key service providers.

The Audit Committee considers, at least once a year, whether there is a need for an internal audit function. Currently, the Audit Committee does not consider there to be a need for an internal audit function, given that all outsourced functions are with parties who have their own internal controls and procedures.

## Fraud, Bribery and Corruption

The Board has relied on the overarching requirement placed on the Service Providers under the relevant agreements to comply with applicable law, including anti-bribery laws. A review of the Service Providers' policies will take place at the Management Engagement Committee Meetings. The Board receives confirmation from all service providers that there has been no fraud, bribery or corruption.

## Financial Reporting and Significant Financial Issues

The Audit Committee assesses whether suitable accounting policies have been adopted and whether the Portfolio Manager has made appropriate estimates and judgements. The Audit Committee reviews accounting papers prepared by the Portfolio Manager and Administrator which provides details on the main financial reporting judgements.

The Audit Committee also reviews reports by the external auditors which highlight any issues with

### Audit Committee Report - continued

respect to the work undertaken on the audit. The Audit Committee is satisfied that the judgements made by the Investment Manager and Administrator are reasonable, and that appropriate disclosures have been included in the Financial Statements.

### The significant issues considered during the year by the Audit Committee in relation to the Financial Statements and how they were addressed are detailed below:

#### Valuation of investments

Some of the Group's investments (including certain of the Target Assets) will include securities and other interests that are very thinly traded, for which no market exists or which are restricted as to their transferability under applicable laws and/or the relevant investment documentation. Whilst the valuations of the Group's investments will be in compliance with IFRS, some of the Group's investments will be difficult to value. Such valuations may be conducted on an infrequent basis, are subject to a range of uncertainties and will involve the Investment Manager and/or the Audit Committee exercising judgement. The Board reviewed the valuation policy and PAMP went through the valuation process/ techniques with the Board around private asset investments. The Board satisfactorily benchmarked this valuation methodology with a third party. There has been no change to the valuation policy and the process remains the same which has also been confirmed with the Board. The Board are satisfied with the approach and the valuation policy and processes.

#### Revenue

Proceeds from any disposal of the Group's interests in portfolio companies through liquidity events, including sales of equity following IPOs and trade sales, may vary substantially from year to year. In addition, earnings produced by portfolio companies are typically reinvested for the purpose of growth, and payments of dividends by assets are often subject to milestones

which may not be achieved. This means the return received by the Group from these sources may vary substantially from year to year. Notwithstanding that the Group does not expect to receive much in the way of returns from dividends, these variations in overall returns may have a material adverse effect on the portfolio and on the Group's financial condition, results of operations and prospects, with a consequential adverse effect on the Net Asset Value and/or the market price of the Ordinary Shares.

#### External Auditor

The Audit Committee has responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditor. Grant Thornton was appointed as the first auditor of the Group following a competitive tender process. During the year, the Audit Committee received and reviewed audit plans and reports from the external auditor. It is standard practice for the external auditor to meet privately with the Audit Committee without the Investment Manager and other service providers being present at each Audit Committee meeting.

To assess the effectiveness of the external audit process, the auditor was asked to articulate the steps that they have taken to ensure objectivity and independence, including where the auditor provides non-audit services. The Audit Committee monitors the auditor's performance, behaviour and effectiveness during the exercise of their duties, which informs the decision to recommend reappointment on an annual basis.

The Group does not utilise the external auditor for internal audit purposes, secondments, tax compliance, private letter rulings, accounting advice or valuation advice. The Group's auditor performed the audit of the Group's Financial Statements, prepared in accordance with IFRS as issued by the IASB, in accordance with International Standards on Auditing (ISAs).

The audit engagement leader responsible for the audit, Mr Cyril Swale, will rotate off CGL in 2025 after having served five years.



The remuneration paid to Grant Thornton and to other Grant Thornton member firms for audit and non-audit services in respect of the year ended 31 December 2023 is shown below:

	31 December 2023 GBP	31 December 2022 GBP
<b>Audit</b>		
Annual audit of the Group	62,000	49,800
<b>Non- audit</b>		
Desktop review of Unaudited Interim Financial Statements	4,950	4,500
Review of IFRS 10 and requirements for consolidation	–	2,500
Agreed upon procedures in relation to review of the prospectus	31,150	–
	36,100	7,000

For any questions on the activities of the Audit Committee not addressed in the foregoing, a member of the Audit Committee remains available to attend each AGM to respond to such questions.

The Audit Committee Report was approved by the Audit Committee on 18 April 2024 and signed on behalf by:

**Andrew Whittaker**

Chair, Audit Committee

# Independent Auditor's Report to the Members of Castelnau Group Limited

## Opinion

We have audited the consolidated financial statements of Castelnau Group Limited (the "Company") and its subsidiary (the "Group") for the year ended 31 December 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and Notes to the Consolidated Financial Statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the financial position of the Group as at 31 December 2023, and of consolidated financial performance and its consolidated cash flows for the year then ended;
- are in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Standards Board (IASB); and
- comply with the Companies (Guernsey) Law, 2008.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Guernsey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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.

The key audit matter	How the matter was addressed in our audit
<p><b>Valuation of unquoted investments (2023: £258.3m, and 2022: £51.2m)</b></p> <p>We identified the valuation of unquoted investments as one of the most significant assessed risks of material misstatement due to fraud and error, with these being measured using significant estimates and judgements, and inputs that are not based on observable market data (using models incorporating discounted cash flow flows and discount rates) which are subject to estimation uncertainty and the possibility of management override of controls, giving rise to a higher risk of misstatement and requiring significant audit attention.</p> <p>The fair value of unquoted investments may be misstated due to the application of inappropriate methodologies or inappropriate inputs to the valuations and/or inappropriate judgemental factors.</p> <p><i>Refer to the Audit Committee Report (pages 37-39); Accounting policies on pages 52-56, and Note 5, 'Investments in unconsolidated subsidiaries', to the consolidated financial statements.</i></p>	<p><b>Our audit procedures consisted of:</b></p> <ul style="list-style-type: none"> <li>• In responding to the key audit matter, we performed the following audit procedures:</li> <li>• We obtained and inspected the valuation models prepared by the Investment Manager and management's valuation expert, and inspected the supporting data to assess whether the data used is appropriate and relevant.</li> <li>• We assessed whether the valuation of unquoted investments' accounting policy is in line with the requirements of IFRS 13 Fair Value Measurement and consistently applied, and if the valuation models are performed accordingly.</li> <li>• We assessed the independence, competence, and objectivity of management's external valuation expert.</li> <li>• We obtained the valuations prepared by management and the valuation report prepared by management's valuation expert and challenged the valuation conducted by them through the following: <ul style="list-style-type: none"> <li>• We held discussions with the Investment Manager and management's valuation expert to obtain information and understanding of how they valued the unquoted investments and inspected supporting documents we obtained and corroborated the information provided.</li> <li>• We assessed whether the valuation models used by management to estimate the fair values of the unquoted investments is consistent with methods usually used by market participants for similar types of instruments.</li> <li>• We assessed the key assumptions considered within management's valuation expert's report and ensured that these assumptions were reasonable and consistent with the requirements of IFRS 13 'Fair Value Measurement'.</li> <li>• We agreed key inputs/data used in the calculation of the fair value, such as discount rates, growth rates, forecasts etc., through inspecting supporting documents and discussions with management.</li> <li>• We determined if the fair value estimates are within the range of values determined by the audit team.</li> </ul> </li> <li>• We performed back-testing to evaluate the reasonableness of the discount rates applied in the models, the actual performance of the investee entities compared to the projections used in the discounted cash flow models</li> <li>• We evaluated whether fair value disclosure in the consolidated financial statements is appropriate, complete and in accordance with IFRS 13 'Fair Value Measurement'.</li> </ul> <p><b>Our results</b></p> <p>We have not identified any material matters to report to those charged with governance in relation to the fair value measurement of unquoted investments.</p>

### Independent Auditor's Report to the Members of Castelnau Group Limited – continued

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

#### Responsibilities of the directors for the consolidated financial statements

As explained more fully in the statement of directors' responsibilities set out on pages 35 to 36, the directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs as issued by the IASB, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Use of our report

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Independent Auditor's Report to the Members of Castelnau Group Limited – continued

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

#### Cyril Swale

For and on behalf of Grant Thornton Limited  
Chartered Accountants  
St Peter Port  
Guernsey

Date: 18 April 2024

# Financial Statements



# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Notes	31 December 2023 Total GBP	31 December 2022 Total GBP
Income	6	1,992,093	548,767
Expenses	7	(3,924,089)	(1,234,288)
		<b>(1,931,996)</b>	<b>(685,521)</b>
Finance costs	16	(10,710,140)	–
Impairment of financial assets at amortised cost	5	–	(3,000,000)
Movement in expected credit loss provision	5	(3,118,978)	–
Net gains on foreign currency		171	–
Net gains/(losses) on financial assets at fair value through profit or loss	5	7,988,621	(30,405,675)
<b>Loss before tax</b>		<b>(7,772,322)</b>	<b>(34,091,196)</b>
Tax expense	8	(3,081)	(2,889)
<b>Total comprehensive loss for the year</b>		<b>(7,775,403)</b>	<b>(34,094,085)</b>
		Pence	Pence
Loss per Ordinary Share – Basic and diluted	13	(2.83)	(18.53)

All items in the above statement derive from continuing operations. All revenue is attributable to the equity holders of the Group.

The accompanying notes on pages 50 to 79 form an integral part of these Consolidated Financial Statements.



# Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	31 December 2023 GBP	31 December 2022 GBP
<b>NON-CURRENT ASSETS</b>			
Investments - equity	5	273,134,906	122,684,739
Investments - loans	5	8,269,277	9,960,632
Interest receivable - loans		795,616	-
Office equipment		1,819	-
		<b>282,201,618</b>	<b>132,645,371</b>
<b>CURRENT ASSETS</b>			
Investments - loans	5	7,350,000	-
Trade and other receivables	9	261,233	357,102
Cash and cash equivalents		130,954	7,652,732
		<b>7,742,187</b>	<b>8,009,834</b>
<b>TOTAL ASSETS</b>		<b>289,943,805</b>	<b>140,655,205</b>
<b>CURRENT LIABILITIES</b>			
Earn-out liability	10	2,522,126	-
Loans payable	16	47,676,429	-
Finance costs payable	16	8,178,474	-
Other payables	11	314,989	275,857
		<b>58,692,018</b>	<b>275,857</b>
<b>NON-CURRENT LIABILITIES</b>			
Earn-out liability	10	-	2,346,648
<b>TOTAL LIABILITIES</b>		<b>58,692,018</b>	<b>2,622,505</b>
<b>NET ASSETS</b>		<b>231,251,787</b>	<b>138,032,700</b>
<b>EQUITY</b>			
Share capital	12	285,111,251	184,116,761
Retained deficit		(53,859,464)	(46,084,061)
<b>TOTAL EQUITY</b>		<b>231,251,787</b>	<b>138,032,700</b>
<b>Number of Ordinary Shares in issue</b>	12	318,635,256	183,996,058
<b>NAV per Ordinary Share (pence)</b>	14	72.58	75.02

The Consolidated Financial Statements on pages 46 to 79 were approved and authorised for issue by the Board of Directors on 18 April 2024 and signed on its behalf by:

**Joanne Peacegood**  
Director

**Andrew Whittaker**  
Director

The accompanying notes on pages 50 to 79 form an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Note	Share Capital GBP	Retained Deficit GBP	Total GBP
Opening equity		184,116,761	(46,084,061)	138,032,700
Loss for the year		–	(7,775,403)	(7,775,403)
Issue of new Ordinary Shares		100,994,490	–	100,994,490
Closing equity	12	285,111,251	(53,859,464)	231,251,787

For the year ended 31 December 2022

		Share Capital GBP	Retained Deficit GBP	Total GBP
Opening equity		184,116,761	(11,989,976)	172,126,785
Loss for the year		–	(34,094,085)	(34,094,085)
Closing equity	12	184,116,761	(46,084,061)	138,032,700

The accompanying notes on pages 50 to 79 form an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	31 December 2023 GBP	31 December 2022 GBP
<b>Operating activities</b>			
Total comprehensive loss for the year		(7,775,403)	(34,094,085)
Impairment of financial assets at amortised cost	5	–	3,000,000
Movement in expected credit losses	5	3,118,978	–
Net (gains)/losses on financial assets at fair value through profit or loss		(7,988,621)	30,405,675
Net gains on foreign currency		(171)	–
Finance costs	16	10,710,140	–
Depreciation of office equipment		598	–
Decrease/(increase) in trade and other receivables	9	95,869	(318,069)
Increase in provisions	10	175,478	146,648
Increase in payables	11	39,132	87,029
Increase in interest receivable – loans		(795,616)	–
<b>Net cash used in operating activities</b>		<b>(2,419,616)</b>	<b>(772,802)</b>
<b>Investing activities</b>			
Purchases of equity and bonds		(140,961,546)	(107,826,128)
Loans issued	5	(10,486,000)	(13,325,000)
Sale/maturity of equity and bonds	5	–	81,353,360
Cash received from repayment of loans		208,377	3,726,163
Purchase of office equipment		(2,417)	–
<b>Net cash used in investing activities</b>		<b>(151,241,586)</b>	<b>(36,071,605)</b>
<b>Financing activities</b>			
Issue of Ordinary Shares	12	100,994,490	–
Finance costs paid	16	(2,531,666)	–
Proceeds from loans received		89,217,968	–
Repayment of loans received		(41,541,539)	–
<b>Net cash flow from financing activities</b>		<b>146,139,253</b>	<b>–</b>
<b>Decrease in cash and cash equivalents</b>		<b>(7,521,949)</b>	<b>(36,844,407)</b>
Cash and cash equivalents at beginning of year		7,652,732	44,497,139
Exchange gain on cash and cash equivalents		171	–
<b>Cash and cash equivalents at end of year</b>		<b>130,954</b>	<b>7,652,732</b>

The accompanying notes on pages 50 to 79 form an integral part of these Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

## 1. General information

Castelnau Group Limited (the "Company") is a Guernsey domiciled closed-ended investment company which was incorporated in Guernsey on 13 March 2020 under the Companies (Guernsey) Law, 2008. The Company is classified as a registered fund under the Protection of Investors (Bailiwick of Guernsey) Law 2020. Its registered office address is PO Box 255, Les Banques, Trafalgar Court, St. Peter Port, Guernsey GY1 3QL. The Company listed on the London Stock Exchange's Specialist Fund Segment ("SFS") on 18 October 2021.

The Annual Report and Audited Consolidated Financial Statements (the "Consolidated Financial Statements" or the "Financial Statements") comprise the Financial Statements of Castelnau Group Limited and Castelnau Group Services Limited (the "Subsidiary") (incorporated on 14 June 2022), together referred to as the "Group".

The Group's principal activity is to seek to achieve a high rate of compound return over the long term by carefully selecting investments using a thorough and objective research process and paying a price which provides a material margin of safety against permanent loss of capital, but also a favourable range of outcomes.

Details of the Directors, Investment Manager and Advisers can be found on page 82.

The Financial Statements of the Group are presented for the year ended 31 December 2023 and were authorised for issue by the Board on 18 April 2024.

## 2. Accounting policies

### a. Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are in compliance with The Companies (Guernsey) Law, 2008. The Group is subject also to the continuing obligations imposed on all investment companies whose shares are admitted to trading on the SFS of the Main Market.

These Financial Statements are presented in Sterling ("GBP" or "£"), which is also the Group's functional currency.

### b. Going concern

The Directors believe that, having considered the principal risks and uncertainties disclosed on page 26 as well as the Group's investment objective, financial risk management and in view of the Group's holdings in cash and cash equivalents, the liquidity of investments and the income deriving from those investments, the Group has adequate financial resources and suitable management arrangements in place to continue as a going concern for at least twelve months from the date of approval of the Financial Statements. Liquidity is projected and monitored constantly throughout the year to ensure adequate financial resources.

### c. Basis of measurement

The Financial Statements have been prepared under the historical cost basis, except for financial assets held at fair value through profit or loss ("FVTPL") and loans measured at amortised cost less impairment.

### d. New standards, interpretations and amendments adopted by the Group

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning on or after 1 January 2023:

IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ( <i>amendments to IAS 12</i> )	1 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors ( <i>amendments regarding the definition of accounting estimates</i> )	1 January 2023
IAS 1	Disclosure of Accounting Policies ( <i>amendments to IAS 1 and IFRS Practice Statement 2</i> )	1 January 2023

The adoption of these standards has not had a significant effect on the measurement of the amounts recognised in the Financial Statements of the Group.

### New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

IAS 1	Presentation of Financial Statements ( <i>amendments regarding the classification of liabilities and the disclosure of accounting policies</i> )	1 January 2024
IFRS 7; IFRS 7	Supplier Finance Arrangements ( <i>amendments to IAS 7 and IFRS 7</i> )	1 January 2024
IFRS S1; IFRS S2	<i>IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2)</i>	1 January 2024
IAS 21	Lack of Exchangeability ( <i>amendments to IAS 21</i> )	1 January 2025

### e. Basis of consolidation

The Group's Financial Statements consolidate those of the parent company and its subsidiary as of 31 December 2023. The reporting date for the Group is 31 December.

A subsidiary is an entity over which the Company exercises control. A subsidiary is fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of the Subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of the Subsidiary is recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

### Notes to the Consolidated Financial Statements – continued

The main purpose and activities of the Subsidiary are providing services that relate to the Group's investment activities and therefore the entity is required to consolidate the Subsidiary.

Set out below are the details of the Subsidiary held directly by the Group:

Name of Subsidiary	Date of acquisition	Domicile	Ownership
Castelnau Group Services Limited "CGSL"	14 June 2022	United Kingdom	100%

Castelnau Group Limited acquired 50,000 ordinary shares in CGSL at a total cost of £50,000. No goodwill, bargain purchase or other gains were recognised on the acquisition of CGSL.

As at 31 December 2023, the net asset value of CGSL is £72,183 (31 December 2022: £59,048) which is made up of assets of £257,466 and liabilities of £185,283 (31 December 2022: assets of £192,360 and liabilities of £133,312).

The objective of CGSL is to provide skilled services to the Group's portfolio companies. Additional background information can be found in the Directors' Report on page 18.

## 3. Material accounting policies

### a. Financial instruments

#### Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

#### Financial assets

##### Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into one of the following categories:

- amortised cost,
- fair value through profit or loss (FVTPL), or
- fair value through other comprehensive income (FVOCI).

In the periods presented, the Group does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset.

##### Subsequent measurement of financial assets

###### a) Investments as FVTPL

Investments held at fair value through profit or loss are initially recognised at fair value, being the consideration given and excluding transaction or other dealing costs associated with the investment. Refer to note 4 and note 5 for judgements, estimations and assumptions made in relation to financial instruments.

After initial recognition, investments are measured at fair value through profit or loss. Gains or losses on investments measured at fair value through profit or loss are included in the Consolidated Statement of Comprehensive Income and transaction costs on acquisition or disposal of investments are also included in the Consolidated Statement of Comprehensive Income.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the year end date. All purchases and sales of investments are recognised on the trade date, i.e. the date that the Group commits to purchase or sell an asset. Investments held at fair value through profit or loss are initially recognised at fair value, being the consideration given and excluding transaction or other dealing costs associated with the investment.

Unquoted investments are measured at fair value, which is determined by the Directors in accordance with the International Private Equity and Venture Capital Valuation Guidelines and IFRS 13. Valuation reports provided by the Investment Manager of the unquoted investments are used to calculate the fair value where there is evidence that the valuation is derived using fair value principles that are consistent with the Group's accounting policies and valuation methods. Such valuation reports may be adjusted to take account of changes or events to the reporting date, or other facts and circumstances which might impact the underlying value.

Silverwood Brands Plc, currently suspended from its Aquis Growth Market listing, was measured at fair value determined as described above.

Upon the sale of an investment, in part or wholly, the fair value would be the expected sale price where this is known or can be reliably estimated.

### **b) Financial assets at amortised cost**

The Group's financial assets at amortised cost are made up of loans to investments and receivables.

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial.

### **Fair value hierarchy**

Under IFRS 13, investment companies are required to disclose the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair values.

- Level 1** Valued using quoted prices in active markets for identical assets
- Level 2** Valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1
- Level 3** Valued by reference to valuation techniques using inputs that are not based on observable market data

### Notes to the Consolidated Financial Statements – continued

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

#### Impairment of financial assets

The impairment requirements of IFRS 9 use forward-looking information to recognise expected credit losses – the ‘expected credit loss (ECL) model’. Instruments within the scope of the requirements included loans and trade receivables.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (‘Stage 1’) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (‘Stage 2’).

‘Stage 3’ would cover financial assets that have objective evidence of impairment at the reporting date.

‘12-month expected credit losses’ are recognised for the first category (i.e. Stage 1) while ‘lifetime expected credit losses’ are recognised for the second category (i.e. Stage 2).

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### Receivables

Other receivables are amounts due in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment assessed using the simplified approach of expected credit loss model on experience of previous losses and expectation of future losses.

#### Financial liabilities

##### Classification and measurement of financial liabilities

The Group’s financial liabilities are made up of loans payable, finance costs payable, and trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss. All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss are included within finance costs or finance income.

#### b. Income and expenses

All income and expenses are included in the Consolidated Statement of Comprehensive Income on an accruals basis and are recognised through profit or loss in the Consolidated Statement of Comprehensive Income.



### c. Foreign currency

The currency of the primary economic environment in which the Group operates (the functional currency) is Pound sterling ("Sterling"), which is also the presentational currency of the Group. Transactions involving currencies other than Sterling are recorded at the exchange rate ruling on the transaction date. At each year end date, monetary items and non-monetary assets and liabilities, which are fair valued, and which are denominated in foreign currencies, are retranslated at the closing rates of exchange. Such exchange differences are included in the Consolidated Statement of Comprehensive Income as net gains on foreign currency and net gains/(losses) on financial assets at fair value through profit or loss, as appropriate.

### d. Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Cash Flows comprise cash held at bank.

### e. Share capital

The Group's Ordinary Shares are classified as equity in accordance with IAS 32. There is no contractual obligation to deliver cash or another financial asset.

### f. Taxation

The parent company, Castelnau Group Limited, has been granted Exempt Status under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 to income tax in Guernsey. Its liability for Guernsey taxation is limited to an annual fee of £1,200 (2022: £1,200). The activities of the Company do not constitute relevant activities as defined by the Income Tax (Substance Requirements) (Implementation) Regulations, 2018 (as amended) and as such the Company was out of scope.

The tax expense represents the aggregate amount of current and deferred tax recognised in the reporting period for the Subsidiary, domiciled in the United Kingdom. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

### g. Provisions, contingent assets and contingent liabilities

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

The Group had no provisions, contingent assets or contingent liabilities as at 31 December 2023 (2022: Nil).

### h. Operating segments

The Board has considered the requirements of IFRS 8 "Operating Segments" and is of the opinion that the Group is engaged in two segments of business. In identifying these operating segments, management follows the objectives of Castelnau Group Limited and the Subsidiary. The financial information used by the Board to manage

### Notes to the Consolidated Financial Statements – continued

the Group presents the business as two segments. Segment information is measured on the same basis as that used in the preparation of the Group's Consolidated Financial Statements.

The Group receives revenues from interest on loans, bank interest and consultancy services. Segment information for the financial year is detailed in note 6.

## 4. Judgements, estimations or assumptions

The Directors have reviewed matters requiring judgements, estimations or assumptions. The preparation of the Financial Statements requires management to make judgements, estimations or assumptions that affect the amounts reported for assets and liabilities as at the year end date and the amounts reported for revenue and expenses during the year. However, the nature of the estimation means that actual outcomes could differ from those estimates.

### Key sources of estimation uncertainty

#### 4.1 Investment valuation

The critical estimate or assumption that may have a significant risk of causing a material adjustment to the Group's NAV relates to the valuation of the Group's unquoted (Level 3) investments, which is approximately 110.65% of the Group's NAV.

The Level 3 holdings are valued in line with accounting policies as disclosed in note 3(a).

Whilst the Board considers the methodologies and assumptions adopted in the valuation of unquoted investments are reasonable and robust, because of the inherent uncertainty of the valuation, the values used may differ significantly from the values that would have been used had a ready market for the investment existed and the differences could be significant. These values may need to be revised as circumstances change and material adjustments may still arise as a result of revaluation of the unquoted investments fair value within the next year. See note 5 for further information regarding the valuation of investments and the sensitivity of fair value to changes in unobservable inputs.

### Other sources of estimation uncertainty

#### 4.2 Earn-out liability

The total purchase price for Rawnet included both an up-front consideration as well as an earn-out payment contingent on future performance of the business. In addition to the valuation of the investment, there was an assessment of the fair value of the liability related to the potential future payment of the earn-out (see note 10). In line with IFRS 3, the earn-out payment has been recognised at fair value (taking into account the probability of payment and a discount rate). The earn-out payment is considered to be additional purchase price and as such the fair value of the earn-out payment has been recorded as a liability and the fair value considered part of the purchase price. Subsequent remeasurement of the liability is recognised under expenses in the Consolidated Statement of Comprehensive Income as "Change in fair value of earn-out liability".

### Judgements

#### 4.3 Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are as follows:

- (i) An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- (ii) An entity that commits to its investors that its business purpose is to invest solely for returns from capital appreciation, investment income or both; and
- (iii) An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Group has several investors that have access to investment management services and opportunities. In addition, some of the investors are not related parties of the Group or members of the Group.

The Group's objective to provide a "high rate of compound return" is consistent with that of an investment entity.

The Group has clearly defined exit strategies for each of its investment classes, these strategies are again consistent with an investment entity.

The Group uses a variety of methods or valuation techniques and makes assumptions based on market conditions existing at each Consolidated Statement of Financial Position date to value financial assets at fair value through profit or loss that are not traded in active markets. The valuation techniques have been prepared with the goal that fair value measurements derived when using these valuation techniques are compliant with IFRS. The Board have satisfactorily benchmarked this methodology with an independent third party.

The Directors, upon considering the above criteria, have concluded that the Group meets the definition of an investment entity. Therefore, the Group has classified its investments at fair value through profit or loss in the Consolidated Statement of Financial Position with the exception of CGSL. An investment entity is still required to consolidate a subsidiary where that subsidiary largely provides services that relate to the investment entity's activities. The subsidiary is discussed in note 2(e).

Notes to the Consolidated Financial Statements – continued

## 5. Investments in unconsolidated subsidiaries

	FVTPL Bonds GBP	FVTPL Equity GBP	Amortised cost Loans GBP	Total GBP
<b>INVESTMENTS</b>				
Opening portfolio cost	–	163,111,446	12,960,632	176,072,078
Purchases at cost	–	199,447,865	10,486,000	209,933,865
Proceeds on maturity/principal repayment	–	(56,986,319)	(1,708,377)	(58,694,696)
Realised losses on sale/maturity/write-off	–	(13,689,391)	(3,000,000)	(16,689,391)
<b>Cost</b>	<b>–</b>	<b>291,883,601</b>	<b>18,738,255</b>	<b>310,621,856</b>
Unrealised gains on investments	–	30,380,621	–	30,380,621
Unrealised losses on investments*	–	(49,129,316)	(3,118,978)	(52,248,294)
<b>Fair value/carrying amount</b>	<b>–</b>	<b>273,134,906</b>	<b>15,619,277</b>	<b>288,754,183</b>
Realised losses on sale/maturity/write-off	–	(13,689,391)	(3,000,000)	(16,689,391)
Movement in unrealised gains on investments	–	24,467,275	–	24,467,275
Movement in unrealised losses on investments*	–	(2,789,263)	(118,978)	(2,908,241)
<b>Net gains/(losses) on financial assets</b>	<b>–</b>	<b>7,988,621</b>	<b>(3,118,978)</b>	<b>4,869,643</b>

\* £3,118,978 of unrealised losses on financial assets at amortised cost represents expected credit losses on loan facilities with Showpiece Technologies Limited, Cambium International Limited and Rawnet Limited. See page 60 for further information.

### For the year ended 31 December 2022

	FVTPL Bonds GBP	FVTPL Equity GBP	Amortised cost Loans GBP	Total GBP
<b>INVESTMENTS</b>				
Opening portfolio cost	–	136,639,291	3,361,795	140,001,086
Purchases at cost	81,353,973	26,472,155	13,325,000	121,151,128
Proceeds on maturity/principal repayment	(81,353,360)	–	(3,726,163)	(85,079,523)
Realised losses on maturity	(613)	–	–	(613)
<b>Cost</b>	<b>–</b>	<b>163,111,446</b>	<b>12,960,632</b>	<b>176,072,078</b>
Unrealised gains on investments	–	5,913,346	–	5,913,346
Unrealised losses on investments/impairment	–	(46,340,053)	(3,000,000)	(49,340,053)
<b>Fair value/carrying amount</b>	<b>–</b>	<b>122,684,739</b>	<b>9,960,632</b>	<b>132,645,371</b>
Realised losses on maturity	(613)	–	–	(613)
Movement in unrealised gains on investments	–	5,143,839	–	5,143,839
Movement in unrealised losses on investments/impairment	–	(35,548,901)	(3,000,000)	(38,548,901)
<b>Net losses on financial assets</b>	<b>(613)</b>	<b>(30,405,062)</b>	<b>(3,000,000)</b>	<b>(33,405,675)</b>

The transaction charges on the purchase and sale of investments during the current year were £11 (31 December 2022: £2,904) included in the Consolidated Statement of Comprehensive Income.

Name of investee company	Date of acquisition	Domicile	Ownership
Rawnet Limited	12 February 2021	United Kingdom	100.00%
Showpiece Technologies Limited	12 November 2021	United Kingdom	80.00%
Ocula Technologies Holdings Limited	22 January 2021	United Kingdom	50.26%
Silverwood Brands Plc	13 October 2022	United Kingdom	1.75%
Phoenix SG Limited	14 October 2021	Cayman Islands	64.02%
Cambium International Limited	14 October 2021	Cayman Islands	60.16%
Valderrama Limited	14 April 2023	Channel Islands	65.39%

#### Loans

As at 31 December 2022, the Group had a loan facility of £3,000,000 with Ocula Technologies Holdings Limited (“Ocula”) as borrower with a termination date of 6 May 2024 and no interest accruing or payable. On 3 March 2023, the loan was written off as part of funding round whereby LBG Equity Investments Limited, part of the Lloyds Banking Group acquired 14.54% of Ocula through the issue of new shares at a post-money valuation for Ocula of £10 million, resulting in an increase in the value of the Group’s holding in Ocula from £700,367 pre-money to £4,925,247 post-money. The Group held 50.26% of the issued share capital after the LBG Equity Investments Limited, part of the Lloyds Banking Group, investment.

### Notes to the Consolidated Financial Statements – continued

The Group had a loan facility for £1,500,000 with Silverwood Brands Plc as borrower, with interest accruing at 15%. On 31 May 2023, the loan (plus accrued interest of £99,247) was converted into equity in Silverwood at the conversion price of 79 pence per Ordinary Share. The Group held 1.8% of the equity in Silverwood following the conversion.

The Group has a loan facility for £4,399,999 dated with Silverwood Brands Plc as borrower. The termination date is 12 April 2024. Interest is accrued at 15%. Post year end on 29 January 2024, the loan (excluding interest) was converted into equity in Silverwood at conversion price of 54 pence per ordinary share. The accrued interest will remain as an outstanding loan, in line with the original loan terms, accruing interest at 15%. The Group will hold 4.7% of the equity in Silverwood following the conversion.

The Group had a loan facility of £450,000 dated 15 November 2023 with Phoenix S.G. Limited as borrower. The facility was extended to account for the costs of the administration process for Stanley Gibbons, and the initial working capital required for the Strand Collectibles entity which reacquired the assets from administration. The termination date was 31 December 2023. Interest was accrued at 5% and remains payable. Post year end on 4 January 2024, the loan facility was increased to £6,066,000, the termination date was extended to 31 December 2025 and interest rate was amended to 15% per annum.

The Group has a loan facility of £4,200,000 with Showpiece Technologies Limited as borrower. During the year, an amount of £2,307,000 was recognised as expected credit loss. The termination date is 19 November 2024. No interest shall accrue or be payable.

The Group has a loan facility of £1,186,795 with Rawnet Limited as borrower. During the year, an amount of £6,978 was recognised as expected credit loss. The termination date is 16 February 2025. No interest shall accrue or be payable.

The Group had a loan facility of £2,000,000 with Cambium International Limited as borrower. The termination date was 11 March 2023. On this date, the loan facility was increased to £7,500,000 and the termination date was extended to 11 March 2025. A further increase to £9,400,000 was made on 12 December 2023. During the year, an amount of £805,000 was recognised as expected credit loss. No interest was accrued or payable.

For more information on the expected credit loss adjustments, see accounting policy on the impairment of financial assets in note 3 to the Consolidated Financial Statements.

The utilised amounts on each facility are disclosed on the Portfolio Holdings on page 7.

The following table analyses, within the fair value hierarchy, the Group's investments measured at fair value through profit and loss as at 31 December 2023 and 2022:

	<b>31 December 2023 GBP</b>	<b>31 December 2022 GBP</b>
<b>Classification</b>		
Level 1	14,785,032	69,315,063
Level 2	–	2,171,429
Level 3	258,349,874	51,198,247
<b>Total non-current investments held at 'FVTPL'</b>	<b>273,134,906</b>	122,684,739

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting year during which the transfers have occurred. During the year ended 31 December 2023, due to the temporary suspension of trading of Silverwood Brands Plc's ordinary shares on the Aquis Growth Market, the Group has classified its holding in Silverwood as Level 3. There were no other transfers between levels during the year (31 December 2022: Nil).

The following table presents the movement in Level 3 investments measured at fair value through profit and loss for the years ended 31 December 2023 and 31 December 2022:

	31 December 2023 GBP	31 December 2022 GBP
<b>Level 3 investments</b>		
Opening balance	51,198,247	28,207,784
Purchases of financial assets	197,837,646	23,928,245
Net realised losses for the year	(3)	–
Net unrealised gains/(losses) for the year	6,845,993	(937,782)
Transfers from Level 2 to Level 3	2,467,991	–
<b>Closing balance</b>	<b>258,349,874</b>	51,198,247

### Measurement of fair value of investments

Listed assets are priced using end of day market prices. For investments that are not listed, Phoenix has processes in place to ensure valuations provide an objective, consistent and transparent basis for the fair value of unquoted securities in accordance with International Financial Reporting Standards. Phoenix creates individual valuation frameworks for all unlisted securities. The final framework will vary depending on the characteristics of the holding (for instance it may also incorporate a listed aspect or loan).

To ensure the unlisted valuation framework is robust, Phoenix engages a third-party valuation expert to review the methodologies and assumptions for each new material unlisted security. Then on at least a semi-annual basis the third-party valuation expert will review and verify the framework and carry out an independent valuation against which the Investment Manager's valuation is compared. Independent value verification may be more frequent depending on the characteristics of each investment and the occurrence of a material change in value. Although Phoenix is ultimately responsible for the final valuation, in practice, Phoenix would work with the third-party valuation expert to agree a valuation. If Phoenix could not agree, a final decision would be made at Board level.

There may be circumstances when Phoenix values an unlisted security at cost when that represents Phoenix's best estimate of fair value. In this scenario and when investments are deemed immaterial in the context of their value relative to the total portfolio value and there are no significant changes to the portfolio company from when it was purchased (i.e., no material changes to cash flow projections, no material change in the performance of the portfolio company, and no transactions have taken place of the portfolio company shares with other parties), then no third-party valuation review will be obtained.

Unlisted equities will be valued monthly by the Phoenix investment team. These valuations will then be reviewed and approved by Phoenix's business team who are functionally separate from the investment team. Ultimate approval of the valuation is from Phoenix's COO. The Phoenix business team will liaise directly with the third-party valuation expert who review PAMP's valuation methodology to ensure the framework and valuation is robust.

### Notes to the Consolidated Financial Statements – continued

The following valuation techniques are used for instruments categorised in Level 3:

**Investment in Silverwood** – Silverwood is a company incorporated in the United Kingdom that invests in and supports consumer brands in health and beauty, speciality foods and other sectors. Silverwood is currently suspended from its Aquis Growth Market listing, and was measured at fair value, taking into account changes or events to the reporting date, or other facts and circumstances which might impact the underlying value. Fair value is estimated by discounting the expected cash flows of a business to present value at a discount rate that reflects the timing and risk of collecting the projected cash flows.

**Investment in Valderrama** – Valderrama (acquired during the year), was initially valued at the acquisition cost of Dignity Plc less transaction costs. Subsequently, the Group's investment in Valderrama is determined using a discounted cash flow model. This approach indicates fair value based on the present value of the cash flows that a business (or security) is expected to generate in the future. Fair value is estimated by discounting the expected cash flows of a business to present value at a discount rate that reflects the timing and risk of collecting the projected cash flows.

**Investment in Phoenix S.G (“PSG”)** – PSG is a company incorporated in the Cayman Islands whose sole purpose is to make a number of investments in Stanley Gibbons entities. The Group's investment in PSG is valued by utilising the Net Asset Value per share of PSG. The Net Asset Value of PSG includes its shares in Strand Collectibles Group (“SCG”) and a loan to SCG. SCG is 100% owned by PSG and the fair value of SCG was determined using a discounted cash flow model.

**Investment in Rawnet** – The fair value of this investment was determined using a discounted cash flow model. This approach indicates fair value based on the present value of the cash flows that a business (or security) is expected to generate in the future. Fair value is estimated by discounting the expected cash flows of a business to present value at a discount rate that reflects the timing and risk of collecting the projected cash flows.

**Investment in Cambium** – Cambium is a company incorporated in the Cayman Islands whose sole purpose is to invest in Cambium Group UK Holdings Limited. The Group's investment in Cambium is valued by utilising the Net Asset Value per share of Cambium. The fair value of Cambium includes its 100% ownership of Cambium Group UK Holdings Limited. The fair value of Cambium was determined using a discounted cash flow model.



### Quantitative information of significant unobservable inputs and sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy

The significant unobservable inputs used in fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity as at 31 December 2023 are shown below:

Description	Significant unobservable input	Estimate of the input	Sensitivity of fair value to changes in unobservable inputs
Investment in Valderrama	Discount rate	15%	An increase to 16%/(decrease to 14%) would (decrease)/increase fair value by (-10%)/+10%
	Inflation	2%	An increase to 3%/(decrease to 1%) would increase/(decrease) fair value by +25%/(-27%)
	Funeral plan excess return	2.5%	An increase to 3.5%/(decrease to 1.5%) would increase/(decrease) fair value by +16%/(-20%)
	Terminal growth rate	2%	An increase to 3%/(decrease to 1%) would increase/(decrease) fair value by +4%/(-4%)
	Annual operating profit	n/a	An increase of 5%/(decrease of -5%) would increase/(decrease) fair value by +8%/(-9%)
Investment in Phoenix S.G.	Discount rate	15%	An increase to 16%/(decrease to 14%) would (decrease)/increase fair value by (-7%)/+9%
	Terminal growth rate	2%	An increase to 3%/(decrease to 1%) would increase/(decrease) fair value by +3%/(-3%)
	Annual operating profit	n/a	An increase of 5%/(decrease of -5%) would increase/(decrease) fair value by +5%/(-5%)
Investment in Rawnet	Discount rate	15%	An increase to 18%/(decrease to 12%) would (decrease)/increase fair value by (-16%)/+19%
	FY22-27 Compound sales Growth rate	9%	An increase to 13%/(decrease to 8%) would increase/(decrease) fair value by +100%/(-65%)
Investment in Cambium	Discount rate	15%	An increase to 16%/(decrease to 14%) would (decrease)/increase fair value by (-9%)/+10%
	Revenue growth rate	12%	An increase to 14%/(decrease to 10%) would increase/(decrease) fair value by +9%/(-8%)
	Group product margin	45%	An increase to 46%/(decrease to 44%) would increase/(decrease) fair value by +4%/(-4%)

### Notes to the Consolidated Financial Statements – continued

The significant unobservable inputs used in fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity as at 31 December 2022 are shown below:

Description	Significant unobservable input	Estimate of the input	Sensitivity of fair value to changes in unobservable inputs
Investment in Phoenix S.G.	Discount rate	15%	An increase to 16%/(decrease to 14%) would (decrease)/increase fair value by (-9.52%)/11.34%
	Sales rate exc auctions	10%	An increase to 12%/(decrease to 8%) would increase/(decrease) fair value by 5.02%/(-4.93%)
	Sales rate auctions	29%	An increase to 31%/(decrease to 27%) would increase/(decrease) fair value by 3.88%/(-3.84%)
	Coins margins exc auctions	28%	An increase to 30%/(decrease to 26%) would increase/(decrease) fair value by 4.06%/(-4.16%)
	Coins auction sales margins	20%	An increase to 22%/(decrease to 18%) would increase/(decrease) fair value by 4.11%/(-4.20%)
	Stamps margins exc auctions	44%	An increase to 45%/(decrease to 43%) would increase/(decrease) fair value by 1.78%/(-1.83%)
	Stamp auction sales margins	27%	An increase to 29%/(decrease to 25%) would increase/(decrease) fair value by 6.80%/(-6.85%)
Investment in Rawnet	FY22-26 Compound sales Growth rate	19%	An increase to 24%/(decrease to 15%) would increase/(decrease) fair value by 82%/(-59%)
	Discount rate	15%	An increase to 18%/(decrease to 12%) would (decrease)/increase fair value by (-19%)/24%
Investment in Cambium	Discount rate	12.5%	An increase to 13.5%/(decrease to 11.5%) would (decrease)/increase fair value by (-6.76%)/7.65%
	Revenue growth rate	12%	An increase to 13%/(decrease to 11%) would increase/(decrease) fair value by 7.35%/(-7.65%)
	Group product margin	42%	An increase to 44%/(decrease to 40%) would increase/(decrease) fair value by 0.88%/(-1.18%)

## 6. Segment reporting

The Group had two reportable segments which are Castelnau Group Limited (an investment company with an objective to compound Shareholders' capital at a higher rate of return than the FTSE All-Share Total Return Index over the long term) and Castelnau Group Services Limited (a company that provides marketing and branding services). In identifying these operating segments, management follows the objectives of Castelnau Group Limited and Castelnau Group Services Limited.

The accounting policy for the reportable segments are consistent with the Group's accounting policy described in note 3.

Segment information for the financial year is as follows:

	Castelnau Group Limited	Castelnau Services Group Limited	Total 31 December 2023
<b>Income</b>			
Consultancy services	–	1,122,884	1,122,884
Interest income	864,209	–	864,209
Other income	–	5,000	5,000
<b>Segment income</b>	<b>864,209</b>	<b>1,127,884</b>	<b>1,992,093</b>
Gross wages	–	(592,014)	(592,014)
Other expenses	(2,812,456)	(519,619)	(3,332,075)
	(2,812,456)	(1,111,633)	(3,924,089)
Finance costs	(10,710,140)	–	(10,710,140)
Net gains on foreign currency	171	–	171
Net gains on financial assets	4,869,643	–	4,869,643
<b>Segment (loss)/profit before tax</b>	<b>(7,788,573)</b>	<b>16,251</b>	<b>(7,772,322)</b>
Taxation	–	(3,081)	(3,081)
<b>Segment comprehensive (loss)/income</b>	<b>(7,788,573)</b>	<b>13,170</b>	<b>(7,775,403)</b>
Segment assets	289,685,742	258,063	289,943,805
Segment liabilities	(58,537,391)	(154,627)	(58,692,018)
<b>Segment net assets</b>	<b>231,148,351</b>	<b>103,436</b>	<b>231,251,787</b>

### Notes to the Consolidated Financial Statements – continued

Segment information for the year ended 31 December 2022 is as follows:

	Castelnau Group Limited	Castelnau Services Group Limited*	Total 31 December 2022
<b>Income</b>			
Consultancy services	–	327,895	327,895
Interest income	220,872	–	220,872
<b>Segment income</b>	<b>220,872</b>	<b>327,895</b>	<b>548,767</b>
Gross wages	–	(299,141)	(299,141)
Other expenses	(918,330)	(16,817)	(935,147)
	(918,330)	(315,958)	(1,234,288)
Net losses on financial assets	(33,405,675)	–	(33,405,675)
<b>Segment (loss)/profit before tax</b>	<b>(34,103,133)</b>	<b>11,937</b>	<b>(34,091,196)</b>
Taxation	–	(2,889)	(2,889)
<b>Segment comprehensive (loss)/income</b>	<b>(34,103,133)</b>	<b>9,048</b>	<b>(34,094,085)</b>
Segment assets	140,462,845	192,360	140,655,205
Segment liabilities	(2,489,193)	(133,312)	(2,622,505)
<b>Segment net assets</b>	<b>137,973,652</b>	<b>59,048</b>	<b>138,032,700</b>

\* From date of acquisition, 14 June 2022.

## 7. Expenses

	<b>31 December 2023 GBP</b>	<b>31 December 2022 GBP</b>
Administrator's fee	107,231	78,386
Audit fees	72,198	45,841
Change in fair value of earn-out liability	175,478	146,648
Depositary fee	49,475	30,297
Depreciation of office equipment	598	–
Directors' fee	135,000	135,000
Employee benefits*	592,014	299,141
Investment transaction charges	11	2,904
Legal and professional fees**	2,490,902	258,358
Operating expenses	135,114	91,568
Sundry costs	128,288	115,848
Trustee fee	37,780	30,297
	<b>3,924,089</b>	<b>1,234,288</b>

\*\* Includes expenses of £1,463,661 related to the Dignity Plc acquisition during the year ended 31 December 2023 and non-audit fees of £4,950 (2022: £7,000).

### 7.1 Employee benefits expense

	<b>31 December 2023 GBP</b>	<b>31 December 2022 GBP</b>
<b>*Included in expenses</b>		
Wages and salaries	515,694	281,692
Employers' national insurance contributions	61,682	14,183
Pension costs	12,412	3,266
Employee healthcare	2,226	–
	<b>592,014</b>	<b>299,141</b>

### Notes to the Consolidated Financial Statements – continued

## 8. Taxation

The main components of income tax for the Subsidiary are detailed below:

	31 December 2023 GBP	31 December 2022 GBP
Profit before tax	16,216	15,204
Tax chargeable – Tax rate 19%	3,081	2,889
Deferred tax	–	–
<b>Tax expense</b>	<b>3,081</b>	<b>2,889</b>

Reconciliation of profit before tax and the accounting profit:

	31 December 2023 GBP	31 December 2022 GBP
Accounting profit before tax	16,216	11,937
Disallow: Employer's pension payments	12,412	3,267
<b>Adjusted profit before tax</b>	<b>28,628</b>	<b>15,204</b>

## 9. Trade and other receivables

	31 December 2023 GBP	31 December 2022 GBP
Prepayments	44,486	51,860
Income receivable	11,770	151,468
Trade receivables	204,977	153,774
	<b>261,233</b>	<b>357,102</b>

## 10. Earn-out liability

	31 December 2023 GBP	31 December 2022 GBP
Earn-out liability – Non-current	–	2,346,648
Earn-out liability – Current	2,522,126	–
	<b>2,522,126</b>	<b>2,346,648</b>

The earn-out liability, at year end, was calculated as the fair value of the liability related to the potential future payment of the Rawnet earn-out. The total earn-out payment was to be crystallised over three different periods, with a maximum payment of £903,311 at each crystallisation date. Payments for all three years were due to be made within 5 days of 12 February 2024. The amount of the earn-out was conditional on the growth and performance of certain Rawnet clients (other Castelnau portfolio companies). It was considered likely that the earn-out would be paid in full based on expectations as of the valuation date. While full payment of the first and second tranches was effectively guaranteed, there was some uncertainty with regards to the final tranche.

Post year end, an earn-out amount of £2,464,361 was agreed to be paid, reflecting good performance in the first two periods and a reduction in the maximum available year three earn-out due to third year performance.

## 11. Other payables

	<b>31 December 2023 GBP</b>	<b>31 December 2022 GBP</b>
Other accrued expenses	149,546	156,199
Trade payables	134,788	93,923
Social security and other taxes	30,655	25,735
	<b>314,989</b>	<b>275,857</b>

## 12. Share capital

	<b>31 December 2023 GBP</b>	<b>31 December 2022 GBP</b>
Share capital at the beginning of the year	184,116,760	184,116,760
Issue of Ordinary Shares	100,994,490	–
Allotted, called up and fully paid Ordinary Shares*	285,111,250	184,116,760
Class B Share held by the Investment Manager**	1	1
<b>Total Share capital at the end of the year</b>	<b>285,111,251</b>	<b>184,116,761</b>

### Notes to the Consolidated Financial Statements – continued

#### Reconciliation of number of Ordinary Shares

	<b>31 December 2023 GBP</b>	<b>31 December 2022 GBP</b>
Ordinary Shares at the beginning of the year	183,996,058	183,996,058
Issue of Ordinary Shares	134,639,198	–
<b>Total number of Ordinary Shares in issue*</b>	<b>318,635,256</b>	<b>183,996,058</b>
Class B Share held by the Investment Manager**	1	1

\* No par value with one voting right per share

\*\* Held by the Investment Manager with no voting rights

On 23 January 2023, the boards of directors of Dignity and Bidco, a newly formed company indirectly owned or controlled by a consortium comprised joint offerors SPWOne V Limited (“SPWOne”), the Group and PAMP, together with SPWOne and Castelnaud (the “Consortium”), announced that they had reached agreement on the terms of a recommended cash offer to be made by Bidco to acquire the entire issued and to be issued share capital of Dignity, other than the Dignity shares already owned or controlled by the Group and PAMP (the “Announcement”).

On 1 February 2023, the Group published a prospectus (the “Prospectus”) containing details of:

- a proposed issue of up to 133,052,656 new Ordinary Shares to be issued by the Company in connection with the acquisition of Dignity Plc (the “Takeover Offer”);
- a proposed issue of up to 32,442,740 Ordinary Shares to be issued by the Company pursuant to the Consortium Rollover;
- a placing of up to 154,000,000 Ordinary Shares at 75.02p (the “Issue Price”) per Ordinary Share (the “Placing”); and
- a placing programme for up to 300,000,000 Ordinary Shares and/or C Shares (the “Placing Programme”).

The Placing was intended to raise proceeds to assist with the funding of the Company’s cash funding obligation pursuant to the Takeover Offer and, if sufficient, further investment in accordance with the Company’s investment policy.

On 5 May 2023, the Group announced that it had raised gross proceeds of £56.6 million through the placing of an aggregated of 75,461,138 new Ordinary Shares.

A further 26,727,844 Ordinary Shares were issued in connection with the Takeover Offer to those Dignity Shareholders who opted for the Listed Share Alternative. In addition, 32,442,737 Ordinary Shares were issued pursuant to the Consortium Rollover as described in the Prospectus. The aggregate number of new Ordinary Shares issued pursuant to the Placing, Takeover Offer and Consortium Rollover was 134,631,719.

On 19 July 2023, the Company issued a further 7,479 Ordinary Shares in connection with the Listed Share Alternative pursuant to the Statutory Squeeze Out. Following this, the Company’s issued share capital was 318,635,256 Ordinary Shares with one voting right per share, and 1 Class B Share held by the Investment Manager with no voting rights.

The Group did not purchase any of its own shares during the year ended 31 December 2023 or during the year ended 31 December 2022. No shares were cancelled during either year.



No shares were held in Treasury or sold from Treasury during the year ended 31 December 2023 or during the year ended 31 December 2022.

### 13. Loss per Ordinary Share

Loss per Ordinary Share is based on the loss of £7,775,403 (31 December 2022: £34,094,085) attributable to the weighted average of 274,368,675 (31 December 2022: 183,996,058) Ordinary Shares in issue during the year.

There is no difference between the weighted average diluted and undiluted number of Ordinary Shares. There is no difference between basic and diluted loss per share as there are no diluted instruments.

### 14. Net assets per Ordinary Share

The figure for net assets per Ordinary Share is based on £231,251,787 (2022: £138,032,700) divided by 318,635,256 voting Ordinary Shares in issue at 31 December 2023 (2022: 183,996,058).

The table below is a reconciliation between the NAV per Ordinary Share announced on the London Stock Exchange and the NAV per Ordinary Share disclosed in these financial statements.

	Net assets GBP	NAV per share Pence
NAV as published on 31 December 2023	231,251,787	72.58
<b>NAV as disclosed in these financial statements</b>	<b>231,251,787</b>	<b>72.58</b>

### 15. Material agreements

Details of the management, administration and secretarial contracts can be found in the Directors' Report on page 18. There were no transactions with Directors other than disclosed in note 16. As at 31 December 2023, there were £Nil fees payable to PAMP (31 December 2022: £Nil).

#### a) Investment Manager and Alternative Investment Fund Manager ("AIFM")

The Investment Manager will not receive a management fee in respect of its portfolio management services to the Group. The Investment Manager will become entitled to a performance fee subject to meeting certain performance thresholds.

The performance fee is equal to one third of the outperformance of the Net Asset Value total return (on an undiluted basis and excluding any accrual or payment of the performance fee) after adjustment for inflows and outflows (such inflows and outflows including, for the avoidance of doubt, tender payments and, buybacks), with dividends reinvested, over the FTSE All-Share Total Return Index, for each Performance Period (or, where no performance fee is payable in respect of a financial year, in the period since a performance fee was last payable). The Net Asset Value total return is based on the weighted number, and Net Asset Value, of the Ordinary Shares in issue over the relevant Performance Period.

During the year, performance fees of £Nil (31 December 2022: £Nil) were charged to the Group, of which £Nil (31 December 2022: £Nil) remained payable at the end of the year.

### Notes to the Consolidated Financial Statements – continued

#### **b) Administrator and Secretary**

Northern Trust International Fund Administration Services (Guernsey) Limited (the “Administrator”) is entitled to: (i) an administration fee of 0.05% of the Net Asset Value of the Group up to £200 million, 0.03% of the NAV of the Group between £200 million and £400 million, and 0.02% of the NAV of the Group over £400 million (subject to a minimum administration fee of £60,000); (ii) a financial reporting fee of £10,000; (iii) a company secretarial services fee of £10,000; and (iv) an additional fee of £2,000 while the Administrator acts as the Group’s nominated firm (as described in the FCA Handbook), in each case per annum (exclusive of VAT). In addition, the Administrator is entitled to certain other fees for ad hoc services rendered from time to time. During the year, administration and secretarial fees of £107,231 (31 December 2022: £78,386) were charged to the Group, of which £52,550 (31 December 2022: £35,206) remained payable at the end of the year.

#### **c) Depository**

Northern Trust (Guernsey) Limited (the “Depository”) is entitled to: (i) a custody fee of 0.02% of the NAV of the Group (subject to a minimum of £20,000); and (ii) a depository services fee of 0.02% of the NAV of the Group up to £200 million, falling to 0.01% of the NAV of the Group over £200 million (subject to a minimum depository services fee of £20,000), in each case per annum (exclusive of VAT). In addition, the Depository is entitled to certain other fees for ad hoc services rendered from time to time. During the year, depository fees of £49,475 (31 December 2022: £30,297) were charged to the Group, of which £13,650 (31 December 2022: £7,043) remained payable at the end of the year.

#### **d) Registrar**

The Group utilises the services of Link Market Services (Guernsey) Limited as Registrar in relation to the transfer and settlement of Ordinary Shares. Under the terms of the Registrar Agreement, the Registrar is entitled to a fee calculated on the basis of the number of Shareholders and the number of transfers processed (exclusive of VAT). In addition, the Registrar is entitled to certain other fees for ad hoc services rendered from time to time. During the year, registrar fees of £32,308 (31 December 2022: £5,803) were charged to the Group, of which £3,145 was prepaid as at 31 December 2023 (31 December 2022: £11,613 was prepaid).

## 16. Related parties

### Directors' remuneration & expenses

The Directors' fees for the year are as follows:

	31 December 2023 GBP	31 December 2022 GBP
Joanne Peacegood	40,000	40,000
Andrew Whittaker	35,000	35,000
Joanna Duquemin Nicolle	30,000	30,000
David Stevenson	30,000	30,000
Graham Shircore*	–	–
Richard Brown**	–	–
	<b>135,000</b>	<b>135,000</b>

£Nil Directors' fees were outstanding as at 31 December 2023 (31 December 2022: £Nil).

### Shares held by related parties

The number of Ordinary Shares held by the Directors were as follows:

	31 December 2023 Number of Ordinary Shares	31 December 2022 Number of Ordinary Shares
Joanne Peacegood	10,000	10,000
Andrew Whittaker	40,000	40,000
Joanna Duquemin Nicolle	75,000	75,000
David Stevenson	–	–
Graham Shircore*	–	–
Richard Brown**	–	–

\* Resigned on 21 August 2023.

\*\* Appointed on 13 September 2023.

As at 31 December 2023, the Investment Manager held zero Ordinary Shares and one Class B Share (31 December 2022: zero Ordinary Shares and one Class B Share) of the Issued Share Capital. Partners and employees of the Investment Manager held 86,205 Ordinary Shares (31 December 2022: zero Ordinary Shares).

### Dignity

During the year, Bidco, a newly formed indirect wholly-owned subsidiary of Valderrama, a joint venture between SPWOne and the Group, made an offer to acquire the issued and to be issued share capital of Dignity Plc (the "Acquisition"). The cash consideration payable by Bidco to Dignity Shareholders under the terms of the Acquisition was financed by equity capital invested by SPWOne and the Group in Valderrama, which was made available by Valderrama to Bidco pursuant to a series of intercompany loans, via Valderrama subsidiaries.

### Notes to the Consolidated Financial Statements – continued

The Group and SPWOne are currently Valderrama's sole controlling shareholders, with the company having been incorporated for the purposes of a 50:50 joint venture between the Group and SPWOne, pursuant to which the Group and SPWOne agreed to invest in Valderrama for the purposes of making investments in line with the Group's investment objectives and investment policy, namely the acquisition of Dignity Plc. In this joint venture, economic interests are divided as one-third versus two-thirds. Despite this asymmetry in ownership, governance within the joint venture operates on an equal footing, with decisions and responsibilities split evenly between the parties. This ensures that despite the difference in economic stakes, each party has an equal say in the direction and management of the venture, fostering a balanced and collaborative approach to decision-making.

As part of the Acquisition, the Group exchanged its 10,361,149 shares in Dignity for shares in Valderrama valued at £56,986,320. More details of the Valderrama structure can be found in the Offer Document:  
[https://www.castelnaugroup.com/application/files/2816/7639/1442/Offer\\_document\\_FINAL\\_14-Feb-23.pdf](https://www.castelnaugroup.com/application/files/2816/7639/1442/Offer_document_FINAL_14-Feb-23.pdf)

Mr. Steven Tatters, who is COO of Phoenix Asset Management Partners Limited, the Investment Manager, was appointed as a director of Valderrama on 25 August 2022, and director of Bidco and all other Valderrama subsidiaries on 13 October 2022.

Following the acquisition of Dignity Plc, Mr. Tatters was appointed as a director of Dignity Group Holdings Limited on 25 May 2023 and as a director of Dignity Funerals Limited on 12 June 2023.

#### Loans in relation to Dignity Acquisition

On 20 January 2023, the Company entered into an unsecured term loan facility of £49,000,000 with Phoenix UK Fund Limited as lender. During the year, £25,301,968 was drawn down and repaid from this facility and the facility was subsequently terminated on 19 May 2023. Interest on the facility accrued at 15% per annum and a total of £2,531,666 in interest was accrued and paid in the year. £Nil remains payable at 31 December 2023.

On 20 January 2023, the Company entered into an unsecured term loan facility of £60,000,000 made available through Phoenix UK Fund Limited, with Morgan Stanley Bank N.A. as original lender. As at 31 December 2023, the outstanding debt was £47,676,429. Interest is accrued at SONIA+7.5% per annum to 10 November 2023 and SONIA+7.3% per annum for the rest of the year. The loan amount is payable on demand. During the year, loan facility fees of £1,164,165 were charged, and interest accrued of £7,014,309, both of which remain payable at 31 December 2023.

Total interest and facility fees charged on the loan facilities with Phoenix UK Fund Limited for the year was £10,710,140.

The changes in the Group's liabilities arising from financing activities is disclosed below:

### Related parties

	<b>31 December 2023 GBP</b>	<b>31 December 2022 GBP</b>
Loans payable at the beginning of the year	–	–
Proceeds from loans received	89,217,968	–
Repayment of loans received	(41,541,539)	–
<b>Loans payable at the end of the year</b>	<b>47,676,429</b>	<b>–</b>
Finance costs payable at the beginning of the year	–	–
Finance costs charged	10,710,140	–
Repayment of finance costs	(2,531,666)	–
<b>Finance costs payable at the end of the year</b>	<b>8,178,474</b>	<b>–</b>

### Other

Mr. Richard Brown, was appointed Non-Executive Director of the Group, and Director and Chief Executive Officer of the Subsidiary on 13 September 2023. Mr. Brown also became director of Dignity Group Holdings Limited and Dignity Finance Plc on 15 February 2024.

Mr. Graham Shircore resigned as a Non-Executive Director of the Group on 13 September 2023. Mr. Shircore is an employee of Phoenix Asset Management Partners Limited and was also appointed as a director of Dignity Group Holdings Limited, one of the subsidiaries of Valderrama, on 25 May 2023. Mr. Shircore was also appointed as a director of Dignity Finance Plc on 28 June 2023. Post year end, Mr. Shircore resigned as director of Dignity Finance Plc and Dignity Group Holdings Limited on 15 February 2024.

Roderick Manzie is a director of the Subsidiary. Mr. Manzie is also a director of some of the portfolio holding companies. Mr. Manzie became a director of Strand Collectibles Group Ltd. on 21 December 2023, of Stanley Gibbons Group Plc on 11 July 2023, of Showpiece Technologies Limited on 10 August 2023 and has been a director of Ocula Technologies Holdings Limited, and Ocula Technologies Limited since 16 August 2022.

A number of other Phoenix Asset Management Partners Limited employees hold directorships at certain Group portfolio companies. The directorships are held in the normal course of business and enable Phoenix Asset Management Partners Limited to be represented on the boards of the portfolio companies.

The Company has entered into an agreement with Ocula, to provide services to some of the Group's portfolio companies. Ocula charged the Group £425,000 for the 12 months to 31 December 2023. As of 1 July 2023, the annual Ocula fee has increased from £500,000 per annum.

During the year, the Subsidiary provided consultancy services to Group companies of £985,000.

### Notes to the Consolidated Financial Statements – continued

## 17. Financial instruments – risk analysis

The general risk analysis undertaken by the Board and its overall policy approach to risk management are set out in the Directors' Report. Issues associated with portfolio distribution and concentration risk are discussed in the Investment Policy section of the Strategic Report. This note, which is incorporated in accordance with accounting standard IFRS 7, examines in greater detail the identification, measurement and management of risks potentially affecting the value of financial instruments and how those risks potentially affect the performance and financial position of the Group. The risks concerned are categorised as follows:

(a) Potential Market Risks, which are principally:

- (i) Currency risk,
- (ii) Interest rate risk, and
- (iii) Other price risk.

(b) Liquidity risk;

(c) Credit risk; and

(d) Capital management policies and procedures.

Each is considered in turn below:

### (a) (i) Currency risk

The portfolio as at 31 December 2023 was invested in Sterling securities and there was no currency risk arising from the possibility of a fall in the value of Sterling impacting upon the value of investments or income.

The Group had no foreign currency borrowings at 31 December 2023 or 31 December 2022 and no sensitivity analysis is presented for this risk.

### (a) (ii) Interest rate risk

The Group did not hold fixed interest securities at 31 December 2023 or 31 December 2022.

With the exception of cash, no interest rate risks arise in respect of any current asset. All cash held as a current asset is denominated in Sterling, earning interest at the bank's or custodian's variable interest rates.

As at 31 December 2023, the Group had a loan payable of £47,676,429 (2022: £Nil) and interest accrues at variable interest rate which exposes the Group to interest rate risk. The effect of an increase or decrease in interest rates of 50 basis points would have resulted in an increase or decrease of £238,382 (2022: £Nil) in the net assets attributable to equity holders. This analysis assumes that all other variables remain constant.

The Group had no borrowings at 31 December 2022.

### (a) (iii) Other price risk

The principal price risk for the Group is the price volatility of shares that are owned by the Group. As described in the Alternative Investment Fund Manager and Investment Manager's Report, the Group spreads its investments across different sectors and geographies, but, as shown by the Portfolio Analysis in the Business Review, the Group may maintain relatively strong concentrations in particular sectors selected by the Investment Manager.

The effect on the portfolio of a 10% increase or decrease in market prices would have resulted in an increase or decrease of £27,313,491 (2022: £12,268,474) in the investments held at fair value through profit or loss at the year end, which is equivalent to 11.81% (2022: 8.89%) in the net assets attributable to equity holders. This analysis assumes that all other variables remain constant.

### (b) Liquidity Risk

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, including its cash resources and trade receivables. The Board retains a cash flow forecast, including specifically the loan balances which are reviewed regularly and prior to any further loans being granted to the portfolio companies.

The following table analyses the Group's liabilities into relevant maturity groupings based on the maturities at the Consolidated Statement of Financial Position date. The amounts in the table are the undiscounted net cash flows on the financial liabilities:

	1-12 months	More than 12 months	Total
<b>As at 31 December 2023</b>			
Earn-out liability	2,522,126	–	2,522,126
Loans payable	47,676,429	–	47,676,429
Finance costs payable	8,178,474	–	8,178,474
Other payables	314,989	–	314,989
	<b>58,692,018</b>	<b>–</b>	<b>58,692,018</b>

	1-12 months	More than 12 months	Total
<b>As at 31 December 2022</b>			
Earn-out liability	–	2,346,648	2,346,648
Other payables	275,857	–	275,857
	<b>275,857</b>	<b>2,346,648</b>	<b>2,622,505</b>

### (c) Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including loans, cash and cash equivalents held at banks, and trade and other receivables.

Agency credit ratings do not apply to the Group's investment in loans. The credit quality of the loans are deemed to be reflected in the fair value of the investee company. Financial assets that are stated at amortised cost are reviewed and assessed for impairment at each reporting date in line with the expected credit loss policy. The Group considers both qualitative and quantitative factors when determining whether an asset may be impaired. The Group considered the following indications of impairment across the corporate loans outstanding at year end:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;

### Notes to the Consolidated Financial Statements – continued

- adverse changes in the payment status of borrowers; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a loan or receivable for write-off when a debtor fails to make contractual payments more than 120 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the Consolidated Statement of Comprehensive Income.

There have been no historical credit losses on the corporate loans issued by the Group. The Group has assessed the credit risk of the loans and, where appropriate, has recognised expected credit losses based on the requirements of IFRS 9. At 31 December 2023, the Group has recognised expected credit losses on investments in loans of £3,118,978 (2022: £3,000,000).

The Group invests in quoted and unquoted equities and fixed interest securities which are Level 1, Level 2 and Level 3 investments. The majority of cash is currently placed with The Northern Trust Company. The Group is subject to credit risk to the extent that this institution may be unable to return this cash. The Northern Trust Company is a wholly owned subsidiary of The Northern Trust Corporation. The Northern Trust Corporation is publicly traded and a constituent of S&P 500. The Northern Trust Corporation has a credit rating of A from Standard & Poor's and A2 from Moody's. At 31 December 2023, cash held at bank comprised £130,954 (2022: £7,652,732) held by the Depository which is the maximum credit risk that the Group is exposed to.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. This risk is considered to be very low because transactions are almost always undertaken on a delivery versus payment basis with member firms of the London Stock Exchange.

#### **(d) Capital management policies and procedures**

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to Shareholders by pursuing investment policies commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the Consolidated Statement of Financial Position.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders (within the statutory limits applying to investment trusts), return capital to Shareholders, issue new shares, or sell assets.



## 18. Post year end events

These financial statements were approved for issuance by the Board on 18 April 2024. Subsequent events have been evaluated to this date.

On 4 January 2024, amendment was made to the loan facility with Phoenix S.G. Limited as borrower, to increase total commitment of the facility from £450,000 to £6,066,000 and to extend the termination date from 31 December 2023 to 31 December 2025.

On 29 January 2024, the Group agreed to convert its unsecured loan facility of £4,399,999 to Silverwood Brands Plc into equity in Silverwood. The conversion price is 54 pence per Ordinary Share, resulting in the issue of 8,148,147 new Ordinary Shares to the Group. The accrued interest remains as an outstanding loan accruing interest in line with the original loan terms, repayable 29 January 2026 subject to certain conditions. Following conversion, the Group owns 12,718,499 Ordinary Shares or 4.7% of the equity in Silverwood.

In February 2024, an amount of £2,464,361 was agreed to be paid in relation to the Rawnet earn-out, reflecting good performance in the first two periods and a reduction in the maximum available year three earn-out due to third year performance.

# Alternative Performance Measures (Unaudited)

In accordance with ESMA Guidelines on Alternative Performance Measures (“APMs”), the Board has considered what APMs are included in the Annual Report and Audited Consolidated Financial Statements which require further clarification. APMs are defined as a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The APMs included in the annual report are unaudited and outside the scope of IFRS.

## Ongoing Charges

The ongoing charges represent the Group’s operating expenses, excluding finance costs, expressed as a percentage of the average of the monthly net assets during the year. The Board continues to be conscious of expenses and works hard to maintain a sensible balance between good quality service and cost.

	Year ended 31 December 2023 GBP	Year ended 31 December 2022 GBP
Average NAV for the year (A)	195,994,634	150,013,156
Operating expenses (annualised) (B)	1,159,512	786,345
Ongoing charges (B/A)	0.59%	0.52%

## NAV Total Return

NAV total return is the percentage increase or decrease in NAV, inclusive of dividends paid and reinvested, in the reporting year. It is calculated by adding the increase or decrease in NAV per share with the dividend per share when paid and reinvested back into the NAV, and dividing it by the NAV per share at the start of the year.

	Year ended 31 December 2023 pence	Year ended 31 December 2022 pence
Opening NAV per share (A)	75.02	93.55
Closing NAV per share	72.58	75.02
Decrease in NAV per share (B)	(2.44)	(18.53)
NAV total return (B/A)	(3.25%)	(19.81%)

## NAV per Ordinary Share

NAV per Ordinary Share is calculated by dividing the total Net Asset Value of £231,251,787 (31 December 2022: £138,032,700) by the number of Ordinary Shares at the end of the year of 318,635,256 Ordinary Shares (31 December 2022: 183,996,058). This produces a NAV per Ordinary Share of 72.58p (2022: 75.02p), which was a decrease of 3.25% (2022: decrease of 19.81%).

## Premium/Discount to NAV

If the share price is higher than the NAV per Ordinary Share, the shares are said to be trading at a premium. The size of the discount is calculated by subtracting the share price at year end of 75.50p (31 December 2022: 69.00p) from the NAV per Ordinary Share at year end of 72.58p (31 December 2022: 75.02p) and is usually expressed as a percentage of the NAV per Ordinary Share of 4.02% (31 December 2022: discount of 8.02%). If the share price of an investment company is lower than the NAV per Ordinary Share, the shares are said to be trading at a discount.

# Appendix (Unaudited)

Year	Investment Return (Gross)	NAV Return (Net)	FTSE All-Share Index	Share Price £
May 1998-2007	210.0%	150.0%	56.0%	2,498.40
2008	-39.5%	-40.2%	-29.9%	1,494.31
2009	62.8%	59.7%	30.2%	2,386.48
2010	1.1%	0.0%	14.7%	2,386.37
2011	3.0%	1.9%	-3.2%	2,430.75
2012	48.3%	42.2%	12.5%	3,456.27
2013	40.5%	31.3%	20.9%	4,539.47
2014	1.9%	0.1%	1.2%	4,544.25
2015	20.1%	14.7%	0.9%	5,211.13
2016	9.1%	7.6%	16.8%	5,605.58
2017	21.5%	16.3%	13.1%	6,518.69
2018	-13.6%	-14.7%	-9.5%	5,558.97
2019	30.3%	27.7%	19.1%	7,098.36
2020	-3.9%	-4.9%	-9.7%	6,748.66
2021	23.4%	18.7%	18.3%	8,011.17
2022	-16.7%	-17.4%	0.2%	6,619.32
2023 (to December 31)	34.0%	32.8%	7.7%	8,791.99
Cumulative	1505.1%	779.2%	258.9%	
Annualised Returns	11.4%	8.8%	5.1%	

# Group Information

## Directors – Parent (all non-executive)

Joanne Peacegood (Chair)  
Andrew Whittaker  
Joanna Duquemin Nicolle  
David Stevenson  
Graham Shircore (resigned 21 August 2023)  
Richard Brown (appointed 13 September 2023)

## Registered Office

PO Box 255  
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Les Banques  
St. Peter Port  
Guernsey  
Channel Islands  
GY1 3QL

## AIFM and Investment Manager

Phoenix Asset Management Partners Limited  
64-66 Glentham Road  
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SW13 9JJ

## Administrator and Company Secretary

Northern Trust International Fund  
Administration Services (Guernsey) Limited  
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Les Banques  
St. Peter Port  
Guernsey  
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## Custodian and Depositary

Northern Trust (Guernsey) Limited  
PO Box 71  
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Les Banques  
St. Peter Port  
Guernsey  
Channel Islands  
GY1 3DA

## Registrar

Link Market Services (Guernsey) Limited  
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Bulwer Avenue  
St. Sampson  
Guernsey  
GY2 4LH

## Financial Adviser and Broker

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## Solicitors to the Group as to English law

Gowling WLG (UK) LLP  
4 More Riverside  
London  
SE1 2AU

## Solicitors to the Group as to Guernsey law

Carey Olsen (Guernsey) LLP  
PO Box 96,  
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Les Banques  
St Peter Port  
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## Independent Auditor

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St. James Street  
St. Peter Port  
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