

31 March

**2023**

# Compounding wealth long-term

**Rockwood Strategic Plc**

Report and Accounts for the year ended 31 March 2023

**ROCKWOOD**  
STRATEGIC 

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

Rockwood Strategic Plc is an Investment Trust Company with a Premium listing on the Main Market of the London Stock Exchange. It is invested in a focused portfolio of smaller UK public companies. The strategy identifies undervalued shares, where the potential exists to improve returns and where the Company is benefitting, or will benefit, from operational, strategic or management changes. These unlock, create or realise shareholder value for investors.

# Chairman's Statement



**Noel Lamb**

Chairman  
Rockwood Strategic Plc

Dear Shareholder,

I am delighted to be reporting on a year of significant progress at Rockwood Strategic plc ("RKW"). Investment performance has been excellent, and we successfully moved to a Premium Listing on the Main Market of the London Stock Exchange on 29 September 2022 (from AIM). As explained last year, this process ensures tax efficiency with Value Added Tax no longer being applied to investment management fees and performance fees, and from next year, Corporation Tax will no longer be chargeable on realised investment gains. This process incurred one-off costs of approximately £470,000. However on-going expenses (including Administration and Custody fees) have been materially lowered and the tax efficiency is compelling.

Net Asset Value ("NAV") Total Return performance in the twelve months to 31 March 2023 was +21.4% which compares to declines in the FTSE Small Cap (ex-ITs) of -15.7%. The Total Shareholder Return in this period was +28.2%<sup>1</sup>. Management fees are charged at a fixed fee of £120,000 per annum while assets are below £60m and we are pleased that the excellent absolute performance of the portfolio during a period of falling UK smaller company prices has enabled us to pay a performance fee to the Manager. This is calculated as 10% of returns generated over a hurdle of 6% per annum (subject to a high watermark) and is achieving its purpose by incentivising the manager to deliver excellent outcomes for shareholders. RKW was the best performing UK small companies fund according to Association of Investment Companies data for the year ended 31 March 2023.

Our Investment Manager has clearly been busy, the Board is aware of a range of initiatives that occurred both during the year and are in progress to engage actively with our investments to help them create, unlock or realise value for all shareholders. Furthermore, a number of new investments have been established which the manager believes have sown the seeds of future growth in our NAV. The Board shares the view of the manager that the UK small companies market continues to provide a significant opportunity, due to the inefficient pricing of poorly researched or understood companies trading at historically low valuations. The Investment Manager is using its decades of investing experience and specialist insight to identify a small number of the very best opportunities.

The differentiated, stock-specific driven approach of the strategy has shown that positive returns are possible despite negative macroeconomic and market conditions or wider geo-political developments. Our portfolio's underlying companies have been steadily growing shareholder value and having that value better recognised by the wider stock market. Performance in any short period under review will be primarily due to the individual performances of a handful of our holdings and in this regard the success of the investment in Crestchic Plc should be highlighted, an excellent case-study for our differentiated investment approach, discussed in the Investment Manager's report.

We welcomed Paul Dudley to the Board during the year. His background in corporate finance, accounting and the financing of listed companies is already proving valuable. Post year end, we achieved another milestone with the share price rising above £20. With the aim of increasing marketability and liquidity the Board is recommending a 10 for 1 stock split. Growing the NAV remains a clear priority for the Company. This will open up a wider set of investment opportunities in the targeted part of the UK small cap market where the manager can purchase significant investee company ownership stakes. We have put in place a block-listing facility to enable share issuance above NAV. Subsequent to year end, I am delighted to report that the discount to NAV has been eliminated entirely and we have begun to issue new shares. This is a significant achievement, given the market backdrop and alongside sustained performance and on-going marketing initiatives we hope to continue to attract new investors to the strategy.

The Board believes that, until the Company has gained greater scale, it will retain the maximum capital allowable to maximise the compounding of NAV growth. As such there will be no dividend proposed this year. Our AGM will be held on 12 September for those that would like to meet the Board and Manager in person.

**Noel Lamb**  
Chairman RKW

21 June 2023

<sup>1</sup> These are considered to be Alternative performance Measures (APMs). See APMs on page 46.

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# Board of Directors

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**Noel Lamb**

Age: 67  
Independent, Non-Executive Chairman  
(appointed 20 January 2022)

Noel graduated from Exeter College, Oxford and is a barrister-at-law. Commissioned into the 5th Royal Inniskilling Dragoon Guards, he served as ADC to the Commandant of the Royal Military Academy Sandhurst and Adjutant of the North Irish Horse. He joined Lazard Brothers & Co Limited in 1987 and from 1990 to 1997 he was the managing director of Lazard Japan Asset Management where he was the fund manager for their Japanese equities. In 1997, he moved to the Russell Investment Group where he established the investment management capability of Russell in London. In 2002, he was promoted to Chief Investment Officer in North America where he managed assets of \$150bn until his departure in 2008. Noel is also currently the Chairman of Atlantis Japan Growth Trust and a director of Guinness Asset Management Funds.



**Kenneth Lever**

Age: 69  
Senior Non-Executive Director  
Chairman of the Audit Committee

Ken is Chair of the audit committee at Rockwood Strategic, Chairman of WANdisco plc, NED of Vertu Motors plc and Deputy Chairman of Rainier Developments Limited. Ken was previously Chief Executive of Xchanging plc and during his career has held listed company executive board positions with Tomkins plc, Albright and Wilson plc, Alfred McAlpine plc and private equity owned Numonyx BV.

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



**Paul Dudley**

Age: 51  
Non-Executive Director

Paul Dudley is a Fellow of the Institute of Chartered Accountants of England and Wales and is a Member of the UK's Chartered Institute of Securities and Investment. Paul founded Aer Ventures in 2011, where he is Managing Partner, a corporate advisory business that is Authorised and Regulated by the UK's Financial Conduct Authority. Previously he worked at stockbroking firm WH Ireland where he was approved as a Qualified Executive acting as the Corporate Finance adviser on AIM corporate transactions.

Paul graduated from Durham University and began his career at PricewaterhouseCoopers. He is currently a director of a number of public and private companies including Celsius Resources Ltd, Watercycle Technologies Ltd and Pyne Gould Corporation Ltd.

# Investment Manager's Report

## Highlights

- NAV Total Return performance in the twelve months to 31 March 2023 of 21.4% to 1,959.56p per share which compares to declines in the FTSE Small Cap (ex-ITs) of 15.7%. The positive Total Shareholder Return of the Company in this period was 28.2%<sup>2</sup>
- NAV Total Return performance in the three years to 31 March 2023 of 116.9% which compares to the FTSE Small Cap (ex-ITs) of 49.6%. The Company's Total Shareholder Return in this period was 139.4%<sup>3</sup>
- Successful migration from AIM to a Premium Listing on the Main Market of the London Stock Exchange ("LSE")

## Market backdrop

The period was very challenging for UK smaller company investors. The FTSE Small Cap (ex-ITs) fell 3 of out of four quarters with a modest rally in Q4 of 2022, mainly because sentiment had got so negative that a slight improvement in mood regarding the direction of US interest rates prompted a rally. Against this backdrop, investor money flow data and surveys indicated continued reductions to UK equities. It is difficult to pinpoint the rationale to this seemingly entrenched pessimism; partly structural such as the desire to allocate to "Global" equities rather than UK; partly aversion due to concerns about the post-Brexit economy; possibly partly due to the lack of flag-waving UK fund managers with attractive performance to highlight. It may just be the political shambles that characterised most of the period, firstly with the departure of Boris Johnson, second through the disastrous and record-breaking short tenure of his replacement, Liz Truss. There is little doubt though that with UK Debt to GDP ratios the

highest since World War II, the tax burden at generational highs and a general lack of support for public service cost-cutting, the UK's political leaders have wafer thin room to manoeuvre fiscal policy. The lower valuation of UK equities relative to global equities and compared with historical levels, seems to have been spotted given the increasing number of takeover approaches for UK companies by Private Equity Funds who have record amounts of capital to deploy.

UK unemployment hit its lowest level of 3.4% since 1974 and retail inflation reading 14%, the highest since 1980. Inflation is, in our view, the most important current determinant in both the outlook for markets and also the source of broader corporate, investor and central bank behaviour. During the year interest rates rose markedly around the world in an attempt to tame inflation, the UK official Bank Rate up from 0.75% to 4.25%. Jerome Powell, Chairman of the Federal Reserve, earlier in the year, made it clear "pain" was inevitable, he was still raising interest rates to new highs as Rockwood's Financial year came to a close. This is an era-defining regime change and should benefit 'value' investments over long-duration 'growth' investments and unleveraged asset classes over ones relying on debt to juice returns. Both of these characteristics should benefit Rockwood Strategic's approach.

The impact of higher interest rates characterised other key developments: noticeably the emergence of banking stress in our final quarter leading to the distressed sales of Silicon Valley Bank, Credit Suisse and First Republic Bank to better capitalised rivals. A credit squeeze commenced and is, alongside the cost of living squeeze on consumers, feeding into measly economic growth,



**Richard Staveley**  
Lead Fund Manager



**Nicholas Mills**  
Assistant Fund Manager



**Christopher Mills**  
Advisory Group Member  
CIO Harwood Capital LLP

<sup>2</sup> These are considered to be APMs. See APMs on page 46.

<sup>3</sup> These are considered to be APMs. See APMs on page 46.

## Investment Manager's Report (continued)

teetering on recession in major economies, other than China where extreme lock-down conditions post Covid-19 were lifted. This is easing supply-chain blockages, and noticeably causing a normalisation of freight rates. Gold and, begrudgingly, Crypto coins performed subsequently well given this backdrop. Housing and property markets began to weaken. The Ukrainian conflict sadly rumbles on with little evidence to suggest a resolution is in sight. However, the sourcing of gas and oil away from Russia has been impressive in Europe and almost everyone will be pleased energy prices have been moderating. The effectiveness of an inverted yield curve providing an early warning signal of impending recession is being tested.

### Outlook

We have provided a 'market-backdrop' section above, but as we have previously stated, over the medium-term, market factors will not be the primary determinant of Rockwood's returns, it will be stock-specific risk and return. Our results this year demonstrate that Rockwood Shareholders can have a smile on their faces when almost everyone else hasn't. Some of the factors mentioned above such as the seemingly on-going outflows from UK equities to other asset classes or geographies are in fact positive for our strategy. We are not faced with outflows, we can choose to buy when others are forced to sell.

We are confident in the upside potential of the portfolio with a range of good trading updates during recent months. We have exciting strategic investment theses for all the holdings and expect our 'engaged' style will lead to the un-locking of material shareholder value. Many holdings have depressed levels of profitability relative to history with clear plans for Recovery independent of macro-economic conditions. Overall, the portfolio holdings are well-financed too with strong balance sheets in almost all cases or the ability to de-leverage quickly in the remainder. We finished the year with £10.5m of cash, 21.2% of NAV. We see 'core' inflation being quite sticky, sense the market is too hopeful on the speedy reversal of interest rates and thus prone to further volatility which is likely to accompany weakening of general economic conditions further. We remain confident the 'value' factor will perform well and provide support for our portfolio and investment style. Our pipeline of new investments remains busy with due diligence finished on some where we wait patiently for an optimised entry point and is on-going on others where we feel no rush to execute until we have sufficient clarity on the 'margin of safety'.

We expect the pickup in trade buyer acquisition activity and public-to-private transactions to accelerate in the coming years for our targeted part of the UK stock market. If the stock market doesn't fairly value or provide growth capital to UK listed small companies then other solutions will emerge. This dynamic should deliver material, absolute NAV growth for the current portfolio holdings as it did during the year.

As signalled a year ago we were able to increase the number of holdings and we expect this to continue during the current year. We ended with 8 'Core' holdings and 10 'Springboard Opportunities' with the top ten holdings accounting for 64.1% of NAV at year end.

### Investment Philosophy

- 'Value' investor mindset and free cash flow focused
- Seek proven businesses, identifiable assets
- Establish mean reversion potential (profitability, balance sheet and valuation re-rating)
- Identify catalysts for change
- Develop exit thesis to mitigate illiquidity risks (3-5-year time horizon)
- Engage with all stakeholders to de-risk and add value

We believe that investment returns are generated by purchasing a share for less than the intrinsic worth of the company, (a 'value' philosophy), which is enhanced by identifying companies which can increase their fundamental intrinsic worth over time, thus avoiding 'value traps'. We seek to optimise the IRR by identifying 'catalysts' which will un-lock the share's discount to the business's worth or accelerate value creation. For 'core' investments we ourselves may be the 'catalyst' through the provision of capital, insight and personnel through constructive engagement with the Board, management and other stakeholders.

### Top 5 Investment Portfolio Holdings

#### RM Plc 11.1% Net Assets

**9.2% of their Issued Share Capital**

**Cost: £2.85m, Value as at 31 March 2023, £5.53m, IRR to period end 450%**

The company is an established and leading supplier to the education market. It has three divisions: firstly an educational supplies

business which reaches 90% of UK Primary schools selling everything from basic supplies to bespoke teaching aids, often encouraged by the curriculum. The second is a leading assessment business which marks exams from the International Baccalaureate to A-levels both in the UK and abroad. The final division provides outsourced technology services to groups of schools. During the year financial stress arose due to a poorly executed implementation of a new group software system which led to operational problems and a need to ease banking covenants. This has led to the CEO being replaced alongside an Interim CFO. Fortunately, the business has a long history of cash generation and also some surplus assets which were able to be sold at short notice easing stress. We believe that the shares have a 'sum-of-the-parts' valuation materially above the current share price and expect the company and the new CEO to focus on the creation and realisation of shareholder value through a well-managed divisional disposal process once the business has been stabilised.

#### Centaur Media Plc 8.5% Net Assets

**6% of their Issued Share Capital**

**Cost: £3.44m, Value as at 31 March 2023, £4.25m, IRR to period end date 10%**

The company has two divisions providing business information, consultancy, training, premium media and events content in the Marketing and Legal sectors. The legal business is focused on the market leading publication The Lawyer whilst the marketing activities span a number of high quality brands such as Econsultancy, Influencer Intelligence, Marketing Week and Festival of Marketing. The business has also developed a fast growing e-learning solution called MiniMBA. The holding was made in 2017 at 50p, however in late 2019-20 the investment was quadrupled in size at an average price of 31p. The company has gone through extensive restructuring in the last few years and disposed of a number of other divisions, converting activities from print to digital and increasing subscription content. Management have therefore been improving profitability markedly, with 23% EBITDA margins targeted for 2023. The business has significant cash balances. During the period Richard Staveley (member of the Investment Team) joined the Board as a Non-Executive Director and in January 2023 and March 2023 the company announced two material special dividends for investors. The investment team continue to identify a material discount in the share price to intrinsic value despite a transformed level of profitability, quality of earnings, and stronger balance sheet (than previous years).

**M&C Saatchi 8.0% Net Assets,  
1.7% of their Issued Share Capital  
Cost: £1.72m, Value as at 31 March 2023,  
£3.99m, IRR to period end date 38%**

The company is one of the world's best known global advertising and communications advice agencies with clients stretching from governments to supra-national organisations (e.g. the World Health Organisation) to the world's leading brands (e.g. McDonalds) and social media sites (e.g. TikTok). In more recent times the company has been in turmoil with the original Founders leaving, accounting errors and a poorly structured incentive scheme. The investment was initiated in late 2020 as management and Board changes started to take effect. The balance sheet has net cash and a new strategy to grow the business markedly and improve margins to over 17% (currently 13%). During COVID the business had no material client losses indicating the strength of their relationships. Opportunistic takeover approaches by former Board Director Vin Murria and Next Fifteen Plc were rejected by shareholders during the period. We believe the company has considerable further recovery potential and is grossly undervalued. Many of its services are counter-cyclical and its highest margin activities are growing the fastest.

**Flowtech Fluidpower 7.3% Net Assets  
5.8% of their Issued Share capital  
Cost: £2.56m, Value as at 31 March 2023,  
£3.63m, IRR to period end date 14%**

The company primarily distributes Fluidpower components to a diverse range of customers with a strong bias to parts used for repair or maintenance reasons. The investment was initiated in 2020 since then there has been Board evolution, importantly the appointment of the highly regarded Roger McDowell as Chairman (Roger was previously a Non-Executive Director at Augean plc). During the period Jamie Brooke, a member of the Rockwood Strategic Plc Investment Advisory Group ("IAG"), joined the Board also as a Non-Executive Director and shortly after year-end a new CEO was appointed, Mike England, formerly COO of FTSE 100 RS Group Plc. The company has been addressing the lack of integration amongst its various acquisitions, driving scale and synergies and has been investing in its on-line capabilities. The business is still producing sub-par operating margins and has a stock-turn well below that targeted by management and achieved by peers. We expect this to improve and thus improve returns, profitability and in-turn a valuation re-rating.

**Pressure Technologies 6.9% Net Assets  
20.5% of Issued Share capital  
Cost: £4.26m, Value as at 31 March 2023,  
£3.41m, IRR to period end -8%**

The company has two divisions; the industry leading Chesterfield Special Cylinders which manufactures and services a range of high-end industries and customers including the Ministry of Defence, and the Precision Machined Components division ("PMC"), which manufactures high specification parts primarily for the oil & gas industry. The investment was initiated in early 2019, however cash generation has not been as expected and in both late 2020 and 2022 further equity issuance was needed to support the company's ambitions. Similar to Crestchic we see strategic logic in focusing the company into one division (Chesterfield). The PMC division should benefit from an improved oil & gas pricing environment resulting in higher activity levels. Whilst Chesterfield has significant orders in defence and elsewhere, there are opportunities in the emergent Hydrogen economy. During the period, we corner-stoned the fund raise, Richard Staveley was announced as becoming a NED, a new Chief Financial Officer was appointed, and the company announced advisors had been engaged to explore a sale of PMC.

**Portfolio Activity**

This was the most active period of investing since the strategy was conceived with 13 new investments made during the year.

The main feature was Crestchic Plc (formerly Northbridge Industrial Services) which started the period at 15.8% of NAV. We are delighted that our engagement efforts supported the company and ultimately rewarded all shareholders with a material increase in shareholder value which was realised into cash. Crestchic was a proven business, asset-rich with an excellent international client base. Our engagement since late 2019 included getting the company to report and focus on Return on Capital Employed metrics, the evolution of management with the appointment of Peter Harris as Executive Chairman, the appointment of two NEDS, one a direct representative of Harwood Capital, the development of an appropriate incentivisation scheme, the sale of the company's loss-making second division, the re-investment into the business and improved Investor Relations narrative and approach. Rockwood owned a material stake in the company and "ran our winner" with the % of NAV reaching c. 31% prior to the company being successfully taken over by Aggreko (Private Equity backed). The realisation

generated an IRR of 30.4%, a Money Multiple of 4.8x and a gain of £12.4m.

There were only three other, much smaller, exits during the year:

**Lakes Distillery Convertible Loan Note – realised IRR 21.6%**

The Lakes Distillery has been building its English whisky and spirits brand carefully and successfully over recent years, despite a number of external challenges. The business model requires a lot of capital, whilst growing, to support the working-capital in laid down casks. We were delighted to see some well-deserved awards for their whisky but were happy to realise our maturing Convertible Loan note into cash during the period allowing new investors to take the company through to its next phase of growth.

**Seraphine – realised IRR -6%**

Our target holding period for investments is three to five years. This relates to the usual time we have observed it historically takes for a turnaround in a company's profitability and valuation rating when accompanied by the usual Board, management, operational and strategic changes to catalyse the recovery. Over excited 'Growth' investors backed a series of over-valued IPOs in the run-up to the regime change caused by the normalisation of interest rates. Seraphine, a mainly on-line, successful, international retailer of maternity apparel had listed at c. £150 million market capitalisation and had collapsed to c. £20m. We initiated a 'Springboard' 2% weighting, however subsequent key online platform changes to advertising rates affected all retailer's customer acquisition costs hitting profitability, alongside the accelerating cost of living pressures and poor consumer confidence. We accepted a Private Equity takeover approach for the company, at approximately the value we paid for our holding (our 'margin of safety' protected us), as the risks to our medium-term thesis had materially increased post purchase.

**Bonhill Loan – realised IRR 65.4%**

Bonhill, the financial services B2B media publishing and events business, has also been a volatile investment since initiation in a rescue fund raise in the first couple of months of lockdown in 2020. There is no doubt the collapse in physical events was highly disruptive for the relationship between their brands and customers, however operationally management was found wanting and changes were necessary. The inability of the US business to generate cashflow, some marginal brands creating organisational cost and

## Investment Manager's Report (continued)

complexity, inadequate technology systems and limited integration led to one conclusion: the business was sub-scale for a listing and had no mandate for further acquisitions. Having taken a NED Board position, we helped refinance again during the year increasing our holding to 19.5%, and the Board then initiated a formal sales process of the business with UK and Asian assets and the small titles sold during the period. During this process further financing was required and Rockwood Strategic provided a "bridging" loan to Bonhill to help them through to completion of asset sales. Although modest in terms of a cash return (relative to NAV) it delivered an excellent IRR. Post year end the US assets were sold and the company initiated a full return of realised capital to shareholders. A good illustration of the flexibility of our mandate.

As a result of the above exits the strategy did not have any non-listed or private instruments in the portfolio at the end of the year.

### New Holdings

The Investment Team have an exciting short list of potential investments and have been actively deploying capital during these depressed market conditions to seed returns for shareholders over the medium term, most notably to date being RM Plc. None of the other new positions exceeded 5% of NAV at the year end and are not deemed 'core' but 'Springboards/Opportunities' at this date. Below we highlight a few through a brief summary of the opportunity. A small number of holdings are still in the process of being built to target weightings and thus we look forward to updating shareholders on these in the Interim Report. The Board notes that for new holdings, we display NAV, IRR and Market Capitalisation as set out for the below. None of which are designated as 'core' investments to date.

### Finsbury Food Group 4.0% NAV, IRR to date 39%, Market capitalisation £124m

A significant UK manufacturer of cakes and Bread products with particularly high market share in branded 'celebration' cakes such as Birthday cakes branded Disney, Minions, Mary Berry etc. Sales are over £350million and the long-standing proven management team have delivered a successful recovery of the business since 2010 alongside allocating capital well including some smart bolt-on acquisitions. With strong customer relationships and stable c.5% margins over a long period we anticipate a phase of improving profitability as the fruits of new systems investment, automation in the factories and other efficiency measures take

effect, a lot of which has been obscured by the exceptional input cost food price inflation in recent months. We see the combination of these factors as creating a step-change in operational effectiveness and thus profitability, when delivered. The company has large debt facilities available and the scope and ambition for material, even transformative, M&A activity in this large sector, however they are somewhat constrained by a seemingly inappropriately low stock market multiple. We believe Private Equity could achieve a lot with this team, balance sheet and business, particularly if higher levels of leverage were taken on.

### Galliford Try 4.1% NAV, IRR to date 8%, Market capitalisation £185m

Construction Services are generally hated by institutional investors as many bear the scars of former investments in companies such as Carillion. However, we have recognised a change in risk management in the larger players in the sector and have identified that Galliford Try's chosen markets, primarily being regulated industries or public sector clients as being much lower risk. With huge sales of over £1.4billion, the wave of infrastructure requirements across schools, hospitals, roads, energy, water and rail mean the current order book is over £3.5billion. This is diverse with the average job value £25m, indeed 90% of work is now on 'framework' contracts with much lower risk contract terms than yester-year. However, shareholders also benefit from the ownership of approximately £46m of Public & Private Partnership ("PPP") Investments which produce a very stable and inflation linked income stream and a massive cash balance which on average has been around £154m giving considerable scope for M&A, dividends and buybacks. The new management team have been re-building profitability (now 2.3% operating margin) which we expect to continue alongside an emerging market re-appraisal of the defensiveness of the construction infrastructure sector's growth drivers when compared to many other Companies in this sector.

### City Pub Company 4.8% NAV, IRR to date 11%, Market capitalisation £86m

Having survived the travails of Covid-19, the company entered a new suite of external pressures including the cost-of-living squeeze on consumers and cost inflation (energy, food, wages). What is clear is that management are first rate operationally, indeed they are also proven to investors as Founder Clive Watson built up another pub group and sold it successfully to Greene King previously. Here he has helped carefully curate an estate of 52

units in the South of England in high 'quality' locations, dominated by Freehold ownership. Headwinds are all starting to abate, whilst critical mass is emerging meaning improved overhead recovery and much improved profits for shareholders. Of course central costs wouldn't be needed at all to larger trade buyers of the group, some of whom we suspect are eyeing the £160m Director's valuation of the estate, a material premium to the stock market valuation. We expect accretive strategic developments and further operational improvements after some recent senior leadership evolution.

### Trifast 4.1% NAV, very high IRR to date not relevant to due short holding period, Market capitalisation £106m

The company is an international manufacturer (30%) and distributor (70%) of fasteners (nuts 'n' bolts) and has been established for a number of decades. With 34 locations, of which 7 are high volume manufacturing sites, 15bn parts are sold per year, 1200+ employees. Sales exceed £245m with a long history of profitability and cash generation. The company has material net assets and is well invested in plant and machinery. However, returns have fallen and ROCE is poor. The operating margin is depressed vs its long history and a management and Board evolution is underway alongside a restructuring program to deliver savings. This follows a new ERP system roll-out finally completing (after a £17.5m investment). 75% of sales are customer-specific branded products, 18-year average tenure of top ten customers, the largest <7.5% sales. Net Debt has become elevated not least due to a bulging inventory position of over £100m. We can identify a significant multi-year turnaround and recovery opportunity with scope to materially increase cash generation (reduce leverage), improve returns and profits leading to a normalisation of the valuation rating.

The investments discussed above aggregate to 58.8% of the portfolio's NAV, cash is 21.1% with the remainder of the portfolio spread across a mix of holdings. Some, as mentioned above, were only initiated just before year end and we are still building our investment, others are in a known realisation phase such as Bonhill or Smoove, currently subject to a takeover approach. Other notable positions would be Argentex (Cost £1.08m, Value £1.58m, IRR to date 100%) and Van Elle (Cost £2.1m, Value £2.6m, IRR to date 9%) both of which are steadily recovering profitability and remain on very low valuations.



**Conclusion**

Christopher Mills and I have made material personal investments in the shares of Rockwood Strategic and the investment management contract rewards success in alignment with Total Shareholder Returns for the Company's shareholders. We see a real opportunity to compound wealth for all shareholders over the long-term and a vibrant, inefficient stock market full of opportunities to deliver our target returns.

This year was a pleasing one where the portfolio and strategy delivered, despite difficult market conditions and losses across almost all other sector participants. We continue to identify value and businesses which we think will be attractive to off-market participants if the UK stock market remains out of favour. Often 'self-help' is driving higher levels of profitability, reducing financial leverage and resulting, for the "patient", a higher ultimate valuation. We have a robust portfolio cash position, but will carefully wait for the 'fat pitch', as Mr Buffett would call it,

to deploy our cash. We would call it a 'slow, over-pitched ball outside off-stump' where the chances of clearing the boundary are excellent. To stretch the analogy further, we see Rockwood's approach to investment as very much the 'Test' game and not the 'short form' version; long-term, requiring patience, consistency, adaptability, mental fortitude and sustained periods of both attack and defence. We thank our shareholders for their consistent and long-term support.

**Richard Staveley**

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# About the Investment Manager

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Harwood Capital LLP ("HC LLP") was incorporated in 2003 and is the investment manager for Rockwood Strategic Plc. HC LLP is a wholly owned subsidiary of Harwood Capital Management Limited ("HCM") and is authorised and regulated by the Financial Conduct Authority ("FCA"), authorisation number 224915 and is led by Christopher Mills. The funds managed and advised by HCM follow an active, value approach towards the businesses in which they invest. The HCM Group manages North Atlantic Smaller Companies Investment Trust Plc ("NASCIT"), Oryx International Growth Fund Ltd ("Oryx"), Harwood Private Equity Funds, and Harwood Private Debt. Mr Mills is a member of the Rockwood Strategic Plc Investment Advisory Group.



**Richard Staveley**  
Lead Fund Manager

Richard has over twenty years' experience of equity investment and fund management. Having qualified as a chartered accountant at PricewaterhouseCoopers, Richard joined Bradshaw Asset Management, as assistant fund manager in 1999. He subsequently joined Société Générale Asset Management where he became Head of UK Small Companies and a CFA charterholder. In 2006, he co-founded River and Mercantile Asset Management where he launched both the UK Small Company Fund, the UK Income Fund and was Head of Research. In 2013, he joined Majedie Asset Management to co-manage and subsequently solely manage the UK small company investments. In 2019 he joined Gresham House Plc as fund manager for Gresham House Strategic Plc, the Strategic Public Equity LP and eventually the Gresham House UK Small Companies Fund. He currently sits on the boards of Pressure Technologies Plc, Bonhill Plc and Centaur Plc.



**Nicholas Mills**  
Assistant Fund Manager

Nicholas joined Harwood Capital LLP in 2019 after spending 5 years at Gabelli Asset Management in New York. He acted primarily as a Research Analyst covering the multi-industrial space and also gained experience in Merger Arbitrage strategies and marketing Closed End Funds. He has a Bachelor of Science Degree from Boston College's Carroll School of Management. He currently sits on the boards of Niox Plc and Hargreaves Services Plc and served on Crestchic Plc until its takeover.



**Christopher Mills**  
Advisory Group Member  
CIO Harwood Capital LLP

Christopher has over 45 years investment experience and has been the Chief Executive Officer and principal shareholder of Harwood Capital Management since 2011. He founded JO Hambro Capital Management with Jamie Hambro in 1993 acting as Chief Investment Officer and Harwood Wealth with Alan Durant in 2013 until their respective sales in 2011 and 2020. He is CEO of North Atlantic Smaller Companies Investment Trust ("NASCIT") which he has managed since 1982 and Executive Director of Oryx International Growth Fund which he has managed since 1995. NASCIT has delivered a total NAV per share of nearly 200x under Mr. Mills' management. He has sat on the board of over 100 companies during his career including most recently Augean, MJ Gleeson, SureServe, Frenkel Topping, Assetco, Ten Entertainment, Bigblu Broadband, Trellus Health, SourceBio International and is currently Chairman of EKF Diagnostics and Renalytix AI.

## Investment Advisory Group

Harwood Capital LLP has formed an Investment Advisory Group (IAG) to support the Investment Team for Rockwood Strategic Plc. The members are experienced financial professionals with relevant experience, their details are disclosed on the [www.rockwoodstrategic.co.uk](http://www.rockwoodstrategic.co.uk) website. The IAG members are provided with details of pipeline 'core' investments for the strategy prior to the completion of the research process. Their insights, relevant contacts and investment views are incorporated into the Investment Team's subsequent due diligence. On completion of due diligence, research is shared with the IAG members and their perspectives actively considered prior to any investment decision by the Investment Team.

# Strategic Report 2023

The Directors present their Strategic Report for the period ended 31 March 2023. Details of the Directors who held office during the period and as at the date of this report are given on page 2 of the Annual Report and Accounts. This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006 and best practice. Its purpose is to inform the shareholders of the Company and help them to assess how the Directors have performed their duty to promote the success of the Company, in accordance with Section 172 of the Companies Act 2006.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the date of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Company's business review, developments during the year and a detailed discussion of the individual asset performance together with future outlook are covered in the Chairman's Statement and the Investment Manager's Report.

## Business Model

### Status of the Company

The Company is registered in England and Wales as a public limited company and is an investment company within the terms of section 833 of the Companies Act 2006. The principal activity of the Company is to carry on business as an investment trust. The Company has been approved by HM Revenue & Customs as an authorised investment trust under sections 1158 and 1159 of the Corporation Tax Act 2010, subject to there being no subsequent serious breaches of regulations, from 1 April 2023. In the opinion of the Directors, the Company is directing its affairs so as to enable it to continue to qualify for such approval. The Company's shares have a listing on the premium segment of the Official

List of the Financial Conduct Authority ("FCA") and trade on the London Stock Exchange's ("LSE") Main Market for listed securities. The Company is a member of the Association of Investment Companies ("AIC"), a trade body which promotes investment companies and also develops best practice for its members.

### Strategy for the year ended 31 March 2023 and Strategic Review

During the year ended 31 March 2023, the Company continued to follow its investment objective and policy. During the year, the Board made all strategic decisions for the Company. Harwood Capital LLP undertook all strategic and administrative activities on behalf of the Board, which retained overall responsibility.

### Purpose

The purpose of the Company is to achieve predominantly capital growth in our shareholders' wealth over time. It aims to achieve this by using its closed-ended structure to invest in a concentrated number of smaller quoted companies, which the Investment Manager believes are undervalued and could be generating higher returns for their shareholders. The long-term nature of the Company's capital enables the Investment Manager to undertake constructive corporate engagement with the underlying portfolio companies and their stakeholders, on financial and operating performance, strategy and governance.

### The Board

The Board of the Company comprises Noel Lamb (Chairman), Ken Lever and Paul Dudley, all of whom are independent non-executive Directors and male. All Directors will stand for re-election at the forthcoming Annual General Meeting. Further information on the Directors can be found on page 2.

### Board Focus and Responsibilities

With the day to day management of the Company outsourced to service providers the Board's primary focus at each Board meeting is reviewing the investment performance and

associated matters, such as, inter alia, future outlook and strategy, gearing, asset allocation, investor relations, marketing, and industry issues. In line with its primary focus, the Board retains responsibility for all the key elements of the Company's strategy and business model, including:

- Investment Objective and Policy, incorporating the investment guidelines and limits, and changes to these;
- review of performance against the Company's key performance indicators ("KPIs");
- whether the Manager should be authorised to gear the portfolio up to a pre-determined limit (currently no leverage is used or planned to be used);
- review of the performance and continuing appointment of service providers; and
- maintenance of an effective system of oversight, risk management and corporate governance.

### Key Performance Indicators

At each Board meeting, the Directors consider the performance measures to assess the Company's success in meeting its objectives. The Board believes the Company's key performance indicators are:

- Net Asset Value Total Return: the sum of NAV per Ordinary Share growth and cumulative dividends paid. This measure incorporates investment performance and Company expenses. The investment objective is to make investments capable of delivering 15% Internal Rates of Return (IRR) over the medium term. This was 21.4% in the current and 27.5% in the prior year.

## Strategic Report (continued)

- Rockwood Strategic Plc Total Shareholder Return: RKW cumulative share price return for the year and cumulative dividends paid. Implicit in this measure is any movement in the share price discount or premium to NAV which is also measured. This was 28.2% in the current year and 22.2% in the prior year.
- Ongoing charges: ensuring the costs of running the strategy are appropriate and proportionate. Other costs (note 4) were £1.182m for the year (including non-recurring costs of £0.47m for ITC conversion costs) 2022: £2.302m.

The Directors draw attention to the Investment Manager's Report (page 3 of the annual report).

### Business review

The Directors are of the view the investment strategy has performed very well, exceeding its performance objectives during the year.

### Principal Risks and Uncertainties

The Board, on behalf of the shareholders, manages a range of risks that might impact the financial position of the Company, the principal risks are as follows:

- Investment value - The risk that the value of the Company's investments might fall. See note 13 to the financial statements for further details on this, specifically note 13a "Market Risk". Our mitigation, as set out in the Investment Manager's Report, is to manage a diverse portfolio and for the manager to operate with controls and diligence around new investments.

The Board reviews and discusses the Company's performance against its investment objective and policy, and assesses performance in comparison to industry peers and the broader comparative market. The Board also keeps the performance of the Investment Manager under continual review, along with a review of significant investment decisions and the overall rationale for holding the current portfolio

- Investment Manager - the Company is reliant on the Investment Manager to implement the investment strategy successfully and the risk that this might not continue is managed by the Board through regular and detailed engagement with, and oversight of, the manager together with the manager's own comprehensive investment and operating processes.

Additional risks - as mentioned under the Corporate Governance section, the Board maintains a register, and in addition to comments above, risks managed there include, among others: the management of key operational and financial controls; risk of key personnel being unavailable; and maintaining regulatory permissions.

Liquidity is not considered a risk as this is a closed-end fund and does not have redemption provisions, as seen in the open-ended fund sector.

The principle risks to shareholders are the performance of the portfolio and the competence of the manager in pursuing the strategy.

### Custodian

RBC Investor Services Trust - UK Branch ("RBC") was appointed as the Company's Custodian pursuant to an agreement dated 8 June 2022. RBC is in charge of, inter alia, safekeeping and custody of the Company's assets, investments and cash, processing transactions and foreign exchange services, as required.

### Stakeholder Engagement and Statement under Section 172

The Board recognises that the Company should be run for the benefit of shareholders, but that the long term success of a business is dependent on maintaining relationships with stakeholders and considering the external impact of the Company's activities.

### Section 172 statement

#### Overview

The Directors' overarching duty is to act in good faith and in a way that is the most likely to promote the success of the Company as set out in Section 172 of the Companies Act 2006. In doing so, Directors must take into consideration the interests of the various stakeholders of the Company, the impact the Company has on the community and the environment, take a long-term view on consequences of the decisions they make as well as aim to maintaining a reputation for high standards of business conduct and fair treatment between the members of the Company.

Fulfilling this duty naturally supports the Company in achieving its investment objective and helps to ensure that all decisions are made in a responsible and sustainable way. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, the Company explains how the Directors have discharged their duty under Section 172 below.

The Directors have continued access to the advice and services of the Company Secretary, and when deemed necessary, the Directors can seek independent professional advice. The schedule of Matters Reserved for the Board, as well as the Terms of Reference of any committees are reviewed on an annual basis and further describe Directors' responsibilities and obligations and include any statutory and regulatory duties. The Audit Committee has the responsibility for the ongoing review of the Company's risk management systems and internal controls and, to the extent that they are applicable, risks related to the matters set out in Section 172 are included in the Company's risk register and are subject to periodic review.

Further details on Section 172 reporting can be found in the S172 Statement, in the Corporate Governance Report on pages 15 to 17.

### Stakeholders

A company's stakeholders are normally considered to comprise its shareholders, its employees, its customers, its suppliers as well as the wider community in which the company operates and impacts. The Company is different in that as an investment trust it has no employees and, significantly, its customers are synonymous with its shareholders. In terms of suppliers, the Company receives professional services from a number of different providers, principal among them being the Investment Manager. The Board believes that the wider community in which the Company operates encompasses its portfolio of investee companies and the communities in which they operate.

### Shareholders

Continued shareholder support and engagement are critical to existence of the business and the delivery of the long term strategy of the Company.

The Board is committed to maintaining open channels of communication and to engage with shareholders in a manner which they find most meaningful, in order to gain an understanding of the views of shareholders. These include:

- Annual General Meeting ("AGM") – The Company welcomes and encourages attendance, voting and participation from shareholders at the AGM, during which the Directors and the Investment Manager are available to discuss issues affecting the Company and answer any questions. The Company values any feedback and questions it may receive from shareholders ahead of and during the AGM.
- Publications – The Annual and Interim Reports of the Company are made available on its website. These reports provide shareholders with a clear understanding of the Company's portfolio and financial position. This information is supplemented by a quarterly factsheet and regular presentations which are available on the website. Feedback and/or questions the Company receives from the shareholders help the Company evolve its reporting, aiming to render the reports and updates transparent and informative.
- Shareholder meetings – The Investment Manager and the Company's Broker are in regular contact with major shareholders. The Chairman and the other Directors are available to meet with shareholders to understand their views on governance and the Company's performance where they wish to do so. The results from all meetings between the Investment Manager, the Broker and shareholders, and the views of the shareholders are reported to the Board on a regular basis.
- Shareholder concerns – In the event shareholders wish to raise issues or concerns with the Directors, they are welcome to do so at any time by writing to the Chairman. Other members of the Board are also available to shareholders if they have concerns that have not been addressed through the normal channels. Shareholders wishing to communicate directly with the Board should contact the Company Secretary at the registered office address on page 50.
- Investor relations updates – At every Board meeting, the Directors receive updates from the Company's Broker on the share trading activity, share price performance and any shareholders' feedback, as well as updates from the Investment Manager. To gain a deeper understanding of the views of its shareholders and potential investors, the Investment Manager also meet regularly with shareholders. Any pertinent feedback is taken into account when Directors discuss the share capital and

any possible new share issuance under the Block Listing application. The willingness of the shareholders, including the partners and staff of the Investment Manager, to maintain their holdings over the long term period is another way for the Board to gauge how the Company is meeting its objectives and suggests a presence of a healthy corporate culture.

#### The Investment Manager

The Investment Manager's performance is critical for the Company to successfully deliver its investment strategy and meet its objective to provide shareholders with attractive total return over a long-term period.

The management of the Company's portfolio is delegated to the Investment Manager, which manages the assets in accordance with the Company's objectives and policies. At each Board meeting, representatives from the Investment Manager are in attendance to present reports to the Directors covering the Company's current and future activities, portfolio of assets and its investment performance over the preceding period.

Maintaining a close and constructive working relationship with the Investment Manager is crucial as the Board and Harwood Capital both aim to continue to achieve long-term returns in line with its investment objective. Important components in the collaboration with the Investment Manager, representative of the Company's culture, are:

- Operating in a fully supportive, co-operative and open environment and maintaining ongoing communication with the Board between formal meetings;
- Encouraging open discussion with the Investment Manager, allowing time and space for original and innovative thinking;
- Recognising that the interests of shareholders and the Investment Manager are for the most part well aligned, adopting a tone of constructive challenge;
- Drawing on Board members' individual experience and knowledge to support the Investment Manager in its monitoring of and engagement with portfolio companies;

- Willingness to make the Board members' experience available to support the Investment Manager in the sound long-term development of its business and resources, recognising that the long-term health of the Investment Manager is in the interests of shareholders in the Company.

In addition to the management fee, the Investment Manager also receives a performance fee if certain circumstances are met. In respect of the year ended 31 March 2023, a performance fee of £624,846 has been accrued. The Board is happy with the outperformance which is being rewarded in line with the Investment Management Agreement.

#### Other service providers

In order to function as an investment trust with a Main Market listing on the LSE, the Company relies on a diverse range of reputable advisors for support in meeting all relevant obligations.

The Company's main functions are delegated to a number of service providers, each engaged under separate contracts. The Board, together with the Company Secretary, and Investment Manager maintains regular contact with its key external providers and receives regular reporting from them, both through the Board and committee meetings, as well as outside of the regular meeting cycle. Their advice and views are routinely taken into account. This regular interaction provides an environment where issues and business developments needs can be dealt with efficiently and collegially. The Audit Committee reviews and evaluates the financial reporting control environments in place at each service provider. The Board formally assesses performance, fees and continuing appointment annually to ensure that the key service providers continue to function at an acceptable level and are appropriately remunerated to deliver the expected level of service.

#### Employees, human rights, social and community issues

The Board recognises the requirement under Companies Act 2006 to detail information about human rights, employees and community issues, including information about any policies it has in relation to these matters and the effectiveness of these policies. These requirements do not apply to the Company as it has no employees, all the Directors are non-executive and it has outsourced all its functions to third party service providers. The Company has therefore not reported further in respect of these provisions, however, it does expect its service providers and portfolio companies to respect these requirements.

### **Integrity and business ethics**

The Company is committed to carrying out business in an honest and fair manner with a zero-tolerance approach to bribery, tax evasion and corruption. As such, policies and procedures are in place to prevent the above. The Board's expectations are that its principal service providers have similar governance policies in place. The Company Secretary, on behalf of the Board, will seek assurances from service providers on a regular basis.

### **Environmental, social and governance issues**

The Company has no employees, property or activities other than investments, so its direct environmental impact is minimal. In carrying out its activities and in its relationships with service providers, the Company aims to conduct itself responsibly, ethically and fairly. The Board is comprised entirely of non-executive Directors and the day-to-day management of the Company's business is delegated to the Investment Manager. The Investment Manager aims to be a responsible investor and considers environmental, ethical and social issues with regards to their investments.

The Directors believe that proxy voting is an important part of the corporate governance process. It is the policy of the Company to vote at all shareholder meetings of investee companies, and the Board has delegated voting activities to the Investment Manager. Whilst there is no specific policy, Investment Manager follows relevant regulatory requirements with an aim to make voting decisions which will best support growth in shareholder value and will commonly take into account best practices regarding corporate governance, Board composition, remuneration and Environment, Social and Governance ("ESG") issues.

### **Modern Slavery Act 2015**

The Company does not provide goods or services in the normal course of business, and as a financial investment vehicle does not have customers. The Directors do not therefore consider that the Company is required to make a statement under the Modern Slavery Act 2015 in relation to slavery or human trafficking. The Company's suppliers are typically professional advisers and the Company's supply chains are considered to be low risk in this regard. In light of the nature of the Company's business there are no relevant human rights issues and the Company does not have a human rights policy.

### **Long Term Viability Statement**

In accordance with the UK Corporate Governance Code, the Directors have carefully assessed the Company's position and prospects as well as the principal risks and have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three financial years. The Board has chosen a three-year horizon in view of the long-term nature and outlook adopted by the Investment Manager when making investment decisions. To make this assessment and in reaching this conclusion, the Board has considered the Company's financial position and its ability to liquidate its portfolio and meet its liabilities as they fall due:

- the portfolio is comprised of investments listed and traded on stock exchanges. These are actively traded and, whilst perhaps less liquid than larger quoted companies, the portfolio is well diversified;
- the portfolio is run with a net cash position and as a result there is ample liquidity on a day-to-day basis for the Company to meet its obligations;
- the expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position; and
- the Company has no employees, only its non-executive Directors. Consequently, it does not have redundancy or other employment related liabilities or responsibilities.

As well as considering the potential impact of the Company's principal risks and various downside scenarios, such as a withdrawal of shareholder interest in the niche asset class of UK smaller companies, the Board has also considered the following assumptions in considering the Company's longer-term viability:

- there will continue to be demand for investment trusts;
- the Board and the Investment Manager will continue to adopt a long-term view when making investments;
- the Company invests principally in the securities of UK listed companies to which investors will wish to continue to have exposure;
- regulation will not increase to a level that makes running the Company uneconomical; and
- the performance of the Company will continue to be satisfactory.



**Noel Lamb**  
**Chairman**

21 June 2023

# Corporate Governance Report

## AIC Code Statement of Compliance

The Company maintained its compliance with the AIC Code of Corporate Governance issued in February 2019 (the AIC Code), except as set out below:

- The Directors do not consider it appropriate to establish a nomination, remuneration or a management and engagement committee. The functions that carried out by these committees are dealt with by the full Board, which is comprised of non-executive Directors.
- As the Company has no employees and its functions are undertaken by third parties, the Audit Committee does not consider it necessary for the Company to establish its own internal audit function. From time to time, the Audit Committee will review the requirement of an internal audit function and material controls, and if established, will carry out effectiveness reviews as required under AIC Provision 34.
- The Board will review on an annual basis the Company's application of the AIC Code of Corporate Governance and whether it remains applicable for a company of this size.

The AIC Code is made up of 17 principles and 35 provisions over five sections covering:

1. Board Leadership and Purpose;
2. Division of Responsibilities;
3. Composition, Succession and Evaluation;
4. Audit, Risk and Internal Control; and
5. Remuneration

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

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

## The Board of Directors

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

The Board oversees the role of the investment manager who are seeking to grow net asset value over the long-term by executing on the agreed investment policy.

The Board consists of three independent non-executive directors, all whom are independent of the investment manager. No one individual dominates the board's decision making. The Board have an Investment Manager Agreement in place and this agreement is reviewed annually.

The Board considers the required time commitment annually and during the year under review all Directors continued to devote sufficient amount of time to the business of RKW. The Directors possess a wide range of skills, knowledge and experience relevant to the leadership of the Company, including financial, legal, and regulatory and industry experience as well as the ability to provide constructive challenge to the views and assumptions of the Investment Manager and hold third party service providers to account.

All members of the Board own shares in the Company. Further detail on each of their shareholding can be found on page 19. After consideration of the above factors, and taking into account guidance from the AIC, which encourages directors owning shares, the Board is of the view that all the Non-executive Directors continue to be independent in

character and judgement and free from relationships or circumstances that could affect their judgement within the meaning of the AIC Code. The Board considers that all Directors continue to be committed to their roles and have sufficient time available to meet their Board responsibilities.

The names and responsibilities of the Directors, together with their biographies and details of their significant commitments, are set out on page 2.

## Board and Committee meetings

The Board holds quarterly Board meetings (with additional meetings arranged as necessary) where it considers investment performance, investor relations, share price performance and other relevant matters. Regular discussions are held with the manager and its advisers about the discount to NAV at which the shares trade and how this might be reduced.

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

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

## Corporate Governance Report (continued)

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

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

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

The table below sets out the attendance record of individual Directors at the scheduled board and committee meetings held during the year-ended 31 March 2023:

Current Directors	Scheduled Board Meetings	Scheduled Audit Committee Meetings
	Number attended	Number attended
Noel Lamb* (appointed 20/01/2022)	10/10	n/a
Kenneth Lever	10/10	2/2
Paul Dudley	6/6	1/1

Directors that resigned during year-ended March 2023	Scheduled Board Meetings	Scheduled Audit Committee Meetings
	Number attended	Number attended
Graham Bird (resigned 01/09/2022)	3/4	1/1

\* not a member of the Audit Committee

### Conflicts of interest

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

### Directors' appointment and re-election

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

The Board's policy on tenure is that the maximum period that any director shall serve as a director of the Company shall be limited and no director shall be eligible to serve beyond the 9th Annual General Meeting following his or her appointment. In the event that a director is appointed at an Annual General Meeting, for these purposes, that Annual General Meeting will not count towards the number.

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

The Board recognises the importance of succession planning to refresh the Board and the AIC provisions relating to this. Whilst the Board has no succession plans in place at this time, it is envisaged that should a Board member be unable to fulfil their duties for a period of time, one of the other directors with

the most appropriate experience would step in to perform the role on an interim basis until a longer-term solution is identified.

The Company considers annual re-election of the Directors to be good corporate governance and has therefore chosen to follow this practice. The Directors have considered the performance of each Director serving on the Board, including the Chairman, and believe that each of the Directors continues to make a valuable contribution to Board discussions and decisions and supports their re-election at the 2023 AGM.

During the year there was one appointment to the Board, Paul Dudley.

Paul Dudley was appointed as an Independent Non-Executive Director following a lengthy search process. A number of candidates were considered and the individuals included on the short list of candidates were met separately the Chairman, Noel Lamb, and Ken Lever.

### Board evaluation

The Board has formalised a process to conduct a regular evaluation of its performance and that of individual Directors and its audit committee on an annual basis. This process is led by the Chairman (supported by the company secretary) and is conducted internally using a questionnaire designed to assess the strengths and weaknesses of the Board and its committees, the composition of the board, how effectively Board members work together. Each Director is required to complete a questionnaire covering the assessment of the composition, functioning and operation of the Board as a whole and a similar review of the effectiveness of the audit committee and investment manager is also carried out. Given the recent changes to the composition of the Board, it is envisaged that a succession plan be reviewed towards the end of the year, along with the Board evaluation.

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



### Internal controls and risk management systems

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

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

The Company's Ordinary Shares are quoted on the Main Market of the London Stock Exchange under reference RKW.

Systems have been in place for the year under review and up to the date of approval of the annual report and accounts.

### UK Stewardship

The Board and the Investment Manager support the UK Stewardship Code, issued by the FRC, which sets out the principles of effective stewardship by institutional investors. The Investment Manager has extensive experience and a strong commitment to effective stewardship.

### Section 172 Statement

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

The Company has no employees and delegates its day-to-day management and administration to third parties. The Board considers its key stakeholders to be its shareholders, its investment manager and its third-party service providers while also taking into account the Company's responsibilities to

regulators and the wider community. Given the out-sourced nature of the Company's operations, the Company has very little direct impact on the community or the environment. However, the Directors recognise that the investment manager can influence an investee company's approach to Environmental, Social and Governance (ESG) matters. The investment manager is committed to operating responsibly. The investment manager also recognises that the integration of ESG considerations into its investment assessments is important and that when these factors are addressed well they can have a positive impact on the financial performance of the fund investments.

The investment manager assesses ESG factors during due diligence and incorporates conclusions into its engagement, strategic and operational plan, investment thesis and investment risk assessment. They continue to monitor factors post-investment and engage when appropriate. The investment manager expects companies to be minimising their environmental footprint, without damaging the outlook for cash earnings and will engage where necessary to address lack of active attention in this area. The investment manager believes successful companies incorporate the interests of multiple stakeholders into their business operations and their strategy for maximising shareholder value. The governance factor is most important to our manager and investment strategy, enabling effective approaches to environmental and social factors. The manager actively engages with companies as an integrated part of their philosophy and process. This is often including through board representation, which helps ensure corporate governance is structured appropriately, 'groupthink' is avoided and the Board is working effectively to deliver shareholder value.

## Corporate Governance Report (continued)

Stakeholder group	Importance of engagement	Key methods of engagement	Topics of engagement	Outcome and actions
<p><b>Shareholders</b></p>	<p>Shareholders remain central to the Company's ability to access capital to support its strategic objectives and goals and in ensuring the long-term success of the business</p> <p>The Board is committed to ensuring that there is open and effective communication with the Company's shareholders on a range of matters including: governance, strategy and performance against the Company's investment objective and policy to ensure that the Directors understand the views of shareholders on such matters</p>	<p>The Company communicates with its shareholders in a number of ways including:</p> <ul style="list-style-type: none"> <li>→ Through its annual and half-yearly reports</li> <li>→ Regulatory announcements</li> <li>→ Website - the website provides all existing and potential shareholders with information about the Company, its investment policy and performance to allow shareholders to fully understand the risk/reward balance of holding shares in the Company</li> <li>→ Informal meetings: the Chairman meets with the Company's major shareholders annually if they wish to do so to discuss matters of governance, strategy and performance against the Company's investment objective and policy</li> <li>→ Annual General Meeting: this provides a further opportunity to communicate with shareholders who attend and for the Board to respond to their questions at the meeting. All shareholders are encouraged to attend and vote at the Company's AGM, to be held on 12 September 2023 at 11:00am.</li> </ul>	<p>Board composition changed to reflect the new investment policy.</p> <p>Following further material evolution of the shareholder register further discussions were held with shareholders.</p>	

Stakeholder group	Importance of engagement	Key methods of engagement	Topics of engagement	Outcome and actions
<b>Investment Manager</b>	The Board has contractually delegated the management of the portfolio to the investment manager (Harwood Capital). The performance of Harwood Capital is crucial to the Company executing its investment strategy successfully and providing attractive returns to shareholders. Therefore, maintaining a close and constructive working relationship with Harwood Capital remains important to the Board and the long-term success of the Company.	<p>The Board regularly engages with the investment manager and meets with the investment manager on a quarterly basis and other times throughout the year enabling the Directors to discuss the performance of the investee companies (amongst other matters) and probe further should there be matters of concern or requirement for clarification on certain matters.</p> <p>The performance of the investment manager is monitored and reviewed by the Board as a whole in the absence of a management and engagement Committee. In addition, an annual appraisal of the investment manager's performance is undertaken as part of the board evaluation process. It is the opinion of the Board that the continuing appointment of the investment manager is in the interests of shareholders as a whole.</p>	<p>Full review of all aspects of the investment manager agreement and suitability of manager as part of the strategic review.</p> <p>Harwood Capital provided a quarterly report to the Board which provides an update on the investment portfolio and future pipeline opportunities.</p>	<p>Harwood Capital was appointed as asset manager following the conclusion of the strategic review.</p> <p>The Board will review key investment and provided feedback.</p>
<b>Service providers and suppliers</b>	As an externally managed investment Company, RKW relies on a diverse range of advisors to support the Company in meeting all its relevant obligations including: the company secretary, administrator, auditors, registrar, depositary and corporate advisor.	The Board maintains regular contact with its key external providers and receives regular reporting from them, both through the board and committee meetings, as well as outside of the regular meeting cycle.	The Board assesses the performance, fees and continuing appointment of its service providers and suppliers annually to ensure that the key service providers continue to function at an acceptable level and are appropriately remunerated to deliver the expected level of service.	The investment manager on behalf of the Board conducted a full review of suppliers post year-end which resulted in various supplier changes, and cost reductions.
<b>Regulators</b>	RKW can only operate with the approval of its regulators who have a legitimate interest in how the Company operates in the market and treats its shareholders.	The Company continues to monitor and ensure its compliance with the relevant regulatory, legal and statutory obligations along with corporate governance best practice.	The Board reviewed its compliance with the AIC Code of Governance published in February 2019 to assess the extent of its compliance and identify any gaps. Regular updates are received from the company secretary on governance matters to inform the Board of any changes in market practice or any legal or statutory obligations which could affect the Company.	No specific action required

**SGH Company Secretaries Limited**  
**Company Secretary**

21 June 2023

# Audit Committee Report

The Audit Committee is chaired by Ken Lever, the Senior Independent Director. The other member is Paul Dudley. Ken Lever is a Chartered Accountant and is also the Audit Committee Chair of Vertu Motors plc. The Chair is considered to have recent and relevant financial experience and the Audit Committee, as a whole, has competence in the investment company sector. The Chair of Rockwood Strategic plc and the investment manager are not members of the committee but are invited to attend meetings of the committee from time to time. Representatives of the Company's auditor attend the committee meetings at which the draft half year and full year accounts are reviewed. The auditor is given the opportunity to speak to the committee members without the presence of the manager and speaks directly with the Chair of the Audit Committee as required.

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

The principal areas of focus of the committee are:

- Monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- Review the significant issues/judgements relating to the financial statements, and how these issues were addressed;
- Ensure that the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- Review and make recommendations to the Board relating to the content of the Financial Statements and accompanying narrative included within the Annual Report;

- Review and assess the independence, objectivity and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the independent auditor;
- Approve the remuneration of the independent auditors; and
- Monitor and review the effectiveness of the Company's internal financial controls, internal control and risk management systems.

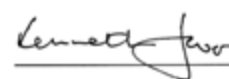
#### Principal activities during the year

- Considered the independent auditor's annual scope and report on the full year accounts and the key areas of focus;
- Reviewed the full year and half-year results, including the underlying accounting issues, judgements and estimates and the processes underpinning the preparation of those documents;
- Considered the report prepared by the third party service provider with respect to the review of internal controls, accounting systems and processes used to prepare the financial information;
- Reviewed the information presented in the half-year and full year reports to assess whether, taken as a whole, the reports are fair, balanced and understandable and the information presented enable the shareholders to assess the Company's performance and strategy;
- Reviewed and recommended the reappointment of BDO LLP as the external auditor for the Company and agreed the remuneration of the Auditor; and,
- Reviewed the need to establish or otherwise an internal audit function.

#### Independent Auditor

BDO LLP has been the independent auditor for the Company since 2013. The auditor is required to rotate the audit partner every five years and the current audit partner is Peter Smith, who has been in place for three years. It is therefore anticipated that Peter Smith will serve as audit partner for two more years until completion of the audit process in 2025. No tender for the audit of the Company has been undertaken. The Committee will review the continuing appointment of the Auditor on an annual basis and give regular consideration to the Auditor's fees and independence, along with matters raised during each audit.

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



**Ken Lever**  
Chair, Audit Committee  
21 June 2023

# Director's Remuneration Report

The report on Directors' remuneration for the year-ended 31 March 2023 is set out in the table below. As mentioned previously, the full Board undertake the role of the Remuneration Committee given the size of the Board.

The fees paid to the Board are reviewed periodically and may also be reviewed when new non-executive directors are recruited to the board. The Directors' fees were last reviewed and increased in 2020. The Directors Remuneration Policy can be found on page 20.

The Company was not subject to requirement of having Remuneration Report voted on by shareholders and therefore this will be the first year of figures.

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

	31 March 2023 (£)	31 March 2022 (£)
Noel Lamb	40,000	8,300
Kenneth Lever	27,500	27,500
Paul Dudley (appointed 1 September 2022)	16,042	N/A
Graham Bird (resigned 1 September 2022)	11,458	22,300
Charles Berry (Resigned 22 November 2021)	N/A	25,900
David Potter (Resigned 11 June 2021)	N/A	24,400
Helen Sinclair (Resigned on 5 November 2021)	N/A	41,300
Simon Pyper (Resigned on 31 March 2022)	N/A	11,400
<b>Total annual fees payable as at the Year End</b>	<b>95,000</b>	<b>161,000</b>

The total social security payments for the year-ended 31 March 2023 were £6,629 (31 March 2022: £11,519).

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

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

The Directors Remuneration Report should include a performance table in accordance with the Large and Medium- Sized Companies and Group Regulations 2008; Schedule 8:(18:1). We have not included this as the Company has not had a full year of performance and we will include in subsequent years.

## Directors and their interests

The Directors serving during the year-ended 31 March 2023 had the following interests in the share capital of the Company:

	As at 21 June 2023	As at 31 March 2023	As at 31 March 2022
Noel Lamb	2,500	2,500	1,500
Kenneth Lever	3,555	3,555	3,555
Paul Dudley	521	521	N/A
Graham Bird	N/A	N/A	17,462

## Relative importance of spend on Directors' fees

The below table is required to be included in accordance with The Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008.

	31 March 2023 (£)	31 March 2022 (£)
Total Directors' fees	£95,000	£161,000
NAV	£49,793,321	£41,007,400

The Directors' fees as a percentage of NAV for the year to 31 March 2023 were 0.232 per cent and for the year to 31 March 2022 were 0.191 per cent.

# Directors Remuneration Policy

The Company follows the recommendation of the AIC Code that non-executive Directors' remuneration should reflect the time commitment and responsibilities of the role. The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, and be determined with reference to comparable organisations and appointments. All Directors are non-executive, appointed under the terms of letters of appointment. There are no service contracts in place. The Company has no employees. The fees for the non-executive Directors are determined within the limits (not to exceed £250,000 per annum) set out in the Company's Articles of Association, or any greater sum that may be determined by special resolution of the Company. Directors are not eligible for bonuses, share options, long-term incentive schemes or other performance-related benefits as the Board does not believe that this is appropriate for non-executive Directors. There are no pension arrangements or retirement benefits in place for the Directors of the Company. Under the Company's Articles of Association, if any Director is called upon to perform or render any special duties or services outside their ordinary duties as a Director, they may be paid such reasonable additional remuneration as the Board, or any committee authorised by the Board, may from time to time determine. The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Director, including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings of the Company. Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

Fees are reviewed annually in accordance with the above policy. The fee for any new Director appointed to the Board will be determined on the same basis. The Company is committed to ongoing shareholder dialogue and any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Directors' remuneration policy and in the annual review of Directors' fees. Compensation will not be made upon early termination of appointment. The Directors' Remuneration Report was approved by the Board and signed on its behalf by:

Component	Role	Rate as at 31 March 2023	Purpose of Remuneration
Annual Fee	Chairman	£40,000	Commitment as Chairman
Annual Fee	Independent Non-Executive Director	£27,500	Commitment as Non-executive Director
Additional Fee	All Directors	N/A	For extra or special services performed in their role as a Director
Expenses	All Directors	N/A	Reimbursement of expenses incurred in the performance of duties as a Director



**Noel Lamb**  
Chairman

21 June 2023

# Director's Report

The contents of the Strategic Report are spread between the Chairman's Statement and Investment Manager's Report. The Directors present their Annual Report and the audited financial statements for the year-ended 31 March 2023.

## Activities

Rockwood Strategic plc (the Company) is a Main Market listed investment company invested in a focused portfolio of smaller UK public companies. The strategy identifies undervalued shares, where the potential exists

to improve returns and where the Company is benefitting, or will benefit, from operational, strategic or management changes. These unlock, create or realise shareholder value for investors.

The Company has no employees but has a Board consisting of three non-executive Directors.

## Directors

The Directors in office at the date of this Annual Report are shown on page 2.

## Substantial shareholdings

As at the date of this report, the Company has been notified of the following substantial interests representing 2.8% or more of its total voting rights:

Shareholder	% of total voting rights
Harwood Capital	28.9%
Interactive Investor (Manchester)	6.69%
James Sharp & Co	6.22%
Hargreaves Lansdown Asset Mgt (Bristol)	6.02%
Unicorn Asset Management	5.38%
Investec Wealth & Investment	4.32%
River & Mercantile Asset Management	3.70%
Schroder Investment Mgt (London)	2.91%
Rockwood Realisation Plc Directors & Related Parties (UK)	2.90%
Evelyn Partners	2.81%

## Dividends

The Directors have not recommended the payment of a final dividend in respect of the year-ended 31 March 2023.

## Global Greenhouse Gas Emissions for the Year ended 31 March 2023

The Company is an investment trust, with neither employees nor premises, nor has it any financial or operational control of the assets which it owns. It has no greenhouse gas emissions to report from its operations

nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, including those within the Company's underlying investment portfolio. Consequently, the Company consumed less than 40,000 kWh of energy during the year in respect of which the Directors' Report is prepared and therefore is exempt from the disclosures required under the Streamlined Energy and Carbon Reporting criteria.

## Political Donations

The Company has not made any political donations in the past, nor does it intend to do so in the future.

## Qualifying Indemnity Provision

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

## Acquisition of Own Shares

There was no acquisition of own shares during the year.

## Share capital

As at 31 March 2023, the Company's issued share capital was 2,541,046 Ordinary Shares of 50 pence each, of which none were held in treasury.

The Company cancelled 2,000,000 Deferred Shares of £0.005 on 22 September 2022

## Financial risk management

The principal risks and uncertainties regarding the Company's future financial performance are set out in note 13 of the financial statements. The Directors do not consider that the Company faces any significant credit risk, liquidity risk or cash flow risk.

## Going Concern

The Directors consider the Company to be well placed to operate for at least twelve months (21 June 2024) from the date of this report, as the Company has sufficient cash liquidity to pay its liabilities as and when they fall due and also to invest in new opportunities as they arise. The cash and publicly tradeable investments when compared to the non-discretionary cash outflows of the company are more than sufficient to allow the company to continue to meet these commitments, even if investee companies cease to be able to pay

## Director's Report (continued)

dividends or loan stock interest. This has been further discussed in Note 1 to the financial statements.

### Share price

The average share price of the Company's quoted Ordinary Shares in the year ended 31 March 2023 was £15.5. In the year, the share price reached a maximum of £19.6 (1 decimal place) and a minimum of £13.7 (1 decimal place). The closing share price on 31 March 2023 was £18.2 (1 decimal place).

### Post Balance Sheet Events

The Company had no post balance sheet events. Future Developments are covered in the Investments Managers Report on page 7.

### Audit information

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

1. So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
2. The Director has taken all the steps that they should have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Annual General Meeting

The Notice of Annual General Meeting to be held at 11:00am on Tuesday 12 September 2023 is set out on pages 47 to 49. Details of the business to be transacted are outlined below:

#### *Resolution 1: Report and accounts*

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

#### *Resolutions 2 & 3: Remuneration Report and Policy*

The Directors are seeking the authorisation to approve the Directors Remuneration Report and Directors Remuneration Policy for the financial year ended 31 March 2023 as set out on pages 19 to 20. The Remuneration Report gives details of Directors' remuneration for the year ended 31 March 2023.

#### *Resolutions 4 -6: Re-election of Directors*

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

#### *Resolution 7: Auditor*

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

#### *Resolution 8: Directors' authority to allot shares*

The Directors are seeking the usual authority to allot shares. Resolution 8 in the Notice of Annual General Meeting seeks authority to allot Ordinary Shares up to an aggregate nominal amount of £438,553.17 (being an amount equal to 33% of the total issued share capital of the Company as at the date of this report). The Directors have no present intention to exercise this authority.

#### *Resolution 9: Sub-division of shares*

The Board has considered whether a recommendation of a sub-division of the Company's shares is in the best interest of the Company's shareholders. Following consideration, in conjunction with the Manager, it is believed that the sub-division could potentially increase the marketability of the Company's shares, particularly from investors seeking to trade smaller quanta of the Company's shares, and therefore potentially increase the liquidity profile of the Company's shares accordingly. The Board therefore believes that it is appropriate to recommend a sub-division of each existing ordinary share of 50 pence each into ten new ordinary shares of 5 pence each.

The share sub-division would result in shareholders holding 10 Ordinary Shares for each existing Ordinary Share they held immediately prior to the share sub-division. The resolution is conditional upon the new Ordinary Shares being admitted to the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities, although the date of the share sub-division has not yet been settled, and will be determined by the Directors in due course should they wish to implement.

If the proposed share sub-division proceeds, it is expected that the price of each new Ordinary Share will become one tenth of the price of the existing Ordinary share. This will reflect the fact that shareholders will own ten times as many ordinary shares. Shareholders should however note that, subject to market movements, the aggregate value of their shareholdings should remain the same. Additionally, the share sub-division will not have any impact on the Company's net assets as no change in the total aggregate nominal value of the Company's issued share capital will occur.

The new Ordinary Shares will carry the same rights in all respects as the existing Ordinary shares, including voting rights. Mandates and other instructions for the payment of dividends and communication preferences will continue to apply to the new Ordinary Shares.

The new Ordinary Shares will be in registered form and may be held in certificated or uncertificated form. Following the share sub-division becoming effective, share certificates in respect of the existing Ordinary Shares will cease to be valid and will be cancelled. New certificates in respect of the new Ordinary Shares will be issued to those shareholders who hold their existing Ordinary Shares in certificated form. When the Directors determine that the share sub-division should proceed, a full timetable of the process will be issued to shareholders.

#### *Resolutions 10 & 11: Authority to allot shares outside of pre-emption rights*

Subject to the passing of resolution 8, resolutions 10 and 11 will allow the Company to issue, in aggregate, up to 20 per cent. of the number of Ordinary Shares in issue as at 31 March 2023, and to sell Ordinary Shares held in treasury for cash as if section 561 of the Companies Act 2006 did not apply. The Directors recognise that this authority is beyond the standard 10 per cent. sought by investment companies, but believe that the passing of both resolution 10 and resolution 11 is in the interests of Shareholders, given that the authority is intended to be used to fund future acquisitions of investments in line with the Company's investment policy, thereby mitigating the potential dilution of investment returns for existing Shareholders. Furthermore, new Ordinary Shares issued under this authority will only be issued at a minimum price equal to the relevant prevailing net asset value per share plus a premium to cover any expenses of the relevant issue and therefore should not be dilutive to the net asset value ("NAV") per existing share. The Directors have no present intention to exercise this authority.

If resolution 10 is passed but resolution 11 is not passed, Shareholders will only be granting Directors the authority to allot up to 10 per cent. of the existing issued Ordinary Share capital of the Company.



*Resolution 12: Authority to make market purchases of the Company's own shares*

Resolution 12, which is a special resolution, will give the Company authority to make market purchases of up to 398,419 Ordinary Shares, representing 14.99% of the Company's issued ordinary share capital (excluding treasury shares) as at the date of this report (the latest practicable date before publication of this document).

The resolution sets minimum and maximum prices. The Directors will only use this authority to undertake a further share buyback and consider it useful to retain the authority for the future in case circumstances alter. The Directors shall ensure that all legal and regulatory requirements associated with any future purchases of the Company's own shares are fulfilled including, in the event that the purchase would result in any shareholder being obliged to make an offer under Rule 9.1 of the Takeover Code and the requirement to seek a waiver from the Takeover Panel.

The authorities contained in Resolutions 8, 10 and 11 will continue until the AGM of the Company in 2024. It is intended that renewal of these authorities will be sought at each AGM.

**Recommendation**

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

Approved by the Board of Directors and signed on its behalf



**SGH Company Secretaries Limited**  
**Company Secretary**

21 June 2023

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# Directors' Responsibility Statement

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the Financial Position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

#### **Website publication**

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

# Independent Auditor's Report

## Independent auditor's report to the members of Gresham House Strategic plc

### Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Rockwood Strategic Plc ("the Company") for the year ended 31 March 2023 which comprise the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

### Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors 13 May 2013 to audit the financial statements for the year ended 31 March 2013 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 11 years, covering the years ended 31 March 2013 to 31 March 2023. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the Directors' method of assessing the going concern in light of market volatility and the present uncertainties in economic recovery created by the current economic environment of high inflation and interest rates, by reviewing the information used by the Directors in completing their assessment; and
- Assessing the liquidity of the investment portfolio, which is available to meet the future obligations and operating expenses of the Company for a period of 12 months from the date of approval of these financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## Independent Auditor's Report (continued)

### Overview

<b>Key audit matter</b>	Valuation and ownership of investments	2023 Yes	2022 Yes
<b>Materiality</b>	<i>Financial statements as a whole</i> £495k (2022: £540k) based on 1% (2022: 1.25%) net assets (2022: total assets).		

### An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

### Key audit matters

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

Key audit matter		How our audit addressed the key audit matter
<b>Valuation and ownership of Investments</b>  (See accounting policy on Note 1 and note 8)	Investments are held in quoted companies.  The Company's performance is largely based on the returns on these investment which is, in turn, driven by the valuation. As such, there is a potential risk of overstatement of investment valuations, although this is mitigated to an extent by the valuations being produced by the administrator and reviewed and approved by the Board.  Due to the significance of this balance we considered it to be a key audit matter.	In respect of 100% of the investments, we performed the following procedures: <ul style="list-style-type: none"> <li>→ Agreed all additions and disposals to supporting contract notes</li> <li>→ Confirmed that bid price has been used by agreeing to externally quoted prices;</li> <li>→ Re-performed the calculation of the value attributable to the company based on the closing bid price</li> <li>→ In respect of the ownership of investments we obtained direct confirmation from the custodian regarding all investments held at the balance sheet date.</li> </ul> <b>Key observations:</b> Based on the procedures performed we did not identify any matters to suggest that the valuation and ownership of investments was not appropriate.

### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

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

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	2023	2022
<b>Materiality</b>	£495k	£540k
<b>Materiality Basis for determining materiality</b>	1% value of net assets	1.25% value of total assets
<b>Rationale for the benchmark applied</b>	<p>As an investment company, the principal operations of the audited entity which impact the decision making of the stakeholders are investments. Hence net assets has been chosen as the benchmark to set materiality.</p> <p>The Asset value of the Company is a key indicator of the performance and as such the most relevant benchmark for the users of the financial statements.</p>	<p>Total assets has been used as a basis as there were significant disposals during the period, significantly changing the composition of the investments and cash. The cash is available to reinvest. The Asset value of the Company is a key indicator of the performance and as such the most relevant benchmark for the users of the financial statements.</p>
<b>Performance materiality</b>	£372k	£405k
<b>Basis for determining performance materiality</b>	75% of materiality.	75% of materiality.
<b>Rationale for the percentage applied for performance materiality</b>	We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.	We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

#### *Lower testing threshold*

We also determined that for items impacting realised return, a misstatement of less than materiality for the financial statements as a whole, could influence the economic decisions of users. As a result, we determined a lower testing threshold for these items based on 5% gross expenditure (2022: 5% gross expenditure) of £95k (2022: £124k).

#### *Reporting threshold*

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £24k (2022: £27k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

#### **Corporate governance statement**

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

## Independent Auditor's Report (continued)

<b>Going concern and longer-term viability</b>	<ul style="list-style-type: none"> <li>→ The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 21; and</li> <li>→ The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 12.</li> </ul>
<b>Other Code provisions</b>	<ul style="list-style-type: none"> <li>→ Directors' statement on fair, balanced and understandable set out on page 18;</li> <li>→ Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 10;</li> <li>→ The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 18; and</li> <li>→ The section describing the work of the audit committee set out on page 18.</li> </ul>

### Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

<b>Strategic report and Directors' report</b>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>→ the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and</li> <li>→ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
<b>Directors' remuneration</b>	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
<b>Corporate governance statement</b>	<p>In our opinion, based on the work undertaken in the course of the audit the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.</p> <p>In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in this information.</p> <p>In our opinion, based on the work undertaken in the course of the audit information about the Parent Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.</p> <p>We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent Company.</p>
<b>Matters on which we are required to report by exception</b>	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>→ adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>→ the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or</li> <li>→ certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>→ we have not received all the information and explanations we require for our audit.</li> </ul>

### Responsibilities of Directors

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

*Extent to which the audit was capable of detecting irregularities, including fraud*  
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

### Non-compliance with laws and regulations

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Companies Act 2006 and applicable accounting standards.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements.

Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of the Board and relevant Service Organisations;
- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

### Fraud

The engagement team discussed how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls. Our tests included, but were not limited to:

- The procedures set out in the Key Audit Matters section above;
- Recalculating investment management fees in total;
- Analysing the whole population of dividend receipts to identify any unusual items that could indicate a capital distribution, for example where a dividend represents a particularly high yield;
- Obtaining independent confirmation of bank balances; and

- Testing journals which met a defined risk criteria by agreeing to supporting documentation.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



### Peter Smith, Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor  
London, UK

21 June 2023

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

# Statement of Comprehensive Income

for the year ended 31 March 2023

	Notes	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
<b>Gains on investments</b>	8	<b>8,991</b>	20,007
<b>Revenue</b>			
Bank interest income		<b>109</b>	1
Loan note interest income		<b>274</b>	563
Portfolio dividend income		<b>925</b>	99
Other income		<b>40</b>	-
		<b>1,348</b>	663
<b>Administrative expenses</b>			
Directors fees and other staff costs	3	<b>(102)</b>	(173)
Performance fee	11	<b>(625)</b>	(2,772)
Other costs	4	<b>(1,182)</b>	(2,302)
<b>Total administrative expenses</b>		<b>(1,909)</b>	(5,247)
Profit before taxation		<b>8,430</b>	15,423
Taxation	5	<b>(1)</b>	(1,580)
<b>Profit for the financial year</b>		<b>8,429</b>	13,843
<b>Attributable to:</b>			
- Equity shareholders of the Company		<b>8,429</b>	13,843
Basic and Diluted earnings per ordinary share for profit from continuing operations and for profit for the year (pence)	6	<b>331.72p</b>	428.76p

There are no components of other comprehensive income for the current year (2022: None), all income arose from continuing operations.



# Statement of Financial Position

as at 31 March 2023

	Notes	31 March 2023 £'000	31 March 2022 £'000
<b>Non-current assets</b>			
Investments at fair value through profit or loss	8	39,255	31,609
<b>Current assets</b>			
Cash and cash equivalents		11,631	10,507
Trade and other receivables	9	73	1,019
		11,704	11,526
<b>Total assets</b>		<b>50,959</b>	<b>43,135</b>
<b>Current liabilities</b>			
Trade and other payables	10	(541)	(547)
Tax liability		-	(1,580)
Performance fee payable	11	(625)	-
<b>Total liabilities</b>		<b>(1,166)</b>	<b>(2,127)</b>
<b>Net current assets/(liabilities)</b>		<b>10,538</b>	<b>9,399</b>
<b>Net assets</b>		<b>49,793</b>	<b>41,008</b>
<b>Represented by:</b>			
Issued capital	12	1,281	1,281
Share premium		13,063	13,063
Revenue reserve	14	24,105	15,320
Capital redemption reserve		11,344	11,344
<b>Total equity</b>		<b>49,793</b>	<b>41,008</b>

The NAV per share on 31 March 2023 is 1,959.6 pence (2022: 1,613.8 pence).

These financial statements were approved and authorised for issue by the Board of Directors on 21 June 2023. Signed on behalf of the Board of Directors.



Noel Lamb  
Chairman



Kenneth Lever  
Director

# Statement of Cash Flows

for the year ended 31 March 2023

	Notes	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
<b>Cash flow from operating activities</b>			
Cash flow from operations	a	(670)	(7,306)
Portfolio dividend income received		862	99
Corporation tax paid		(1,581)	-
<b>Net cash outflow from operating activities</b>		<b>(1,389)</b>	<b>(7,207)</b>
<b>Cash flows from investing activities</b>			
Purchase of investments	8*	(20,015)	(1,457)
Sale of investments	8*	22,528	43,122
<b>Net cash inflow from investing activities</b>		<b>2,513</b>	<b>41,665</b>
<b>Cash flows from financing activities</b>			
Dividends paid	7	-	(535)
Return of Capital B Share Scheme and Tender Offer		-	(25,021)
<b>Net cash outflow from financing activities</b>		<b>-</b>	<b>(25,556)</b>
Change in cash and cash equivalents		1,124	8,902
Opening cash and cash equivalents		10,507	1,605
<b>Closing cash and cash equivalents</b>		<b>11,631</b>	<b>10,507</b>

## Note

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

		£'000	£'000
Profit for the year	2	8,429	13,843
Rolled up interest		-	(224)
Gains on investments	8	(8,991)	(20,007)
Portfolio dividend income		(925)	(99)
Adjustment for accrued interest on redemption/conversion		-	(16)
<b>Operating loss</b>		<b>(1,487)</b>	<b>(6,503)</b>
Decrease/(increase) in trade and other receivables		153	(65)
Increase/(decrease) in trade and other payables		664	(738)
<b>Net cash outflow from operations</b>		<b>(670)</b>	<b>(7,306)</b>

\* The purchase and sale of financial investments are the cash paid or received during the year and exclude unsettled investments as at 31 March 2023.

# Statement of Changes in Equity

for the year ended 31 March 2023

	B shares £'000	D shares £'000	Ordinary Share Capital £'000	Share Premium £'000	Revenue Reserve £'000	Capital Redemption Reserve £'000	Total Equity £'000
<b>Balance at 31 March 2021</b>	-	10	1,741	13,063	26,969	10,874	52,657
Profit and total comprehensive income for the year	-	-	-	-	13,843	-	13,843
<b>Total profit and comprehensive income for the year</b>	-	10	1,741	13,063	40,812	10,874	66,500
<b>Contributions by and distributions to owners</b>							
Share buy back	-	-	(470)	-	-	470	-
Dividends paid	-	-	-	-	(535)	-	(535)
Return of unclaimed special dividends and capital payments	-	-	-	-	64	-	64
Tender Offer	-	-	-	-	(14,578)	-	(14,578)
Issue of B Shares	10,443	-	-	(10,443)	-	-	-
Redemption of B Shares	(10,443)	-	-	10,443	(10,443)	-	(10,443)
<b>Balance at 31 March 2022</b>	-	10	1,271	13,063	15,320	11,344	41,008
Profit and total comprehensive income for the year	-	-	-	-	8,429	-	8,429
<b>Total profit and comprehensive income for the year</b>	-	10	1,271	13,063	23,749	11,344	49,437
<b>Contributions by and distributions to owners</b>							
Return of unclaimed special dividends and capital payments	-	-	-	-	356	-	356
<b>Balance at 31 March 2023</b>	-	10	1,271	13,063	24,105	11,344	49,793

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# Notes to the Financial Statements

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## 1. Basis of preparation and significant accounting policies

Rockwood Strategic Plc (the Company) is a company incorporated in the UK and registered in England and Wales (registration number: 03813450). The accounting policies applied are consistent with the prior year.

### Basis of preparation

These financial statements for year ended 31 March 2023 have been prepared in accordance with UK adopted International Accounting Standards.

The financial statements are prepared on a historical cost basis except for the revaluation of certain financial instruments stated at fair value. Standards and interpretations applied for the first time have had no material impact on these financial statements.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and Investment Manager's Report. The key risks facing the business and management's policy and practices to manage these are further discussed in note 13.

The functional and presentational currency of the Company is Pounds Sterling and has been determined on the basis of the currency of the Company's share capital and the currency in which dividends and expenses are paid. The Financial Statements are presented to the nearest thousand (£'000).

### Going concern

In assessing the Company as a going concern, the Directors have considered the market valuations of the portfolio investments, the current economic outlook and forecasts for Company costs.

The Board convened a general meeting for Shareholders to vote on a proposal to change its investment strategy from the realisation strategy to instead enable the Company to continue as a going concern and to make new investments (the Proposal).

Shareholders voted in favour of the resolution to re-start active investing in UK small companies at a general meeting on 25 April 2022.

The Company is in a net asset position of £49.8 million (2022: £41.0 million) and 100% of the Company's portfolio of Investments consist listed equities which, should the need arise, can be liquidated to settle liabilities. There are no other contractual obligations other than those already in existence and which are predictable.

The Company's forecasts and projections, taking into account the current economic environment and other factors, including reasonably possible changes in performance, show that the Company is able to operate within its available working capital and continue to settle all liabilities as they fall due for the foreseeable future. The Company has consistent, predictable ongoing costs and major cash outflows, such as for the payment of dividends, are at the full discretion of the Board.

Therefore, the Directors taking into the consideration the above assessment are satisfied that the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date when these financial statements were approved.

### Financial instruments:

#### Trade debtors and creditors

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

#### Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks and other short-term highly liquid investments with original maturity of 3 months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## 1. Basis of preparation and significant accounting policies (continued)

### Investments at fair value through profit or loss

Investments are included at valuation on the following basis:

- (a) Quoted investments are recognised on trading date and valued at the closing bid price at the year end.
- (b) Unquoted Investments are valued according to the to the Directors' best estimate of the Company's share of that investment's value. This value is calculated in accordance with the International Private Equity and Venture Capital Valuation Guidelines (the IPEV of December 2018 and the special valuation guidance issued in March 2020) and industry norms which include calculations based on appropriate earnings or sales multiples.

The core principles of the IPEV guidelines are:

- Fair Value should be estimated at each Measurement Date (each time Fair Value based Net Asset Value (NAV) is reported to investors (LPs)).
- The Price of a Recent Investment (if deemed Fair Value) should be used to calibrate against the alternative valuation methodologies.
- Calibration is required by accounting standards.
- Market Participant perspectives should be used to estimate Fair Value at each Measurement Date.

After considering individual facts and circumstances and applying these Guidelines, it is possible that Fair Value at a subsequent Measurement Date is the same as Fair Value as at a prior Measurement Date. This means that Fair Value may be equal to the Price of a Recent Investment; however, the Price of a Recent Investment is not automatically deemed to be Fair Value.

For measurement purposes, investments, including equity, loan and similar instruments, are designated at fair value through profit and loss, and are valued in compliance with IFRS 9 'Financial Instruments', IFRS 13 'Fair Value Measurement' and the IPEV Guidelines as recommended by the British Venture Capital Association.

The Directors consider that a substantial measure of the performance of the Company is assessed through the capital gains and losses arising from the investment activity of the Company.

Gains and losses on the realisation of investments are recognised in the statement of comprehensive income for the year and taken to retained earnings. The difference between the market value of financial investments and book value to the Company is shown as a gain or loss for the year and taken to the statement of comprehensive income.

### Revenue

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

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

Interest receivable is included on an effective interest rate basis.

### Taxation

The tax expense included in the statement of comprehensive income comprises of current and deferred tax. Current tax is the expected tax payable based on the taxable profit for the year, using tax rates that have been enacted or substantially enacted by the reporting date. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit and are accounted for using the statement of financial position liability method.

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

# Notes to the Financial Statements (continued)

## 1. Basis of preparation and significant accounting policies (continued)

### Performance fee

Under the terms of the Investment Management Agreement (7 April 2022) with Harwood Capital LLP, the Company will pay the Investment Manager a performance fee equal to 10 per cent. of outperformance over the higher of a 6 per cent. per annum total return hurdle and the high watermark. The 6 per cent. per annum compounds weekly and the performance fee is calculated annually. Provided that the Company's average NAV is at or below £100 million, performance fees in any performance fee period are capped at 3 per cent. of the Company's average NAV for the relevant performance fee period. In such instance, performance fees in excess of the 3 per cent. cap will not be paid and will instead be deferred into the next performance fee period. If the average NAV exceeds £100 million, the performance fee shall be further limited such that the combined investment management and performance fees shall not exceed 3 per cent. of the Company's average NAV. In such instance, performance fees in excess of the cap will not be deferred and will not become payable at any future date.

The performance fee is calculated annually for each performance fee period, which is aligned with the Company's accounting year. It is accounted for on an accrual basis and is recognised in the statement of comprehensive income once a performance fee is triggered during the performance fee period.

### Foreign exchange

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

### Critical accounting judgements and key sources of estimation uncertainty

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

The majority of the portfolio is valued on bid price which factors in the anticipated impact of climate and ESG related issues on the portfolio companies, therefore these are incorporated into the valuations.

Management believes that the underlying assumptions are appropriate and that the Company's financial statements are fairly presented.

### Segmental analysis

There is only one operating segment of the business – investment activities. The performance measure of investment activities considered by the Board is profitability and is disclosed on the face of the statement of comprehensive income.

### New Standards issued but not yet effective

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

- IFRS Practice Statement 2 – Disclosure of Accounting Policies;
- Amendment to IAS 12, Income taxes effective from 1 January 2023;
- Amendment to IAS 8, change in definition of accounting estimates, effective from 1 January 2023.

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

## 2. Statement of comprehensive income

The Company's profit for the year was £8.429 million (2022: profit of £13.843 million).

The Company has recognised gains on investments through the statement of comprehensive income of £8.991 million (2022: income of £20.007 million).

## 3. Information regarding Directors and employees

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
<b>Directors' remuneration summary</b>		
Basic salaries	95	161
Social security costs	7	12
	<b>102</b>	<b>173</b>

	Year ended 31 March 2023			Year ended 31 March 2022		
	Emoluments £'000	Social Security costs £'000	Total £'000	Emoluments £'000	Social Security costs £'000	Total £'000
<b>Analysis of Directors' remuneration</b>						
C Berry (Resigned on 22 November 2021)	-	-	-	25.9	-	25.9
D Potter (Resigned on 11 June 2021)	-	-	-	24.4	-	24.4
H Sinclair (Resigned on 5 November 2021)	-	-	-	41.3	-	41.3
K Lever	<b>27.5</b>	-	<b>27.5</b>	27.5	-	27.5
G Bird (Appointed 10 June 2021, resigned on 30 August 2022)	<b>11.5</b>	-	<b>11.5</b>	22.2	-	22.2
S Pyper (Resigned on 31 March 2022)	-	-	-	11.4	-	11.4
N Lamb (Appointed on 20 January 2022)	<b>40.0</b>	-	<b>40.0</b>	8.3	-	8.3
P Dudley (Appointed on 1 September 2022)	<b>16.0</b>	-	<b>16.0</b>	-	-	-
Social security costs	-	<b>6.6</b>	<b>6.6</b>	-	12.0	12.0
	<b>95.0</b>	<b>6.6</b>	<b>101.6</b>	161.0	12.0	173.0

The Company has no employees.

	Year ended 31 March 2023 No.	Year ended 31 March 2022 No.
<b>Directors</b>		
Investment and related administration	<b>3</b>	3
	<b>3</b>	3

As at 31 March 2023, the Board comprises 1 Chairman and 2 Non-executive Directors (2022: 1 Chairman and 2 Non-executive Directors).

## Notes to the Financial Statements (continued)

### 4. Other costs

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

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Auditors remuneration		
Fees payable to the current auditor for the audit of the Company's annual financial statements	37	40
Fees payable to the Company's current auditor and its associates for other services:		
Fees for agreed upon procedures in relation to financial information	-	10
Fees for agreed upon procedures for performance fee	-	5
Fees paid for review of interim report	-	3
Other services relating to taxation	-	5
Under provision of tax fee	-	3
Recharge cost	-	1
Analysis of other costs:		
Professional fees*	420	1,539
Investment Trust Company conversion costs	470	-
Management fee	112	593
Other general overheads	76	103
	<b>1,182</b>	<b>2,302</b>

\* The company's corporate activity during the year to March 2022 led to significant costs, with professional fees totalling £0.67m and legal fees totalling £0.37m.

### 5. Taxation

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
<b>UK corporation tax</b>		
Corporation tax liability at 19% (2022: 19%)	1	1,580
	1	1,580
Current tax	1	1,580
<b>Tax on profit from ordinary activities</b>	<b>1</b>	<b>1,580</b>

#### Factors affecting the tax charge for the current period

The tax assessed for the year is different than that resulting from applying the standard rate of corporation tax in the UK: 19% (2022: 19%).

The differences are explained below:

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
<b>Current tax reconciliation</b>		
Profit before taxation	8,430	15,423
Current tax charge at 19% (2022: 19%)	1,602	2,930
Effects of:		
Non-taxable income	(227)	(553)
Non-deductible expenditure	103	21
Chargeable gains	(1,341)	(27)
Deferred tax not recognised	(136)	(791)
<b>Tax on profit on ordinary activities</b>	<b>1</b>	<b>1,580</b>



## 5. Taxation (continued)

### Deferred tax

There remains an unrecognised deferred tax asset in respect of tax losses and other temporary differences. The unrecognised deferred tax asset is £34 million (2022: £34 million) for the Company. The increase in the balance for unrecognised deferred tax is due to the rate of corporation tax being raised to 25% with effect from 1 April 2023. The assessed loss on which no deferred tax has been recognised amounts to £136 million (2022: £136 million).

An estimated deferred tax liability on the unrealised gains in the portfolio at year end is nil and therefore no liability has been recognised.

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

## 6. Earnings per share

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

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
<b>Earnings</b>		
Profit for the year	8,429	13,843
<b>Number of shares ('000)</b>		
Weighted average number of ordinary shares in issue for basic EPS	2,541	3,229
Weighted average number of ordinary shares in issue for diluted EPS	2,541	3,229
<b>Earnings per share</b>		
Basic EPS	331.72p	428.76p
Diluted EPS	331.72p	428.76p

As at 31 March 2023, the total number of shares in issue was 2,541,046 (2022: 2,541,046). No shares were bought back by the Company (2022: 939,838). There are no share options outstanding at the end of the year.

## 7. Dividends

The Company paid no dividend to shareholders in the year ended 31 March 2023 (2022: £534,664). Unclaimed historic dividends amounting to £355,855 were reclassified to revenue reserve during the year (2022: £63,834).

## Notes to the Financial Statements (continued)

### 8. Investments at fair value through profit or loss

	Year ended 31 March 2023						Value at 31 March 2023 £'000
	Value at 1 April 2022 £'000	Additions £'000	Disposal proceeds £'000	Gain on disposals £'000	Revaluation £'000	Transfer between levels £'000	
Investments in quoted companies (Level 1)	28,692	19,120	(17,548)	12,673	(3,682)	-	<b>39,255</b>
Other unquoted investments (Level 3)	2,917	1,207	(4,124)	-	-	-	-
<b>Total investments at fair value through profit or loss</b>	<b>31,609</b>	<b>20,327</b>	<b>(21,672)</b>	<b>12,673</b>	<b>(3,682)</b>	<b>-</b>	<b>39,255</b>

	Year ended 31 March 2022						Value at 31 March 2022 £'000
	Value at 1 April 2021 £'000	Additions £'000	Disposal proceeds £'000	Gain on disposals £'000	Revaluation £'000	Transfer between levels £'000	
Investments in quoted companies (Level 1)	47,565	596	(41,173)	15,667	4,298	1,739	<b>28,692</b>
Other unquoted investments (Level 3)	6,323	1,079	(2,788)	-	42	(1,739)	<b>2,917</b>
<b>Total investments at fair value through profit or loss</b>	<b>53,888</b>	<b>1,675</b>	<b>(43,961)</b>	<b>15,667</b>	<b>4,340</b>	<b>-</b>	<b>31,609</b>

For the year ended 31 March 2023, there were no transfers of the investments between the fair value hierarchy levels.

For the year ended 31 March 2022, there was a transfer from Level 3 to Level 1 of £389,886 Northbridge loan notes converted to equity shares and National World amounting to £1,348,931 converted to equity shares as a result of its admission to AIM.

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

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Opening valuation	<b>31,609</b>	53,888
Acquisitions	<b>20,327</b>	1,675
Unrealised and realised gains on investment	<b>8,991</b>	20,007
Disposals	<b>(21,672)</b>	(43,961)
<b>Closing valuation</b>	<b>39,255</b>	31,609

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

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

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

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

	31 March	
	2023 £'000	2022 £'000
Level 1	39,255	28,692
Level 2	-	-
Level 3	-	2,917
	<b>39,255</b>	<b>31,609</b>

### Fair values of financial assets and financial liabilities

Financial assets and liabilities are carried in the statement of financial position at either their fair value (investments), or the statement of financial position amount is a reasonable approximation of the fair value (dividends receivable, accrued income, accruals, and cash at bank).

As at 31 March 2023 and 31 March 2022, all investments, except for the investments in the table below, fall into the category 'Level 1' under IFRS 7 fair value hierarchy.

A summary of the level 3 investment are as follows:

	31 March 2023		31 March 2022	
	Investments included	£'000	Investments included	£'000
Fair value	<b>None</b>	-	The Lakes Distillery Company	2,917
		-		2,917

Valuation policy: Every three months, the investment manager within Harwood Capital LLP is asked to revalue the investments that he looks after and submit his valuation recommendation to the Valuation and Pricing ("V&P") Committee. The V&P Committee considers the recommendation made, and approves or adjust the valuation as required.

Level 3 investments have been valued in accordance with the IPEV guidelines.

Investments in quoted companies (Level 1) have been valued according to the quoted bid price as at 31 March 2023.

At the year-end, the Company held 20.50% of the aggregate nominal value of voting equity of Pressure Technologies, in ordinary share capital. Pressure Technologies is incorporated in the UK and at its year end 30th September 2022 had capital and reserves of £12.10 million and had made a revenue loss of £4.04 million.

## 9. Trade and other receivables

	31 March 2023 £'000	31 March 2022 £'000
Other debtors	63	1,001
Prepayments	10	18
	<b>73</b>	<b>1,019</b>

## Notes to the Financial Statements (continued)

### 10. Trade and other payables

	31 March 2023 £'000	31 March 2022 £'000
Due to Brokers	312	-
Unclaimed historic special dividends and capital payments	-	356
Trade creditors	229	186
Social security	-	5
	<b>541</b>	547

There were no other creditors as at 31 March 2023 (2022: none).

The unclaimed special dividends and capital payments amounting to £420k between the periods of 2009 to 2014 were returned to the company in 2021, out of which £356k (2022: £64k) was reclassified to revenue reserves during the year as its reclaim period has lapsed.

### 11. Performance fees payable

	31 March 2023 £'000	31 March 2022 £'000
Performance fees payable	625	-
	<b>625</b>	-

### 12. Issued capital

	31 March 2023 £'000	31 March 2022 £'000
Called up, allotted and fully paid:		
2,541,046 (2022: 2,541,046) Ordinary Shares of 50 pence (2022: 50 pence)	1,271	1,271
2,000,000 (2022: 2,000,000) D shares of 0.50 pence (2022: 0.50 pence)	10	10
	<b>1,281</b>	1,281

As at 31 March 2023, the total number of shares in issue were 2,541,046 (2022: 2,541,046).

The average share price of Rockwood Strategic Plc quoted Ordinary Shares in the year-ended was 1,547.47 pence. In the year, the share price reached a maximum of 1,955.00 pence and a minimum of 1,370.00 pence. The closing share price on 31 March 2023 was 1,820.00 pence.

The Company's shares are listed on the premium segment of the Main Market on the London Stock Exchange under reference RKW.

### 13. Financial instruments and financial risk management

The Company invests in quoted and unquoted companies in accordance with the investment policy. In addition to investments in smaller listed companies in the UK, the Company maintains liquidity balances in the form of cash held for follow-on financing and debtors and creditors that arise directly from its operations. As at 31 March 2023, £39.3 million of the Company's net assets were invested in quoted investments, £nil in unquoted investments and £11.7 million in liquid balances (31 March 2022: £28.7 million in quoted investments, £2.9 million in unquoted investments and £11.5 million in liquidity).

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

The main risks arising from the Company's financial instruments are due to fluctuations in market prices (market price risk), credit and liquidity risk and cash flow interest rate risk; credit risk and liquidity risk are also discussed below. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These have been in place throughout the current and preceding years.

### 13. Financial instruments and financial risk management (continued)

All financial assets with the exception of investments, which are held at fair value through profit or loss, are categorised as financial assets at amortised cost and all financial liabilities are categorised as amortised cost, amortised cost is a reasonable approximation of its fair value.

#### a) Market risk

##### i) Price risk

Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future of the economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £39.3 million (2022: £31.6 million).

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

The Board's strategy in managing the market price risk is determined by the requirement to meet the Company's investment objective. Risk is mitigated to a limited extent by the fact that the Company holds investments in several companies. At 31 March 2023, the Company held interests in 18 companies (2022: 9 companies). The Directors monitor compliance with the investment policy, review and agree policies for managing this risk and monitor the overall level of risk on the investment portfolio on a regular basis.

##### Market price risk sensitivity

The Board considers that the value of investments in quoted equity instruments is ultimately sensitive to changes in quoted share prices. The value of investments in CLN, where the valuation methodology is to estimate the value of the conversion option of the instrument, is similarly linked to quoted share prices. The table below shows the impact on the return and net assets if there were to be a 25% (2022: 25%) movement in overall share prices.

#### As at 31 March 2023

Security	Valuation basis	Fair value	+25%		-25%	
			Impact £'000	Impact per share (in pence)	Impact £'000	Impact per share (in pence)
Quoted investments	Latest share price	39,255	9,814	386.21	(9,814)	(386.21)

#### As at 31 March 2022

Security	Valuation basis	Fair value	+25%		-25%	
			Impact £'000	Impact per share (in pence)	Impact £'000	Impact per share (in pence)
Quoted investments	Latest share price	28,692	7,173	282.29	(7,173)	(282.29)

The impact of a change of 25% (2022: 25%) has been selected as this is considered reasonable given the current level of volatility, observed both on a historical basis, and market expectations for future movement.

A sensitivity has not been performed for the other unquoted investments held by the Company at 31 March 2022, there were none at 31 March 2023. as there is no exposure to market price risk in the valuation methodology applied for these investments. Interest rates are less volatile than market prices; therefore, the company has deemed it inappropriate to consider a 25% upward or downward move in interest rates. Interest rates are determined by monetary policy and have been kept historically low due to quantitative easing and therefore we do not believe that interest rates will be as volatile as share prices.

##### ii) Currency risk

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

##### iii) Cash flow interest rate risk

As the Company has no borrowings, it only has limited interest rate risk. The impact is on income and operating cash flow and arises from changes in market interest rates. Some of the Company's cash resources are placed in an interest paying current account to take advantage of preferential rates and are subject to interest rate risk to that extent.

## Notes to the Financial Statements (continued)

### 13. Financial instruments and financial risk management (continued)

#### b) Credit risk

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

The Company's maximum exposure to credit risk is:

	<b>31 March 2023 £'000</b>	<b>31 March 2022 £'000</b>
Loan stock investments	-	2,917
Cash and cash equivalents*	<b>11,631</b>	10,507
Trade and other receivables	<b>73</b>	1,019
	<b>11,704</b>	14,443

\* £7.02m held in "on notice" term deposit accounts accruing interest at 4.18% (as at 31 March 2023) paid daily.

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

The Company's cash balances at 31 March 2023 and 2022 were held in institutions currently rated A or better by Fitch. Given these ratings, the Company does not expect any counterparty to fail to meet its obligations and therefore, no allowance for impairment is made for bank deposits.

#### c) Liquidity risk

The Directors consider that there is no significant liquidity risk faced by the Company. The Company maintains sufficient liquidity in cash and liquid investments to pay accounts payable and accrued expenses. All liabilities are current and repayable upon demand.

### 14. Capital disclosures

The Company's objective has been to maximise shareholder value from all assets, which in recent years has been to realise its portfolio at the most advantageous time and reinvest the proceeds to grow shareholder value per share over the long-term.

The capital subscribed to the Company has been managed in accordance with the Company's objectives. The available capital at 31 March 2023 is £49.8 million (31 March 2022: £41.0 million) as shown in the statement of financial position, which includes the Company's share capital and reserves.

The total amount of revenue reserve for the year is £24.105 million (2022: £15.32 million) which is fully distributable and can be utilised for any future dividends.

The Company has no borrowings and there are no externally imposed capital requirements other than the minimum statutory share capital requirements for public limited companies.

### 15. Related party transactions

The related parties of Rockwood Strategic Plc are its Directors, persons connected with its Directors and its Investment Manager and significant shareholder Harwood Capital LLP (Harwood).

The total payable to Harwood is as follows:

	<b>31 March 2023</b>	<b>31 March 2022</b>
Performance fee	<b>£0.63 million</b>	£2.77 million
Management fee	<b>£0.11 million</b>	£0.59 million
<b>Total</b>	<b>£0.74 million</b>	£3.36 million

## 15. Related party transactions (continued)

As at 31 March 2023, the following shareholders of the Company that are related to Harwood had the following interests in the issued shares of the Company as follows:

	31 March 2023	31 March 2022
Harwood Holdco Limited	<b>734,000 Ordinary Shares</b>	734,000 Ordinary Shares
R Staveley	<b>25,689 Ordinary Shares</b>	25,689 Ordinary Shares

The Directors' remuneration and their interest in the Company are disclosed in the Director's remuneration review in the annual report.

There are no other material related party transactions of which we are aware in the year ended 31 March 2023.

### Investment Management Fees:

A monthly management fee of £10,000 (inclusive of VAT, if any) until the company's NAV equals £60 million or higher (NAV threshold).

Once the NAV Threshold has been met, Harwood will be entitled to a management fee of 1/12th of an amount equal to 1 per cent. of the Net Asset Value before deduction of that month's Investment Management Fee and before deduction of any accrued Performance Fees.

### Performance Fees:

Harwood will also be entitled to a performance fee equal to 10 per cent. of outperformance over the higher of a 6 per cent. per annum total return hurdle and the high watermark. The 6 per cent. per annum compounding weekly and the performance fee will be calculated annually.

Provided that the Company's average NAV is at or below £100 million, performance fees in any performance fee period will be capped at 3 per cent. of the Company's average NAV for the relevant performance fee period. In such instance, performance fees in excess of the 3 per cent. cap will not be paid and will instead be deferred into the next performance fee period.

## 16. Subsequent events note

The Company has converted to an Investment Trust Company on 1st April 2023 within the meaning of Sections 1158/1159 of the Corporation Tax Act 2010.

### Share Issues:

The Company issued for cash 116,852 ordinary shares of 50 pence each in May/June 2023 from its block listing facility.

- 23 May 2023 - 50,000 at a price of 2,064.1 pence per share.
- 25 May 2023 - 15,000 at a price of 2,065.00 pence per share.
- 31 May 2023 - 15,000 at a price of 2,059.60 pence per share.
- 6 June 2023 - 10,000 at a price of 2,061.00 pence per share.
- 8 June 2023 - 21,852 at a price of 2,028.67 pence per share.
- 9 June 2023 - 5,000 at a price of 2,046.00 pence per share.

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# Alternative Performance Measures (APMS)

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## **Alternative performance Measures (APMs)**

APMs are often used to describe the performance of investment companies although they are not specifically defined under FRS 102. The Directors assess the Company's performance against a range of criteria which are viewed as relevant to both the Company and its market sector. APM calculations for the Company are shown below.

### **Total Return**

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Company into its Ordinary Shares on the ex-dividend date. This is calculated for both the Share Price and the Net Asset Value.

### **Premium/(Discount)**

The amount, expressed as a percentage, by which the share price is more/(less) than the Net Asset Value per Ordinary Share.

### **Ongoing Expenses**

A measure, expressed as a percentage of the average daily net asset values during the year, of the regular, recurring annual costs of running an investment company. This includes the Investment Management fee and excludes any variable performance fees. In the last two years there have been exceptional expenses, which will not be ongoing, associated in 2022 with the Strategic Review and its related Extraordinary Meetings and in 2023 associated with moving from the AIM to the Main Market of the London Stock Exchange.



# Notice of Annual General Meeting

NOTICE IS GIVEN that the Annual General Meeting of the Company will be held at the offices of Shakespeare Martineau LLP, 60 Gracechurch Street, London EC3V 0HR at 11:30 am on Tuesday 12 September 2023 to consider the following resolutions, of which resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 to 12 will be proposed as special resolutions:

## Ordinary Resolutions

1. To receive the Annual Report and Accounts for the year-ended 31 March 2023.
2. To receive and adopt the Directors' Remuneration Report
3. To receive and approve the Directors' Remuneration Policy
4. To re-appoint Paul Dudley as a Director of the Company.
5. To re-elect Noel Lamb as a Director of the Company.
6. To re-elect Ken Lever as a Director of the Company.
7. To reappoint BDO LLP as auditors to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the members and to authorise the Directors to determine their fees.
8. THAT the Directors of the Company be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the Act) to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for, or convert any security into, shares in the Company (Rights) up to an aggregate nominal amount of £438,553.17 during the period commencing on the date of the passing of this resolution and

expiring at the conclusion of the next Annual General Meeting of the Company, and provided further that the Company shall be entitled before such expiry to make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant Rights under such offer or agreement as if this authority had not expired.

9. THAT, in accordance with section 618 of the Companies Act 2006 (Act) and the Company's Articles of Association, the Ordinary Shares of 50 pence each in the capital of the Company be subdivided into Ordinary Shares of 5 pence each, such Ordinary Shares having the rights and being subject to the restrictions attached to them pursuant to the Company's Articles of Association for the time being, provided that such sub-division shall be conditional upon, and shall take effect on, admission to the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities of the new ordinary shares arising from such sub-division on such other time and date as the Directors may, in their absolute discretion, determine.

## Special Resolutions

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

- (a) the allotment of equity securities in connection with any rights issue or other pro-rata offer in favour of the holders of Ordinary Shares in the Company where the equity securities respectively attributable to the interests of all such holders of shares are proportionate (as nearly as may be) to the respective numbers of shares held by them, provided that the Directors of the Company may make such arrangements in respect of overseas holders of shares and/or to deal with fractional entitlements as they consider necessary or convenient; and
- (b) the allotment (otherwise than under subparagraph (a) above) of equity securities and/or the sale or transfer of shares held by the Company in treasury (as the Directors shall deem appropriate) up to an aggregate nominal amount of £132,894.90 (representing approximately 10.0% of the ordinary share capital of the Company at the latest practicable date before publication of this Notice).

and this authority shall expire on the conclusion of the Company's Annual General Meeting in 2024 provided that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors of the Company may allot equity securities under such offers or agreements as if the power conferred by this resolution had not expired and provided further that this authority shall be in substitution for, and to the exclusion of, any existing authority conferred on the Directors.

## Notice of Annual General Meeting (continued)

11. THAT, subject to and conditional upon the passing of resolution 8 above, and in addition to the authority granted in resolution 9, the Directors of the Company be empowered under section 570 of the Companies Act 2006 (the Act) to allot equity securities (within the meaning of section 560 of the Act) for cash and/or to sell or transfer shares held by the Company in treasury (as the directors shall deem appropriate) under the authority conferred on them under section 551 of the Act by resolution 8 above as if section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
- (a) the allotment of equity securities in connection with any rights issue or other pro-rata offer in favour of the holders of Ordinary Shares in the Company where the equity securities respectively attributable to the interests of all such holders of shares are proportionate (as nearly as may be) to the respective numbers of shares held by them, provided that the Directors of the Company may make such arrangements in respect of overseas holders of shares and/or to deal with fractional entitlements as they consider necessary or convenient; and
  - (b) the allotment (otherwise than under subparagraph (a) above) of equity securities and/or the sale or transfer of shares held by the Company in treasury (as the Directors shall deem appropriate) up to an aggregate nominal amount of £132,894.90 (representing approximately 10.0% of the ordinary share capital of the Company at the latest practicable date before publication of this Notice).
12. THAT, the Company be generally and unconditionally authorised to make market purchases (as defined in the Companies Act 2006) of Ordinary Shares in the capital of the Company (Ordinary Shares) on such terms and in such manner as the Directors may from time to time determine, provided that:
- (a) the maximum number of Ordinary Shares authorised to be purchased shall be 398,419 (or, subject to the implementation of the subdivision of Ordinary Shares approved in resolution 9 above, 3,984,190);
  - (b) the minimum price which may be paid for an Ordinary Share is the nominal value of an Ordinary Share at the time of the purchase;
  - (c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share (as derived from the Daily Official List) for the five business days immediately preceding the date on which the Ordinary Share is contracted to be purchased;
  - (d) the minimum and maximum prices per Ordinary Share referred to in subparagraphs (b) and (c) of this resolution are in each case exclusive of any expenses payable by the Company;
  - (e) the authority conferred by this resolution shall expire at the end of the Annual General Meeting in 2024 (or if earlier at the close of business on 30 September 2024) unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting; and
  - (f) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed wholly or partly after the expiration of such authority.

and this authority shall expire on the earlier of 30 September 2024 or the conclusion of the Company's Annual General Meeting in 2024 provided that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors of the Company may allot equity securities under such offers or agreements as if the power conferred by this resolution had not expired and provided further that this authority shall be in substitution for, and to the exclusion of, any existing authority conferred on the Directors.

By order of the Board

**SGH Company Secretaries Limited**  
**Company Secretary**

21 June 2023

Registered Office: 6th Floor,  
60 Gracechurch Street, London EC3V 0HR

### Notice of Meeting Notes:

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

1. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at close of trading on Friday 8 September 2023. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
2. Shareholders, or their proxies, intending to attend the Meeting in person are requested, if possible, to arrive at the Meeting venue at least 20 minutes prior to the commencement of the Meeting at 11:10am (UK time) on Tuesday 12 September 2023 so that their shareholding may be checked against the Company's Register of Members and attendances recorded.
3. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different Ordinary Share or Ordinary Shares held by that shareholder. A proxy need not be a shareholder of the Company.
4. In the case of joint holders, where more than one of the joint holders' purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
6. You can vote either:
  - by logging on to [www.signalshares.com](http://www.signalshares.com) and following the instructions; you can also vote by downloading the new shareholder app, LinkVote+, on Apple App Store or Google Play and following the instructions.
  - You may request a hard copy form of proxy directly from the registrars, Link Group (previously called Capita), on Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
  - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
  - if you are an institutional investor, you may also be able to appoint a proxy electronically via the Proximity platform, a process which has been agreed by the Company and approved by the Registrar.

For further information regarding Proximity, please go to [www.proximity.io](http://www.proximity.io). Your proxy must be lodged by 11:30am on Friday 8 September 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proximity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proximity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote;

In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Group, PXS, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL by 11:30am on Friday 8 September 2023.

7. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
8. The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in note 11 below) will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so. As mentioned above, the Company advises shareholders to vote electronically, or to appoint the Chair as their proxy as physical attendance in person may now be permitted.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from [www.euroclear.com](http://www.euroclear.com)). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 11:30am on Friday 8 September 2023. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.
12. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.
13. As at 21 June 2023 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 2,657,898 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 21 June 2023 are 2,657,898.
14. Any shareholder attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
15. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day from the date of this Notice until the time of the Meeting and may also be inspected at the Meeting venue, as specified in this Notice, from 10:30am on the day of the Meeting until the conclusion of the Meeting: copies of the Directors' letters of appointment or service contracts.
16. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

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

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# Corporate Information

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**Directors**

N Lamb (Chairman)  
P Dudley  
K Lever

**Company Secretary**

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

**Registered Office**

6th Floor  
60 Gracechurch Street  
London  
EC3V 0HR

**Investment Manager**

Harwood Capital LLP  
6 Stratton St  
London  
W1J 8LD

**Bankers**

Royal Bank of Canada  
100 Bishopsgate  
London  
EC2N 4AA

**Solicitors**

Shoosmiths LLP  
1 Bow Churchyard  
London  
EC4M 9DQ

**Auditor**

BDO LLP  
55 Baker St  
London  
W1U 7EU

**Registrars**

Link Group  
Central Square  
29 Wellington St  
Leeds  
LS1 4DL

**Nominated Advisor and Brokers**

Singer Capital Markets  
1 Bartholomew Lane  
London  
EC2N 2AX

*Please contact a member of the Rockwood Strategic team if you wish to discuss your investment or provide feedback on this document. Rockwood Strategic is committed to meeting the needs and expectations of all stakeholders and welcomes any suggestions to improve its service delivery.*  
<https://www.rockwoodstrategic.co.uk/>







