RNS Number : 8750P
Rockwood Strategic PLC
23 June 2022

Rockwood Strategic plc

("RKW" or "the Company")

Full year results for the year ended 31 March 2022

27.5% NAV growth

Rockwood Strategic plc (AIM: RKW) is pleased to announce its audited results for the year ended 31 March 2022.

Financial highlights

§ NAV Total Return performance in the twelve months to 31 March 2022 of 27.5% to 1613.8p/share which compares to the FTSE Small Cap (ex-ITs) of 3.2%. The Total Shareholder Return in this period was 22.2%.

§ NAV Total Return performance in the three years to 31 March 2022 of 57.7% to 1613.8p/share which compares to the FTSE Small Cap (ex-ITs) of 29.7%. The Total Shareholder Return in this period was 50.9%

§ Investment gains realised in Augean, RPS, National World, Universe Group and Ted Baker. Significant unrealised gains within remaining portfolio.

§ Material engagement across the investments supporting the unlocking and realisation of shareholder value through operational and strategic changes.

§ RKW ended the year with net assets of £41 million, invested in 9 companies together with £10.5 million in cash.

§ £25 million returned to shareholders during the period by way of B share scheme and tender offer. No final dividend declared as a result. Future policy to pay out at least 85% of portfolio income net of expenses, retaining capital for re-investment.

Corporate development

§ Harwood Capital appointed as Investment Manager, Richard Staveley as Lead Fund Manager.

§ Revised Investment Policy approved by shareholders post year-end to actively invest in a focused portfolio of UK Small Companies, with substantial cash to deploy carefully into new opportunities.

§ Noel Lamb appointed as Chairman.

§ Graham Bird will not be seeking re-election at the AGM, a replacement independent Non-executive Director will be announced in due course.

§ 'Investment Advisory Group' (IAG) formed to support the investment process, its highly regarded members having over 150 years of cumulative investment experience.

§ Material reductions made to the Company's running costs going forward, following elevated costs due to corporate actions during the year.

§ Singer Capital Markets appointed Nomad and Sole Broker.

Noel Lamb, Chairman of Rockwood Strategic plc, commented:

"The portfolio has delivered excellent NAV growth despite a year of significant corporate change and elevated costs. This specialist, active strategy now has an aligned, focused Investment Manager which we believe will continue to deliver for shareholders. We are exploring a move from the AIM to the main market of the London Stock Exchange to help further enhance future shareholder returns."

Richard Staveley, Fund Manager, Harwood Capital LLP said:

"We are tremendously excited about the future for Rockwood Strategic. The portfolio holdings have significant upside, with profits predominantly driven by self-help. We have substantial cash to carefully deploy into an inefficient part of the UK stock market. The investment opportunity for shareholders is clear: UK equities are on a discount to Global equities, Micro-cap companies are on a discount to the market, the portfolio is on a discount to Micro-cap and Rockwood shares are on a discount to the portfolio.

We have aligned ourselves with shareholders in this differentiated, specialist strategy, current market conditions are rich with opportunity for the experienced, dedicated, value investor and we look forward to delivering our goal of compounding shareholders wealth over the long term."

The full version of the RKW 2022 Annual Report and Notice of AGM has been published and will shortly be available on the Company's website shortly at www.rockwoodstrategic.co.uk.

For further information, please contact:

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CHAIRMAN'S STATEMENT

Of the many significant dates since we last reported, one stands out amongst the others. On 25th April 2022, 96% of voting shareholders supported the board's proposed resolution to adopt a new active investment policy. This ensures the future of the Company and capitalises on the proven track record. Taking over as chairman towards the end of January, the Company was in the middle of a brief phase when shareholders had supported a resolution proposed by our then largest shareholder and previous manager to realise its investments and return the proceeds. £25 million was returned to shareholders during this time. £10.4m or 300p per share was returned by means of a B-share scheme and a further £14.6m was returned through a tender offer at 1551.17 pence per share. The NAV per share (net of these distributions) rose from 1,512.8p to 1613.8p in the reporting period.

Developments during the year sometimes took place at incredible speed. The composition of the shareholder register has changed markedly, the board composition has evolved, the investment manager has changed and the short period during which the Company was in orderly windup has now ceased. The Company's intention is to grow net assets materially over the coming years through a combination of investment performance and new fund raising. The strategy followed will be similar to that which has successfully driven significant shareholder value in recent years. It is a strategy that is clearly differentiated and suited to the long-term capital that the Company retains. The board is particularly pleased with the appointment of Harwood Capital as investment manager to deliver this strategy.

Christopher Mills was lead fund manager during the realisation phase in the latter part of the year. He is moving into Rockwood's Investment Advisory Group (IAG) and Richard Staveley, previously lead fund manager for the strategy, having joined Harwood, has been re-appointed to this role. With over 150 years of cumulative investment experience, shareholders will clearly benefit from the insights the IAG will bring to Richard and the investment team.

The Company's corporate activity during the year led to significant costs, with professional fees totalling £0.67m and legal fees totalling £0.37m. In addition, the termination of the investment management agreement with Gresham House led to an acceleration of performance fees which meant manager fees reached £3.36m. This was despite the new manager, Harwood Capital, charging zero fees for its services from October 2021 to year-end. Costs associated with the various corporate actions of last year totalled £1.10m, or 2.09% of starting NAV. There was a material cost to the Company of administering the B-share scheme, Tender and Strategic Review, not least because of the very significant (over 4,200) number of shareholders, many of whom have fewer than 10 shares. The Company is therefore exploring ways to consolidate the register for the future. Shareholders are again encouraged to cash any dividend cheques they retain. The Company will seek to reduce the statute of limitations to 6 from 12 years so that unclaimed capital can be re-invested and grow future shareholder value.

Following a thorough review of service providers, the Company (supported by the actions of Harwood Capital) has significantly reduced its future corporate running costs. Management fees are much reduced and will be charged at a fixed fee of £120,000 while assets are below £60m from 25th April 2022, mitigating a key concern for many investors about the size of the Company. Growing the NAV is a clear priority for the Company. This will open up a wider set of investments in the target part of the UK small cap market where the manager can purchase significant investee company stakes.

With effect from April 2021, U.K. tax law changed with the regard to the use of historic tax losses in reducing taxable profits, lowering the extent these can be utilised in any one year. The company previously benefitted from a significant Corporation Tax shield in the form of over £125m of brought forward tax losses. Following the changes, the maximum tax shield that can be used in any one financial year is limited to £5m. As a result, there is a Corporation Tax charge for the current year of approximately £1.58m. In addition, unlike an Investment Trust, the Company remains liable to be charged for Value Added Tax, which is charged to the Company on all fees and expenses including the investment management and performance fees. Consequently the Company paid a further £0.46m in VAT on the management fees and performance fee which it is unable to reclaim. The board wishes to improve our tax efficiency as fast as possible, hence there will be a recommendation to shareholders to support a move to the main market on the London Stock Exchange from AIM and convert to an Investment Trust. The Company, in this new form, would no longer incur VAT on fees, including management and performance fees, and Corporation Tax under the current HMRC rules. The cash payback from converting is expected to be swift. This move should also widen our audience of potential investors.

From an investment perspective this Annual Report covers a year in which only one further investment was made on behalf of shareholders by the previous manager, Gresham House. The new manager, Harwood Capital, was not mandated to re-deploy capital until the new investment policy was approved by shareholders on 25th April 2022. This one additional investment has, since year-end, been sold back to the previous investment manager at cost. The investment portfolio, as the investment manager's report explains in more detail, is in fine fettle. Unlike most situations when an investment manager changes, your company's investments are known extremely well to the new manager. There will be no need for any material portfolio restructuring or the costs associated with it. During the year, significant realised gains were made from the sale of Augean Plc, RPS Group Plc, National World Plc, Universe Group Plc and Ted Baker Plc. Offsetting these were losses realised from the complete disposals of Fulcrum Utility Services Plc and SpaceandPeople Plc, a company which entered the portfolio in 2015 in a stock-swap from the previous manager.

The investment backdrop for the portfolio has been volatile, with the COVID-19 Omicron variant induced lockdowns, the inflection in the interest rate cycle, rising inflation, soaring energy prices, and the awful developments in Ukraine. Against this backdrop, I might highlight why the Company's investment strategy is so attractive. In spite of sustained negative macroeconomic and geo-political news 'headlines', our portfolio's underlying companies have been steadily growing shareholder value and having that value better recognised by the wider stock market. This is a truly 'active' and focused strategy and performance over the medium-term will be primarily due to stock-specific factors and outcomes, not macro-economic ones. Performance in any short period under review will be due to the individual performances of a handful of our holdings.

There are many to thank for their help in navigating the Company through the last year. You know who you are, even if not named here. In particular, I should mention David Potter, Helen Sinclair and Charles Berry for their many years of service to the Company and thank Ken Lever for his on-going support through this challenging period of stakeholder management.

I would also like to thank Graham Bird for all his work as a director over the past year. Graham has had an excellent grasp of the portfolio and been impartial, but will not seek re-election due to a very full workload of other commitments

The board believes that, until the Company has gained greater scale, it will not reinstate the dividend policy and instead use the capital to compound NAV growth. Our shareholders do have a range of views on this matter. We will continue to listen to them as well as prospective shareholders and act accordingly.

Rockwood Strategic faces an exciting future. The Company now has a more appropriately sized cost base, it will ensure tax efficiency shortly, it has an outstanding and experienced manager to drive shareholder value, and a differentiated investment strategy which we expect to deliver attractive returns over the years ahead.
Yours sincerely

Noel Lamb
Chairman

INVESTMENT MANAGER'S REPORT

Highlights

- NAV Total Return performance in the twelve months to 31 March 2022 of 27.5% to 1613.8p/share which compares to the FTSE Small Cap (ex-ITs) of 3.2% The Total Shareholder Return in this period was 22.2%.
- NAV Total Return performance in the three years to 31 March 2022 of 57.7% to 1613.8p/share which compares to the FTSE Small Cap (ex-ITs) of 29.7%. The Total Shareholder Return in this period was 50.9%
- Harwood Capital LLP appointed Investment Manager
- £25m returned to shareholders by way of B share scheme and tender offer
- New Investment Policy adopted by shareholders post year-end
- Significant realised and unrealised gains across the portfolio
- Costs elevated due to corporate actions

Investments Managers Report

Shareholders were updated at the Interim stage by the previous Investment Manager. This report encompasses the full year. As highlighted in the Chairman's statement, Harwood Capital was appointed in October 2021; however, between the date of appointment and the end of the financial year in March, the

Company was following a realisation strategy and, as such, investment activity was restricted to realisations until the vote to adopt a new Investment Policy after year end was approved.

Market backdrop

We do not believe a detailed historic review of markets during the period is particularly helpful to shareholders in this stock-picking strategy. Suffice to say that the second half of the year was characterised by the Omicron variant of the COVID-19 virus, the invasion by Russia of Ukraine, high inflation (not 'transitory' as anticipated by many) leading to an inflection point in the direction of interest-rates by Central Banks. Second-order effects have been supply-chain shortages, rising energy and commodity prices, falling bond prices, and a strengthening Dollar. Within equity markets high valuation stocks, particularly in the technology and early-stage healthcare sectors, have been very weak.

The monetary policy change is most relevant to this strategy. For over a decade equity market participants have become overly used to extremely accommodative monetary policy, which has resulted in valuation multiple expansion of long-duration equities, most commonly 'Growth' shares. The 'boost' to this investment style has clearly now peaked. Going-forward, the 'value' factor, a key component of our investment philosophy, should increasingly benefit, particularly the cashflow generating companies we target.

Outlook

We are confident in the upside potential of the portfolio with a range of good trading updates during recent months. We have exciting strategic investment theses for all the holdings and expect our 'engaged' style will lead to the un-locking of material shareholder value. To this end we have been intimately involved with the appointment of new Board members to 5 of our 9 companies in recent months.

We anticipate a pickup in trade buyer acquisition activity and public-to-private transactions in the coming years for our targeted part of the UK stock market. If the stock market doesn't fairly value or provide growth capital to UK listed small companies then other solutions will emerge.

Due to the 'realisation' phase, the portfolio ended the period less diversified than targeted. The strategy will continue to have between 5-10 "core" holdings (9 at year end) which constitute the majority of net asset value, however it will become less concentrated in future periods. The rest of the portfolio will be formed from 15-25 investments with smaller weightings. This part of the portfolio will thus grow over the next year. These holdings will meet the investment criteria yet are when the opportunity to establish a 'core' size investment has not arisen yet, or are more liquid corporate recovery/'special' situations where the targeted return objectives can be expected but where a large stake is not deemed necessary to influence or generate strategic, operational or management change. We expect the market conditions during the rest of 2022 to be particularly advantageous for making investments as on-going turbulence and market weakness provides opportunities for our medium-term investment time horizon.

Top 5 Investment Portfolio Holdings

Crestchic (previously called Northbridge Industrial Holdings) 15.8% Net Assets

Cost: £3.23m, Value as at 31st March 2022, £6.44m

The company manufactures, sells and hires load-banks (specialist electrical equipment for power testing) internationally. The investment was initiated in 2016 and struggled with weak oil & gas related end markets and a poorly timed acquisition of the Tasman business. In 2020, following shareholder engagement, there was Board and management change which has led to a greater focus on Return on Capital, the sale of the underperforming Tasman division and a renewed energy into the growth strategy where the company is very well-placed given trends around electrification. Convertible bonds, some of which owned by the strategy, were redeemed or converted, cash generation improved and the maxed-out manufacturing facility is now being expanded. Nicholas Mills, member of the Investment Team has joined the Board as Non-Executive Director. We expect demand to remain robust, and EBITDA to continue to grow with material scope for a valuation re-rating.

Flowtech Fluidpower 11.7% Net Assets

Cost: £2.56m, Value as at 31st March 2022, £4.75m

The company primarily distributes Fluidpower components to a diverse range of customers with a strong bias to parts used for repair or maintenance reasons. The investment was initiated in 2020 since when there has been Board evolution including the appointment of the highly regarded Roger McDowell as Chairman (Roger was previously a NED at Augean). The company has been addressing the lack of integration amongst its various acquisitions, driving scale and synergies and has been accelerating its on-line capabilities. The business is producing sub-par operating margins and has a stock-turn well below that targeted by management and achieved by peers. We expect this to improve and drive returns and profitability.

Centaur Media 9.8% Net Assets

Cost: £3.44m, Value as at 31st March 2022, £4.004m

The company has two divisions providing business information, consultancy, premium media and events content in the Marketing and Legal sectors. The legal business is focused on the market leading publication The Lawyer whilst the marketing activities span a number of high quality brands such as Econsultancy, Influencer Intelligence, Marketing Week and Festival of Marketing. The business has also developed a very fast growing e-learning solution called MiniMBA. The holding was made in 2017 at 50p, however in late 2019-20 the investment was quadrupled in size at an average price of 31p.The company has gone through extensive restructuring in the last few years and disposed of a number of other divisions, converting activities from print to digital and increasing subscription content. Management have therefore been improving profitability markedly, with 23% Ebitda margins targeted for 2023. The business has significant cash balances. Following the period end Richard Staveley, member of the Investment Team, joined the Board as a Non-Executive Director

Pressure Technologies 9.8% Net Assets

Cost: £3.22m, Value as at 31st March 2022, £3.99m

The company has two divisions; the industry leading Chesterfield Special Cylinders which manufactures and services a range of end-industries and customers including the Ministry of Defence and the Precision Machined Components division, which manufactures high specification parts primarily for the oil & gas industry. The investment was initiated in early 2019, however cash generation has not been as expected and in late 2020 further discounted equity issuance was needed to support the company's ambitions. Similar to Northbridge (above) we see strategic sense in focusing the company onto Chesterfield. The PMC division should benefit from an improved oil & gas pricing environment resulting in higher activity levels. Whilst Chesterfield has significant orders in defence and elsewhere, there is genuine excitement in the company about the opportunities in the emergent Hydrogen economy. The business has the quality and specialist credentials and the end-market for Hydrogen storage, using their cylinders, could be huge, potentially becoming a key strategic supplier to the industry. This potential is not reflected in the share valuation.

M&C Saatchi 8.0% Net Assets

Cost: £1.72m, Value as at 31st March 2022, £3.24m

The company is one or the world's best known global advertising agencies with clients stretching from governments to supra-national organisations (e.g. the World Health Organisation) to the world's leading brands (e.g. MacDonalds) and newest successes (e.g. TikTok). In more recent times the company has been in turmoil with the original Founders leaving, accounting errors and a poorly structured incentive scheme. The investment was initiated in late 2020 as management and Board changes started to take effect. The balance sheet has net cash and a new strategy to grow the business and improve margins has been unveiled. During COVID the business had no material client losses indicating the strength of their relationships. More recently there has been a seemingly opportunistic takeover approach by Board Director Vin Murria. We believe the company has considerable further recovery potential and is grossly undervalued.

Portfolio Activity

In the first half of the year, the former manager made only one new investment, namely the Hannover Co-Invest S.C.A. SICAV-RAIF Sub Fund 1. This was a Private Equity Fund, which charges its own set of fees to its investors and was focused on one investment in a Scandinavian technology business. Following the period end, this investment was sold back to the former manager at cost. In the first half the most important transaction was due to the agreed takeover bid for Augean, the largest portfolio investment, resulting in a 101.2% IRR (9x money multiple, a gain of £22m) a significant realised gain for shareholders, proceeds funding the majority of the subsequent capital return. We highlight that Harwood managed strategies were the largest shareholders in Augean and that Christopher Mills was a Board Director. A 130.7% IRR was also generated from the sale of Ted Baker (1.9x money multiple).
During the realisation phase a number of investments were sold as detailed below.

RPS Group - realised IRR 148.9% (Gain £4.2m)

This investment was Initiated in September 2020, when we supported a capital raise to strengthen the balance sheet, having identified a recovery was building under a new management and Board. This global specialist environmental consultancy and planning business has improved its acquisition discipline, and is building margins to match peers. It's growth is accelerating due to the tailwinds of urbanisation and sustainability.

Universe Group - realised IRR 24.6% (Gain £3.0m)

Shares were first purchased at 11.5p in 2017. However, in a perfect example of the inefficiency of small cap markets, we were able to purchase significantly more shares in early 2021 at 3.25p, further reducing our average cost of investment materially. Later that year a successful cash takeover was launched for this niche software and services business at 12p, delivering an attractive IRR.

National World - realised IRR 201.1% (Gain £2.2m)

Purchased in January 2021, we backed the highly experienced management team to purchase the old Johnston Press regional press titles, such as the Yorkshire Post and The Scotsman from a distressed situation and therefore at a very low valuation. It came with no pension fund liabilities and a clean balance sheet. The desire for local news remains and the journey to digital delivery on-going. We expect the management to continue to build scale and drive the transformation of the assets.

SpaceandPeople - realised IRR -20.5% (Loss £1.2m)

The shares in this business were originally swapped into the strategy in 2015 at 66p in exchange for the issuance of shares in Gresham House Strategic to the former manager. Sales have declined since then and the business, which relies on promotional activity within shopping centres, has struggled to generate profits and positive cashflow and was hard hit by COVID-19, leading to increasing leverage. Sub-scale with elevated risk and slim chance of a corporate solution we exited at 7.25p.

Fulcrum Utility Services - realised IRR -34.7% (Loss £0.7m)

Fulcrum has been a disappointing investment as operational execution has not recovered cash generation as quickly as expected. The former manager purchased additional shares in the first half the year, however in November the company announced a material £19.5 million fund raise and given the Investment Policy at the time and time horizon for additional investment, the holding was exited.

Strategy Update
Following the post year end approval by shareholders of the new investment policy, we remind shareholders of the investment opportunity Rockwood Strategic is targeting, the investment philosophy we use and the process for putting it into action.

Investment Opportunity
- Structurally inefficient part of UK market creating opportunities in all markets conditions
- Significant universe of shares from which to select investments from

- 'Value' & 'Recovery' investor mindset differentiated from many investors
- Active engagement with investee companies drives shareholder value
- Material due diligence de-risks our decision making and creates informational advantage
- Relationships and networks unlock opportunities, find 'hidden' value, catalyses change

We believe there is a structural investment opportunity for enhanced returns in small cap equities. This has been proven across geographies, over history and is clearly evident in the UK as demonstrated in the research of Dimson & Marsh and the long-term performance of both the Numis Small Companies Index (Bottom 10% of the UK stock-market, re-calculated annually, back to 1955) and the Numis 1000 Index (Smallest 1000 companies).

The causes of this long-term outperformance are believed to be due to the premium received for faster than average growth ("Elephants don't gallop"), an illiquidity premium and a risk premium for aspects such as immaturity and reduced funding options.

We expect an additional return through the selection of better than average small cap stocks through the application of a 'value' philosophy and the avoidance of excessive risk through the application of company research and due diligence.

Stock market dynamics have enhanced the opportunity within this universe of nearly 1000 companies. A reduction in company research coverage in recent years (due to a combination of collapsed commission fees and MIFID2 regulations) has occurred and institutional interest has reduced, due to higher market concentration within a small number of large institutions, whose huge scale prohibits them from considering a large part of the universe due to liquidity requirements. As a result, we believe there is a structural opportunity to find outstanding investment opportunities in an inefficient market place, with over-looked and misunderstood companies, whilst still benefiting from the established 'small cap effect'. (Fama & French '93)

In the near term the opportunity is further enhanced due to the out of favour status relative to history of the UK stock market relative to global (mainly the US) stock markets. The UK discount started widening following the calling of the Brexit Referendum in 2016 and has since increased with investor flows chasing the momentum of US technology mega-caps. Relative performance has, notably, recently finally started to invert. Timing is auspicious.

Investment Philosophy

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

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

We are medium-long term investors with a typical time horizon of 3-5 years, as this period allows for intrinsic worth to be recognised more widely and fundamental improvements or changes to have a positive effect. We stick to what we believe we understand, avoid unproven business models and are adverse to high indebtedness. We believe that a company's intrinsic worth is driven by its future cashflows discounted back to today, however we do not make long-term forecasts and seek businesses with identifiable near-term cash flow generation to justify our assumptions on upside. Our financial analysis is focused on cash flow generation and returns on capital.

The fast-changing nature of the world economy and technology means any confidence in growth forecasts many years hence for individual companies are fraught with risk. We therefore focus the majority of capital into 'recovery', turnaround' or 'transformation' opportunities, where the past can be a true guide to the potential future. There are businesses that have historic evidence of cash generation yet have fallen on difficult times and have depressed profitability typically as a result of strategic mis-steps (poor M&A), bad management (execution) or a lack of adaption to changing end-markets or circumstances (inertia). These special situations of depressed returns are usually accompanied by a significant de-rating and low valuation. Many of them have underlying, or the prospect of, above-average growth rates, however it is the normalisation of returns that drives improved intrinsic value.

Often with new management and an evolving Board, key issues can be identified, a strategic plan agreed and, if executed well, can lead to a mean-reversion and recovery of returns. This in turn leads to a re-rating, the combination of which drives an outperformance of markets. We seek therefore to exploit 'fear' and 'negativity' at a company level where we believe a 'turnaround' is possible and structural change has not permanently damaged prospects.

We believe in the highest standards of sensible corporate governance, noting that small company circumstances don't always fit with generic rules for all companies. We actively target large stakes in companies to ensure a 'voice' and 'influence', and through the strength of our arguments seek stakeholder support. Our philosophy is therefore heavily 'engaged' which requires much higher than average contact with executive management, boards and advisors. The purpose of this 'engagement' is to build a deep understanding of the company's dynamics, a positive relationship with those appointed to run and oversee the company and ensure their focus is on the maximisation of shareholder value.

Investment Process

- Ideas sourced from network and quantitative screening
- Investment Team due diligence results in 'Springboard' investment (c.2-4%) or expanded DD
- Expanded due diligence circulated to and enhanced by IAG
- 'Core' investments (initial 5-15% NAV), typically a block trade or company re-financing
- Active management involves Stakeholder engagement, Results/Industry and thesis monitoring
- Exit liquidity through corporate activity or secondary market demand

The process by which the above philosophy is put into effect is unashamedly simple. It is focused on establishing a proper understand of a potential investment's business fundamentals, a clear view of intrinsic worth and the catalysts for change and value realisation. There are four stages:

1. Idea identification is driven both organically and systematically. We generate ideas through our interest in markets, innate curiosity about companies and incentive to find outstanding investment opportunities. We have large, established, arguably unrivalled, networks across the UK small cap universe. This is bolstered by the networks of the IAG. In addition, we quantitatively screen the small cap universe for companies with depressed valuations and profitability relative to history. These ideas inevitably lead to an initial company meeting (we often have met them historically), preliminary analysis and the development of a simple potential investment thesis.

2. Due diligence is then commenced on those companies where the initial thesis and meeting confirm an opportunity may exist. The amount is significantly greater for potential 'core' investments. Huge amounts of information are now available to investors. The key is having the skill to know what is important, the ability to analyse and enhance our understanding of risks and specific drivers of a company's intrinsic value and the time and dedication to do the work required. A focused portfolio significantly increases the time we have relative to other competitors, where typical small cap portfolios have 60 to >100 holdings. During the process for potential 'core' investments, the Investment Advisory Group (IAG) is contacted for their insight, network opportunities and initial concerns. This is then incorporated into the diligence process. Prior to entering into a 'core' position a thorough investment memorandum is circulated to the IAG and Board. We would seek executive management buy-in (if no change is needed) to the strategic and operational changes required to drive value and where appropriate will seek Board representation. For non-'core' investments a simpler investment memorandum is documented.

3. Execution: The manager has full responsibility for investment decisions which will have been discussed within the Investment Team and, for 'core', the IAG members. For 'core' investments a 'block' stake or company financing event is usually needed which will involve liaison with company advisers. All orders are managed by Harwood's highly experienced in-house dealer. Regularly, the opportunity for a 'core' position is not immediately available and thus a 'springboard' position will be taken if the upside is clear and patience is required to scale up. "Search the parks in the world's cities, there are no statues to committees." Barton Biggs

4. Post investment, holdings are monitored through on-going financial results analysis, meetings with management and board members, input from industry, sector and company analysts or experts. For 'core' investments, a summary 'annual review' will be circulated to the IAG and board, including an updated target valuation/price. For all investments 'exit' theses are established at the outset. For 'core'

investments this will often require high levels of board engagement, communication with other shareholders of our views, and a pro-active approach, leading to a sale of the business and a 'control' premium. Secondary market sales are also possible as other investors re-consider a rehabilitated company, usually with business and share price momentum.

The foundations for Rockwood Strategic's long-term success:

- A 'value' investing approach with an 'ownership' mentality and a desire to buy at a significant discount to intrinsic worth, establishing a 'margin of safety' (Security Analysis by Benjamin Graham)
- 'Long term Capital' matching the best timeframe for investment success
- Patience in a market usually characterised by impatience
- 'Skin in the game' (Nassim Nicholas Taleb) evidenced by the manager's fee structure and equity ownership
- Low overheads and a simple organisation structure, keeping costs low and decision-making nimble
- Tax efficiency
- Clear communications, externally and internally
- The premium captured for illiquidity in the inefficient publicly listed UK small companies' arena
- Financial strength through the cycle, providing opportunities when others are distressed
- Experience and complementary capabilities of the team

We have invested our own money in the shares of Rockwood Strategic and have a management contract which rewards success. We see a real opportunity to compound wealth for all shareholders over the long-term and a vibrant, inefficient stock market full of opportunities to deliver our target returns.

Statement of Comprehensive Income for the year ended 31 March 2022

	Notes	**Year ended 31-Mar-22 £'000**	Year ended 31-Mar-21 £'000
Gains on investments	8	**20,007**	19,837
Revenue			
Bank interest income		**1**	2
Loan note interest income		**563**	753
Portfolio dividend income		**99**	-
Other income		**-**	1
		663	756
Administrative expenses			
Directors fees and other staff costs	3	**(173)**	(148)
Performance fee	11	**(2,772)**	(2,294)
Other costs	4	**(2,302)**	(1,539)
Total administrative expenses		**(5,247)**	(3,981)
Profit before taxation		**15,423**	16,612
Taxation	5	**(1,580)**	-
Profit for the financial year		**13,843**	16,612
Attributable to:			
- Equity shareholders of the Company		**13,843**	16,612
Basic and Diluted earnings per ordinary share for profit from continuing operations and for profit for the year (pence)	6	**428.76p**	477.24p

There are no components of other comprehensive income for the current year (2021: None), all income arose from continuing operations.

Statement of Financial Position as at 31 March 2022

	Notes	**31-Mar-22**	31-Mar-21
		£'000	£'000
Non-current assets			
Investments at fair value through profit or loss	8	**31,609**	53,888
		31,609	53,888
Current assets			
Cash and cash equivalents		**10,507**	1,605
Trade and other receivables	9	**1,019**	99
		11,526	1,704
Total assets		**43,135**	55,592
Current liabilities			
Trade and other payables	10	**(547)**	(641)
Tax liability		**(1,580)**	-
Performance fee payable	11	**-**	(2,294)
Total liabilities		**(2,127)**	(2,935)
Net current assets/(liabilities)		**9,399**	(1,231)
Net assets		**41,008**	52,657
Equity			
Issued capital	12	**1,281**	1,751
Share premium		**13,063**	13,063
Revenue reserve	14	**15,320**	26,969
Capital redemption reserve		**11,344**	10,874
Total equity		**41,008**	52,657

The NAV per share on 31 March 2022 is 1,613.8 pence (2021: 1,512.8 pence)

These financial statements were approved and authorised for issue by the Board of Directors on 22 June 2022. Signed on behalf of the Board of Directors.

Noel Lamb
Chairman

Kenneth Lever
Director

Statement of Cash Flows for the year ended 31 March 2022

	Notes	**Year ended 31-Mar-22 £'000**	Year ended 31-Mar-21 £'000
Cash flow from operating activities			
Cash flow from operations	a	**(7,306)**	(783)
Portfolio dividend income		**99**	-
Net cash outflow from operating activities		**(7,207)**	(783)
Cash flows from investing activities			
Purchase of investments	8•	**(1,457)**	(14,943)
Sale of investments	8•	**43,122**	11,334
Net cash inflow/(outflow) from investing activities		**41,665**	(3,609)
Cash flows from financing activities			
Dividends paid	7	**(535)**	(867)
Return of Capital B Share Scheme and Tender Offer		**(25,021)**	-
Net cash outflow from financing activities		**(25,556)**	(867)
Change in cash and cash equivalents		**8,902**	(5,259)
Opening cash and cash equivalents		**1,605**	6,864
Closing cash and cash equivalents		**10,507**	1,605

Note

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

		£'000	£'000
Profit for the year	2	**13,843**	16,612
Rolled up interest		**(224)**	(345)
Gains on investments	8	**(20,007)**	(19,837)
Portfolio dividend income		**(99)**	-
Adjustment for accrued interest on redemption/conversion		**(16)**	-
Operating loss		**(6,503)**	(3,570)
Decrease in trade and other receivables		**(65)**	(33)
(Decrease)/Increase in trade and other payables		**(738)**	2,820
Net cash outflow from operations		**(7,306)**	(783)

•The purchase and sale of financial investments are the cash paid or received during the year and exclude unsettled investments as at 31 March 2022.

Statement of Changes in Equity for the year ended 31 March 2022

	B shares	D shares	Ordinary Share Capital	Share Premium	Revenue Reserve	Capital Redemption Reserve	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020	**-**	**10**	**1,741**	**13,063**	**11,224**	**10,874**	**36,912**
Profit and total comprehensive income for the year	-	-	-	-	16,612	-	16,612
Total profit and comprehensive income for the year	**-**	**10**	**1,741**	**13,063**	**27,836**	**10,874**	**53,524**
Contributions by and distributions to owners							
Share buy back	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	(867)	-	(867)
Balance at 31 March 2021	**-**	**10**	**1,741**	**13,063**	**26,969**	**10,874**	**52,657**
Profit and total comprehensive income for the year	-	-	-	-	13,843	-	13,843
Total profit and comprehensive income for the year	**-**	**10**	**1,741**	**13,063**	**40,812**	**10,874**	**66,500**
Contributions by and distributions to owners							
Share buy back	-	-	(470)		-	470	-
Dividends paid	-	-	-	-	(535)	-	(535)
Return of unclaimed special dividends and capital payments	-	-	-	-	64	-	64
Tender Offer	-	-	-	-	(14,578)	-	(14,578)
Issue of B Shares	10,443	-	-	(10,443)	-	-	-
Redemption of B Shares	(10,443)	-	-	10,443	(10,443)	-	(10,443)
Balance at 31 March 2022	**-**	**10**	**1,271**	**13,063**	**15,320**	**11,344**	**41,008**

Notes to the Financial Statements

1 Basis of preparation and significant accounting policies

Rockwood Strategic Plc (the Company) is a company incorporated in the UK and registered in England and Wales (registration number: 03813450). The Company was formerly named Gresham House Strategic Plc but took the opportunity to change the Articles of Association at a General Meeting held on 15 December 2021 to permit the Directors to change the company's name by a resolution of the Board. Accordingly, the name was changed to Rockwood Realisation Plc on 23 December 2021. The company subsequently changed its name to Rockwood Strategic Plc on 4 May 2022 (Note 16). The accounting policies applied are consistent with the prior year.

Basis of preparation

These financial statements for year ended 31 March 2022 have been prepared in accordance with UK adopted International Accounting Standards.

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

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

Going concern

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

A formal decision was taken for a Managed Wind-Down of the Company and associated adoption of the New Investment Policy on 15
December 2021. Subsequently, Gresham House plc (Gresham), the parent company of its former investment manager sold its entire c.23.7% interest (being 602,866 ordinary shares) in the Company to a number of institutional investors, including the current investment manager, Harwood Capital LLP (Harwood). Harwood now owns 28.9% of the Company's issued share capital.

Harwood indicated to the Board that it believes that the investing policy does not operate in the best interests of the Company's shareholders and should be reviewed. The Board therefore engaged with Harwood, in its capacity as both the Company's investment manager and largest shareholder, to consider whether a change of investing policy is warranted.

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

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

The Company is in a net asset position of £41.0 million (2021: £52.7 million) and approximately 91% of the Company's portfolio of Investments consist listed equities which, should the need arise, can be liquidated to settle liabilities. There are no other contractual obligations other than those already in existence and which are predictable.

The Company's forecasts and projections, taking into account the current economic environment and other factors, including reasonably possible changes in performance, show that the Company is able to operate

within its available working capital and continue to settle all liabilities as they fall due for the foreseeable future. The Company has consistent, predictable ongoing costs and
major cash outflows, such as for the payment of dividends, are at the full discretion of the Board.

Therefore, the directors taking into the consideration the above assessment are satisfied that the company will be able to settle their liabilities as they fall due and therefore is a going concern and the financial statements are prepared on this basis.

1 Basis of preparation and significant accounting policies (continued)

Financial instruments:

Trade debtors and creditors

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

Cash and cash equivalents

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

Investments at fair value through profit or loss

Investments are included at valuation on the following basis:

(a) Quoted investments are recognised on trading date and valued at the closing bid price at the year end.

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

The core principles of the IPEV guidelines are:

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

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

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

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

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

Revenue

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

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

Interest receivable is included on an effective interest rate basis.

Notes to the Financial Statements (continued)

1 Basis of preparation and significant accounting policies (continued)

Taxation

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

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

Performance fee

The Board terminated the Investment Management Agreement with Gresham House Management Ltd (GHAM) on 11 October 2021.

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

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

Harwood Capital LLP (Harwood) was appointed as the new Alternative Investment Fund Manager on 10 October 2021. Based on the new agreement with Harwood, a performance fee is not payable by the Company for the period from 10 October 2021 to 31 March 2022.

Foreign exchange

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Notes to the Financial Statements (continued)

1 Basis of preparation and significant accounting policies (continued)

Segmental analysis

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

New Standards issued but not yet effective

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

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

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

2 Statement of comprehensive income

The Company's profit for the year was £13.843 million (2021: profit of £16.612 million).

The Company has recognised gains on investments through the statement of comprehensive income of £20.007 million (2021: income of £19.837 million).

3 Information regarding Directors and employees

	Year ended	Year

	ended 31 March 2022 £'000	ended 31 March 2021 £'000
Directors' remuneration summary		
Basic salaries	**161**	138
Social security costs	**12**	10
	173	148

	Year ended 31 March 2022			Year ended 31 March 2021		
	Emoluments £'000	**Social Security costs £'000**	**Total £'000**	Emoluments £'000	Social Security costs £'000	Total £'000
Analysis of Directors' remuneration						
C Berry (Resigned on 22 November 2021)	**25.9**	**-**	**25.9**	27.5	-	27.5
D Potter (Resigned on 11 June 2021)	**24.4**	**-**	**24.4**	55.0	-	55.0
H Sinclair (Resigned on 5 November 2021)	**41.3**	**-**	**41.3**	27.5	-	27.5
K Lever	**27.5**	**-**	**27.5**	27.5	-	27.5
G Bird (Appointed 10 June 2021)	**22.2**	**-**	**22.2**	-	-	-
S Pyper (Resigned on 31 March 2022)	**11.4**	**-**	**11.4**	-	-	-
N Lamb (Appointed on 20 January 2022)	**8.3**	**-**	**8.3**	-	-	-
Social security costs	**-**	**12**	**12**	-	10	10
	161.0	**12**	**173.0**	137.5	10	147.5

The Company has no employees.

3 Information regarding Directors and employees (continued)

	Year ended 31 March 2022 No.	Year ended 31 March 2021 No.
Directors		
Investment and related administration	**3**	4
	3	4

As at 31 March 2022, the Board comprises 1 Chairman and 2 Non-executive Directors (2021: 1 Chairman and 3 Non-executive Directors).

4 Other costs

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Auditors remuneration		
Fees payable to the current auditor for the audit of the Company's annual financial statements	**40**	34
Fees payable to the Company's current auditor and its associates for other services:		
Fees for agreed upon procedures in relation to financial information	**10**	-
Fees for agreed upon procedures for performance fee	**5**	-
Fees paid for review of interim report	**3**	-
Other services relating to taxation	**5**	10
Under provision of tax fee	**3**	-
Recharge cost	**1**	-
Analysis of other costs:		
Professional fees *	**1,539**	534
Management fee	**593**	832
Other general expenses	**103**	129
	2,302	1,539

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

5 Taxation

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
UK corporation tax		
Corporation tax liability at 19% (2021: 19%)	**(1,580)**	-
	(1,580)	-
Current tax	**(1,580)**	-
Deferred tax	**-**	-
Tax on profit from ordinary activities	**(1,580)**	-

Factors affecting the tax charge for the current period

The tax assessed for the year is different than that resulting from applying the standard rate of corporation tax in the UK: 19% (2021: 19%).

The differences are explained below:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Current tax reconciliation		
Profit before taxation	**15,423**	16,612
Current tax charge at 19% (2021: 19%)	**2,930**	3,156
Effects of:		
Non-taxable income	**(553)**	(3,396)
Non-deductible expenditure	**21**	-
Chargeable gains	**(27)**	-
Deferred tax not recognised	**(791)**	240
Tax on profit on ordinary activities	**(1,580)**	-

Deferred tax

There remains an unrecognised deferred tax asset in respect of tax losses and other temporary differences. The unrecognised deferred tax asset is £34 million (2021: £29 million) for the Company. The increase in the balance for unrecognised deferred tax is due to the rate of corporation tax being raised to 25% with effect from 1 April 2023. The assessed loss on which no deferred tax has been recognised amounts to £136 million (2021: £152 million).

An estimated deferred tax liability on the unrealised gains in the portfolio at year end is de-minimus (approximately £29k) and has therefore not been recognised as a liability due to the likelihood that brought forward losses in the future will offset this amount.

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Company deferred tax asset		
Balance at 1 April	**-**	-
Movement in the year	**-**	-
Balance at 31 March	**-**	-

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

6 Earnings per share

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Earnings		
Profit for the year	**13,843**	16,612
Number of shares ('000)		
Weighted average number of ordinary shares in issue for basic EPS	**3,229**	3,481
Weighted average number of ordinary shares in issue for diluted EPS	**3,229**	3,481
Earnings per share		
Basic EPS	**428.76p**	477.24p
Diluted EPS	**428.76p**	477.24p

As at 31 March 2022, the total number of shares in issue was 2,541,046 (2021: 3,480,884). During the year, the Company cancelled nil Treasury shares (2021: nil). A Tender Offer was made during the year and 939,838 shares were bought back by the Company (2021: nil). There are no share options outstanding at the end of the year.

7 Dividends

The Company paid £534,664 in dividends to shareholders in the year ended 31 March 2022 (2021: £866,740). Unclaimed historic dividends amounting to £63,834 was reclassified to revenue reserve during the year (2021: nil).

8 Investments at fair value through profit or loss

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

		Year ended 31 March 2021					
	Value at 1 April	Additions	Disposal proceeds	Gain on disposals	Revaluation	Transfer between	Value at 31 March

	2020 £'000	£'000	£'000	£'000	£'000	levels £'000	2021 £'000
Investments in quoted companies (Level 1)	23,558	13,680	(8,246)	1,165	17,408	-	**47,565**
Other unquoted investments (Level 3)	6,402	1,545	(2,888)	796	468	-	**6,323**
Total investments at fair value through profit or loss	29,960	**15,225**	**(11,134)**	**1,961**	**17,876**	**-**	**53,888**

Notes to the Financial Statements (continued)

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

For the year ended 31 March 2021, there was a transfer from Level 3 to Level 1 of £389,886 Northbridge loan notes converted to equity shares and National World amounting to £1,348,931 converted to equity shares as a result of its admission to AIM. For the year ended 31 March 2021, there were no transfers of the investments between the fair value hierarchy levels.

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

	Value at 31 March 2022 £'000	Value at 31 March 2021 £'000
Opening valuation	**53,888**	29,960
Acquisitions	**1,675**	15,225
Unrealised and realised gains on investment	**20,007**	19,837
Disposals	**(43,961)**	(11,134)
Closing valuation	**31,609**	53,888

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

(i) level one measurements are at quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

(iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

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

	31 March	
	2022 £'000	2021 £'000
Level 1	**28,692**	47,565
Level 2	**-**	-
Level 3	**2,917**	6,323
	31,609	53,888

Fair values of financial assets and financial liabilities

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

As at 31 March 2022 and 31 March 2021, all investments, except for the investments in the table below, fall into the category 'Level 1' under IFRS 7 fair value hierarchy.

A summary of the level 3 investments are as follows:

	31 March 2022		31 March 2021	
	Material investments included	**£'000s**	Material investments included	£'000s
Fair value	**The Lakes Distillery Company**	**2,917**	The Lakes Distillery Company	2,693
			Northbridge Industrial Services plc convertible bonds	2,430
			National World PLC	1,200
Contracted sales proceeds in post balance sheet period	**None**	**-**	None	-
		2,917		6,323

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

Fair values of financial assets and financial liabilities (continued)

Valuation policy: Every six months, the investment manager within Harwood Capital LLP is asked to revalue the investments that he looks after and submit his valuation recommendation to the Investment Committee and the finance team. The Investment Committee considers the recommendation made, and assuming the finance team confirm that the investment valuation calculations are correct, submits its valuation recommendations to the Board of the Company to consider. The final valuation decision taken by the Board is made after taking into account the recommendation of the Manager.

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

- The Lakes Distillery Company plc Convertible Bond was purchased on 20 June 2019. It is valued at fair value which approximates to the bond issue amount plus rolled up "payment in kind" notes and capitalised interest.

- Hanover Co- Invest S.C.A. SICAV-RAIF Sub Fund 1 was purchased on 2 September 2021. It is valued based on the NAV of the Limited Partnership which is a proxy for fair value as its underlying investments are held at fair value. The Company agreed to dispose of the investment in Hanover Co-Invest S.C.A. SICAV-RAIF Sub-Fund 1 on 17 March 2022 to Gresham House Plc or its nominees.

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

- National World plc Bond was purchased on 11 February 2021. It was fully converted into 12,263,013 equity shares on 7 May 2021. The conversion premium and accrued interest up to the date of conversion were given in the form of equity shares and included in the above. As a result of this, there was a transfer from Level 3 to Level 1 of £1,348,931 National World plc loan notes converted to equity shares.

Investments in quoted companies (Level 1) have been valued according to the quoted bid price as at 31 March 2022.

9 Trade and other receivables

	31 March 2022 £'000	31 March 2021 £'000
Other debtors	**1,001**	66
Prepayments	**18**	33
	1,019	99

10 Trade and other payables

	31 March	31 March

	2022 £'000	2021 £'000
Other creditors	**-**	5
Unclaimed historic special dividends and capital payments	**356**	420
Trade creditors	**64**	112
Accrued expenses	**122**	98
Social security	**5**	6
	547	641

There were no other creditors as at 31 March 2022. (2021: Other creditors of £5k were related to the acquisition of further equities in Van Elle Holdings Plc which was settled in April 2021).

Notes to the Financial Statements (continued)

10 Trade and other payables (continued)

The unclaimed special dividends and capital payments amounting to £420k between the periods of 2009 to 2014 were returned to the company in 2021, out of which £64k was reclassified to revenue reserves during the year as its reclaim period has lapsed. The remaining will be used for the benefit of the company until claimed by the relevant person or forfeited (2021: £420k).

11 Performance fees payable

	31 March 2022 £'000	31 March 2021 £'000
Performance fees payable	**-**	2,294
	-	2,294

As a result of the Board terminating the investment management contract with GHAM, a performance fee of £2,772k became payable on 11 October 2021 (2021: £2,294k). This was subsequently paid in November 2021 (2021: August 2021).

12 Issued capital

	31 March 2022 £'000	31 March 2021 £'000
Called up, allotted and fully paid:		
2,541,046 (2021: 3,480,884) Ordinary Shares of 50 pence (2021: 50 pence)	**1,271**	1,741
2,000,000 (2021: 2,000,000) D shares of 0.50 pence (2021: 0.50 pence)	**10**	10
	1,281	1,751

As at 31 March 2022, the total number of shares in issue were 2,541,046 (2021: 3,480,884).

During the year, the Company established a B Shares Scheme as defined in the circular to Shareholders dated 29 November 2021 to return £10,443k to Shareholders via an issue and redemption of B Shares.

Also during the year, 939,838 Shares were bought back at the Tender Price of 1,551.17 pence with a total cost of £14,578k.

The average share price of Rockwood Strategic Plc quoted Ordinary Shares in the year-ended 31 March 2022 was 1,491.90 pence. In the year, the share price reached a maximum of 1,710.70 pence and a minimum of 1334.71 pence. The closing share price on 31 March 2022 was 1,420.0 pence.

The Company's shares are listed on London's AIM market under reference RKW.

13 Financial instruments and financial risk management

The Company invests in quoted and unquoted companies in accordance with the investment policy. In addition to investments in smaller listed companies in the UK, the Company maintains liquidity balances in the form of cash held for follow-on financing and debtors and creditors that arise directly from its operations. As at 31 March 2022, £28.7 million of the Company's net assets were invested in quoted investments, £2.9 million in unquoted investments and £11.5 million in liquid balances (31 March 2021: £47.6 million in quoted investments, £6.3 million in unquoted investments and £1.7 million in liquidity).

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

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

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

Notes to the Financial Statements (continued)

13 Financial instruments and financial risk management (continued)

a) Market risk

i) Price risk

Market price risk arises from uncertainty about the future valuations of financial instruments held in accordance with the Company's investment objectives. These future valuations are determined by many factors but include the operational and financial performance of the underlying investee companies, as well as market perceptions of the future of the economy and its impact upon the economic environment in which these companies operate. This risk represents the potential loss that the Company might suffer through holding its investment portfolio in the face of market movements, which was a maximum of £31.6 million (2021: £53.9 million).

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

The Board's strategy in managing the market price risk is determined by the requirement to meet the Company's investment objective. Risk is mitigated to a limited extent by the fact that the Company holds investments in several companies. At 31 March 2022, the Company held interests in 9 companies (2021: 16 companies). The Directors monitor compliance with the investment policy, review and agree policies for managing this risk and monitor the overall level of risk on the investment portfolio on a regular basis.

Market price risk sensitivity

The Board considers that the value of investments in quoted equity instruments is ultimately sensitive to changes in quoted share prices. The value of investments in CLN, where the valuation methodology is to estimate the value of the conversion option of the instrument, is similarly linked to quoted share prices. The table below shows the impact on the return and net assets if there were to be a 25% (2021: 25%) movement in overall share prices.

As at 31 March 2022			+25%		-25%	
Security	Valuation basis	Fair value	Impact £'000	Impact per share (in pence)	Impact £'000	Impact per share (in pence)

Quoted investments	Latest share price	28,692	7,173	282.29	(7,173)	(282.29)

As at 31 March 2021			+25%		-25%	
Security	**Valuation basis**	**Fair value**	**Impact £'000**	**Impact per share (in pence)**	**Impact £'000**	**Impact per share (in pence)**
Quoted investments	Latest share price	47,565	11,891	341.62	(11,891)	(341.62)
Unquoted investments						
- Northbridge CLN	Bond issue amount + conversion right	2,430	328	9.42	(309)	(8.87)

The impact of a change of 25% (2021: 25%) has been selected as this is considered reasonable given the current level of volatility, observed both on a historical basis, and market expectations for future movement.

A sensitivity has not been performed for the other unquoted investments held by the Company, as there is no exposure to market price risk in the valuation methodology applied for these investments. Interest rates are less volatile than market prices; therefore, the company has deemed it inappropriate to consider a 25% upward or downward move in interest rates. Interest rates are determined by monetary policy and have been kept historically low due to quantitative easing and therefore we do not believe that interest rates will be as volatile as share prices.

ii) Currency risk

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

13 Financial instruments and financial risk management (continued)

a) Market risk (continued)

iii) Cash flow interest rate risk

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

b) Credit risk

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

The Company's maximum exposure to credit risk is:

	31 March 2022 £'000s	31 March 2021 £'000s
Loan stock investments	**2,917**	**6,323**
Cash and cash equivalents	**10,507**	**1,605**
Trade and other receivables	**1,019**	**99**
	14,443	**8,027**

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

The Company's cash balances at 31 March 2022 and 2021 were held in institutions currently rated A or better by Fitch. Given these ratings, the Company does not expect any counterparty to fail to meet its obligations and therefore, no allowance for impairment is made for bank deposits.

c) Liquidity risk

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

14 Capital disclosures

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

The capital subscribed to the Company has been managed in accordance with the Company's objectives. The available capital at 31 March 2022 is £41.0 million (31 March 2021: £52.7 million) as shown in the statement of financial position, which includes the Company's share capital and reserves.

The total amount of revenue reserve for the year is £15,320 million (2021: £26,969 million) which is fully distributable and can be utilised for any future dividends.

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

15 Related party transactions

The related parties of Rockwood Strategic Plc are its Directors, persons connected with its Directors, its previous Investment Manager, Gresham House Asset Management (GHAM), former significant shareholder, Gresham House Plc (Gresham), and its new Investment Manager and significant shareholder Harwood Capital LLP (Harwood). Gresham sold its entire c23.7% interest in March 2022 to a number of institutional investors, including Harwood, making Harwood a significant shareholder.

During the year to 31 March 2022, Rockwood Strategic Plc was charged management fees of £593k (2021: £832k) and performance fee of £2,772k (2021: £2,294k) by Gresham House Asset Management.

Notes to the Financial Statements (continued)

15 Related party transactions (continued)

The total payable to GHAM is as follows:

Particulars	**As at 31 March 2022**	As at 31 March 2021
Performance fee (includes VAT)	**nil**	£2.29 million
Management fee	**nil**	£0.08 million
Other miscellaneous	**nil**	£0.01 million
Total	**nil**	£2.38 million

The company has terminated the Investment Management Agreement with Gresham House Asset Management Ltd (GHAM) on 11 October 2021. As a result of termination of this agreement by the Board, no performance fee is payable (31 March 2021: £2,294k).

Harwood Capital LLP, as investment manager, waived its entitlement to both management and performance fees, amounting to £127k (ex. VAT) for the period from their appointment as Investment Management from 11th October 2021 to 15th December 2021 when a wind down resolution passed enacting an amended deed.

No fees were payable to the Investment Manager from this date until the investment policy resolution was passed post year end enacting an amended deed.

As at 31 March 2022, the following shareholders of the Company that are related to Harwood and GHAM had the following interests in the issued shares of the Company as follows:

	As at 31 March 2022	As at 31 March 2021
A L Dalwood	21,947 Ordinary Shares	31,183 Ordinary Shares
G Bird	17,462 Ordinary Shares	22,651 Ordinary Shares
Gresham House Holdings Ltd	nil	812,913 Ordinary Shares
Harwood Holdco Limited	734,000 Ordinary Shares	nil
R Staveley	25,689 Ordinary Shares	7,689 Ordinary Shares

The Company signed a co-investment agreement with SPE Fund LP, a sister fund to the Company launched by Gresham House Asset Management Ltd (GHAM) on 15 August 2016. Under the agreement, the Company undertook to co-invest £7.5 million with the SPE Fund LP. This agreement ended after the Investment Agreement with GHAM was terminated by the Board during the year.

The Company agreed to dispose of an investment in Hanover Co-Invest S.C.A. SICAV-RAIF Sub-Fund 1 that was made in mid-2021, to Gresham or its nominees during the year. This investment was acquired by the Company for £855,586 and Gresham agreed to acquire it for the same.

On 1 October 2020, as disclosed in Note 8 of last year's Annual Report, the investment in Hanover Equity Partners II LP was disposed for £214,566 (the current book value at the time of the transfer, therefore at no gain, no loss). This was to the Gresham House Strategic Equity Fund LP, a related party to the former Investment Manager, Gresham House Asset Management Ltd.

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

Graham Bird, through a Company he is a Director, received payments during the period of £277,951 due to historic carry fee arrangements, accrued when previously fund manager to GHS Plc from Gresham House Plc, which were directly linked to the performance fees paid by the Company to Gresham House Asset Management under the IMA. These arrangements were between Gresham House Plc and Graham Bird and not the Company.

During the year, the Company disposed of its entire holding of 7,044,018 shares in Fulcrum Utility Services Ltd at 12 pence per share through a placing to Harwood Capital LLP.

There are no other related party transactions of which we are aware in the year ended 31 March 2022.

16 Subsequent events note

Proposal for change of investment strategy, adoption of new investment policy and Notice of General Meeting

The Board convened a General Meeting on 25 April 2022 for Shareholders to vote on a proposal by way of an ordinary resolution (the resolution) to change its investment strategy from its realisation strategy to instead enable the Company to continue as a going concern and to make new investments (the Proposal).

The Proposal was approved by Shareholders and the new investment strategy will be overseen by the Company's current investment manager, Harwood Capital LLP.

With effect from the passing of the Resolution, Harwood will receive the following:

Investment Management Fees:
A monthly management fee of £10,000 (inclusive of VAT, if any) until the company's NAV equals £60 million or higher (NAV threshold).
Once the NAV Threshold has been met, Harwood will be entitled to a management fee of 1/12th of an amount equal to 1 per cent. of the Net Asset Value before deduction of that month's Investment Management Fee and before deduction of any accrued Performance Fees.

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

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

Change of Name

Following the change of investment policy, the Company proceeded to change its name to Rockwood Strategic plc on 4 May 2022.

END

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