Castelnau
GROUP

Annual Report and Audited Financial Statements

For the year ended 31 December 2021

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

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

Contents.

Our Mission.

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

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

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

Strategic Report

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

Chair's Statement

Listing Castelnau Group Limited ("CGL") on the SFS (Specialist Fund Segment) of the London Stock Exchange's Main Market on 18 October 2021 was an important step for the Company and our investors. CGL is an investment company established to invest in public and private companies. The growth potential of Castelnau's traditional businesses and enabling companies is hugely exciting. The Company's investment objective is to compound Shareholder's capital at a higher rate of return than the FTSE All Share Total Return Index over the long term by using the Investment Manager's toolbox of modern techniques to transform old economy businesses into valuable long-term winners.

The total number of Ordinary Shares in the Company in issue immediately following Admission was 177,552,719. The existing clients of Phoenix Asset Management Partners Ltd ("PAMP") made up 70.1% of the issued shares, the Offer for Subscription and the Placing Programme in aggregate made up 15.8% and the investment from SPWOne 14.1%.

Subsequent to the Company's initial admission, an additional two investors, whose accounts are managed on a discretionary basis by the Company's investment manager, PAMP, entered into a share purchase agreement on 11 November 2021 in respect of the in-specie transfer of their shares in Dignity plc ("Dignity"), Hornby plc ("Hornby") and Phoenix SG Limited ("PSG") to the Company, in exchange for newly issued Ordinary Shares.

The Investment Management Agreement with PAMP creates significant Shareholder alignment, as PAMP does not earn a management fee but earns a performance fee only. The performance fee period is three years and is equal to one-third of the relative outperformance to the FTSE All share Total Return Index.

Performance Review

The NAV total return for the year ended 31 December 2021, was -6.5%, versus the benchmark FTSE All-Share Index (Total Return) of +2.5%, that's a -9.0% relative underperformance. The main contributors to the underperformance were Dignity and Hornby. Dignity represents 35% of the portfolio and had a -14% price movement. Hornby represents 22% of the portfolio and had a -1.2% price movement.

The CGL share price traded at a premium to NAV throughout the period. The Board, along with its Advisers, and the Investment Manager, monitor the premium or discount on an ongoing basis. The premium to NAV as at 31 December 2021 is disclosed under results and performance on page 16.

At the heart of this is PAMP's insight that there are businesses with a core franchise that is suffering from the changes going on in commercial life (such as the rise of e-commerce), which, if they could embrace the best of modern techniques, would allow these businesses to thrive and ultimately deliver value not recognised in their current valuations.

In addition, the Company will own businesses that are considered by PAMP to be "enablers", and which can be used to enable the business transformations of investee companies. Currently, these businesses are Rawnet Ltd ("Rawnet"), a digital marketing and software development company, and Ocula Technologies Holdings Ltd ("Ocula"), a data science company. These companies could ultimately deliver value to Shareholders, both through the "enabling" process with investee companies and through their own valuations as standalone businesses.

Castelnau has been established to apply modern techniques to traditional businesses, which it owns, controls and influences, with the intention of creating sustainable long-term value for Shareholders. We appreciate that this is a short period (for many of our shareholders) and hence look forward to sharing our progress with you in the future, namely through the monthly updates and also the Interim and Annual reports.

Joanne Peacegood
Chair

8 April 2022

Holdings as at 31 December 2021

Company	Sector	Holding	Cost	Valuation	Percentage of net assets
Dignity plc	Specialised Consumer Services	10,255,153	70,139,747	60,505,403	**35.2%**
Hornby plc	Leisure Products	91,336,047	38,639,781	37,904,460	**22.0%**
Phoenix S. G. Ltd	Speciality Retail	7,610	18,577,646	18,156,159	**10.5%**
Rawnet Ltd	IT Services	2,750,000	5,500,001	6,050,000	**3.5%**
Rawnet Ltd	IT Services - Loan	1,111,795	1,111,795	1,111,795	**0.6%**
WLS International Ltd*	Specialised Consumer Services	3,700	3,788,171	3,993,544	**2.3%**
Ocula Technologies Holdings Ltd	IT Services - Loan	1,500,000	1,500,000	1,500,000	**0.9%**
Ocula Technologies Holdings Ltd	IT Services	8,000	80	80	**0.0%**
Showpiece Technologies Ltd	Internet Retail - Loan	750,000	750,000	750,000	**0.4%**
Showpiece Technologies Ltd	Internet Retail	8,000	8,000	8,000	**0.0%**
Total Holdings				**129,979,441**	**75.4%**
Net current assets				42,147,344	**24.6%**
Net assets				**172,126,785**	**100.0%**

* WLS International Ltd is the holding company for Cambium Group.

Portfolio Analysis

75.7% of total holdings were listed companies and the remaining 24.3% were unlisted. All companies are UK businesses.

Statement from the CIO of the Investment Manager

Dear Shareholders,

Welcome to the Castelnau Group. This is our first annual report. The following commentary is an excerpt from our first quarterly report*.

Our principal objective that drives everything we do is to generate high, risk-adjusted, long term returns on your capital and to compound those over time. By "high" we mean materially higher than the returns of passively holding all equities and by that we mean an excess return of 10% over the relevant indices before fees. We are focused on absolute returns and "high" to us means 20% per annum and above.

Returns of this magnitude are not easily achieved and writing them down might look like an act of overconfident hubris, but they are a yardstick by which we are asking you to judge us. We care about how we make those returns and will apply the Phoenix Principles to the way we conduct ourselves. If we do that consistently, then in time we will enhance the reputation of our assets.

Castelnau Group's 'Edge'

To achieve high returns over time requires some form of edge, some form of competitive advantage and I will try to explain what we think ours will be. Castelnau's edge is a combination of factors working together. Here are six of the more important factors.

1. Permanent Capital.

Most investment capital is redeemable in some form or has a time horizon attached to it; ours doesn't. Should shareholders wish to move on then they can do that by selling their shares in the market to another buyer. That permanence of capital allows us to use investment strategies that many can't, where the short term may look poor and where liquidity may be low. It allows a truly business-like approach to investment.

The Board or Shareholders collectively can of course still decide at any point to wind up the business and redeem the capital. Permanent capital doesn't mean perpetuity; it means that we don't have to operate under threat of a redemption event.

2. Long Term Horizon.

We assess opportunities with a very long-term timeframe and will pursue investments that benefit from that. Most investment capital is judged over the shorter term and held in forms with some exit in mind. When you combine a very long-time horizon with permanent capital you have opportunities that many can't pursue. A long-term horizon means that the first priority always has to be survival. It also means that we can afford to be patient. It does not mean however that we don't have urgency in pursuing our goals.

3. Standing on the Shoulders of Giants.

We don't profess genius; we are students of it. We draw upon the examples and teachings of some great investors and businesspeople. We can however substitute genius for copying. This might not seem like it should be an edge, surely everyone could do this, but such is human nature that they don't. Phoenix has been built upon the teachings of great value investors and yet as an investment style it remains a backwater.

4. Our People and our Network.

Our greatest edge is probably the people I have surrounded myself with. We have always taken recruitment very seriously at Phoenix and have built a highly capable team organically. We are extending that approach into our businesses and when we get that right so much of the rest takes care of itself.

We also have the privilege of access to some great businesspeople and investors who we are connected to through their businesses or because they are investors in Phoenix. We draw upon this network in many ways, from the informal through to our partnership with Sir Peter Wood and his team at SPWOne. What we have found is that networks beget networks and good people tend to know and work with good people.

Decades of seeking out the best companies and getting close to the best managements along with attracting business-like investors to our investment approach has gifted us a strong array of capable and knowledgeable people. John Elkann's EXOR is possibly the benchmark in this regard with its very impressive Partners Council.

* Please see the entire report here: https://www.castelnaugroup.com/application/files/1416/4382/9198/Castelnau_Group_Ltd_Q4_2021.pdf

Statement from the CIO of the Investment Manager - continued

5. Culture.

We have a way of operating that lends itself to learning by thinking, doing, and observing. A confidence to try things in a thoughtful and careful way and humility to spot and admit failures that can be utilised for incremental learnings. It is a flat, self-organising culture that you need to be inside to truly appreciate but it allows us to draw on the full breadth of capability from many diverse and able brains and experiences.

6. The Castelnau Way & The Toolkit.

At Castelnau we seek to turn knowledge into a business craft whose output is long-term shareholder value. It is one thing to draw upon knowledge in all its forms; analysis of facts, learning from others, results of experiments, thinking and practice - but it is quite another to apply that successfully. In Castelnau, just as we do and have done for over 20 years at Phoenix, we do it by creating a framework that allows us to build a way of working that accumulates lessons and continuously improves.

The Castelnau starting Line-Up

We own four principal businesses where we see the potential for greatness, but which need the application of our tools and techniques and the assistance of our enabling companies. They are all in different stages of that process and as 3 of them are public companies we will have to be sensitive about what we say so as not to disclose any price sensitive information.

General Attributes

All four businesses serve an emotional need of their customers and are threatened by the changes brought about by the internet and digital communication. Our businesses in weddings (The Cambium Group) and funerals (Dignity) deal with life events whereas the other two deal with hobbies and play (Hornby and Stanley Gibbons). Technology is changing the way that their customers inform themselves and make their choices. We believe all of them can create value by embracing and fully utilising technology and digital communication. For each company we thus bring fresh perspective.

The Cambium Group

Cambium was a small failing company when we first took control in 2015. Our experiences here are the basis of what we call The Castelnau Way and the Toolkit.

Since the restrictions on weddings ended in July 2021, Cambium has surged back to life. Even with less than half a year of trading in 2021, 'product pledge' revenue was a third higher than the whole of 2019, the prior peak. This surge in growth which, again, had a run rate over double the prior peak combined with a workforce that had been reduced during the COVID-19 restructuring in 2020, has caused significant challenges for the company. To add to that the supply chain problems experienced by suppliers are causing them to disappoint lots of customers. This latter point is deeply distressing to an organisation whose culture is focused on delighting couples. It is a real test of the strength of the culture.

The run rate of new registrations and the pipeline of activity for 2022 looks on course for very strong growth again; the business is targeting 70% growth on 2019. By all measures it looks like Cambium with its portfolio of brands has grown its leadership position in wedding gift lists.

The business model for the core gift list business involves negative working capital, minimal stock, and no discounting. By merging with Prezola in 2019 and combining the fulfilment operations of all three businesses they own, Cambium has now built the scale to operate profitably.

Cambium is preparing a launch this year into a new space which is an extension of what it does, and we will report that when it happens.

As of the end the of December, the current valuation we have for the equity of the Cambium business is £20.8m, of which you currently own 19.2% (i.e. your share at the end of December was worth £3.99m, an increase of +5.6% in value from when we floated). We expect that your share of the equity will increase in the near future.

Dignity

Our biggest holding is Dignity where I am also currently CEO and have been now for 9 months. We have been implementing the strategy I set out at the AGM to invert the organisation, empower a customer focus, and make a virtue of being a confederation of local businesses that are part of a national network.

We have spent six months employing a key part of our Castelnau approach; that is, embedding a learning culture within. Using an approach from the Toolkit, Dignity have been running an exercise to develop company principles which are about to be published. When they are in the public domain, we will share them with you. That marks the beginning of a process that never ends to make these principles intrinsic to the way Dignity works so that ultimately, they become its culture.

Statement from the CIO of the Investment Manager - continued

The commercial elements of our strategy will have to await Dignity's own announcements, but we are very much applying all that I have mentioned previously to set Dignity on the path to being a great business. The early years are the toughest when you are making such wholesale changes and so we expect them to be here.

Hornby

Hornby has recently announced that it is looking for a new CEO and we see that as an essential step before the work on forming company principles and applying them to a cultural transformation.

Our data science company, Ocula, started to apply its proprietary technology to the Scalextric website with favourable results. Rawnet (our Digital Marketing company) is involved in the website development and digital marketing.

Stanley Gibbons

We created a new business called Showpiece Technologies Ltd ("Showpiece") in the quarter, which partnered with Stanley Gibbons to buy and sell off the world's most valuable asset by weight, the 1c Magenta, in fractional virtual form. Having launched that successfully within two months of purchase, Showpiece has now lined up its next asset which is a valuable rare coin. These efforts are an attempt to bring the traditional worlds of stamp and coin collecting into the modern era of digital virtual collecting and vice versa. We plan to launch a platform to allow a secondary market in these assets and to continue to bring new launches.

Ocula also started to apply its technology to the Stanley Gibbons website with favourable results. Rawnet is also involved in the website development and digital marketing.

Final thoughts

As the Nobel-Prize winning economist Daniel Kahneman and others have pointed out, for true expertise to develop there needs to be a consistency of approach, defined parameters, and a good feedback loop. Engineering teaches that open-loop systems are unstable without feedback and learning. So too, in business. That is what we are cultivating inside Castelnau. The longer we do it, the more we learn from experience and the stronger this edge should become.

The Castelnau Way is the approach we are adopting to achieving our goals, the modus operandi we are developing and evolving through practice and experience. By contrast the Castelnau Toolkit, as its name implies, is a very specific set of tools and capabilities that we have been building and adding to.

These are "edges" which we believe we possess and will apply to the goal of compounding capital at high risk-adjusted rates. The primary way in which we will do that is by deploying your capital in businesses that themselves have an edge: a moat, a defensible competitive advantage that allows them to earn a high return on their capital and to re-invest at high marginal rates. Such businesses, when their attributes are obvious to all, are usually not available at prices that will generate high returns on your capital. So, our primary strategy is to gain control and influence of businesses that have the potential to be great and then to help them to realise that greatness. We want to Build and Keep Great Companies.

In this overall context we believe Castelnau Group to be quite a unique investment vehicle.

Gary Channon
CIO

8 April 2022

Investment Manager's Report

The Company launched on 18 October 2021 with an initial NAV of £177,512,718. The seed assets comprised of; Dignity £63.9 million, Hornby £34.3 million, Stanley Gibbons £17.5 million and WLS International Ltd (the wedding list business) £3.8 million. CGL also acquired Rawnet (a digital and marketing agency) and funded a start-up data science company; Ocula. These two companies are an important tool within the Castelnau Toolkit and will enable the portfolio companies in digital transformation. In addition to the seed assets a total of £53 million was raised where Sir Peter Wood, a cornerstone investor, made up £25 million via his investment vehicle; SPWOne. The Phoenix and SPWOne teams are working together to find great businesses and apply the transformational strategies to those businesses. It is a very exciting partnership for Castelnau Group bringing the benefit from the outstanding track record that Sir Peter and the SPWOne team have in building market leading brands, transforming industries through digitisation, and creating significant value. Post the listing, on 11 November 2021 the Company issued 6,443,339 new shares for the purposes of an in specie transfer of investments from Phoenix Asset Management.

The NAV per Castelnau share for the period decreased by 6.5% and underperformed the market which was up 2.5%. The main contributor to this underperformance was Dignity. Dignity represents 35% of the portfolio and had a -14% price movement, representing the majority of -6.5% performance in the period. The Dignity share price remains volatile due to the strategic changes being deliberately undertaken at that business. Whilst such volatility might persist in the near-term, from a fundamental Perspective our investment premise has not changed.

At the time of writing this report, the latest NAV per share (31 March 2022) was 84 pence, a 10.2% fall versus 31 December 2021. The majority of this decrease is again due to the continued short-term volatility in the Dignity share price. The Dignity share price has declined 14.4% year to date. Dignity published its annual results on 23 March 2022.

Valuation Methodology

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

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

There may be circumstances for newly acquired investments, when Phoenix's best estimate of fair value of an unlisted security is a close approximation to cost. The valuation model at acquisition is calibrated and re-evaluated at the valuation date and if there are no material changes to the business and the model then the acquisition cost is used for the valuation (i.e., no material changes to cash flow projections, no material change in the performance of the company, and no transactions have taken place of the portfolio company shares with other parties). In this scenario and when investments are deemed immaterial in the context of their value relative to the total portfolio value and there are no significant changes to the portfolio company from when it was purchased then no third-party valuation review will be obtained.

Investment Manager's Report - continued

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

The Company increased its position in Hornby, Dignity and Stanley Gibbons during the period.

Post 31 December 2021, CGL purchased £40 million in UK Treasury Bills. There has been no other investment activity to note.

We would like to extend a warm welcome to the other members of the Castelnau Board; Joanne Peacegood (Independent Chair), Joanna Duquemin Nicolle (Independent NED), Andrew Whittaker (Independent NED), David Stevenson (Non-Independent NED).
We look forward to working with the Board over the coming years.

Lorraine Smyth
Partner; Phoenix Asset Management Partners Ltd.

8 April 2022

Governance

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

Board Members

Joanne Peacegood

Independent Chair

(aged 44)

Joanne has over 22 years of experience in the asset management sector across a range of asset classes. Joanne is a Non-Executive Director across a number of sectors / asset classes including Listed, Private Equity, Debt, Utilities, Hedge, Real Estate and Asset Managers. Prior to becoming a non-executive director, Joanne worked for PwC in the Channel Islands, UK and Canada and held leadership roles in Audit, Controls Assurance, Risk & Quality and Innovation & Technology.

Joanne is an FCA with the ICAEW, graduating with an Honours degree in Accounting and holds the IOD Diploma. Joanne is the Chair of the Guernsey Investment & Fund Association Executive Committee, is a member of the Association of Investment Companies' (AIC) Channel Islands Committee and also sits on the Guernsey International Business Association Council. Joanne resides in Guernsey.

Directorships in other public listed companies:
NextEnergy Solar Fund Limited, London

Andrew Whittaker

Independent non-executive Director

(aged 48)

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

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

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

Joanna Duquemin Nicolle

Independent non-executive Director

(aged 51)

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

Joanna has extensive experience in the provision of best practice corporate governance and company secretarial services to a diverse range of companies traded on the AIM market of the London Stock Exchange, listed on the Main Market of the London Stock Exchange, Euronext and The International Stock Exchange. Joanna qualified as an associate of The Chartered Institute of Secretaries and Administrators in 1994.

Lorraine Smyth

Non-Independent non-executive Director

(aged 39)

Lorraine has over 15 years' experience working in the finance industry. This includes working in the fund and investment accounting sectors for large banks in Dublin and London. She also worked as a client operations manager for a software vendor and has been involved in multiple accounting software implementation projects.

Lorraine represents the Investment Manager on the boards of the Company, Rawnet and Ocula. Lorraine holds a Bachelor (Hons) degree in Economics, from University College Dublin.

David Stevenson

Non-Independent non-executive Director

(aged 55)

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

Directorships in other public listed companies:
Aurora Investment Trust plc, London

Directors' Report

The Directors present their Annual Report and Audited Financial Statements for the year ended 31 December 2021.

The Company

Castelnau Group Limited (the "Company" or "CGL") listed on the SFS (Specialist Fund Segment) of the London Stock Exchange's Main Market on 18 October 2021. CGL is an investment company established to invest in public and private companies.

Investment Objective

The Company's investment objective is to compound Shareholder's capital at a higher rate of return than the FTSE All Share Total Return Index over the long term.

Investment Policy

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

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

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

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

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

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

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

Dividend Policy

The Company has no stated dividend target. The Company's investment objective is one of capital growth and it is anticipated that returns for Shareholders will derive primarily from capital gains. The Company will target a Net Asset Value total return of 10-15% above the return on the FTSE All-Share Total Return Index per annum and a minimum absolute Net Asset Value total return of 20% per annum.

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

Borrowing Policy

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

Shareholder Information

The total number of Ordinary Shares in the Company in issue immediately following Admission was 177,552,719. The existing clients of Phoenix Asset Management Partners Ltd ("PAMP") made up 70.1% of the issued shares, the Offer for Subscription and the Placing Programme in aggregate made up 15.8% and the investment from SPWOne 14.1%.

Going Concern

The Directors believe that, having considered the Company's investment objective (see page 14), financial risk management (see note 2 to the Financial Statements) and in view of the Company's holdings in cash and cash equivalents, the liquidity of investments and the income deriving from those investments, the Company has adequate financial resources and suitable management arrangements in place to continue as a going concern for at least twelve months from the date of approval of the financial statements.

The Board continues to monitor the ongoing impacts of the COVID-19 pandemic and has concluded that the biggest threat to the Company with regards to this pandemic is the failure for a key service provider to maintain business continuity and resiliency while maintaining work from home and social distancing practices. The Board has assessed the measures in place by key service providers to produce business continuity and so far has not identified any significant issues that affect the Company. For these reasons, the Board is confident that the outbreak of COVID-19 has not impacted the going concern assessment of the Company.

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

Investment Manager

The Investment Management Agreement with PAMP creates significant Shareholder alignment, as PAMP does not earn a management fee but earns a performance fee only, which is paid in shares, and not in cash. The performance fee period is three years and is equal to one-third of the relative outperformance to the FTSE All share Total Return Index.

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

Alternative Investment Fund Manager ("AIFM")

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

PAMP has been investing in UK listed equities for 23 years using a "value investing" approach to buy high-quality businesses at attractive prices. PAMP has delivered excellent long-term investment returns since being set up by Gary Channon in 1998.

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

PAMP's investment process aims to identify great businesses and management through intensive primary research. PAMP is known for the depth of its research

Directors' Report - continued

which can often last many years before making an investment. Once an investment is made, the investment team maintains this intensive approach to research through an ongoing, rigorous monitoring programme.

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

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

Results and Performance

The results for the year are set out in the Statement of Comprehensive Income. Retained earnings remain negative and they include realised and unrealised gains and losses on the Company's assets. Additional expenses have been accrued during the year however the Company did not receive any income.

The Company's loss before tax for the year amounted to £11,989,976 (2020: Nil).

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

	Period ended 31 December 2021* pence	change/ return %
NAV per Ordinary Share	93.55	(6.45)
Ordinary Share price	105.50	5.50
Benchmark return		2.50

The Ongoing Charge Ratio was as follows:

	Period ended 31 December 2021* %
Ongoing charge ratio**	0.32

* Performance assessed since the Company listed on the SFS (Specialist Fund Segment) of the London Stock Exchange's Main Market on 18 October 2021

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

Alternative Performance Measures ("APMs")

The disclosures of Performance above are considered to represent the Company's APMs. An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Definitions of these APMs together with how these measures have been calculated can be found on page 60.

Premium/Discount to NAV

The premium/discount of the Ordinary Share price to NAV per Ordinary Share is closely monitored by the Board. The Ordinary Share price closed at a 12.77% premium to the NAV per Ordinary Share as at 31 December 2021 (2020: N/A).

Control of the Level of Ongoing Charges

The Board monitors the Company's operating costs carefully. Based on the Company's average net assets for the year ended 31 December 2021, the Company's ongoing charges figure calculated in accordance with the Association of Investment Companies (AIC) methodology was 2.80% (2020: Nil). As the size of the Company grows, the Board will manage expenses with the intention of keeping costs down and reducing the ongoing charge ratio accordingly.

Custodian and Depositary

Custody and Depositary services are provided by Northern Trust (Guernsey) Limited (the "Depositary"). The depositary was appointed on 18 October 2021. The terms of the Depositary agreement allow Northern Trust (Guernsey) Limited to receive professional fees for services rendered. The Depositary agreement includes custodian duties. For additional information refer to note 13 to the Financial Statements.

Directors

The Directors of the Company during the year and at the date of this Report are set out on pages 12 to 13.

Directors' and Other Interests

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

	Number of ordinary shares	% of issued share capital
Joanne Peacegood	10,000	0.01%
Andrew Whittaker	40,000	0.02%
Joanna Duquemin Nicolle	75,000	0.04%
David Stevenson	–	–
Lorraine Smyth	–	–

Corporate Governance

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

This Corporate Governance Statement, together with the Going Concern Statement, Viability Statement and the Statement of Directors' Responsibilities set out on pages 30 to 31, indicates how the Company has complied with the principles of good governance of the UK Code and its requirements on Internal Control.

The Company is a member of the AIC and by complying with the AIC Code of Corporate Governance (the "AIC Code") is deemed to comply with both the UK Code and the GFSC Code.

The Board has considered the principles and recommendations of the AIC Code, and considers that reporting against these will provide better information to Shareholders. To ensure ongoing compliance with these principles, the Board reviews a report from the Corporate Secretary at each quarterly meeting, identifying how the Company is in compliance and identifying any changes that might be necessary.

The AIC Code is available on the AIC's website, www.theaic.co.uk. The UK Code is available in the Financial Reporting Council's website, www.frc.org.uk.

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

The UK Code includes provisions relating to:

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

Directors' Report - continued

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

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

The GFSC's Finance Sector Code of Corporate Governance (the "Code") applies to the Company. The GFSC has stated in the Code that companies which report against the UK Corporate Governance Code or the AIC Code are deemed to meet the requirements of the Code, and need take no further action. Accordingly, as the Company will report against the AIC Code, it will be deemed to meet the requirements of the Code.

Role, Composition and Independence of the Board

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

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

The Board's responsibilities for the Annual Report and Audited Financial Statements are set out in the Statement of Directors' Responsibilities on pages 30 to 31. Biographies for all the Directors can be found on pages 12 to 13.

The Board consists of five non-executive Directors of which three are female and two are male. Three of the five directors are considered to be independent of the Investment Manager and as prescribed by the Listing Rules.

The Board does not consider it appropriate to appoint a Senior Independent Director because a majority of the Directors are deemed to be independent by the Company. The Board considers it has the appropriate balance of diverse skills and experience, independence and knowledge of the Company and the wider sector, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making. The Chair is responsible for leadership of the Board and ensuring its effectiveness. The Chair is Joanne Peacegood. The Chair of the Board must be, and is considered to be, independent for the purposes of Chapter 15 of the Listing Rules.

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

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

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

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

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

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

Directors' Attendance at Meetings

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

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

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

Although some of the Directors hold other listed Board positions, none of these is for a trading company and the Board is satisfied that they have sufficient time commitment to carry out their duties for the Company as evidenced by their attendance at the Board and Audit Committee meetings during the year.

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

Appointment and Retirement of Directors

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

Directors' Report - continued

Board Performance and Training

On appointment to the Board, Directors will be offered relevant training and induction. Training is an on-going matter as is discussion on the overall strategy of the Company. The Board will undertake an annual Board Evaluation of performance. This exercise was completed in February 2022. The results of the evaluation were satisfactory with no issues identified but future evaluations will be more meaningful as it is very early in the Company's life to comment meaningfully.

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

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

Board Diversity

When appointing new Directors and reviewing the Board composition, the Board considers, amongst other factors, diversity, balance of skills, knowledge, gender, social and ethnic background and experience. The Board, however, does not consider it appropriate to establish targets or quotas in this regard. As at 31 December 2021, the Board comprised of three female and two male Directors. The Company has no employees.

Board Committees and their Activities

Terms of Reference

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

Management Engagement Committee

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

Audit Committee

The Company's Audit Committee is chaired by Andrew Whittaker and includes Joanna Duquemin Nicolle and Joanne Peacegood. The Audit Committee will meet at least three times a year. The Board considers that the members of the Audit Committee have the requisite skills and sector experience to fulfil the responsibilities of the Audit Committee. The Audit Committee will examine the effectiveness of the Company's control systems. It will review the half-yearly and annual reports and also receive information from the Investment Manager. It will also review the scope, results, cost effectiveness, independence and objectivity of the external Auditor.

Further details on the Audit Committee can be found in the Audit Committee Report on page 32.

Remuneration Committee

The Company's Remuneration Committee consists of all of the Directors and is chaired by Joanne Peacegood. The Remuneration Committee will meet at least twice a year or more often if required. The Remuneration Committee's main functions include:

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

(ii) reviewing and considering ad hoc payment to the Directors in relation to duties undertaken over and above normal business; and

(iii) appointing independent professional remuneration advice.

Nomination Committee

The Company's Nomination Committee consists of all of the Directors and is chaired by Andrew Whittaker. The Nomination Committee will meet at least once a year or more often if required. Its principal duties will be to advise the Board on succession planning bearing in mind the balance of skills, knowledge and experience existing on the Board and will make recommendations to the Board in this regard. The Nomination Committee advises the Board on its balance of relevant skills, experience, gender, race, ages and length of service of the Directors serving on the Board. All appointments to the Board will be made in a formal and transparent matter.

For each Director, the tables below set out the number of Board and Audit Committee meetings they were entitled to attend during the period ended 31 December 2021 and the number of such meetings attended by each Director.

	Held	Attended
Scheduled Board Meetings		
Joanne Peacegood	2	2
Andrew Whittaker	2	2
David Stevenson	2	2
Joanna Duquemin Nicolle	2	2
Lorraine Smyth	2	2
Audit Committee Meetings		
Joanne Peacegood	1	1
Andrew Whittaker	1	1
Joanna Duquemin Nicolle	1	1

No other sub-committee meetings were held during the year.

Strategy

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

Internal Controls

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

These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

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

Directors' Report - continued

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

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

Formal contractual agreements have been put in place between the Company and providers of these services. Even though the Board has delegated responsibility for these functions, it retains accountability for these functions and is responsible for the systems of internal control. At each quarterly Board meeting, compliance reports are provided by the Administrator, Company Secretary, Portfolio Manager, AIFM and Depositary. The Board also receives confirmation from the Administrator of its accreditation under its controls report.

Procedure for Identifying Risks

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

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

The market and operational risks and financial impact as a result of the COVID-19 pandemic, and measures introduced to combat its spread, were discussed by the Board, with updates on operational resilience received from the Investment Manager, Administrator and other key service providers.

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

I. Investment Manager: the Investment Manager advises the Board at each meeting on world markets, stock market trends, information on stock specific matters as well as regulatory, political and economic changes likely to impact the Company's portfolio;

II. Distributor and Broker: provides advice periodically specific to the Board on the Company's share register, sector, competitors and the investment company market;

III. Company Secretary and Accounting Advisor: briefs the Board on forthcoming legislation or regulatory changes that might impact the Company;

IV. AIC: The Company is a member of the AIC, which provides regular technical updates as well as drawing members' attention to forthcoming industry and regulatory issues.

Procedure for Oversight of Risks

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

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

Principal Risks and Uncertainties

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

Valuation of investments

The Company's investments had a total value of £129,979,441 as at 31 December 2021. The portfolio represents a substantial portion of net assets of the Company. As such this is the largest factor in relation to the consideration of the Financial Statements. These investments are valued in accordance with the Accounting Policies set out in note 3 and note 4 to the Financial Statements. The risks associated with valuation of investments are managed by the Investment Manager and reviewed by the Board. The Board considered the valuation of the investments held by the Company as at 31 December 2021 to be reasonable based on information provided by the Investment Manager, AIFM, Administrator, Custodian and Depositary on their processes for the valuation of these investments.

Some of the Company's investments (including certain of the Target Assets) will include securities and other interests that are very thinly traded, for which no market exists or which are restricted as to their transferability under applicable laws and/or the relevant investment documentation. Whilst the valuations of the Company's investments will be in compliance with IFRS, some of the Company's investments will be difficult to value accurately. Such valuations may be conducted on an infrequent basis, are subject to a range of uncertainties and will involve the Investment Manager and/or the Audit Committee exercising judgement. Valuations made by or on behalf of the Company may be made, in part, on valuation information provided by the Investment Manager and/or third parties (including entities in which the Company may directly or indirectly invest). The Company and the Investment Manager may not be in a position to confirm the completeness, genuineness or accuracy of such information or data. There can be no guarantee that the basis of calculation of the value of the Company's investments used in the valuation process will reflect the actual value achievable on realisation of those investments. This may lead to volatility in the valuation of the Company's portfolio and, as a result, volatility in the price of the Shares.

Market risk

As a result of investments in publicly traded Portfolio Companies, the Company will be exposed to equity securities price risk. The market value of the Company's holdings in publicly traded Portfolio Companies could be affected by a number of factors, including, but not limited to: a change in sentiment in the market regarding such companies; the market's appetite for specific business sectors; and the financial or operational performance of the publicly traded Portfolio Companies which may be driven by, amongst other things, the cyclicality of some of the sectors in which some or all of the publicly traded Portfolio Companies operate. Equity prices and returns from investing in equity markets are sensitive to various factors, including but not limited to: expectations of future dividends and profits; economic growth; exchange rates; interest rates; and inflation. The value of any investment in equity markets is therefore volatile and it is possible, even when an investment has been held for a long time, that an investor may not get back the sum invested. Any adverse effect on the value of any equities in which the Company invests from time to time could have a material adverse effect on the Company's financial condition, business, prospects and results of operations and, consequently, the Net Asset Value and/or the market price of the Shares.

The Board receives a quarterly update, or more frequently as required, from the Investment Manager regarding investment performance.

Liquidity risk

Investments made by the Company may be illiquid and this may result in delays/shortfall of expected cash flows to the Company.

The Company's investments in private assets will not be liquid, which may limit its ability to realise investments at short notice, at a fair value or at all and may be subject to risks.

Investments in private assets (including private Portfolio Companies) are highly illiquid and have no public market. There may not be a secondary market for interests in private assets. Such illiquidity may affect the Company's ability to vary its portfolio or dispose of, or liquidate part of, its portfolio, in a timely fashion

Directors' Report – continued

(or at all) and at satisfactory prices in response to changes in economic or other conditions.

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

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

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

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

The Board receives a quarterly update, or more frequently as required, from the Investment Manager regarding investment performance.

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

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

Other Risks and Uncertainties

The other risks faced by the Company, together with the approach taken by the Board towards them, have been summarised below:

COVID-19
Consideration of the impact of COVID-19 in the market and in regard to all assets, but in particular the assets that constitute a higher risk due to closure of this type of businesses for a longer period. The Investment Manager is in constant communication with the Directors of each investment and has mitigants in place for each investment.

Cyber risk
The Board ensures they have a sufficient understanding of cyber risk to enable them to manage any potential unauthorised access into systems and identifying passwords or deleting data. The Board discusses cyber risks at the quarterly board meeting and also ensures they are continuing to keep themselves up to date on the risks through attending professional seminars on the topic, following good password practices and vigilance to any suspicious links or attachments. The Company is exposed to the cyber risks of its third-party service providers. The Audit Committee received the internal controls reports of the relevant service providers, where available and was able to satisfy itself that adequate controls and procedures were in place to limit the impact to the Company's operations.

Operational risk
The Company is exposed to the operational and cyber risks of its third-party service providers and considered the risk and consequences in the event that these systems failed during the year. The Investment

Manager, Registrar, Depositary, Administrator and Company Secretary each have comprehensive business continuity plans which facilitate continued operation of the business in the event of a service disruption or major disruption. The Audit Committee received the internal controls reports of the relevant service providers, where available and was able to satisfy itself that adequate controls and procedures were in place to limit the impact to the Company's operations, particularly with regard to a financial loss. The performance of service providers is reviewed annually via its Remuneration and Management Engagement Committee. Each service provider's contract defines the duties and responsibilities of each and has safeguards in place including provisions for the termination of each agreement in the event of a breach or under certain circumstances. Each agreement also allows for the Board to terminate subject to a stated notice period. During the year under review the Board undertook a thorough review of each service provider and agreed that their continued appointment remained appropriate and in the Company's long term interest.

Regulatory risk

Poor governance, compliance or administration, including particularly the risk of loss of investment trust status and the impact this may have on the Company was considered by the Board. Having been provided with assurance from each of the key service providers, the Board was satisfied that no such breach had occurred.

Geopolitical risk

Russia's invasion of Ukraine is a new emerging risk to the global economy. The resulting imposition of international sanctions on Russia will have wider global effect on the supply and prices of certain commodities and consequently on inflation and general economic growth of the global economy and will have the potential to delay the global economic recovery from COVID-19.

Viability Statement

Under the UK Corporate Governance Code (the "UK Code") and the AIC Code of Corporate Governance (the "AIC Code"), the Board is required to produce a "viability statement" which considers the Company's current position and principal risks and uncertainties combined with an assessment of the prospects of the Company in order to be able to state that they have a reasonable expectation that the Company will be able to continue in operation over the period of their assessment. The Board considers that five years is an appropriate period to assess the viability of the Company. Whilst the Board has no reason to believe that the Company will not be viable for a longer period, it has chosen this period given the uncertainty of the investment world and the strategy period. In selecting this period the Board considered the environment within which the Company operates and the risks associated with the Company.

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

The Board confirms they have performed a robust assessment of the principal and emerging risks facing the Company and the Board's assessment of the Company over the five year period has been made with reference to the Company's current strategy, position and prospects and the Board's risk appetite having considered each of the Company's Principal Risks and Uncertainties summarised on pages 23 to 24.

The Board has also considered the Company's cash flows and income flows. The Company has no stated dividend target. The Company's investment objective is one of capital growth and it is anticipated that returns for Shareholders will derive primarily from capital gains. The Company will target a Net Asset Value total return of 10-15% above the return on the FTSE All-Share Total Return Index per annum and a minimum absolute Net Asset Value total return of 20% per annum.

Key assumptions considered by the Board in relation to the viability of the Company are as follows and these are stressed in terms of liquidity of the portfolio:

(i) investments are in line with the investment objective and investment policy as set out in the Company's prospectus; and

Directors' Report - continued

(ii) the Company has the ability to meet running costs and standing expenses.

The Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

The Board having considered the analysis above, have a reasonable expectation that the Company will remain viable over the five year period to 31 December 2026.

Report under Section 172 of the Companies Act 2006

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

Directors' duty to promote the success of the Company

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

(i) the Company's investment objective and policy;

(ii) the main trends and factors likely to affect the future development, performance and position of the Company's business;

(iii) the Company's key performance indicators;

(iv) the Company's peers;

(v) the Company's overall strategy; and

(vi) the Company's core values which are integrity, accountability, transparency and commitment.

Identifying stakeholders

As an externally managed investment company, the Company's operational activities are all outsourced and therefore it does not have any employees. The Board has identified its key stakeholders which include Shareholders, investee companies, Investment Manager, financial advisers, the Company Secretary, Administrator, Registrar, Lawyers, Depositary and Custodian. The Board is aware of the need to foster the Company's relationships with its key stakeholders through its stakeholder management activities. The Board provides oversight and challenge to the Investment Manager to ensure that the Company meets its requirements to create and preserve Shareholder value.

Shareholder engagement

The Board welcomes Shareholders' views and places great importance on communication with its Shareholders. Shareholders wishing to meet with the Chair and other Board members should contact the Company's Administrator by emailing Castelnau_group@ntrs.com.

On 10 September 2021, Shareholders had the opportunity to vote on the resolutions as specified in the Notice of AGM. For subsequent AGMs, the Notice of the AGM and the results will be released to the LSE in the form of an announcement.

Environmental, Social and Governance ('ESG') matters

The Board recognises the importance of Environmental, Social and Governance ("ESG") factors in the investment management industry and the wider economy as whole. The Company is a closed-ended investment company without employees. As such, it is the view of the Board that the direct environmental and social impact of the Company is limited and that ESG considerations are most applicable in respect of the asset allocation decisions made for its portfolio.

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

The Company does not have executive directors or employees. It has entered into contractual arrangements with a network of third parties (the "Service Providers") who provide services to it. The Board, through the Management Engagement Committee, undertakes annual due diligence on, and ongoing monitoring of, all such Service Providers including obtaining a confirmation that each such Service Provider complies with relevant laws regulations and good practice and has ESG policies in place.

Key service providers
The Company does not have any employees and as such the Board delegates responsibility for its day to day operations to a number of key service providers. The activities delegated, service levels and other related reports to the activities of each service provider (such as their own approach to such matters as cyber risk and assessment of climate change risk to operations) are closely monitored, where and as appropriate by the Board and they are required to report to the Board at set intervals.

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

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

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

Boardroom diversity
The Board currently comprises five non-executive Directors of which three are female and two are male.

The Board considers its composition, including the balance of skills, knowledge, diversity (including gender and race) and experience, amongst other factors on an annual basis and when appointing new Directors. The Board has considered the recommendations of the Davies and Parker review but does not consider it appropriate to establish targets or quotas in this regard. Refer to page 20 for more information. Summary biographical details of the Directors are set out on pages 12 and 13.

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

Directors' Report - continued

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

Anti-bribery and corruption
It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Company's policy and the procedures that implement it are designed to support that commitment. The Board has made enquiries of its third-party service providers to ensure their procedures and policies are in place. Refer to page 32 for more information.

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

Significant Shareholdings
Shareholders with holdings of more than 5.0% of the Shares of the Company at 31 December 2021 were as follows:

	Number of ordinary shares	% of issued share capital
State Street Nominees Limited OM01 Acct	52,997,909	28.80%
Nortrust Nominees Limited	35,578,967	19.34%
Goldman Sachs Securities (Nominees) Limited ISLEG Acct	25,000,000	13.59%
Harewood Nominees Limited 4213100 Acct	24,563,184	13.35%

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

Annual General Meeting (AGM)
The Company's AGM will be held at 12.15pm on 6 September 2022 at the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands, GY1 3QL.

Should a Shareholder have a question that they would like to raise at the AGM, the Board requests that they either ask the question in advance of the AGM by sending it by email to Castelnau_group@ntrs.com. All questions raised, together with the relevant answer, will be placed on the Company's website at www.castelnaugroup.com.

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

Signed on behalf of the Board of Directors on 8 April 2022 by:

Andrew Whittaker
Director

Joanna Duquemin Nicolle
Director

Directors' Remuneration Report

The Company is not required to present a Directors' Remuneration Report, and this report does not purport to meet all of the requirements of a typical listed UK company's Directors' Remuneration Report, but has been provided as the Directors believe that it may be useful of this annual report and financial statements.

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

Remuneration Policy

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

It is the responsibility of the Remuneration Committee to consider the Directors' remuneration, however the Nomination Committee will review any proposed changes. The Board ultimately receives the recommendations and approves the Director's Remuneration.

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

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

Joanne Peacegood is entitled to an annual fee of £40,000. Andrew Whittaker is entitled to an annual fee of £35,000. Joanna Duquemin Nicolle and David Stevenson are entitled to an annual fee of £30,000. Lorraine Smyth has waived her right to receive a Director fee. The Directors received the following pro rata remuneration in the form of Directors' fees relating to the year ended 31 December 2021:

	Director fees
Joanne Peacegood	24,137
Andrew Whittaker	17,836
Joanna Duquemin Nicolle	11,219
David Stevenson	6,082
Lorraine Smyth	–
	59,274

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

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

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

The amounts payable to Directors shown in note 6 to the Financial Statements are for services as non-executive Directors. No Director has a service contract with the Company, nor are any such contracts proposed.

Signed on behalf of the Board of Directors on 8 April 2022 by:

Andrew Whittaker
Director

Joanna Duquemin Nicolle
Director

Statement of Directors' Responsibilities

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

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

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

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

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

The Directors confirm that to the best of their knowledge:

(a) The Financial Statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as at and for the year ended 31 December 2021.

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

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

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

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

By order of the Board,

Andrew Whittaker
Director

Joanna Duquemin Nicolle
Director

8 April 2022

Audit Committee Report

On the following pages, we present the Audit Committee's Report, setting out the responsibilities of the Audit Committee and its key activities for the year ended 31 December 2021.

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

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

Role and Responsibilities

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

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

The ultimate responsibility for reviewing and approving the Annual and Interim Financial Statements remain with the Board.

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

Risk Management and Internal Control

The Board, as a whole, considers the nature and extent of the Company's risk management framework and the risk profile that is acceptable in order to achieve the Company's strategic objectives. As a result, it is considered that the Board has fulfilled its obligations under the AIC Code.

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

Fraud, Bribery and Corruption

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

Financial Reporting and Significant Financial Issues

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

The Audit Committee also reviews reports by the external auditors which highlight any issues with respect to the work undertaken on the audit. The Audit Committee is satisfied that the judgements made by the Investment Manager and Administrator are reasonable, and that appropriate disclosures have been included in the Financial Statements.

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

Valuation of investments

Some of the Company's investments (including certain of the Target Assets) will include securities and other interests that are very thinly traded, for which no market exists or which are restricted as to their transferability under applicable laws and/or the relevant investment documentation. Whilst the valuations of the Company's investments will be in compliance with IFRS, some of the Company's investments will be difficult to value accurately. Such valuations may be conducted on an infrequent basis, are subject to a range of uncertainties and will involve the Investment Manager and/or the Audit Committee exercising judgement. Valuations made by or on behalf of the Company may be made, in part, on valuation information provided by the Investment Manager and/or third parties (including entities in which the Company may directly or indirectly invest). The Company and the Investment Manager may not be in a position to confirm the completeness, genuineness or accuracy of such information or data. There can be no guarantee that the basis of calculation of the value of the Company's investments used in the valuation process will reflect the actual value achievable on realisation of those investments. This may lead to volatility in the valuation of the Company's portfolio and, as a result, volatility in the price of the Shares.

Revenue

Proceeds from any disposal of the Company's interests in Portfolio Companies through liquidity events, including sales of equity following IPOs and trade sales, may vary substantially from year to year. In addition, earnings produced by Portfolio Companies are typically reinvested for the purpose of growth, and payments of dividends by assets are often subject to milestones which may not be achieved. This means the return received by the Company from these sources may vary substantially from year to year. Notwithstanding that the Company does not expect to receive much in the way of returns from dividends, these variations in overall returns may have a material adverse effect on the portfolio and on the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the Net Asset Value and/or the market price of the Shares.

External Auditor

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

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

Audit Committee Report - continued

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

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

The remuneration paid to Grant Thornton and to other Grant Thornton member firms for audit and non-audit services in respect of the year ended 31 December 2021 was £43,000 (2020: N/A).

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

The Audit Committee Report was approved by the Audit Committee on 8 April 2022 and signed on behalf by:

Andrew Whittaker
Chair, Audit Committee

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

Opinion

We have audited the financial statements of Castelnau Group Limited (the "Company"), for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flow, 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 International Financial Reporting Standards (IFRSs) as issued by the International Standards Board (IASB).

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the International Standards Board (IASB); and
- have been prepared in accordance with the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How the matter was addressed in our audit

Valuation of unquoted investments (2021: £28.21m, and 2020: £nil)
 	
The valuation of unquoted investments, which comprised 22% of the total fair value of the Company's investments, requires significant judgment, use of estimates, industry specialism and expertise and specific market consideration, as described in Notes 3b, 4.1 and 5 to the financial statements and in the Audit Committee Report on page 33.
 	
The fair value of unquoted investments might be misstated due to application of inappropriate methods (methodologies), assumptions or source data for estimates made and/or inappropriate underlying judgments made due to error or fraud.
	Our audit procedures consisted of:
	• Obtaining an understanding of management's processes, policies and methodologies in relation to the valuation of the unquoted investments and confirm our understanding by performing walkthrough of relevant controls in the valuation process to confirm they are appropriately designed and implemented;
	• Obtaining and inspecting the valuation models prepared by the Investment Manager, and inspecting the supporting data to assess whether the data used is appropriate and relevant;
	• Holding discussions with management to evaluate whether the fair value of unquoted investments is reasonably stated and corroborated those discussions with the supporting documents inspected, including challenging the assumptions made by management;
	• Assessing whether the valuation of unquoted investments' accounting policy is in line with the requirements of IFRS and consistently applied;
	• Assessing the independence, competence and objectivity of management's external valuation expert;
	• Obtaining the valuations prepared by the management and the valuation report prepared by management's external expert and challenged the valuation conducted by them through the following:
	  • Assessing whether the valuation model used by management to estimate the fair values of the unquoted investments are consistent with methods usually used by market participants for similar types of instruments;
	  • Reviewing key assumptions considered within management's external expert's report and ensuring that these assumptions are reasonable and consistent with the requirements of the accounting standards;
	  • Testing key inputs/data used in the calculation of the fair value, such as discount rates, forecasts etc., through inspecting supporting documents and discussions with management; and
	  • Ensuring the estimates of fair value of management is within the range of values determined by management's external expert.

	Our results Based on the work performed, we are satisfied that the valuation of the Company's investments are in accordance with IFRS and within our estimated valuation range.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Audited Financial Statements, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on pages 30 and 31, the Directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with IFRSs as issued by the International Standards Board (IASB), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Use of our report

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

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

Date: 8 April 2022

Financial Statements

Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	31 December 2021 Total GBP	13 March to 31 December 2020 Total GBP
Income		–	–
Total income		–	–
Expenses			
Net losses on financial assets at fair value through profit or loss	5	(10,021,645)	–
Other expenses	6	(1,968,331)	–
Loss before tax		**(11,989,976)**	**–**
Tax		–	–
Total comprehensive loss for the year/period		**(11,989,976)**	**–**
		Pence	Pence
Loss per share – Basic and diluted	11	(6.57)	–

All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period. All revenue is attributable to the equity holders of the Company.

The accompanying notes on pages 45 to 59 form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2021

	Notes	31 December 2021 GBP	31 December 2020 GBP
NON-CURRENT ASSETS			
Investments – equity	5	126,617,646	–
Investments – loans	5	3,361,795	–
		129,979,441	**–**
CURRENT ASSETS			
Trade and other receivables	7	39,033	1
Cash and cash equivalents		44,497,139	–
		44,536,172	**1**
TOTAL ASSETS		**174,515,613**	**1**
NON-CURRENT LIABILITIES			
Earn out liability	8	1,283,333	–
CURRENT LIABILITIES			
Earn out liability	8	916,667	–
Other payables	9	188,828	–
		1,105,495	**–**
TOTAL LIABILITIES		**2,388,828**	**–**
NET ASSETS		**172,126,785**	**1**
EQUITY			
Share capital	10	184,116,761	1
Retained deficit		(11,989,976)	–
TOTAL EQUITY		**172,126,785**	**1**
Number of Ordinary Shares in issue	10	183,996,059	–
NAV per Ordinary Share (pence)	12	93.55	–

The financial statements on pages 41 to 59 were approved and authorised for issue by the Board of Directors on 8 April 2022 and signed on its behalf by:

Andrew Whittaker
Director

Joanna Duquemin Nicolle
Director

The accompanying notes on pages 45 to 59 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2021

	Note	Share Capital GBP	Retained Deficit GBP	Total GBP
Opening equity		1	–	1
Loss for the year		–	(11,989,976)	(11,989,976)
Issue of new Ordinary Shares	10	184,116,760	–	184,116,760
Closing equity		184,116,761	(11,989,976)	172,126,785

For the period from 13 March to 31 December 2020

	Share Capital GBP	Retained Earnings GBP	Total GBP
Opening equity	–	–	–
Profit for the period	–	–	–
Issue of new Ordinary Shares	1	–	1
Closing equity	1	–	1

The accompanying notes on pages 45 to 59 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2021

	Notes	31 December 2021 GBP	13 March to 31 December 2020 GBP
Operating activities			
Loss before tax		(11,989,976)	–
Net losses on financial assets at fair value through profit or loss		10,021,645	–
Increase in receivables	7	(39,032)	(1)
Increase in provisions	8	2,200,000	–
Increase in payables	9	188,828	–
Net cash flow from/(used in) operating activities		**381,465**	**(1)**
Investing activities			
Purchase of investments	5	(140,314,291)	–
Loan repayment	5	313,205	–
Net cash used in investing activities		**(140,001,086)**	**–**
Financing activities			
Issue of Ordinary Shares	10	184,116,760	1
Net cash flow from financing activities		**184,116,760**	**1**
Increase in cash and cash equivalents		44,497,139	–
Cash and cash equivalents at beginning of year/period		–	–
Cash and cash equivalents at end of year/period		**44,497,139**	**–**

The accompanying notes on pages 45 to 59 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2021

1. General information

Castelnau Group Limited (the "Company"), registration number 67529, is a limited company incorporated and domiciled in Guernsey. The registered office address of the Company is PO Box 255, Les Banques, Trafalgar Court, St. Peter Port, Guernsey GY1 3QL. The Company was incorporated on 13 March 2020 and listed on the Specialist Fund Segment ("SFS") of the London Stock Exchange's Main Market on 18 October 2021.

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

Details of the Directors, Investment Manager and Advisers can be found on page 62.

The financial statements of the Company are presented for the year ended 31 December 2021 and were authorised for issue by the Board on 8 April 2022.

2. Statement of compliance

a) Basis of preparation

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

These financial statements are presented in Sterling ("GBP or £"), which is also the Company's functional currency (please see note 3d for further details).

b) Going concern

The financial statements have been prepared on a going concern basis. In forming this opinion, the Directors have considered any potential impact of the COVID-19 pandemic on the going concern and viability of the Company.

The Board continues to monitor the ongoing impacts of the COVID-19 pandemic and has concluded that the biggest threat to the Company with regards to this pandemic is the failure for a key service provider to maintain business continuity and resiliency while maintaining work from home and social distancing practices. The Board has assessed the measures in place by key service providers to produce business continuity and so far has not identified any significant issues that affect the Company. For these reasons, the Board is confident that the outbreak of COVID-19 has not impacted the going concern assessment of the Company.

The Directors have a reasonable expectation that the Company has adequate operational resources to continue in operational existence for at least twelve months from the date of approval of these financial statements. Further information on the Company's going concern can be found on pages 15 and 45.

c) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value through profit or loss.

3. Significant accounting policies

a) Adoption of new IFRS standards

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning after 1 January 2021. None of these are expected to have a significant effect on the measurement of the amounts recognised in the financial statements of the Company.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

IFRS 9	Financial Instruments *(amendments resulting from Annual Improvements to IFRS Standards 2018-2020)*	1 January 2022
IAS 1	Presentation of Financial Statements *(amendments regarding the classification of liabilities and the disclosure of accounting policies)*	1 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors *(amendments regarding the definition of accounting estimates)*	1 January 2023
IAS 37	Provisions, Contingent Liabilities and Contingent Assets *(amendments regarding the costs to include when assessing whether a contract is onerous)*	1 January 2022

b) Financial instruments

Recognition and derecognition

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

Financial assets

Classification and initial measurement of financial assets

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

Financial assets, other than those designated and effective as hedging instruments, are classified into one of the following categories:

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

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

The classification is determined by both:

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

Subsequent measurement of financial assets

a) Investments as FVTPL

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

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

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

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

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

b) Financial assets at amortised cost

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

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

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

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

Discounting is omitted where the effect of discounting is immaterial.

Fair Value Hierarchy

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

Level 1 Valued using quoted prices in active markets for identical assets

Level 2 Valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1

Level 3 Valued by reference to valuation techniques using inputs that are not based on observable market data

Notes to the financial statements – continued

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

Impairment of financial assets

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

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

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

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

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

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

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

Receivables and prepayments

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

Financial liabilities

Classification and measurement of financial liabilities

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

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

c) Income and expenses

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

d) Foreign currency

The currency of the primary economic environment in which the Company operates (the functional currency) is pounds sterling ("sterling"), which is also the presentational currency of the Company. Transactions involving currencies other than sterling are recorded at the exchange rate ruling on the transaction date. At each year end date, monetary items and non-monetary assets and liabilities, which are fair valued, and which are denominated in foreign currencies, are retranslated at the closing rates of exchange. Such exchange differences are included in the Statement of Comprehensive Income and allocated to capital if of a capital nature or to revenue if of a revenue nature. Exchange differences allocated to capital are taken to gains on disposal or investment holding losses, as appropriate.

e) Cash and cash equivalents

Cash and Cash Equivalents in the Cash Flow Statement comprise cash held at bank.

f) Share capital

The Company's Ordinary Shares are classified as equity.

g) Taxation

The Company has been granted Exempt Status under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 to income tax in Guernsey. Its liability for Guernsey taxation is limited to an annual fee of £1,200 (2020: Nil). The activities of the Company do not constitute relevant activities as defined by the Income Tax (Substance Requirements) (Implementation) Regulations, 2018 (as amended) and as such the Company was out of scope.

h) Provisions, contingent assets and contingent liabilities

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

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

4. Judgements, estimations or assumptions

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

Notes to the financial statements – continued

4.1 Investment valuation

The critical judgement, estimate or assumption that may have a significant risk of causing a material adjustment to the Company's NAV relates to the valuation of the Company's unquoted (Level 3) investments, which is approximately 16% of the Company's NAV.

The Level 3 holding is valued in line with accounting policy as disclosed in Note 3(b).

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

4.2 Earn-out liability

The total purchase price for Rawnet included both an up-front consideration as well as an earn-out payment contingent on future performance of the business. In addition to the valuation of the investment there was an assessment of the fair value of the liability related to the potential future payment of the earn-out (see note 8). The earn-out payment has been recognised at fair value (taking into account the probability of payment and a discount rate). The earn-out payment is considered to be additional purchase price and as such the fair value of the earn-out payment has been recorded as a liability and the fair value considered part of the purchase price. Subsequent remeasurement of the liability is recognised in the Statement of Comprehensive Income as "Change in fair value of contingent consideration".

4.3 Assessment as investment entity

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

(i) An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;

(ii) An entity that commits to its investors that its business purpose is to invest solely for returns from capital appreciation, investment income or both; and

(iii) An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

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

The Company's objective to provide a "high rate of compound return" is consistent with that of an investment entity. The Company has clearly defined exit strategies for each of its investment classes, these strategies are again consistent with an investment entity.

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

The Directors, upon considering the above criteria, have concluded that the Company meets the definition of an investment entity. Therefore, the Company has classified its investments at fair value through profit or loss in the Statement of Financial Position.

5. Investments

Investments in unconsolidated subsidiaries:

Name of investee company	Date of acquisition	Domicile	Ownership
Rawnet Limited	12 February 2021	United Kingdom	100%
Ocula Technologies Holdings Limited	22 January 2021	United Kingdom	78%
Showpiece Technologies Limited	12 November 2021	United Kingdom	80%
WLS International Limited	14 October 2021	Cayman Islands	19%
Phoenix SG Limited	14 October 2021	Cayman Islands	55%

	Equity 31 December 2021 GBP	Loans 31 December 2021 GBP	Total 31 December 2021 GBP	13 March to 31 December 2020 GBP
INVESTMENTS				
Opening portfolio cost	–	–	–	–
Purchases at cost	136,639,291	3,675,000	140,314,291	–
Loan repayment	–	(313,205)	(313,205)	–
	136,639,291	**3,361,795**	**140,001,086**	**–**
Unrealised gains on investments	769,507	–	769,507	–
Unrealised losses on investments	(10,791,152)	–	(10,791,152)	–
Fair value	**126,617,646**	**3,361,795**	**129,979,441**	**–**
Movement in unrealised gains on investments	769,507	–	769,507	–
Movement in unrealised losses on investments	(10,791,152)	–	(10,791,152)	–
Net losses on financial assets	**(10,021,645)**	**–**	**(10,021,645)**	–

The transaction charges on the purchase and sale of investments during the current year were £14,134 (2020: Nil) included in the Statement of Comprehensive Income.

Loans

The Company has a loan facility of £3,000, 000 with Ocula Technologies Holdings Limited as borrower. The termination date is 6 May 2024. No interest shall accrue or be payable.

The Company has a loan facility of £1,000, 000 with Showpiece Technologies Limited as borrower. The termination date is 19 November 2024. No interest shall accrue or be payable.

The Company has a loan facility of £1,500, 000 with Rawnet Limited as borrower. The termination date is 15 February 2022. No interest shall accrue or be payable.

The utilised amounts on each facility are disclosed on the Portfolio Report on page 4.

Notes to the financial statements – continued

	31 December 2021 GBP	13 March to 31 December 2020 GBP
Classification		
Level 1	98,409,862	–
Level 2	–	–
Level 3	28,207,784	–
Total non-current investments held at 'FVTPL'	**126,617,646**	–

There were no transfers between levels during the year (2020: Nil).

Measurement of fair value of investments

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

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

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

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

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

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

Investment in Phoenix S.G ("PSG") – PSG is a company incorporated in the Cayman Islands whose sole purpose was to make a number of investments in Stanley Gibbons entities. The Company's investment in PSG is valued by utilising the Net Asset Value per share of PSG. The Net Asset Value of PSG includes its shares in Stanley Gibbons and some other assets related to Stanley Gibbons. The fair value of PSG was determined based on the sum of all approach. The other assets include a loan to Stanley Gibbons and rights to receivables in relation to the sale of stamp inventories.

Investment in WLS International ("WLS") – WLS is a company incorporated in the Cayman Islands whose sole purpose was to investment in WLS Holdings. The Company's investment in WLS is valued by utilising the Net Asset Value per share of WLS. The fair value of WLS includes it's 100% ownership of WLS Holdings, now known as Cambium. The fair value of Cambium was determined using a discounted cash flow model.

The following table provides information about sensitivity of the fair value measurement to changes in the most significant inputs:

Description	Significant unobservable input	Estimate of the input	Sensitivity of fair value to changes in unobservable inputs
Investment in Phoenix S.G. (valuation of the rights to receivables in relation to the sale of stamp inventories)*	Monthly sales rate	-1.0%	An increase to -0.9%/(decrease to -1.1%) would (decrease)/increase fair value by (-1.52%)/1.43%
	Discount rate	5%	An increase to 6%/(decrease to 4%) would (decrease)/increase fair value by (-4.19%)/4.46%
	Sales premium to SGG valuation	98%	An increase to 108%/(decrease to 88%) would increase/(decrease) fair value by 2.10%/(-1.72%)
Investment in Rawnet	FY22-26 Compound sales Growth rate	18%	An increase to 23%/(decrease to 13%) would increase/(decrease) fair value by 20%/(-18%)
Investment in WLS International	Discount rate Growth rate	15%	An increase to 16%/(decrease to 14%) would(decrease)/increase fair value by (-3.38%)/3.38%

* The sensitivity analysis for the stamp inventories has been calculated on a weighted average basis.

Notes to the financial statements – continued

6. Expenses

	31 December 2021 Total GBP	13 March to 31 December 2020 Total GBP
Administrator's fee	50,821	–
Audit fees	43,000	–
Directors' fee	27,370	–
Legal and professional fees	47,856	–
Investment transaction charges	14,134	–
Change in fair value of contingent consideration	(550,001)	–
Set up costs	2,247,739	–
Sundry costs	72,324	–
Depositary fee	7,344	–
Trustee fee	7,344	–
Bank interest	400	–
	1,968,331	**–**

Directors' fees of £31,904 for the have been accrued under set up costs.

7. Trade and other receivables

	31 December 2021 GBP	13 March to 31 December 2020 GBP
Prepayments	39,032	–
Other receivables	1	1
	39,033	1

8. Earn-out liability

	31 December 2021 GBP	13 March to 31 December 2020 GBP
Earn-out liability – Non current	1,283,333	–
Earn-out liability – Current	916,667	–
	2,200,000	–

The earn-out liability is the fair value of the liability related to the potential future payment of the earn-out of Rawnet. The total earn-out payment is to be paid over three different periods, with a maximum payment of £916,667 at each payment date. The amount of the earn-out which will be paid is conditional upon not only the performance of Rawnet itself, but also on the growth and performance of its clients (other Castelnau portfolio companies). It is considered likely that the earn-out will be paid in full based on expectations as of the valuation date. While full payment of the first tranche is effectively guaranteed, some uncertainty remains with regards to the second two tranches.

9. Other payables

	31 December 2021 GBP	13 March to 31 December 2020 GBP
Other accrued expenses	188,828	–
	188,828	–

10. Share capital

		31 December 2021	13 March to 31 December 2020
Allotted, called up and fully paid	**Number**	183,996,059	1
Ordinary Shares	**GBP**	184,116,761	1

The Company did not purchase any of its own shares during the year ended 31 December 2021 or 2020. No shares were cancelled during either year.

No shares were held in Treasury or sold from Treasury during the year ended 31 December 2021 or 2020.

11. Loss per ordinary share

Loss per share is based on the loss of £11,989,976 (2020: Nil) attributable to the weighted average of 182,573,503 (2020: 1) Ordinary Shares in issue during the year.

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

12. Net assets per ordinary share

The figure for net assets per Ordinary Share is based on £172,126,784 (2020: 1) divided by 183,996,059 (2020: 1) voting Ordinary Shares in issue at 31 December 2021.

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

	Net assets GBP	NAV per share pence
NAV as published on 31 December 2021	172,126,785	93.55
NAV as disclosed in these financial statements	**172,126,785**	**93.55**

13. Material agreements

Details of the management, administration and secretarial contracts can be found in the Directors' Report. There were no transactions with directors other than disclosed in the Directors' Remuneration Report. As at 31 December 2021 there were no fees payable to PAMP.

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

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

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

During the year, performance fee of Nil (2020: Nil) were charged to the Company, of which Nil (2020: Nil) remained payable at the end of the year.

b) Administrator and Secretary

Northern Trust International Fund Administration Services (the "Administrator") is entitled to: (i) an administration fee of 0.05% of the Net Asset Value of the Company up to £200 million, 0.03% of the net asset value of the Company between £200 million and £400 million, and 0.02% of the net asset value of the Company over £400 million (subject to a minimum administration fee of £60,000); (ii) a financial reporting fee of £10,000; (iii) a company secretarial services fee of £10,000; and (iv) an additional fee of £2,000 while the Administrator acts as the Company's nominated firm (as described in the FCA Handbook), in each case per annum (exclusive of VAT). In addition, the Administrator is entitled to certain other fees for ad hoc services rendered from time to time. During the year, administration and secretarial fees of £50,821 (2020: Nil) were charged to the Company, of which £18,361 (2020: Nil) remained payable at the end of the year.

c) Registrar

The Company utilises the services of Link Market Services (Guernsey) Limited as Registrar in relation to the transfer and settlement of Ordinary Shares. Under the terms of the Registrar Agreement, the Registrar is entitled to a fee calculated on the basis of the number of Shareholders and the number of transfers processed (exclusive of VAT). In addition, the Registrar is entitled to certain other fees for ad hoc services rendered from time to time. During the year, registrar fees of £4,219 (2020: Nil) were charged to the Company, of which £4,219 (2020: Nil) remained payable at the end of the year.

d) Depositary

Northern Trust (Guernsey) Limited (the "Depositary") is entitled to: (i) a custody fee of 0.02% of the net asset value of the Company (subject to a minimum of £20,000); and (ii) a depositary services fee of 0.02% of the net asset value of the Company up to £200 million, falling to 0.01% of the net asset value of the Company over £200 million (subject to a minimum depositary services fee of £20,000), in each case per annum (exclusive of VAT). In addition, the Depositary is entitled to certain other fees for ad hoc services rendered from time to time. During the year, depositary fees of £7,344 (2020: Nil) were charged to the Company, of which £7,344 (2020: Nil) remained payable at the end of the year.

14. Related parties

Directors' remuneration & expenses

The Director's fees are disclosed in the Director's Remuneration Report on page 29. No Directors' fees were outstanding as at 31 December 2021 (2020: £Nil).

Shares held by related parties

The amount of ordinary shares held by the Directors are disclosed in the Director's Report on page 17. As at 31 December 2021, the Investment Manager held no Shares (2020: no Shares) of the Issued Share Capital. Partners and employees of the Investment Manager held no Shares (2020: no Shares).

Gary Channon is CEO and CIO of Phoenix Asset Management Partners Limited, the Investment Manager. Mr Channon is currently CEO of Dignity which is a portfolio holding. Mr Channon became CEO on 22 April 2021.

Lorraine Smyth is a Director of the Company and an employee of Phoenix Asset Management Partners Limited, the Investment Manager. Ms. Smyth is currently a Director of Rawnet and Ocula which are portfolio holdings.

15. Financial instruments – risk analysis

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

(a) Potential Market Risks, which are principally:

   (i) Currency Risk

Notes to the financial statements – continued

(ii) Interest Rate Risk and

(iii) Other Price Risk

(b) Liquidity Risk

(c) Credit Risk

(d) Capital management policies and procedures

Each is considered in turn below:

A (i) Currency Risk

The portfolio as at 31 December 2021 was invested in sterling securities and there was no currency risk arising from the possibility of a fall in the value of sterling impacting upon the value of investments or income.

The Company had no foreign currency borrowings at 31 December 2021 or 31 December 2020 and no sensitivity analysis is presented for this risk.

A (ii) Interest Rate Risk

The Company did not hold fixed interest securities at 31 December 2021 or 31 December 2020.

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

The Company had no borrowings at 31 December 2021 or 31 December 2020.

A (iii) Other Price Risk

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

The effect on the portfolio of a 10.0% increase or decrease in market prices would have resulted in an increase or decrease of £9,840,986 (2020: Nil) in the investments held at fair value through profit or loss at the period end, which is equivalent to 5.72% (2020: Nil) in the net assets attributable to equity holders. This analysis assumes that all other variables remain constant.

B Liquidity Risk

The following table analyses the Company's liabilities into relevant maturity groupings based on the maturities at the statement of financial position date. The amounts in the table are the undiscounted net cash flows on the financial liabilities:

	Up to 1 month	1-6 months	6-12 months	More than 12 months	Total
As at 31 December 2021					
Earn-out liability	–	–	916,667	1,283,333	2,200,000
Other payables	–	–	188,828	–	188,828
	–	–	1,105,495	1,283,333	2,388,828

C Credit Risk

The Company invests in quoted equities and fixed interest securities which are level 1 and level 3 investments. The majority of cash is currently placed with The Northern Trust Company. The Company is subject to credit risk to the extent that this institution may be unable to return this cash. The Northern Trust Company is a wholly owned subsidiary of The Northern Trust Corporation. The Northern Trust Corporation is publicly traded and a constituent of S&P 500. The Northern Trust Corporation has a credit rating of A+ from Standard & Poor's and A2 from Moody's. At 31 December 2021, cash at bank comprised £44,497,139 (2020: Nil) held by the Depository which is the maximum credit risk that the Company is exposed to.

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

D Capital management policies and procedures

The Company's capital management objectives are:

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

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

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

16. Post period end events

These financial statements were approved for issuance by the Board on 8 April 2022. Subsequent events have evaluated to this date.

On 11 March 2022, the Company entered into a loan agreement with The Cambium Group UK Holdings Limited as the borrower. The total commitment was £2 million.

Russia's invasion of Ukraine is a new emerging risk to the global economy. The resulting imposition of international sanctions on Russia will have wider global effect on the supply and prices of certain commodities and consequently on inflation and general economic growth of the global economy and will have the potential to delay the global economic recovery from COVID-19. There has been no significant impact on business operations caused by this risk.

Alternative Performance Measures (Unaudited)

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

Discount/Premium

If the share price of an investment company is lower than the NAV per share, the shares are said to be trading at a discount. The size of the discount is calculated by subtracting the share price at year end (105.50p) from the NAV per share at year end (93.55p) and is usually expressed as a percentage of the NAV per share (12.77%). If the share price is higher than the NAV per share, the shares are said to be trading at a premium.

Ongoing Charges

The ongoing charges represent the Company's operating expenses, excluding finance costs, expressed as a percentage of the average of the monthly net assets during the year (see page 16). The Board continues to be conscious of expenses and works hard to maintain a sensible balance between good quality service and cost.

Average NAV for the year (A)	171,343,518
Operating expenses (annualised) (B)	556,863
Ongoing charges (B/A)	0.32%

NAV Total Return

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

Appendix (Unaudited)

Phoenix UK Fund Performance Table

The FTSE All-Share index used is with dividends reinvested.

Year	Investment Return (Gross)	NAV Return (Net)	All Share Index	Share Price £
Launch				1,000.00
1998 (8 months)	17.6%	14.4%	(3.3%)	1,143.71
1999	(1.3%)	(4.6%)	24.3%	1,090.75
2000	24.7%	23.0%	(5.7%)	1,341.46
2001	31.7%	26.0%	(13.1%)	1,690.09
2002	(17.8%)	(20.1%)	(22.6%)	1,349.64
2003	51.5%	49.8%	20.9%	2,021.24
2004	14.1%	11.2%	12.8%	2,247.26
2005	1.4%	0.3%	22.0%	2,254.99
2006	9.5%	8.3%	16.8%	2,442.90
2007	3.4%	2.3%	5.3%	2,498.40
2008	(39.5%)	(40.2%)	(29.9%)	1,494.31
2009	62.8%	59.7%	30.2%	2,386.48
2010	1.1%	0.0%	14.7%	2,386.37
2011	3.0%	1.9%	(3.2%)	2,430.75
2012	48.3%	42.2%	12.5%	3,456.27
2013	40.5%	31.3%	20.9%	4,539.47
2014	1.9%	0.1%	1.2%	4,544.25
2015	20.1%	14.7%	0.9%	5,211.13
2016	9.1%	7.6%	16.8%	5,605.58
2017	21.5%	16.3%	13.1%	6,518.69
2018	(13.6%)	(14.7%)	(9.5%)	5,558.97
2019	30.3%	27.7%	19.1%	7,098.36
2020	(3.9%)	(4.9%)	(9.7%)	6,748.66
2021	23.4%	18.7%	18.3%	8,011.17
2022 (to 28 February)	0.8%	0.6%	(0.8%)	8,061.03
Cumulative	1347.9%	706.1%	229.9%	
Annualised Returns	11.9%	9.2%	5.1%	

Company Information

Directors (all non-executive)
Joanne Peacegood (Chair)
Andrew Whittaker
Joanna Duquemin Nicolle
Lorraine Smyth
David Stevenson

Registered Office
PO Box 255
Trafalgar Court
Les Banques
St. Peter Port
Guernsey
Channel Islands
GY1 3QL

AIFM and Investment Manager
Phoenix Asset Management Partners Limited
64-66 Glentham Road
London
SW13 9JJ

Administrator and Company Secretary
Northern Trust International Fund
Administration Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St. Peter Port
Guernsey
Channel Islands
GY1 3QL

Custodian and Depositary (appointed 18 October 2021)
Nothern Trust (Guernsey) Limited
PO Box 71
Trafalgar Court
Les Banques
St Peter Port
Guernsey
Channel Islands
GY1 3DA

Registrar
Link Market Services (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St. Sampson
Guernsey
GY2 4LH

Financial Adviser
Liberum Capital Limited
25 Ropemaker Street
London
EC2Y 9LY

Solicitors to the Company as to English law
Gowling WLG (UK) LLP
4 More London
Riverside
London
SE1 2AU

Solicitors to the Company as to Guernsey law
Carey Olsen (Guernsey) LLP
PO Box 96,
Carey House
Les Banques
St Peter Port
Guernsey
Channel Islands
GY1 4BZ

Independent Auditor
Grant Thornton Limited
P O Box 313
Lefebvre House
Lefebvre Street
St Peter Port
Guernsey
GY1 3TF

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Castelnau
GROUP

www.castelnaugroup.com

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