



30 September

**2023**

# Compounding wealth long-term

**Rockwood Strategic Plc**

Interim results for the six months to 30 September 2023

**ROCKWOOD**  
STRATEGIC 

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

## About Rockwood Strategic Plc

Rockwood Strategic plc ("RKW") is an Investment Trust managed by Harwood Capital LLP and listed on the premium segment of the Main Market of the London Stock Exchange that invests in a focused portfolio of smaller UK public companies. The strategy identifies undervalued investment opportunities, 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 value for investors.

## About Harwood

Harwood Capital LLP ("HC LLP") was incorporated in 2003 and is the investment manager for RKW and of Harwood Private Clients. It is an investment adviser to North Atlantic Smaller Companies Investment Trust Plc. HC LLP is a wholly owned subsidiary of Harwood Capital Management Limited and is authorised and regulated by the Financial Conduct Authority ("FCA"), authorisation number 224915. Led by Christopher Mills, the funds managed and advised by HC LLP follow an active value approach towards the businesses in which they invest.

# Highlights

## Highlights for the period include:

- Net Asset Value (NAV) Total Return in the period of -5.5% to 1,851.62p/share which compares to a decline in the FTSE AIM All Share Index of -10.3% and an increase in the FTSE Small Cap (ex-ITs) Index of 2.9%. Total Shareholder Return in the Period was -2.5%.
- NAV Total Return performance in the year to 30 September 2023 of 28% which compares to the FTSE AIM All Share Index of -9.9% and the FTSE Small Cap (ex-ITs) of 8.8%. The Total Shareholder Return in the same one year period was 25.4%.
- NAV Total Return performance in the three years to 30 September 2023 of 80.3% which compares to the FTSE AIM All Share return of -24.3% and the FTSE Small Cap (ex-ITs) of 35%. The Total Shareholder Return in the same three-year period was 114%.
- No. 1 ranked fund over the last 1, 3 and 5 years by Net Asset Value Total Return in the AIC UK Small Companies sector. Ranked No.2 over 1 year and No.1 over 3 and 5 years by Total Shareholder Return ('TSR').
- New shares issued via our block listing programme at a small premium to Net Asset Value, growing the shareholder base by 5.7%.
- Net cash of £3.5m at the end of the Period (representing 7% of NAV)
- Four new investments were made across a range of industry sectors and our investment in Trifast Plc was increased with the holding re-categorised as 'Core'. Post period end Nick Mills from the Rockwood Investment Team was appointed as a Non-Executive Director of Trifast Plc.
- Takeover approach for Finsbury Food Plc generating an unrealised IRR of 38.5% at period end.
- Post period end takeover offers were received for Smoove Plc (69% premium to previous day's close) and Onthemarket.com (56% premium to previous day's close).

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# Chairman's Statement

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Dear Shareholder,

While the UK stock market conditions have been subdued during the first half of our financial year, the energy at Rockwood Strategic has remained buoyant. Net Asset Value (NAV) Total Return in the period reduced -5.5% to 1,851.62p/share which outperformed a decline in the FTSE AIM All Share Index of -10.3%. However, I am delighted to report that during the period we issued new shares via our block listing programme at a small premium to Net Asset Value, growing the shareholder base for our proven and differentiated strategy by 5.7%. This is a significant achievement, as very few of the 300 or more Investment Trusts across the entire industry are valued at a premium to NAV at the end of this period and few have been capable of issuing shares during it. Furthermore, the average discount to NAV across the market for UK listed Investment Trusts is currently wider than usual. UK equities appear out of favour and, in the open-ended fund sector, have now experienced over two years of monthly withdrawals. It is against this difficult backdrop that Rockwood Strategic has managed to close its long-standing discount and begin to grow the strategy with new investors who, like the Board, can see the potential for positive medium-term returns and the potential to

continue our sector beating performance. The Board believes that the current environment is ripe for attractive investments to generate our performance objective and pleased to observe the Investment Manager deploying capital. A larger fund will benefit shareholders by allowing the investment team to widen its practical universe for establishing influential stakes in companies under £250m market capitalisation and will of course lead to cost benefits with improved scale. There is also a range of communication and marketing initiatives that are being undertaken by the Investment Manager to reach a wider audience.

Following the successful vote at the AGM, we have also conducted, post period end, a stock split of 10 for 1 which will increase the accessibility of Rockwood Strategic to smaller investors. It is these smaller investors, and indeed larger ones, that the Treasury has begun to consider actively in terms of improving the overall environment for UK equity investing. The health of our market is clearly challenged. A number of investors have migrated to global equity mandates, with others recently being attracted to emerging alternative asset classes. The lure of higher cash and bond yields has become a further



**Noel Lamb**

Chairman  
Rockwood Strategic Plc

distraction. The 'Mansion House' reforms are but one step towards encouraging investment in small British businesses; yet more is clearly needed to incentivise further the savings of domestic investors into small, listed companies which provide so many jobs within the UK, utilise our world-class service sector and create capital investment. Furthermore, the long-term returns from investing in UK small companies have been excellent. There has been much made of the recent 'de-equitisation', or reduction of number of companies, on the London Stock Exchange and initiatives are seemingly under review to address and reverse this. With well over 750 operating companies in the combined indices of the AIM All-share, FTSE Small and FTSE Fledgling, the board is confident that our concentrated approach is well placed and needs only to identify a small number of the very best opportunities which it is well equipped to do.

**Noel Lamb**  
**Chairman RKW**

21 November 2023

# Investment Manager's Report



**Richard Staveley**

Lead Fund Manager

## Highlights

- Net Asset Value (NAV) Total Return in the period of -5.5% to 1,851.62p/share which compares to a decline in the FTSE AIM All Share Index of -10.3% and an increase in the FTSE Small Cap (ex-ITs) Index of 2.9%. Total Shareholder Return in the Period was -2.5%<sup>1</sup>.
- NAV Total Return performance in the year to 30 September 2023 of 28% which compares to the FTSE AIM All Share Index of -9.9% and the FTSE Small Cap (ex-ITs) of 8.8%. The Total Shareholder Return in the same one year period was 25.4%<sup>1</sup>.
- NAV Total Return performance in the three years to 30 September 2023 of 80.3% which compares to the FTSE AIM All Share return of -24.3% and the FTSE Small Cap (ex-ITs) of 35%. The Total Shareholder Return in the same three-year period was 114%<sup>1</sup>.
- No.1 ranked fund over the last 1, 3 and 5 years by Net Asset Value Total Return in the AIC UK Small Companies sector. Ranked No.2 over 1 year and No.1 over 3 and 5 years by Total Shareholder Return (TSR).

## Introduction

During the 6 month period to 30 September we increased the number of holdings to twenty-one, alongside adding to a number of existing holdings, as a soft UK stock-market provided the opportunity to purchase investments we believe will at least meet our 15% IRR criteria over the next 3-5 years. Stock specific risk and hence stock specific returns are the primary factors producing the NAV result for the period. We now have 8 'Core' holdings (target 5-10) and 13 'Springboard / Opportunities' (target 10-25) with the top ten holdings accounting for 64.2% of NAV at period end. Cash was £3.5m at the end of the period, representing 7% of NAV having reduced from 21.2% in March 2023.

We continue to identify companies which will benefit from operational, strategic or management initiatives. The stock market valuations for these companies are usually depressed as they have fallen out of favour due to reduced profitability, strategic error or poor management. All of these can be reversed, typically generating significant shareholder value recovery. However, the current market backdrop is providing even greater valuation anomalies; time horizons seem to be shortening and many investment funds are experiencing outflows. Our approach of engaging with stakeholders alongside our own material shareholding is differentiated and proving effective. When the stock market doesn't recognise the improvements subsequently made and the value on offer, increasingly private equity investors and trade buyers are.

## Market commentary

The last six months have surprised most market commentators. Economies have proved reasonably resilient, at stagnant levels of growth, whilst monetary policy has continued to tighten. The FTSE Aim All Share Index fell 10.3% and is now down 44.7% from its peak in September 2021. OPEC co-ordination alongside resilient US growth and regional geo-political tensions have caused the oil price to rise 18% from \$77.9 to \$92.2. UK interest rates rose from 4.25% to 5.25%. There are some signs that inflation has peaked but a material reduction has not occurred yet (Core inflation September 2023 6.3%) and Central Banks remain committed to this goal in their public statements. The share-price rises of mega-US technology stocks appears the only consensual positive trend and feels as if its sucking in all spare capital, herd-like, whilst UK equity valuations are at their lowest for a generation. The IPO market is moribund. However, merger and acquisition activity is clearly increasing as savvy trade buyers and private equity firms exploit the liquidity hungry, redemption heavy UK equity market. The 'transmission mechanism' of higher interest rates has clearly had slower effects than in previous rate cycles, albeit insolvencies are picking up, as is unemployment off a very low base and house prices are falling. We believe the lag is due to a hangover from the COVID related government largesse to both consumers and corporates, which we perceive has nearly fully unwound and the move in recent years by large parts of both groups to extend their interest rate protection on debt at the previously very low levels. This is gradually unwinding.

<sup>1</sup> These are considered to be APMs. See Alternative Performance Measures (APMs) on page 17.

## Investment Manager's Report (continued)

The 'Mansion House' reforms hopefully represent the 'starting-gun' for more initiatives to improve the attractiveness of small UK businesses, but it will take time. As we move into an election year competing policy announcements will emerge, so we urge all parties to take seriously the health of the UK stock market. Its primary purpose is to raise capital and support UK businesses when they reach a certain maturity and whilst many schemes exist for very small private businesses, more is needed to encourage investors to deploy capital to our public market. It is a key source of employment, tax receipts and UK investment. The alternative is everyone buys Nvidia, now valued at c.\$1 trillion.

We stated in previous reports that we would anticipate limited sustained market recovery until 'core' inflation is demonstrably falling

and the market can have real confidence to anticipate the commencement of monetary easing. We believe the portfolio holdings are deeply undervalued, almost all are very well financed, all have the potential for operational improvements and strategic improvements too which can drive shareholder value irrespective of the doom and gloom. Takeover interest continues to emerge for a number of our holdings due to their attractive cash flow generation and market positions and we expect realisations to produce material NAV uplifts and cash for re-investment. We do see a high probability of a recession and expect market profit expectations to fall further and have built this backdrop into the margin of safety we expect in our holding valuations and the extent of profit recovery we are expecting from the businesses and their management teams many of which evolved positively during the period.

### Portfolio performance

The portfolio is very concentrated and therefore it should be expected that over any shorter period, such as a year, a dominant stock or two will drive performance.

<b>Performance</b> (all indices are excluding investment trusts)	<b>H1 2023</b>	<b>1 Year to 30 Sept</b>	<b>3 Year to 30 Sept</b>
RKW TSR <sup>1</sup>	<b>(2.5%)</b>	25.4%	114.0%
RKW NAV Total Return <sup>1</sup>	<b>(5.5%)</b>	28.0%	80.3%
FTSE Small Cap Total Return (SMXX)	<b>2.9%</b>	8.8%	35.0%
FTSE AIM All Share Total Return (TAXXG)	<b>(10.3%)</b>	(9.9%)	(24.3%)
FTSE All Share Total Return (ASX)	<b>1.4%</b>	13.8%	39.8%

Source: Bloomberg and Company as at 30 September 2023

The NAV fell due to modest weakness across the portfolio in thinly traded markets dominated by negative investor sentiment and increasing interest rates. Soft economic conditions led to reduced short term profitability expectations at M&C Saatchi and Flowtech Fluidpower whilst the recovery from one part of one division at RM Plc has, to date, been slower than expected. Much more positively, Finsbury Food received a takeover approach (unrealised IRR 38.5% at period end) and Galliford Try announced material special dividends, an enhanced dividend policy and strong further recovery in profitability. Overall, the NAV Total Return outperformed the AIM All Share Index where most of our investments reside.

<sup>1</sup> These are considered to be APMs. See Alternative Performance Measures (APMs) on page 17.

## Portfolio highlights & investment activity

The period ended with 21 holdings, of which the top 10 constitute 64.2% of NAV.

Top ten shareholdings (30 September 2023)	£m	Shareholding in company	Portfolio NAV
RM Plc	4.8	9.8%	9.6%
Trifast Plc	4.1	3.7%	8.2%
M & C Saatchi Plc	3.5	2.0%	7.0%
Flowtech Fluidpower	3.3	6.1%	6.6%
Centaur Media Plc	3.2	6.0%	6.6%
Galliford Try Holdings PLC	3.0	1.2%	6.1%
Finsbury Food	2.7	1.9%	5.4%
City Pub Co	2.6	2.9%	5.2%
Van Elle	2.5	5.6%	5.0%
Titon Holdings	2.3	26.7%	4.5%
Other investments (11)	14.3	-	28.7%
Cash and other working capital items	3.5	-	7.1%
<b>Total NAV</b>	<b>49.8</b>		<b>100.0%</b>

**Trifast**, the distributor and manufacturer of fasteners, has become a 'core' holding. During the period the Chair has been replaced, a new CEO has been appointed and post period end Nick Mills, member of the Investment Management team, has been appointed a Non-Executive Director of the company. In line with all 'core' holdings, the business has the opportunity for significant operational improvements, is materially undervalued relative to our estimates of the company's future cash flow generation and now has the catalysts in place to ensure shareholder value is maximised over the next 3-5 years. Its current operating margins are depressed relative to history, however a new Enterprise Resource Planning system has been deployed which should ultimately lead to improved financial performance. The business is international, and whilst much internal work must be done under the new CEO and relatively recently appointed new CFO and COO, which will drive profitability over the medium-term, industrial end-market conditions are currently 'soft'.

**Bonhill**, the international B2B media business providing Business Information, Events and Data & Insight propositions to the global Financial Services community, de-listed after returning capital from asset sales via a tender offer. This investment has not met our target returns, however due to the 'margin of safety' we identified at the outset and our subsequent efforts, via taking a Non-Executive

Director position at the company, we were able to almost fully protect our invested capital through the break-up and sale of the business. We remind shareholders that Rockwood Strategic also made a profitable loan to the company during this realisation phase and we await to receive, post the period end, a final payment before the company enters voluntary insolvency.

### New Investments

Four new investments were made and a number of existing holdings were increased. We highlight two at the Interim stage.

These were all classified by the manager as either "springboards" or "opportunities" and as such each individual investment did not exceed 4% of NAV at inception. We target eventually 10-25 of these style holdings as Rockwood Strategic builds, we had 13 at period end. The former are investments which meet our investment criteria of being able to deliver 15% IRRs over a time horizon of five years (thereby doubling in value) which have the opportunity for, or are experiencing, operational, strategic and management or Board changes which should deliver, unlock or create shareholder value. Once identified, we ideally want to invest 5-15% of NAV in order to have material exposure within the strategy and also a stake in the company of similar size, ensuring an influential voice with which we can engage with the company and stakeholders.

However, regularly the opportunity to establish such a stake may not be initially available, hence a 'springboard' position is purchased with a view to increase in time. The latter set of 'opportunities' are stocks which meet our investment criteria but are situations where we do not anticipate taking an active lead role as a shareholder, often because another party already is and where the appropriate changes to drive shareholder value are already underway but the valuation is still highly attractive. These tend to have a higher level of stock liquidity than the rest of the portfolio.

### James Fisher & Sons

The stock is a classic 'fallen angel' in our view. They provide specialist engineering services to the energy, defence, renewables and marine markets and has a 175-year-old business history, 2367 employees with operations in 18 countries. Previous management misfired on capital allocation through an over-energetic acquisition strategy with the inevitable lack of integration, loss of operational control and distressed balance sheet through a build-up of excessive debt. Operating margins halved. A set-piece Rockwood opportunity, we believe.

At c. £165m market capitalisation at period end, 2022 sales were £478m, Ebitda £67.5m and PBT £16.2m. The financial recovery opportunity is material with the company targeting a mean reversion back to 10% margin and 15% ROCE. The Defence business was loss-making in 2022 and Marine Services only made 3.5%, so it's clear where critical improvements are needed. Our due diligence has given us confidence the order book can grow, in particular in Defence.

We believe a high quality new Chairman, CEO and CFO have been appointed (in that order) and the highly experienced Jean Vernet (formally divisional MD at Smiths Group Plc) has already re-organised the group into 3 divisions and appointed new Heads of each (2 of which are external). Net Debt remains elevated and thus we expect further portfolio rationalisation to accelerate debt reduction alongside improved cash generation.

The shares have been valued on significantly higher multiples over the years and thus our thesis combines both improved profitability and improved valuation multiples in time.

## Investment Manager's Report (continued)

### Restore

'Comebacks' in sport often raise mixed emotions, the same is true in business, one only needs to ask Disney shareholders. Restore, however, we believe has been exceptionally lucky to have been able to bring back former CEO Charles Skinner. Charles built the business very successfully between 2009 and 2019 and set the company on the path to a market leadership position in a range of office services, most importantly document storage. This division has 22.4m boxes of records under management, 975 staff, 52 sites and is UK no.2 after Iron Mountain, it makes over 30% profit margins and is 70% of total profit.

At the end of the period the market capitalisation was £240 million having risen since our purchase on both Charles's appointment and a new major HMRC contract win. In 2022 They had sales of £279m and Ebitda of £76m with PBT of £41m. Adjacencies such as shredding, scanning, digital storage, technology recycling and office relocation have all developed over the years, however following the departure of Charles, costs have increased, operational control has slipped, financial management deteriorated and a material de-rating of the company has occurred. Typically for recovery situations it takes a decent period (often up to a year) for new management to really get to grips with the business they are going to be turning around. Seasoned practitioners which populate Rockwood Strategic investments usually hit the ground running. In Charles case he will hit the ground sprinting. We look forward to the results from his leadership and the fruits from this opportunistic investment in the period.

### Portfolio Updates

There has been considerable progress across the portfolio, particularly with regard to the appointment of key management and Board members to our investments, all of which we are delighted with and who we expect to make major positive impacts on the companies in the years ahead leading to the unlocking, growth and realisation of shareholder value. The importance of these individuals should not be under-played as in many cases it de-risks our investment theses as we move past the point of having the right people in place to turnaround our target investments.

- Mike England has been appointed CEO of Flowtech Fluidpower. Mike was previously COO of FTSE 100 constituent RS Group (previously Electrocomponents). He has already made a series of senior management changes at the business and identified a number of work-streams to improve operational performance. In the first half of the year operating margins were 5.7%. The company is now targeting "mid-teens" medium-term. We see achieving sustainable double-digit margins as a catalyst for a material re-rating alongside balance sheet improvements due to better working capital management.
- Simon Goodwin and Christopher Humphrey have been respectively appointed CFO and NED of RM Plc. We are particularly pleased about Christopher's appointment as we initially proposed him to the Board. Christopher's deep and relevant corporate experience including in particular his time at Anite Plc will be invaluable to RM as they try to recover shareholder value. Since investing in this stressed, turnaround situation there has been 4 newly appointed NEDs, a CEO, a CFO, a Head of Transformation, new Heads of Digital and Real Estate and their disastrous technology project has been brought under control. We believe this represents huge progress in just one year to deliver our medium-term investment thesis, which, once debt has been reduced, should lead to considerable upside for Rockwood Strategic NAV.
- Zyllah Byng-Thorne has been appointed Executive Chair of M&C Saatchi following the retirement of Moray McClennan. In line with peers, M&C Saatchi's traditional creative advertising division has had weak end-market conditions to contend with. This means that the overdue and identified cost-cutting, streamlining and efficiency opportunities are even more important to be delivered. Zyllah's reputation is not pedestrian and we expect swift progress over the next 18 months alongside an unemotional appraisal of various agencies and activities within the group. Progress on the removal of minority interests should also be achieved.
- Stephen Welker has been appointed Chair of Hostmore, the owner of the TGI Fridays franchise in the UK. This household name casual dining brand has stood the test of time and has been achieving noticeably improved customer ratings in the last year. With over 80 units, the business has entered a challenging phase for the UK consumer. However, Stephen is no stranger to turnarounds having been part of the Sherbourne team that have successfully identified and led a number in the UK market. The CEO and CFO have now also been replaced, the cash-consuming store opening programme paused and a series of initiatives to stabilise and improve profitability put in place. Free cash flow generation should ramp up allowing a reduction in elevated debt and eventually material shareholder value creation.
- Finally, breakthrough contract wins were announced by Filtronic Plc with the European Space Agency and a leading global provider of low earth orbit satellites, in addition to prestigious grant funding with the Ministry of Defence's Technology Exploitation Programme. Filtronic has been a supplier to the MOD for many years and also into telecommunications hardware markets via a key market-leading client. Its IP and technology know-how in the 'Radio frequency' sector is arguably unrivalled and as a result, when a new end-market emerges, the company has found itself in an enviable position. That end-market is 'Low earth orbiting' satellites, whose growth prospects appear material due to the advances in rocket technology in particular by SpaceX. Filtronic needs to scale its revenues to grow shareholder value whilst it increases its strategic value in the emerging supply chain for the satellite industry. Progress in the Space sector might just be the solution.



**Outlook**

We believe that the stock market continues to materially undervalue our portfolio holdings. Identified measures to build profitability should offset, and in many cases exceed, negative impacts from a challenging external environment. Robust balance sheets should protect the downside. We have material influence through our large stakes and Board representations to help ensure shareholder value remains a focus and strategies evolve appropriately. 'Engagement' activities added value in the period and we have a number of initiatives underway for the rest of the year. We continue to identify new investments to deliver on our investment objectives which will replace the realisations expected in the second half.

As discussed above, this market down cycle is already quite extended and the effect of higher interest rates is starting to impact economies. Once Central Banks are comfortable inflation is tamed, monetary policy should ease and a marked improvement in stock-market conditions, if history is anything to go by, is likely. In the first stages of a market recovery, if history does rhyme or repeat then UK small companies should lead and those with value and recovery characteristics will perform even better. We are not overly focused on predicting the immediate market outlook though, but sticking to identifying investments where our target absolute returns can be achieved over the next 3-5 years, irrespective.

**Richard Staveley**  
**Investment Manager**

21 November 2023

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# Directors' Responsibility Statement

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

In preparing these financial statements, the Directors confirm to the best of their knowledge that:

- the condensed set of financial statements contained within this half interim financial report have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' in conformity with the requirement of the Companies Act 2006 and gives a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Interim Management Report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions that could do so.

The Half Year Report has not been reviewed or audited by the Company's Auditors.

This Half Year 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.

#### **Website publication**

The Directors are responsible for ensuring that the Interim Report and Financial Statements are made available on a website. The Interim Financial statements are published on the Company's website in accordance with legislation in the United Kingdom. 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 Interim Financial Statements contained herein.

For and on behalf of the Board.

**Noel Lamb**  
**Chairman RKW**

21 November 2023

# Unaudited Condensed Statement of Comprehensive Income

for the six months ended 30 September 2023

		Six months to 30 September 2023 (Unaudited)		Six months to 30 September 2022 (Unaudited)	
	Notes	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	14	538	-	538	493
Net (losses)/gains on investments at fair value		-	(3,126)	(3,126)	(3,850)
<b>Total income</b>		<b>538</b>	<b>(3,126)</b>	<b>(2,588)</b>	<b>(3,357)</b>
<b>Expenses</b>					
Investment management fee	15	(60)	-	(60)	(52)
Performance fee	15	-	-	-	-
Other expenses		(286)	(44)	(330)	(875)
<b>Total expenses</b>		<b>(346)</b>	<b>(44)</b>	<b>(390)</b>	<b>(927)</b>
<b>Return before taxation</b>		<b>192</b>	<b>(3,170)</b>	<b>(2,978)</b>	<b>(4,284)</b>
Taxation	11	-	-	-	-
<b>Return for the period</b>		<b>192</b>	<b>(3,170)</b>	<b>(2,978)</b>	<b>(4,284)</b>
<b>Basic and diluted earnings per ordinary share (pence)</b>		<b>7.29p</b>	<b>(120.36p)</b>	<b>(113.07p)</b>	<b>(168.58p)</b>

The total column of the statement is the Statement of Comprehensive Income of the Company prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom. The supplementary revenue and capital columns are presented for information purposes as recommended by the Statement of Recommended Practice ("SORP") issued by the Association of Investment Companies ("AIC").

All items in the above Statement derive from continuing operations. No operations were acquired or discontinued during the period.

The notes on pages 13 to 16 form part of these financial statements.

# Unaudited Condensed Statement of Financial Position

as at 30 September 2023

	Notes	As at 30 September 2023 (Unaudited) £'000	As at 31 March 2023 (Audited) £'000	As at 30 September 2022 (Unaudited) £'000
<b>Non-current assets</b>				
Investments at fair value through profit or loss	16	46,242	39,255	34,318
<b>Current assets</b>				
Trade and other receivables		146	73	125
Cash and cash equivalents		3,879	11,631	4,970
		<b>4,025</b>	11,704	5,095
<b>Total assets</b>		<b>50,267</b>	50,959	39,413
<b>Current liabilities</b>				
Trade and other payables		(498)	(541)	(1,109)
Tax liability		-	-	(1,580)
Performance fee payable		-	(625)	-
<b>Total liabilities</b>		<b>(498)</b>	(1,166)	(2,689)
<b>Total assets less current liabilities</b>		<b>49,769</b>	49,793	36,724
<b>Net assets</b>		<b>49,769</b>	49,793	36,724
<b>Represented by:</b>				
Share capital		1,344	1,281	1,281
Share premium account		15,944	13,063	13,063
Capital reserve		11,354	11,344	11,344
Capital redemption reserve		2,711	-	-
Revenue reserve		18,416	24,105	11,036
<b>Total equity attributable to equity holders of the Company</b>		<b>49,769</b>	49,793	36,724
<b>Basic and diluted net asset value per ordinary share (pence)</b>		<b>1,851.6p</b>	1,959.6p	1,445.3p

The financial statements were approved by the Board of Directors on 21 November 2023 and signed on its behalf by:

**Noel Lamb**  
Chairman

**Kenneth Lever**  
Director

Company Registered Number: 03813450

The notes on pages 13 to 16 form part of these financial statements.

# Unaudited Condensed Statement of Cash Flows

for the six months ended 30 September 2023

	Notes	Six months to 30 September 2023 (Unaudited) £'000	Period ended 31 March 2023 (Audited) £'000	Six months to 30 September 2022 (Unaudited) £'000
<b>Cash flow from operating activities</b>				
Return before tax		(2,978)	8,430	(4,284)
Losses/(gains) on investments held at fair value through profit and loss		3,126	(8,991)	3,850
Decrease/(increase) in receivables		1	(772)	(360)
(Decrease)/increase in creditors		(668)	663	290
Dividend income		(371)	-	-
Portfolio dividend income received		297	862	169
Corporation tax paid		-	(1,581)	-
<b>Net cash outflow from operating activities</b>		<b>(593)</b>	<b>(1,389)</b>	<b>(335)</b>
<b>Cash flows from investing activities</b>				
Purchases of investments		(11,636)	(20,015)	(9,594)
Sales of investments		1,523	22,528	4,392
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(10,113)</b>	<b>2,513</b>	<b>(5,202)</b>
<b>Cash flows from financing activities</b>				
Gross proceeds of share issue		2,997	-	-
Share issue costs		(43)	-	-
<b>Net cash inflow from financing activities</b>		<b>2,954</b>	<b>-</b>	<b>-</b>
<b>(Decrease)/increase in cash and cash equivalents for the period</b>		<b>(7,752)</b>	<b>1,124</b>	<b>(5,537)</b>
<b>Reconciliation of net cash flow movements in funds</b>				
Cash and cash equivalents at the beginning of the period		11,631	10,507	10,507
(Decrease)/increase in cash and cash equivalents		(7,752)	1,124	(5,537)
<b>Cash and cash equivalents at end of period/year</b>		<b>3,879</b>	<b>11,631</b>	<b>4,970</b>

The notes on pages 13 to 16 form part of these financial statements.

# Unaudited Condensed Statement of Changes in Equity

for the six months ended 30 September 2023

	D shares £'000	Ordinary Share Capital £'000	Share Premium £'000	Revenue Reserve* £'000	Capital Reserve £'000	Capital Redemption Reserve £'000	Total £'000
<b>Period ended 30 September 2023 (unaudited)</b>							
Opening balance as at 1 April 2023	10	1,271	13,063	24,105	-	11,344	49,793
Unrealised appreciation transferred at 1 April 2023	-	-	-	(5,881)	5,881	-	-
Cancellation of D shares	(10)	-	-	-	-	10	-
Gross proceeds of share issue	-	73	2,881	-	-	-	2,954
Total comprehensive income for the period	-	-	-	192	(3,170)	-	(2,978)
<b>As at 30 September 2023</b>	<b>-</b>	<b>1,344</b>	<b>15,944</b>	<b>18,416</b>	<b>2,711</b>	<b>11,354</b>	<b>49,769</b>

for the six months ended 30 September 2022

	D shares £'000	Ordinary Share Capital £'000	Share Premium £'000	Revenue Reserve* £'000	Capital Reserve £'000	Capital Redemption Reserve £'000	Total £'000
<b>Period ended 30 September 2022 (unaudited)</b>							
Opening balance as at 1 April 2022	10	1,271	13,063	15,320	-	11,344	41,008
Total comprehensive income for the period	-	-	-	(4,284)	-	-	(4,284)
<b>As at 30 September 2022</b>	<b>10</b>	<b>1,271</b>	<b>13,063</b>	<b>11,036</b>	<b>-</b>	<b>11,344</b>	<b>36,724</b>

\* The revenue reserve can be distributed in the form of dividends.

The notes on pages 13 to 16 form part of these financial statements.

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# Notes to the Unaudited Condensed Interim Financial Statements

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Rockwood Strategic Plc (the Company) is a public company incorporated in the UK and registered in England and Wales (registration number: 03813450).

The Company carries on the business as an investment trust company within the meaning of Sections 1158/1159 of the Corporation Tax Act 2010.

## 1. Principal Accounting Policies

These interim financial statements for the period ending 30 September 2023 have been prepared on a going concern basis, under the historical cost convention, modified by the valuation of investments at fair value.

Following the Company's approval as an investment trust company on 1 April 2023, the annual financial statements of the Company for the period to 31 March 2024 will be prepared in accordance with UK adopted international accounting standards. They will also be prepared in accordance with applicable requirements of England and Wales company law and reflect the following summarised policies which will be adopted and applied consistently. The financial statements will also be prepared in accordance with the SORP for investment trust companies issued in July 2022, except to any extent where it conflicts with IFRS.

The interim financial statements information contained in this interim report does not constitute full statutory accounts as defined in Section 434 of the Companies Act 2006.

In order better to reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income.

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).

## 2. 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 Company is in a net asset position of £49.8 million (March 2023: £49.8 million, September 2022: £36.7 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.

## 3. Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business.

## Notes to the Financial Statements (continued)

### 4. Significant Accounting Judgements, Estimates and Assumptions

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 16. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

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

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

All investments held by the Company are designated as "fair value through profit or loss". As the Company's business is investing in financial assets with a view to profiting from their return in the form of interest, dividends or increase in fair value. Listed equities, unquoted equities and fixed income securities are classified as fair value through profit or loss on initial recognition. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy. Investments are initially recognised at cost, being the fair value of the consideration.

After initial recognition, investments are measured at fair value, with movements in fair value of investments and impairment of investments recognised in the Condensed Statement of Comprehensive Income and allocated to the capital column. For quoted equity shares fair value is generally determined by reference to quoted market bid prices or closing prices for SETS (London Stock Exchange's electronic trading service) stocks.

IFRS 13 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following classifications:

- Level 1 – valued using quoted prices in active markets for identical investments.
- Level 2 – valued using other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc). There are no level 2 financial assets (31 March 2023: £nil, 30 September 2022: £nil).
- Level 3 – valued using significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments). There are no level 3 financial assets (31 March 2023: £nil, 30 September 2022: £nil).

Unquoted investments are valued in accordance with the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines. Their valuation incorporates all factors that market participants would consider in setting a price. The primary valuation techniques employed to value the unquoted investments are earnings multiples, recent transactions and the net asset basis.

### 6. 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.

### 7. Foreign currency

Transactions in currencies other than Sterling are recorded at the rate of exchange prevailing on the date of the transaction. Items that are denominated in foreign currencies are retranslated at the rates prevailing on Statement of Financial Positions. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or the revenue reserve depending on whether the gain or loss is capital or revenue in nature.

### 8. 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.

### 9. Revenue

Dividend income from investments is recognised when the Company's right to receive payment has been established, normally the ex-dividend date.

Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as income. Any excess in the value of shares received over the amount of cash dividend foregone is recognised as a capital gain in the Statement of Comprehensive Income.

Interest income is recognised in line with coupon terms on a time-apportioned basis. Special dividends are credited to capital or revenue according to their circumstances.



## 10. Expenses

All expenses are accounted for on an accruals basis and are allocated wholly to revenue with the exception of Performance Fees which are allocated wholly to capital, as the fee is payable by reference to the capital performance of the Company, and transaction costs which are also allocated to capital.

## 11. Taxation

The charge for taxation is based on the net revenue for the year and takes into account taxation deferred or accelerated because of temporary differences between the treatment of certain items for accounting and taxation purposes. The Company has an effective tax rate of 0%. The estimated effective tax rate is 0% as investment gains are exempt from tax owing to the Company's status as an investment trust and there is expected to be an excess of management expenses over taxable income and thus there is no charge for corporation tax.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with recommendations of the SORP, the allocation method used to calculate the tax relief expenses charged to capital is the 'marginal' basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

## 12. Equity dividends payable

Equity dividends payable are recognised when the shareholders' right to receive payment is established. For interim dividends this is when they are paid and for final dividends this is when they are approved by shareholders.

## 13. Share capital and reserves

The share capital represents the nominal value of the Company's ordinary shares. As at 30 September 2023 there were 2,687,909 (31 March 2023 - 2,541,046) Ordinary shares of 50p each in issue. Subsequent to the period end a share sub-division of its existing ordinary shares on a ten for one basis took effect on the 11 October 2023.

The share premium account represents the accumulated premium paid for shares issued above their nominal value less issue expenses. This reserve cannot be distributed.

The capital reserve represents realised and unrealised capital and exchange gains and losses on the disposal and revaluation of investments and of foreign currency items. Realised gains can be distributed, unrealised gains cannot be distributed.

The revenue reserve represents retained profits from the income derived from holding investment assets less the costs associated with running the company. This reserve can be distributed, if positive.

## 14. Income

	30 September 2023 Revenue £'000	31 March 2023 Revenue £'000	30 September 2022 Revenue £'000
<b>Income from listed investments</b>			
UK dividends	371	925	226
Loan note interest income	-	274	232
Loan arrangement fee	-	40	-
	<b>371</b>	1,239	458
<b>Other income</b>			
Deposit income	167	109	35
<b>Total income</b>	<b>538</b>	1,348	493

## 15. Investment management and performance fees

	30 September 2023			31 March 2023 Total £'000	30 September 2022 Total £'000
	Revenue £'000	Capital £'000	Total £'000		
<b>Investment management fee</b>	60	-	60	112	52
<b>Performance fees</b>	-	-	-	625	-
	<b>60</b>	-	<b>60</b>	737	52

## Notes to the Financial Statements (continued)

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

The Company is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. All Investments at 30 September 2023 are classified as Level 1.

	30 September 2023 Level 1 £'000	31 March 2023 Level 1 £'000	30 September 2022 Level 1 £'000
<b>Financial assets</b>			
<b>Quoted equities at fair value</b>	<b>46,242</b>	39,255	34,318
	<b>46,242</b>	39,255	34,318

### 17. Half-Yearly Report

The financial information in this Report does not comprise statutory accounts within the meaning of Section 434 – 436 of the Companies Act 2006. The financial information for the year ended 31 March 2023 has been extracted from published accounts that have been delivered to the Registrar of Companies, and on which the report of the Company's auditor was unqualified and contained no statement under Section 498 (2), (3) or (4) of the Companies Act 2006.

The financial information for the six months ended 30 September 2023 and 30 September 2022 has not been audited or reviewed by the Company's auditor.

### 18. Net Asset Values

	As at 30 September 2023	As at 31 March 2023
Attributable net assets (£'000)	49,769	49,793
Number of Ordinary shares in issue	2,687,909	2,541,046
<b>Net asset value per share (pence)</b>	<b>1,851.62</b>	1,959.56

### 19. 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:

	As at 30 September 2023 £'000	As at 31 March 2023 £'000
Performance fee	-	625
Management fee	30	112
<b>Total</b>	<b>30</b>	737

As at 30 September 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:

	30 September 2023 Ordinary Shares	31 March 2023 Ordinary Shares
Harwood Holdco Limited	734,000	734,000
R Staveley	32,138	25,689

There are no other material related party transactions of which we are aware in the period ended 30 September 2023.

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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 period, of the regular, recurring costs of running an investment company. This includes the Investment Management fee and excludes any variable performance fees.

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# Glossary

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**AIC**

The Association of Investment Companies.

**Cash Alternatives/Equivalent**

Also known as cash equivalents. A class of investments considered relatively low-risk because of their high liquidity, meaning they can be quickly converted into cash.

**CTA**

Corporation Tax Act 2010.

**Discount**

The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

**Dividend**

The portion of company net profits paid out to shareholders.

**FCA**

Financial Conduct Authority.

**LSE**

London Stock Exchange.

**Market Capitalisation**

The total value of a company's equity, calculated by the number of shares multiplied by their market price.

**NAV**

NAV stands for net asset value and represents shareholders' funds. Shareholders' funds are the total value of a company's assets at current market value less its liabilities.

**Ongoing Charge**

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.

**Premium**

The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

**Total Return**

Captures both the capital appreciation/depreciation of an investment as well as the dividends generated over a holding period.

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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/>





