Castelnau Group Limited
Annual Report and Audited Consolidated Financial Statements 2022

LEI: 213800PED8RFUBMK1T64
(Classified Regulated Information, under DTR 6 Annex 1 section 1.1)

The Company has today, in accordance with DTR 6.3.5, released its Annual Report and Audited Financial Statements for the year ended 31 December 2022. The Report will shortly be available from the Company's website: https://www.castelnaugroup.com

Summary Information

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

This Annual Report and Audited Consolidated Financial Statements (the "Financial Statements" or the "Consolidated Financial Statements") comprise the Financial Statements of Castelnau Group Limited and Castelnau Group Services Limited (incorporated on 14 June 2022).

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

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

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

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

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

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

The constituents of local indices, the weightings of investments in these indices and the volatility of the indices relative to the Group will not affect investment decisions. It is anticipated that agnosticism towards local indices will help focus research efforts, decision making and ultimately investment performance. The Group may invest directly or through special purpose vehicles if considered appropriate.

Shareholder Information
The total number of Ordinary Shares in the Group in issue immediately following Admission was 177,552,719. The existing clients of Phoenix Asset Management Partners Ltd (the "Investment Manager" or "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%. As at 31 December 2022, the number of Ordinary Shares in issue was 183,996,059 (31 December 2021:

183,996,059).

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

The Group's loss before tax for the year amounted to £34,091,196 (31 December 2021: £11,989,976).

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

	Year ended 31 December 2022	**Year ended 31 December 2021**	**Change/return**
	pence	**pence**	**%**
NAV per Ordinary Share*	75.02	93.55	(19.81)
Ordinary Share price	69.00	105.50	(34.60)
Benchmark return			0.30

The Ongoing Charge Ratio was as follows:

	Year ended 31 December 2022	**Year ended 31 December 2021**
	%	**%**
Ongoing charge ratio*	0.52	0.32

* These are Alternative Performance Measures ("APMs")

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

Discount/premium to NAV
The discount/premium of the Ordinary Share price to NAV per Ordinary Share is closely monitored by the Board. The Ordinary Share price closed at an 8.02% discount to the NAV per Ordinary Share as at 31 December 2022 (31 December 2021: premium of 12.77%).

Fees
The Investment Management Agreement with Phoenix Asset Management Partners Ltd ("PAMP") creates significant Shareholder alignment, as PAMP does not earn a management fee but earns a performance fee only, which is paid in shares, and not in cash. The Company's performance is measured over consecutive periods of not less than three years (each a "Performance Period") and is equal to one-third of the relative outperformance to the FTSE All Share Total Return Index. The first Performance Period will run from Initial Admission to 31 December 2024. No performance fees have been earned to date.

Dividend
No dividend is being issued for the period.

Chair's Statement

Performance Review
This report covers a twelve-month period from 1 January 2022 to 31 December 2022.

The total number of Ordinary Shares in the Company at the period end date was 183,996,059.

The NAV total return for the year ended 31 December 2022, was -19.81%, and the share price return was -34.6%, versus the benchmark FTSE All Share Total Return Index of +0.3%, that's a -20.1% relative underperformance of the NAV.

The main contributors to the underperformance were Dignity Plc, Phoenix S.G. Ltd and Hornby Plc. Dignity Plc represents 31.2% of the portfolio and had a -29.7% price movement. Hornby Plc. represents 19.1% of the portfolio and had a -31.3% price movement. Additional commentary around the underperformance on both stocks can be found further down in the Investment Managers report.

Reflective of the changing business and wider economic environment, the discount rate used for valuing our privately held investments was also increased, in line with the wider market.

	31 December 2022	**31 December 2021**
Cambium International Ltd. - Core business	12.5%	12.5%
Cambium International Ltd. - *Little List business	25%	N/A
Phoenix S.G. Ltd	12%	15%
Rawnet Ltd.	15%	15%

**Little List is a new strategy*

The CGL share price predominantly traded at a premium to NAV throughout the period. The Board, along with Liberum Capital Limited (the "Advisers") and the Investment Manager, monitor the premium or discount on an ongoing basis.

Whilst we are naturally disappointed with the NAV total return and the share price return, this is a long-term investment and it is still early days for the Company. We continue to have confidence in the strategic actions taken by the Investment Manager and look forward to seeing this reflected in the NAV total return and the share price return over time.

Outlook
Although while the short-term performance is disappointing, the outlook for the future is very promising. New CEOs were hired by three of the businesses in 2022: Dignity Plc, Hornby Plc and Stanley Gibbons Plc. The Castelnau team at Phoenix were heavily involved in the recruitment process and hiring these individuals is a fundamental step forward for all three businesses.

2022 was a year of high activity between the Castelnau team at Phoenix and the management teams of the portfolio companies. Much foundational work is going on behind the scenes to offer support and practical help with business strategy, capital allocation, leadership, and culture.

The announcement of the offer to acquire Dignity Plc. is of great significance to the future success of the Company. The partnership with SPWOne and the industry expertise Sir Peter Wood and his team bring to the table are key components in Dignity's transformation. We are very excited by this proposition and the future value creation from this investment. It is sure to keep everyone very busy over the next 12 months.

Documents relating to this transaction can be found here; https://www.castelnaugroup.com/investor-relations/Offer-for-Dignity-Plc

Significant opportunities lie ahead for Castelnau Group. We have a clear vision and strategy for growth and believe that we are well-positioned going into 2023. We remain committed to delivering value to our shareholders, and are confident that the outlook for the Company is very promising.

If you would like to get in touch directly with the Chair of the Board; Joanne Peacegood; please email chair@castelnaugroup.com.

Joanne Peacegood
Chair

3 April 2023

Holdings as at 31 December 2022

Company	Sector	Holding	Cost	Valuation	% of net assets 31 Dec 2022		% of net assets 31 Dec 2021
Dignity plc	Specialised Consumer Services – Equity	10,361,149	70,675,707	42,998,768	31.2%	*	35.2%
Hornby plc	Leisure Products – Equity	92,337,876	39,050,634	26,316,295	19.1%	*	22.0%
Cambium International Ltd**	Specialised Consumer Services – Equity	19,274	22,619,471	20,486,698	14.8%		2.3%
Phoenix S. G. Ltd	Speciality Retail – Equity	9,522	22,974,303	19,178,302	13.9%		10.5%
Rawnet Ltd	IT Services - Equity	284,173	2,750,000	6,600,000	4.8%		3.5%
Silverwood Brands Ltd	Specialised Consumer Services – Loan	5,900,000	5,900,000	5,900,000	4.3%	*	-
Ocula Technologies Holdings Ltd	IT Services – Equity	9,326	700,367	4,925,247	3.6%		0.0%
Showpiece Technologies Ltd	Internet Retail – Loan	2,700,000	2,700,000	2,700,000	2.0%		0.4%
Silverwood Brands plc	Specialised Consumer Services – Equity	2,285,715	1,600,001	2,171,429	1.6%	*	-
Rawnet Ltd	IT Services – Loan	860,632	860,632	860,632	0.6%		0.6%
Cambium International Ltd	Specialised Consumer Services – Loan	500,000	500,000	500,000	0.4%		-
Ocula Technologies Holdings Ltd	IT Services – Loan	3,000,000	3,000,000	-	0.0%		0.9%
Showpiece Technologies Ltd	Internet Retail – Equity	8,000	8,000	8,000	0.0%		0.0%
Total Holdings				**132,645,371**	**96.1%**		**75.4%**
Net current assets				5,387,329	3.9%		24.6%
Net assets				**138,032,700**	**100.0%**		**100.0%**

Portfolio Analysis
*56.2% of total net assets were listed companies with 51.9% in equity and 4.3% in loans. 40.1% were unlisted companies with 37.1% in equity and 3% in loans. All companies are UK businesses.
** On 30 September 2022, WLS International Ltd changed its name to Cambium International Ltd.

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

Investment Manager's Report

The NAV relative to the ASX index for the period was -20.2%. Although the performance is disappointing, it has been a challenging year for our industry. We have continued to look for opportunities to create long term value for shareholders.

Castelnau Group Track Record

Performance	Nav return	Share price total return **	All share index**	Relative NAV to ASX
	%	%	%	%
2022 (to 31 December)	(19.8)	(34.6)	0.3	(20.2)
2021*	(6.5)	5.5	2.5	(9.0)
Cumulative*	(25.0)	(31.0)	2.8	27.8

* From 18 October 2021
** Share price return with dividends reinvested; All Share index returns with dividends reinvested. Past performance is not a reliable indicator of future performance.

Source Bloomberg, Phoenix Asset Management Partners Limited.

The table below reports the portfolio position and share price/valuation movements between 31 December 2022 and 31 December 2021:

Asset 2022	Net Asset Value Table £million		Portfolio Weight %		Share Price/ valuation moves
	2022	**2021**	**2022**	**2021**	**2022**
Dignity	43	60.5	31.2%	35.2%	-29.7%
Hornby	26.3	37.9	19.1%	22.0%	-31.3%
Cambium Group	20.5	4.0	14.8%	2.3%	-1.5%
Phoenix Stanely Gibbons	19.2	18.2	13.9%	10.5%	-15.6%
Rawnet	6.6	6.1	4.8%	3.5%	9.1%
Ocula	0.9	0.0	3.6%	0.0%	33.1%
Silverwood	2.2	0.0	1.6%	0.0%	13.6%
Showpiece	0.01	0.0	0.01%	0.0%	0.00%

Since the launch of CGL on the 18 October 2021, the portfolio has remained relatively unchanged. The only additional investment was made in Silverwood Brands plc ("Silverwood") for 0.7 GBP per share, where the equity position represents 1.6% of the total NAV and the loan position less than 5%. Additional information on this investment can be found later in this report.

In addition to the investment in Silverwood mentioned above, the Company topped up its position in The Cambium Group by £15.7 million and in Ocula by £0.7 million. The Cambium Group capital raise allowed the company to clear its debt taken out to survive the Covid pandemic, provide funds for a new Baby List business, a stake in Hostology (an events software management business) and for further investment in the business. In December 2022, the Company valued the original loan of £3 million to Ocula Technologies at £nil. Post year end the loan was written off. This facilitated Ocula securing Lloyds as their first external shareholder, which is a significant step forward for Ocula. Less than two years since its formation, it values Ocula on a post new money basis of £10 million. The initial loan from the Company was in effect equity-like and post the Lloyds investment the Company owns 49% for a total investment of £3.7 million.

The additional investment in Ocula enabled the Company to secure external investors as part of a funding round that started in the summer of last year. This has proven very fruitful and we are glad to report that on the 6 March 2023, Ocula confirmed that it has received new investment from Lloyds Banking Group and their Fintech Investment Team. Lloyds Banking Group's investment is in the form of new equity capital and completes the funding round previously announced in November 2022.

The Group considers both qualitative and quantitative factors when determining whether an asset may be impaired. The Group considered the following indications of impairment across the corporate loans outstanding at year end:

– default or delinquency by a debtor;
– restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
– indications that a debtor or issuer will enter bankruptcy;
– adverse changes in the payment status of borrowers; or
– observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

The Group considers a broad 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.

There have been no historical credit losses on the corporate loans issued by the Group. The Group has assessed the credit risk of the loans and has concluded that they have not deteriorated significantly in credit quality since initial recognition.

The NAV per share for the year decreased by 19.81% and underperformed the benchmark which was up 0.3%. The main contributors to the underperformance in the year were Dignity Plc, (31.2% of the total portfolio), Phoenix SG Ltd (13.9% of the total portfolio) and Hornby Plc (19.1% of the portfolio).

Dignity Plc

During the course of the year, Dignity continued to implement the new strategy as set out in the company's 2021 annual report. The company is going through significant transformation in operations, culture, customer acquisition and proposition, and capital structure. These included becoming fully FCA regulated, a marked change in its pricing strategy and staff shortages particularly through the middle and latter part of the year. As part of the new strategy, the company experienced a significant amount of operational change which impacted its profitability. Following the end of the year, Castelnau was part of a consortium, alongside PAMP and SPWOne, an entity controlled by Sir Peter Wood, which made a bid for Dignity. Details below:

On the 1 of February, the Company announced publication of a prospectus outlining the details of the bid for Dignity. Gary Channon, CIO of Phoenix Asset Management Partners Ltd commented as follows: "Buying Dignity is a game changer for Castelnau. It brings together all the best of what Castelnau is about in a transaction that will change our scale and add considerably to upside value. We expect great things of this partnership with Sir Peter Wood and his team, and today's announced capital raise will allow existing and new investors to participate in it."

Details from the prospectus can be found below. Articles relating to the deal can be found here on the Company's website: https://www.castelnaugroup.com/investor-relations/Offer-for-Dignity-Plc

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

Further to the Announcement, Castelnau has today published a prospectus (the "Prospectus") containing details of:

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

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

The subsequent Placing Programme allows the Company to issue up to a further 300 million Ordinary Shares and/or C Shares (together the "Shares"), in aggregate, in the twelve months from the date of the Prospectus".

Hornby Plc

With the help of Castelnau, Hornby have now appointed a new CEO, Olly Raeburn, who joined the group on 23 January 2023. Much of the foundational work has been put in place at Hornby over the last few years and we believe that Olly's experience in marketing, customer communication and strategy is ideally suited to take Hornby forward.

Hornby released a half yearly trading statement (March 2022 - September 2022) on 24 of November 2022 where it reported group revenue for the six months to September 2022 of £22.4 million which was 3% higher than the prior year (2021: £21.8 million). The gross margin for the period was 48% (2021: 46%), a slight increase reflecting the product/channel mix in the first half of 2022 compared to prior year. The operating loss before exceptional costs (including IFRS 16) for the six months to September 2022 was £2.6 million compared to a loss of £0.3 million for the same period last year. This is due to the continued high cost of shipping containers, increased overheads as mentioned above and a non-cash share-based payment of £0.5 million. Hornby Group loss before tax was £2.9 million (2021: loss of £0.7 million). The basic loss per share was 1.29p (2021: loss per share of 0.45p).

Direct sales via Hornby's websites during the half-year ended 30 September 2022 were 54% higher than those achieved in the prior year.

We believe that the long-term potential of both of these businesses is as strong as ever and the actions that have been taken over the past twelve months have improved the likelihood that this potential will be realised.

Phoenix SG Ltd

The investment was down 15.6% in the period. The Group's trading performance and operations have slowly improved since the COVID-19 pandemic as a result of the increased mobility and effective sales effort. As of March 2022, the revenue of the Group was up by 22% year-on-year, with a decreased total loss of £1.7 million for the financial period ending 2022.

Philatelic and numismatic sales were lower than expected for the year. This was exacerbated in philately by higher than anticipated sales of old Great Britain stock at lower margins. In publications, the magazines, album & accessories margins were ahead of budget but cancelled out by the lower margins achieved on catalogues. Overheads increased due to unbudgeted legal costs around the pension negotiations.

The shares of Stanley Gibbons PLC were delisted in September 2022, the same month which saw the arrival of the new CEO, Tom Pickford. Tom is currently working on a new vision and strategy for the group. In the short term, he believes there is a great opportunity in auctions. The company is actively pursuing this opportunity with the hire of a Head of Auctions, who started in March 2023.

Silverwood

Silverwood was founded in 2021 by experienced consumer entrepreneurs Andrew Tone and Andrew Gerrie and is listed on the AQSE exchange. It is an investment vehicle focusing primarily on the beauty sector, an industry in which both founders have considerable experience.

To date, Silverwood has made investments into five different businesses with a controlling interest in three of those. Find out more about the brands here: https://www.silverwoodbrands.com/

The Group aims to assist the Silverwood team achieve their long-term goals through giving access to a broader network of expertise and the decades of experience in effective capital allocation.

Rawnet

Rawnet is headquartered in Ascot, Berkshire, and was founded over 20 years ago by its current CEO Adam Smyth and has grown into a business comprising 70 digital marketing professionals. Rawnet's core competency is in digital strategy and digital services design. Rawnet was acquired by Castelnau in 2021 and continues to balance the service provision for internal Castelnau group businesses alongside that of legacy and new external clients.

Rawnet's external client roster includes some top-tier UK and International businesses, and the company is enjoying increasing recurring revenue streams which reflects its increased value-add and strategic importance to its those customers.

Showpiece

The way people are collecting is changing, and Showpiece will tap into this dynamic by offering a digital collectable experience where customers have beneficial ownership of the underlying item.

The first item made available was the One Cent Magenta stamp. In 2022, three further items were made available on the platform. A curation of only the most extraordinary items will differentiate the Showpiece offering.

With Stanley Gibbons' purchase of the world's most valuable stamp, the British Guiana One Cent Magenta, Showpiece has access to an extraordinary seed item that can generate significant public interest. The Stanley Gibbons brand also adds credibility to the Showpiece product.

Having been established in 2021, this year has primarily been about building for the future while also releasing three additional items onto the platform. This building of capability has revolved around bringing the majority of our tech development capability in house as well as strengthening our marketing and customer services capability. The rationale behind this being in preparation for more aggressive growth in the coming months and years. The primary driver of this being a planned increase in the number of items being made available on the platform. In addition, the plan involves further development of the model to incorporate a larger number of third-party items. In practice, growth has been slightly slower than we had hoped with the main barrier being a difficulty in sourcing the right types of items at values we have been happy with.

Castelnau Group Ltd ("CGL") owns an 80% equity stake in Showpiece Technologies Limited, the remaining 20% is owned by Stanley Gibbons Plc. CGL owns 63% of Stanley Gibbons Plc and Phoenix Asset Management in total own 80% of Stanley Gibbons Plc across numerous funds.

CGL currently values the equity portion of its stake in Showpiece at cost or 8,000 shares at £1per share and the £2.7mn loan at par. The fair value of the investment we believe is the value of our total investment in the company to date, or £2.7million as of December 2022.

Cambium

2022 experienced a strong rebound having been significantly impacted by the Covid-19 pandemic that saw countrywide lockdowns with only the return to more typical full-size weddings, that did not restrict number of guests attending, not happening till the end of June 2021. All brands now operate out of the one warehouse and whilst there were supplier issues because of Covid that impacted deliveries to couples, these have now been resolved and The Wedding Shop and Wedding Present Company are back to 5-star Trustpilot scores.

For the whole year pledge revenue was up 60% on 2019. The post-COVID bulge in wedding activity has subsided and the Directors expect the industry to return to more normal levels. The business continues to be optimised with a new management structure and cost base.

In June 2022 £16 million was raised in a Rights Issue that was used to repay the £8.0 million financing facility plus interest accrued with the Phoenix UK Fund as well as to secure investment for two other ventures. The first was the purchase of Hostology, an online portal for wedding venues. The second is for the development of a baby list offering named "Little List". Little List soft launched in February 2023

A £5.5 million loan facility extension was made available in March 2023 by the Castelnau Group for development in the business and producing Rock My Wedding 3.0.

Graham Shircore
Partner, Phoenix Asset Management Partners Ltd.

3 April 2023

Statement from the CIO of the Investment Manager

Dear Shareholders,

This report concludes our first full year (as a listed company) and coincides with the aforementioned bid for Dignity, which we deal with in some detail in the latest Castelnau Group quarterly report. For consistency and clarity, we have replicated the relevant section from the report below:

"Buying control of Dignity plc is a game changer for Castelnau Group in so many ways. It brings together all the best of what Castelnau is about in a transaction that will change our scale and add considerably to upside value.

The NAV of Castelnau Group fell 20% in 2022 (from 94p to 75p) despite the cheapness of the starting assets. That was caused by a fall in the share prices of our listed holdings and an adjustment in the valuation of our private holdings. Because the public market prices declined and interest rates rose, the discount rate used to value our private company holdings was increased by around 5%, e.g. where it was 15% it was increased to 20%. Intrinsic value did not decline.

Using our estimates of intrinsic value, Castelnau Group shares are worth considerably more after the Dignity bid than before. We would like to be able to share those intrinsic value calculations with you, but as Castelnau is a bidder for Dignity, offering its shares as an alternative to cash, then we are not permitted to do that under the rules laid out by the Takeover Panel. We will do it when the bid process is over, as we do in Phoenix.

The impact of this transaction will be to increase the proportion of the fund held in Dignity to over 60% and it will represent around 75% to 80% of the intrinsic value. Given the enormity of that, we will focus on Dignity in this report.

Suggesting that we have the potential to transform your £1s into multiples of that, and do it in a fairly short time frame, 3 to 5 years, is a bold and seemingly overconfident assertion that requires proper explanation. Even those who know the Dignity story well and understand the value potential will want to know how inside Castelnau that will translate into observable and realisable gains. We aim to cover all of that.

The rules that we are constrained by in our communication with you right now (from the Takeover Panel regarding the bid and the FCA regarding the placement) stop us just laying out what we see those values being, but we will do our best within the rules to convey the significance of this to you. We are partially helped by using the presentation at the 2021 Dignity AGM by the CEO who at that time was Gary Channon. Gary is also the CIO of Phoenix. In that presentation he used a Phoenix style methodology to talk about the potential intrinsic value of Dignity should the strategy be successfully executed.

This divergence in the current valuation versus the potential intrinsic value (as referred to above) came about because of a confluence of factors including delays in executing the strategy, staff shortages, a rise in input price inflation, especially employees and energy, and the slow pace of the capital restructuring work. Taken together, these put strains on Dignity's current financial position which can be seen in its published results. That difference between share price and potential intrinsic value reflected the market's scepticism about the likely success of the strategy and perhaps a concern that it would need more capital to get there.

The value creating formula at Dignity though can be summarised in this way. The business has high operational gearing and so growth translates into profits at a high marginal level, meaning that modest growth causes big gains in profits. The best way to grow is to earn the right by being the best and drawing attention to that. Gaining customers starts with funeral plans which feed into funerals and growing funerals grows activity at the crematoria. Dignity is being positioned to earn and deliver that growth.

Gaining control allows us to do a number of things which we believe change the probability of success very materially. Operating with control and partnering with Sir Peter Wood and his team allows us to speed up strategy execution and bring more resource to assist the Dignity executive team. There is a lot being changed at Dignity which would challenge the bandwidth of any executive team.

We have a clear vision and a detailed plan for Dignity which, if successfully executed, increases the value into the range from that AGM presentation.

Execution, i.e., the ability to get things done, is an underappreciated differentiator in business. At Castelnau we use a system in all our businesses called OKRs (Objectives and Key Results) which John Doerr taught famously to Google and wrote about in his excellent book, Measure What Matters. He learned it at the foot of a true master of high-performance management, Andy Grove of Intel who is considered by some to be the best CEO of all time. He shared with Doerr what he considers to be the single most important lesson of his career. He said, "John, it almost doesn't matter what you know…it's execution that matters most."

The transformation of Dignity, from a group in terminal decline and losing share in all its activities, into the UK's leading end of life business, growing share on the basis of merit by offering the best proposition to the communities it serves, is well underway. It is worth putting what has happened so far into perspective.

A top-down hierarchical organisation arranged into divisional silos has been inverted, those silos abolished and rearranged into around 180 separate local businesses. Almost all of the most senior leadership from 2019 has left, around 300 middle management roles have been abolished and every one of those new local businesses has run a process to appoint a new business leader. Those business leaders are empowered to serve families and build successful funeral and crematoria businesses in their area. That process took longer than initially forecast but is now done and it is no surprise that it was disruptive.

When your aim is to make a very significant change to an entrenched organisational culture, then it is thought best to start by dramatically smashing up what went before. We have certainly done that. At the same time, the company has laid out the Company Principles that define what the new culture will be. The work now is to teach, embed, train, recruit and retain for that new culture. The Company Principles focus the group on serving families, the ultimate customers of the group, and doing it in way that empowers those closest to them."

Read the rest of the report here:
https://www.castelnaugroup.com/application/files/8516/7568/4497/Castelnau_Group_Ltd_Q4_2022.pdf

Summary:
We expect to see growing sales and improving profitability across all four of our core businesses in the coming years. They all serve large markets and have big opportunities to expand their businesses further. With all the leadership teams

now in place, the focus of Castelnau can shift to a greater extent towards helping those teams plan and execute their growth strategies.

Our two enabling businesses Rawnet and Ocula are also growing, both in terms of their impact on our portfolio businesses and with third party clients.

2022 was a formative year for Castelnau, including within our own team. A huge amount has been done but you may rightly conclude that not much seemed to happen in what really counts, which is growth in value at a per share level. We believe that we have put in place the conditions for that value to start coming through and, if successful, achieving a controlling interest in Dignity has the potential to be transformational.

We will update you openly and honestly whatever path it takes but we have never been more excited about the future. We believe that we can continue to find businesses where we can add materially to their value by applying our resources and expertise. If we succeed, you will hold a portfolio of great companies compounding your value into the future, those currently in the portfolio being joined occasionally by new candidates provided that we have the bandwidth to handle them.

Gary Channon
CIO, Phoenix Asset Management Partners Ltd.
3 April 2023

Board Members

Biographical details of the Directors are as follows:

Joanne Peacegood (aged 45) (Independent Chair)
Joanne has over 24 years of experience in the financial services/asset management sector. Joanne is a Non-Executive Director with a portfolio of clients including Financial Services and Operating Businesses. Joanne's portfolio includes Listed, Private Equity, Debt, Utilities, Renewables, Hedge, Real Estate and Asset Managers. Prior to becoming a non-executive director, Joanne worked for PwC in the Channel Islands, UK and Canada and held leadership roles in Audit, Controls Assurance, Risk & Quality and Innovation & Technology.

Joanne is an FCA with the ICAEW, graduating with an honours degree in Accounting and holds the IOD Diploma. Joanne is the Chair of the Guernsey Investment & Fund Association Executive 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 (aged 49) (Independent Non-Executive Director)
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 almost 30 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 (aged 52) (Independent Non-Executive Director)
Joanna has over 30 years' experience working in the finance industry in Guernsey. Joanna is currently the 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.

David Stevenson (aged 56) (Non-Independent Non-Executive Director)
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

Lorraine Smyth (aged 40) (Non-Independent Non-Executive Director)
Lorraine resigned from the Board on 15 December 2022. She 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 represented the Investment Manager on the boards of the Group and Rawnet. Lorraine holds a Bachelor (Hons) degree in Economics, from University College Dublin. On 14 June 2022, she was appointed as director of Castelnau Group Services Limited (the "Subsidiary").

Graham Shircore (aged 41) (Non-Independent Non-Executive Director)
Graham was appointed to the Board on 15 December 2022. He graduated from Bath University with a BSc (Hons.) degree in Business Administration. During his time at university, he completed internships with Fidelity, Principal Investment Management and Motorola Finance as well as passing the IMC exam.

In 2005, he joined Aviva Investors on the graduate scheme, and then became a UK Equity Analyst. Having passed all three levels of the CFA exam, he became a UK Equity Fund Manager in 2008 and later also managed European funds before joining Rothschild Wealth Management in 2013 as a Senior Equity Analyst. There he helped shape and implement the equity research process, investing on a geographically unconstrained basis.

Graham is a non-executive director of Stanley Gibbons having formerly acted as Chief Executive Officer and a non-executive director of Showpiece Technologies Ltd. He is also a non-executive director of Castelnau Group.

Directors' Report

The Directors present their Annual Report and Audited Consolidated Financial Statements for the year ended 31 December 2022.

Acquisition of the Subsidiary
On 14 June 2022, Castelnau Group Limited purchased 50,000 ordinary shares, 100% holding in Castelnau Group Services Limited (the "Subsidiary" or "CGSL"), a UK company. CGSL was set up to employ people with particular skillsets required within the Group. Key skillsets have been acquired within CGSL to help develop, transform and create value within the Portfolio Companies. Employees are deployed to the Portfolio Companies as and when required. In the short term, this is a marketing strategist and a skilled branding person. Both employees are deployed to Dignity Plc for the next 12-18 months to work on developing the branding and marketing strategy for over 250 funeral businesses.

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

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

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

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

Going Concern
The Directors believe that, having considered the Group's investment objective (see above), financial risk management (see note 2 to the Financial Statements), principal risks and in view of the Group's holdings in cash and cash equivalents, the liquidity of investments and the income deriving from those investments, the 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 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")
PAMP has been investing in UK listed equities for 24 years using a "value investing" approach to buy high-quality businesses at attractive prices. PAMP has delivered excellent long-term investment returns since being set up by Gary Channon in 1998. PAMP also manage the Aurora Investment Trust Plc and the Huginn Fund. Shareholders can view the historic track record of the Phoenix UK Fund here: https://www.phoenixassetmanagement.com/performance/

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

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

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

The Investment Management Agreement dated 23 September 2021 between the Company and the Investment Manager, pursuant to which the Investment Manager is appointed to act as the Company's alternative investment fund manager for the purposes of the UK AIFM Regime, and accordingly the Investment Manager is responsible for providing portfolio management and risk management services to the Company, subject to the overall control and 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).

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

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

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.

Control of the Level of Ongoing Charges

The Board monitors the Group's operating costs carefully. Based on the Group's average net assets for the year ended 31 December 2022, the Group's ongoing charges figure calculated in accordance with the Association of Investment Companies (AIC) methodology was 0.52% (2021: 0.32%). The movement is down to a new licencing agreement between the Company and Ocula Technologies. For additional information on this agreement, refer to note 15 to the Financial Statements. As the size of the Group grows, the Board will manage expenses with the intention of keeping costs down and reducing the ongoing charge ratio accordingly.

Custodian and Depositary

Custody and Depositary services are provided by Northern Trust (Guernsey) Limited (the "Depositary"). The Depositary was appointed on 18 October 2021. The terms of the Depositary agreement allow the Depositary to receive professional fees for services rendered. The Depositary agreement includes custodian duties. For additional information, refer to note 14 to the Financial Statements.

Directors

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

Directors' and Other Interests

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

	31 December 2022 Number of ordinary shares	31 December 2022 % of issued share capital	31 December 2021 Number of ordinary shares	31 December 2021 % of issued share capital
Joanne Peacegood	10,000	0.01%	10,000	0.01%
Andrew Whittaker	40,000	0.02%	40,000	0.02%
Joanna Duquemin Nicolle	75,000	0.04%	75,000	0.04%
David Stevenson	-	-	-	-
Lorraine Smyth*	-	-	-	-
Graham Shircore**	-	-	-	-

* Resigned on 15 December 2022.
** Appointed on 15 December 2022.

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, indicates how the Company has complied with the principles of good governance of the UK Code and its requirements on Internal Control.

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

The AIC Code is available on the AIC's website, www.theaic.co.uk. 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 Group has complied with the recommendations of the AIC Code and thus the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

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

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

Whilst the Group will seek to comply with the AIC Code as far as practicable, it is likely that it will not be able to 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 Group. 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 Group 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 Group's governing body and has overall responsibility for maximising the Group's success by directing and supervising the affairs of the business and meeting the appropriate interests of Shareholders and relevant stakeholders, while enhancing the value of the Group and also ensuring protection of investors. A summary of the Board's responsibilities is as follows:

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

The Board's responsibilities for the Annual Report and Audited Consolidated Financial Statements are set out in the Statement of Directors' Responsibilities. Biographies for all the Directors can be found in the Board Members section.

The Board consists of five non-executive Directors all of whom have diverse skillsets and experience. Three of the five directors are considered to be independent of the Investment Manager and as prescribed by the Listing Rules. The Board does not consider it appropriate to appoint a Senior Independent Director because the majority of the Directors are deemed to be independent of the Group. The Board considers that it has the appropriate balance of diverse skills and experience, independence and knowledge of the Group and the wider sector, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making.

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

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

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

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

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

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

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

Directors' Attendance at Meetings

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

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

The Audit Committee now meets five times 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 Group 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 Group's assets and liabilities and all other significant matters so as to ensure that the Directors maintain overall control and supervision of the Group's affairs.

Appointment and Retirement of Directors

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

Board Performance and Training

On appointment to the Board, Directors will be offered relevant training and induction. Training is an ongoing matter as is discussion on the overall strategy of the Group. The Board will undertake an annual Board Evaluation of performance. This exercise was completed in February 2022 and in March 2023. 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 Group'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. The Board comprises diverse skillset and knowledge that is appropriate for an entity of this nature.

Board Committees and their Activities

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

Management Engagement Committee
In accordance with the AIC Code, the Group has established a Management Engagement Committee which is chaired by Joanna Duquemin Nicolle and includes Andrew Whittaker, Joanne Peacegood and David Stevenson. The Management Engagement Committee 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 Group's Audit Committee is chaired by Andrew Whittaker and includes Joanna Duquemin Nicolle and Joanne Peacegood. The Audit Committee will meet at least five times a year. The Board considers that the members of the Audit Committee have the requisite skills and sector experience to fulfil the responsibilities of the Audit Committee. The Audit Committee will examine the effectiveness of the Group's control systems and amongst other items, will review the half-yearly and annual reports and also request certain information from the Investment Manager and the Administrator. 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.

Remuneration Committee
The Group'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 Group'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 manner.

For each Director, the tables below set out the number of Board and Committee meetings they were entitled to attend during the year ended 31 December 2022 and the number of such meetings attended by each Director.

Scheduled Board Meetings	**Held**	**Attended**
Joanne Peacegood	4	4
Andrew Whittaker	4	4
David Stevenson	4	4
Joanna Duquemin Nicolle	4	4
Lorraine Smyth*	4	3
Graham Shircore**	1	1

Management Engagement Committee Meetings	Held	Attended
Joanne Peacegood	1	1
Andrew Whittaker	1	1
David Stevenson	1	1
Joanna Duquemin Nicolle	1	1

Audit Committee Meetings	Held	Attended
Joanne Peacegood	3	3
Andrew Whittaker	3	3
Joanna Duquemin Nicolle	3	3
Lorraine Smyth*	2	1

Remuneration Committee Meetings	Held	Attended
Joanne Peacegood	1	1
Andrew Whittaker	1	1
Joanna Duquemin Nicolle	1	1
David Stevenson	1	1
Lorraine Smyth*	1	1

Nomination Committee Meetings	Held	Attended
Joanne Peacegood	1	1
Andrew Whittaker	1	1
David Stevenson	1	1
Joanna Duquemin Nicolle	1	1
Lorraine Smyth*	1	1

Ad hoc Committee Meetings	Held	Attended
Joanne Peacegood	4	3
Andrew Whittaker	4	3
David Stevenson	4	3
Joanna Duquemin Nicolle	4	4
Lorraine Smyth*	3	1

No other sub-committee meetings were held during the year. The Audit Committee meetings will be held five times a year going forward.

* Resigned on 15 December 2022.
** Appointed on 15 December 2022.

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

Internal Controls
The Board is ultimately responsible for establishing and maintaining the Group's system of internal financial and operating control and for maintaining and reviewing its effectiveness. The Group's risk matrix continues to be the core element of the Group's risk management process in establishing the Group's system of internal financial and reporting control. The risk matrix is prepared and maintained by the Board which initially identifies the risks facing the Group and then collectively assesses the likelihood of each risk, the impact of those risks and the strength of the controls operating over

each risk. The system of internal financial and operating control is designed to manage rather than to eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

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

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

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

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

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

Procedure for Identifying Risks
The procedures in place to identify emerging or principal risks are described below.

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

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

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

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

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

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

Principal Risks and Uncertainties

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

Valuation of investments
The Group's investments had a total value of £132,645,371 as at 31 December 2022 (31 December 2021: £129,979,441). The portfolio represents a substantial portion of net assets of the Group. 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 2 and note 3 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 Group as at 31 December 2022 to be reasonable based on information provided by the Investment Manager, underlying portfolio companies, AIFM, Administrator, Custodian and Depositary on their processes for the valuation of these investments.

The Board reviewed the valuations policy and PAMP went through the valuation process/techniques with the Board around private assets investments. There has been no change to the valuation policy and the process remains the same which has also been confirmed with the Board. The Board are satisfied with the approach and the valuation policy and processes.

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

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

Market risk
As a result of investments in publicly traded Portfolio Companies, the Group will be exposed to equity securities price risk. The market value of the Group's holdings in publicly traded Portfolio Companies could be affected by a number of factors, including, but not limited to: a change in sentiment in the market regarding such companies; the market's appetite for specific business sectors; and the financial or operational performance of the publicly traded Portfolio Companies which may be driven by, amongst other things, the 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 Group invests from time to time could have a material adverse effect on the Group's financial condition, business, prospects and results of operations and, consequently, the Net Asset Value and/or the market price of the 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 Group may be illiquid and this may result in delays/shortfall of expected cash flows to the Group.

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

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

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

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

Furthermore, repeated failures by Portfolio Companies to achieve success may adversely affect the reputation of the Group or Investment Manager, which may make it more challenging for the Group and the Investment Manager to identify and exploit new opportunities and for other Portfolio Companies to raise additional capital, which may therefore have a material adverse effect on the portfolio and the Group's financial condition, results of operations and prospects, with a consequential adverse effect on the Net Asset Value and/or the market price of the 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 Group expects to hold a concentrated portfolio of investments and the Group will not seek to reduce concentration risk through diversification. The opportunity set will dictate the number of holdings and the weighting of investments in the Portfolio. The investments with the best return profiles will receive the largest weightings. The Group will therefore have no set diversification policies.

Other Risks and Uncertainties

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

Operational risk
The Group is exposed to the operational 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 Group'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. At the Management Engagement Committee on 15 December 2022, the Board undertook a thorough review of each service provider and agreed that their continued appointment remained appropriate and in the Group's long term interest. The Board's next review will be at the next annual Management Engagement Committee meeting.

Regulatory risk
Poor governance, compliance or administration, including particularly the risk of loss of investment trust status and the impact this may have on the Group was considered by the Board. Having been provided with assurance from each of the key service providers during the year ended 31 December 2022, the Board was satisfied that no such breach had occurred. The Board's next review will be at the next annual Management Engagement Committee meeting.

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

Environmental, Social and Governance ("ESG") matters

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

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

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

Viability Statement
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 Group's current position and principal risks and uncertainties combined with an assessment of the prospects of the Group in order to be able to state that they have a reasonable expectation that the Group 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 Group. Whilst the Board has no reason to believe that the Group 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 Group operates and the risks associated with the Group.

The Group's prospects are driven by its business model and strategy. The Group'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 Group will target a Net Asset Value total return of 10-15% above the return on the FTSE All Share Total Return Index per annum and a minimum absolute Net Asset Value total return of 20% per annum.

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

The Board has also considered the Group's cash flows and income flows. The Group has no stated dividend target.

Key assumptions considered by the Board in relation to the viability of the Group 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 Group's prospectus; and

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

The Board has a reasonable expectation that the Group 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 Group will remain viable over the five year period to 31 December 2027.

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

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

Section 172 factor	Key examples	Location
Consequences of decisions in the long term	Investment Objectives and Policy Future Prospects	Summary Information Directors' Report

	Dividend policy	Directors' Report
	Viability Statement	Directors' Report
Fostering business relationships with suppliers, customers and other stakeholders	Shareholder engagement; Key Service Providers	Directors' Report;
Impact of operations on the community and the environment	Environmental, Social and Governance	Director's Report
Maintaining high standard of business conduct	Corporate Governance	Directors' Report

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

(i) the Group's investment objective and policy;
(ii) the main trends and factors likely to affect the future development, performance and position of the Group's business;
(iii) the Group's key performance indicators;
(iv) the Group's peers;
(v) the Group's overall strategy; and
(vi) the Group's core values which are integrity, accountability, transparency and commitment.

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

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

On 6 September 2022, Shareholders had the opportunity to vote on the resolutions as specified in the Notice of AGM. The Notice of the AGM and the results were released to the LSE in the form of an announcement.

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

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

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

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

Boardroom diversity
The Board currently comprises five non-executive Directors whom all have diverse experience and backgrounds.

The Board considers its composition, including the balance of skills, knowledge, diversity 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. The Board will continue to consider diversity when considering succession in the future. See above for more information. Summary biographical details of the Directors are set out in the Board Members section.

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

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

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

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

Significant Shareholdings
Shareholders with holdings of more than 5.0% of the Shares of the Group at 31 December 2022 were as follows:

	Number of ordinary shares	**% of issued share capital**
Phoenix Asset Management Partners	130,942,757	71.17%
Sir Peter Wood	25,000,000	13.59%

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

Annual General Meeting (AGM)
The Group's AGM will be held at 1.15pm on 13 September 2023 at the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands, GY1 3QL.

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

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

Signed on behalf of the Board of Directors on 3 April 2023 by:

Joanne Peacegood
Director

Andrew Whittaker
Director

Directors' Remuneration Report

The Group is not required to present a Directors' Remuneration Report, and this report does not purport to meet all of the requirements of a typical listed UK company's Directors' Remuneration Report, but has been provided as the Directors believe that it 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 Group's policy in regard to Directors' remuneration is to ensure that the Group maintains a competitive fee structure in order to recruit, retain and motivate non-executive Directors of excellent quality in the overall interests of Shareholders.

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

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

Joanne Peacegood is entitled to an annual fee of £40,000. Andrew Whittaker is entitled to an annual fee of £35,000. Joanna Duquemin Nicolle and David Stevenson are entitled to an annual fee of £30,000. Lorraine Smyth and Graham Shircore waived their right to receive a Director fee. The Directors received the following pro-rate remuneration in the form of Directors' fees relating to the year ended 31 December 2022 and 31 December 2021:

	31 December 2022	**31 December 2021**
	GBP	**GBP**
Joanne Peacegood	40,000	24,137
Andrew Whittaker	35,000	17,836
David Stevenson	30,000	11,219
Joanna Duquemin Nicolle	30,000	6,082
Lorraine Smyth*	-	-
Graham Shircore**	-	-
	135,000	59,274

*   Resigned on 15 December 2022.
** Appointed on 15 December 2022.

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

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

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

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

Signed on behalf of the Board of Directors on 3 April 2023 by:

Joanne Peacegood Director	Andrew Whittaker Director

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

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

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

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

The Directors confirm that to the best of their knowledge:

(a) The Financial Statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as at and for the year ended 31 December 2022.

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

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

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

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

By order of the Board,

Joanne Peacegood Director	Andrew Whittaker Director

3 April 2023

Audit Committee Report

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 2022.

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

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

Role and Responsibilities

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

In addition, the Audit Committee reviews the systems of internal and operating controls on a continuing basis that the Administrator, Portfolio Manager, AIFM, and Custodian and 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 Group's Administrator.

Risk Management and Internal Control

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

The Audit Committee continues to be responsible for reviewing the adequacy and effectiveness of the Group's ongoing risk management systems and processes. Its system of internal controls, along with its design and operating effectiveness, is subject to review by the Audit Committee through reports received from the Portfolio Manager, AIFM and Custodian and 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 Group's investments (including certain of the Target Assets) will include securities and other interests that are very thinly traded, for which no market exists or which are restricted as to their transferability under applicable laws and/or the relevant investment documentation. Whilst the valuations of the Group's investments will be in compliance with IFRS, some of the Group's investments will be difficult to value 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. The Board reviewed the valuations policy and PAMP went through the valuation process/techniques with the Board around private assets investments. There has been no change to the valuation policy and the process remains the same which has also been confirmed with the Board. The Board are satisfied with the approach and the valuation policy and processes.

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

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

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

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

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

The remuneration paid to Grant Thornton and to other Grant Thornton member firms for audit and non-audit services in respect of the year ended 31 December 2022 is shown below:

	31 December 2022	**31 December 2021**
Audit	**GBP**	**GBP**
Annual audit of the Company	49,800	43,000

Non- audit		
Desktop review of unaudited Interim Financial Statements	4,500	-
Review of IFRS 10 and requirements for consolidation	2,500	-
	7,000	-

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

The Audit Committee Report was approved by the Audit Committee on 3 April 2023 and signed on behalf by:

Andrew Whittaker
Chair, Audit Committee

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

Opinion

We have audited the consolidated financial statements of Castelnau Group Limited and its subsidiary (the “Group”) for the year ended 31 December 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and Notes to the consolidated financial statements, including 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 Accounting Standards Board (IASB).

In our opinion, the consolidated financial statements:

- give a true and fair view of the state of the Group’s affairs as at 31 December 2022 and of its loss for the year then ended;
- are in accordance with IFRSs as issued by the IASB; and
- comply with the Companies (Guernsey) Law, 2008.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 (2022: £51.2m, and 2021: £28.2m) The valuation of unquoted investments, which comprised 37% (2021: 22%) of the total fair	**Our audit procedures consisted of:** Updating our understanding of management’s processes, policies and methodologies, and controls in relation to the valuation of the unquoted investments

The key audit matter	How the matter was addressed in our audit
value of the Group's investments, requires significant judgment, use of estimates, industry specialism and expertise and specific market consideration, as described in notes 3a, 4.1 and 5 to the consolidated financial statements and in the Audit Committee Report. The fair value of unquoted investments might be misstated due to the application of inappropriate methods (methodologies), assumptions or source data for estimates made and/or inappropriate underlying judgments made due to error or fraud.	and confirming our understanding by performing walkthrough tests of design and implementation 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 management's expert, and inspecting the supporting data to assess whether the data used is appropriate and relevant; Assessing whether the valuation of unquoted investments' accounting policy is in line with the requirements of IFRS 13 and consistently applied; Assessing the independence, competence and objectivity of management's external valuation expert; Obtaining the valuations prepared by management and the valuation report prepared by management's external expert and challenging the valuation conducted by them through the following; Holding discussions with the Investment Manager to obtain information and understanding of how they valued the unquoted investments and inspecting supporting documents which we obtained to corroborate the information provided; Assessing whether the valuation model used by management to estimate the fair values of the unquoted investments is consistent with methods usually used by market participants for similar types of instruments; Reviewing key assumptions considered within management's and management's external expert's report and ensure that these assumptions are reasonable and consistent with the requirements of IFRS 13; 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 Determining if the fair value estimates are within the range of values determined by the audit team. **Our results** Based on the audit work performed, we have not identified any matters to report to those charged with governance in relation to the fair value measurement of unquoted investments valued at fair value through profit or loss.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Audited Consolidated Financial Statements, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and, 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 consolidated financial statements

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

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

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

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

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

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

disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Use of our report

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

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

Date:3 April 2023

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	31 December 2022 Total GBP	31 December 2021 Total GBP
Income	6	548,767	-
Expenses	7	(1,234,288)	(1,968,331)
		(685,521)	**(1,968,331)**
Impairment of financial assets at amortised cost	5	(3,000,000)	**-**
Net losses on financial assets at fair value through profit or loss	5	(30,405,675)	(10,021,645)

Loss before tax		**(34,091,196)**	**(11,989,976)**
Tax expense	3f	(2,889)	-
Total comprehensive loss for the year		**(34,094,085)**	**(11,989,976)**
		Pence	Pence
Loss per ordinary share – Basic and diluted	12	(18.53)	(6.57)

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

The accompanying notes form an integral part of these Financial Statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	31 December 2022 GBP	31 December 2021 GBP
NON-CURRENT ASSETS			
Investments - equity	5	122,684,739	126,617,646
Investments - loans	5	9,960,632	3,361,795
		132,645,371	**129,979,441**
CURRENT ASSETS			
Trade and other receivables	8	357,102	39,033
Cash and cash equivalents		7,652,732	44,497,139
		8,009,834	**44,536,172**
TOTAL ASSETS		**140,655,205**	**174,515,613**
CURRENT LIABILITIES			
Earn-out liability	9	-	916,667
Other payables	10	275,857	188,828
		275,857	**1,105,495**
NON-CURRENT LIABILITIES			
Earn-out liability	9	2,346,648	1,283,333
TOTAL LIABILITIES		**2,622,505**	**2,388,828**
NET ASSETS		**138,032,700**	**172,126,785**
EQUITY			
Share capital	11	184,116,761	184,116,761
Retained deficit		(46,084,061)	(11,989,976)

TOTAL EQUITY		**138,032,700**	**172,126,785**
Number of Ordinary Shares in issue	11	183,996,059	183,996,059
NAV per Ordinary Share (pence)	13	75.02	93.55

The Financial Statements were approved and authorised for issue by the Board of Directors on 3 April 2023 and signed on its behalf by:

Joanne Peacegood
Director

Andrew Whittaker
Director

The accompanying notes form an integral part of these Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

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

For the year ended 31 December 2021

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

The accompanying notes form an integral part of these Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	31 December 2022	31 December 2021
		GBP	GBP
Operating activities			
Total comprehensive loss for the year		(34,094,085)	(11,989,976)
Net losses on financial assets at amortised cost		3,000,000	-
Net losses on financial assets at fair value through profit or loss		30,405,675	10,021,645
Increase in receivables	8	(318,069)	(39,032)
Increase in provisions	9	146,648	2,200,000
Increase in payables	10	87,029	188,828

Net cash (used in)/from operating activities		**(772,802)**	**381,465**
Investing activities			
Purchases of equity and bonds	5	(107,826,128)	(136,639,291)*
Loans issued	5	(13,325,000)	(3,675,000)*
Sale/maturity of equity and bonds	5	81,353,360	-
Cash received from repayment of loans	5	3,726,163	313,205
Net cash used in investing activities		**(36,071,605)**	**(140,001,086)**
Financing activities			
Issue of Ordinary Shares	11	-	184,116,760
Net cash flow from financing activities		**-**	**184,116,760**
(Decrease)/increase in cash and cash equivalents		(36,844,407)	44,497,139
Cash and cash equivalents at beginning of year		44,497,139	-
Cash and cash equivalents at end of year		**7,652,732**	**44,497,139**

The accompanying notes form an integral part of these Financial Statements.

* The 31 December 2021 amounts have been reclassified to conform with the current year presentation of separate disclosure for transactions related to equity, bonds and loans. Purchases of equity and bonds of £136,639,291 and loans issued of £3,675,000 were previously shown as purchase of investments of £140,314,291. The change in presentation was done so as to provide more reliable and more relevant information.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. General information

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

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

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

Details of the Directors, Investment Manager and Advisers can be found in the Company Information section.

The Financial Statements of the Group are presented for the year ended 31 December 2022 and were authorised for issue by the Board on 3 April 2023.

2. Accounting policies

a. Statement of compliance

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

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

b. Going concern

The Directors believe that, having considered the Principal risks and uncertainties disclosed in the Directors' Report as well as the Group's investment objective, financial risk management and in view of the Group's holdings in cash and cash equivalents, the liquidity of investments and the income deriving from those investments, the Group has adequate financial resources and suitable management arrangements in place to continue as a going concern for at least twelve months from the date of approval of the Financial Statements.

c. Basis of measurement

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

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

A number of new standards, amendments to standards and interpretations are effective for the annual periods beginning after 1 January 2022. None of these are expected to have a significant effect on the measurement of the amounts recognised in the Financial Statements of the Group.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction *(amendments to IAS 12)*	1 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors *(amendments regarding the definition of accounting policies)*	1 January 2023
IAS 1	Disclosure of Accounting Policies *(amendments to IAS 1 and IFRS Practice Statement 2)*	1 January 2023
IAS 1	Presentation of Financial Statements *(amendments regarding the classification of liabilities and the disclosure of accounting policies)*	1 January 2024

e. Basis of consolidation

The Group's Financial Statements consolidate those of the parent company and its Subsidiary as of 31 December 2022. The reporting date for the Group is 31 December.

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

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

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

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

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

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

3. Significant accounting policies

a. Financial instruments

Recognition and derecognition

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

Financial assets

Classification and initial measurement of financial assets

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

Financial assets are classified into one of the following categories:
• amortised cost
• fair value through profit or loss (FVTPL), or
• fair value through other comprehensive income (FVOCI).

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

The classification is determined by both:
• the entity's business model for managing the financial asset, and
• the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

a) Investments as FVTPL

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

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

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

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

Silverwood Brands plc was valued using a quoted price from a market that is viewed as inactive.

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

b) Financial assets at amortised cost

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

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

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

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

Discounting is omitted where the effect of discounting is immaterial.

Fair Value Hierarchy

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

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

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

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

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

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

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

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

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

Financial liabilities

Classification and measurement of financial liabilities

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

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

b. Income and expenses

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

c. Foreign currency

The currency of the primary economic environment in which the Company operates (the functional currency) is pounds sterling ("sterling"), which is also the presentational currency of the Group. Transactions involving currencies other than sterling are recorded at the exchange rate ruling on the transaction date. At each year end date, monetary items and non-monetary assets and liabilities, which are fair valued, and which are denominated in foreign currencies, are retranslated at the closing rates of exchange. Such exchange differences are included in the Consolidated Statement of Comprehensive Income 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.

d. Cash and cash equivalents

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

e. Share capital

The Group's Ordinary Shares are classified as equity.

f. Taxation

The parent 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 (2021: £1,200). The activities of the Company do not constitute relevant activities as defined by the Income Tax (Substance Requirements) (Implementation) Regulations, 2018 (as amended) and as such the Company was out of scope.

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

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

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

	31 December 2022	31 December 2021

		GBP	GBP
Profit before tax		15,204	-
Tax chargeable	Tax rate 19%	2,889	-
Deferred tax		-	-
Income tax expense		**2,889**	**-**

Reconciliation of profit before tax and the accounting profit:

	31 December 2022	31 December 2021
	GBP	GBP
Accounting profit before tax	11,937	-
Disallow: Pension Creditor	3,267	-
Adjusted profit before tax	**15,204**	**-**

g. Provisions, contingent assets and contingent liabilities

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

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

h. Operating segments

The Board has considered the requirements of IFRS 8 "Operating Segments". Segment information for the financial year is detailed in note 6.

4. Judgements, estimations or assumptions

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

Key sources of estimation uncertainty

4.1 Investment valuation

The critical estimate or assumption that may have a significant risk of causing a material adjustment to the Group's NAV relates to the valuation of the Group's unquoted (Level 3) investments, which is approximately 37% of the Group's NAV.

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

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

Other sources of estimation uncertainty

4.2 Earn-out liability

The total purchase price for Rawnet included both an up-front consideration as well as an earn-out payment contingent on future performance of the business. In addition to the valuation of the investment, there was an assessment of the fair value of the liability related to the potential future payment of the earn-out (see note 9). In line with IFRS 3, the earn-out payment has been recognised at fair value (taking into account the probability of payment and a discount rate). The earn-out payment is considered to be additional purchase price and as such the fair value of the earn-out payment has been recorded as a liability and the fair value considered part of the purchase price. Subsequent remeasurement of the liability is recognised under expenses in the Consolidated Statement of Comprehensive Income as "Change in fair value of contingent consideration".

4.3 Interest in the Subsidiary

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

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

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

As at 31 December 2022, the net asset value of CGSL is £59,048 which is made up of assets of £192,360 and liabilities of £133,312.

The objective of CGSL is to provide skilled services to the Group's Portfolio Companies. Additional background information can be found in the Directors' Report.

Judgements

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

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

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

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

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

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

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

5. Investments in unconsolidated subsidiaries/associates

	FVTPL	FVTPL	Amortised cost	
	Bonds	**Equity**	**Loans**	**Total**

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

For the year ended 31 December 2021

	Bonds	Equity	Loans	Total
	GBP	GBP	GBP	GBP
INVESTMENTS				
Opening portfolio cost	-	-	-	-
Purchases at cost	-	136,639,291	3,675,000	140,314,291
Principal repayment	-	-	(313,205)	(313,205)
Cost	-	**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/carrying amount	-	**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)**

* £3,000,000 impairment of financial assets at amortised cost relates to a loan facility with Ocula Technologies Holdings Limited. See below for further information.

The transaction charges on the purchase and sale of investments during the current year were £2,904 (31 December 2021: £14,134) included in the Consolidated Statement of Comprehensive Income.

Name of investee company	Date of acquisition	Domicile	Ownership
Rawnet Limited	12 February 2021	United Kingdom	100%
Ocula Technologies Holdings Limited	22 January 2021	United Kingdom	67.45%
Showpiece Technologies Limited	12 November 2021	United Kingdom	80%
Cambium International Limited	14 October 2021	Cayman Islands	60.14%

Phoenix SG Limited	14 October 2021	Cayman Islands	62.66%
Silverwood Brands plc	13 October 2022	United Kingdom	0.88%

Loans

As at 31 December 2022 the Group had a loan facility of £3,000,000 with Ocula Technologies Holdings Limited as borrower with a termination date of 6 May 2024, and no interest accruing or payable. Post year end (3 March 2023) this loan was written off as part of a funding round whereby Lloyds Banking Group acquired 14.54% of Ocula Technologies Holdings Limited through the issue of new shares at a post-money valuation for Ocula Technologies of £10 million. The Group held 55.08% of the issued share capital after the Lloyds Banking Group investment.

The Group has a loan facility of £4,200,000 with Showpiece Technologies Limited as borrower. An extension of the termination date is 19 November 2024. No interest shall accrue or be payable.

The Group has a loan facility of £1,186,795 with Rawnet Limited as borrower. The termination date is 16 February 2025. No interest shall accrue or be payable.

The Group has a loan facility of £2,000,000 with the Cambium Group as borrower. The termination date is 11 March 2023. No interest shall accrue or be payable.

The Group has two loan facilities for £4,399,999 dated 13 October 2022 and for £1,500,000 dated 15 December 2022 with Silverwood Brands plc as borrower. The termination date for both facilities is on the first anniversary of the first drawdown of each Loan. Interest is accrued at 15% on both facilities.

The utilised amounts on each facility are disclosed in the Portfolio Holdings section.

	31 December 2022	**31 December 2021**
Classification	**GBP**	**GBP**
Level 1	69,315,063	98,409,862
Level 2	2,171,429	-
Level 3	51,198,247	28,207,784
Total non-current investments held at 'FVTPL'	**122,684,739**	**126,617,646**

There were no transfers between levels during the year (31 December 2021: 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. During the year, Stanley Gibbons delisted from the London Stock Exchange. At year end the fair value of the equity held in Stanley Gibbons was determined using a discounted cash flow model. 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 Cambium International ("Cambium") - Cambium is a company incorporated in the Cayman Islands whose sole purpose was to investment in Cambium Group UK Holdings Limited. The Company's investment in Cambium is valued by utilising the Net Asset Value per share of Cambium. The fair value of Cambium includes it's 100% ownership of Cambium Group UK Holdings Limited. The fair value of Cambium was determined using a discounted cash flow model.

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

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

Description	Significant unobservable input	Estimate of the input	Sensitivity of fair value to changes in unobservable inputs
Investment in Phoenix S.G. (valuation of the rights to receivables in relation to the sale of stamp inventories)*	Discount rate	15%	An increase to 16%/(decrease to 14%) would (decrease)/increase fair value by (-9.52%)/11.34%
	Sales rate exc auctions	10%	An increase to 12%/(decrease to 8%) would increase/(decrease) fair value by 5.02%/(-4.93%)
	Sales rate auctions	29%	An increase to 31%/(decrease to 27%) would increase/(decrease) fair value by 3.88%/(-3.84%)
	Coins margins exc auctions	28%	An increase to 30%/(decrease to 26%) would increase/(decrease) fair value by 4.06%/(-4.16%)
	Coins auction sales margins	20%	An increase to 22%/(decrease to 18%) would increase/(decrease) fair value by 4.11%/(-4.20%)
	Stamps margins exc auctions	44%	An increase to 45%/(decrease to 43%) would increase/(decrease) fair value by 1.78%/(-1.83%)
	Stamp auction sales margins	27%	An increase to 29%/(decrease to 25%) would increase/(decrease) fair value by 6.80%/(-6.85%)
Investment in Rawnet	FY22-26 Compound sales Growth rate	19%	An increase to 24%/(decrease to 15%) would increase/(decrease) fair value by 82%/(-59%)

	Discount rate	15%	An increase to 18%/(decrease to 12%) would (decrease)/increase fair value by (-19%)/24%
Investment in Cambium	Discount rate	12.5%	An increase to 13.5%/(decrease to 11.5%) would (decrease)/increase fair value by (-6.76%)/7.65%
	Revenue growth rate	12%	An increase to 13%/(decrease to 11%) would increase/(decrease) fair value by 7.35%/(-7.65%)
	Group product margin	42%	An increase to 44%/(decrease to 40%) would increase/(decrease) fair value by 0.88%/(-1.18%)

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

The significant unobservable inputs used in fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity as at 31 December 2021 are shown below:

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.

6. Segment reporting

The Group had two reportable segments which are Castelnau Group Limited (an investment company with an objective to compound Shareholders' capital at a higher rate of return than the FTSE All Share Total Return Index over the long term) and Castelnau Group Services Limited (a company that provides marketing and branding services). In identifying these operating segments, management follows the objectives of Castelnau Group Limited and Castelnau Group Services Limited. The accounting policy for the reportable segments are consistent with the Group's accounting policy described in note 3. Segment information for the financial year is as follows:

	Castelnau Group Limited	**Castelnau Services Group Limited**	**Total 31 December 2022**
Income			
Consultancy services	-	327,895	327,895
Interest income	220,872	-	220,872
Segment income	**220,872**	**327,895**	**548,767**

Gross wages	-	(299,141)	(299,141)
Other expenses	(918,330)	(16,817)	(935,147)
	(918,330)	(315,958)	(1,234,288)
Net losses on financial assets	(33,405,675)	-	(33,405,675)
Segment (loss)/profit before tax	(34,103,133)	11,937	(34,091,196)
Taxation	-	(2,889)	(2,889)
Segment comprehensive (loss)/income	**(34,103,133)**	**9,048**	**(34,094,085)**
Segment assets	140,462,845	192,360	140,655,205
Segment liabilities	(2,489,193)	(133,312)	(2,622,505)
Segment net assets	**137,973,652**	**59,048**	**138,032,700**

As at 31 December 2021 the Group was engaged in a single segment of business, being Castelnau Group Limited.

7. Expenses

	31 December 2022	**31 December 2021**
	GBP	**GBP**
Administrator's fee	78,386	50,821
Audit fees	45,841	43,000
Bank interest	-	400
Change in fair value of contingent consideration	146,648	(550,001)
Depositary fee	30,297	7,344
Directors' fee	135,000	27,370
Employee benefits*	299,141	-
Investment transaction charges	2,904	14,134
Legal and professional fees**	258,358	47,856
Operating expenses	91,568	-
Set up costs	-	2,247,739
Sundry costs	115,848	72,324
Trustee fee	30,297	7,344
	1,234,288	**1,968,331**

** Includes non-audit fees of £7,000.

7.1 Employee benefits expense

	31 December 2022	**31 December 2021**
***Included in expenses**	**GBP**	**GBP**
Wages and salaries	281,692	-
Employers national insurance contributions	14,183	-
Pension costs	3,266	-
	299,141	-

8. Trade and other receivables

	31 December 2022	31 December 2021
	GBP	GBP
Prepayments	51,860	39,032
Income receivable	151,468	-
Trade receivables	153,774	1
	357,102	**39,033**

9. Earn-out liability

	31 December 2022	31 December 2021
	GBP	GBP
Earn-out liability - Noncurrent	2,346,648	1,283,333
Earn-out liability - Current	-	916,667
	2,346,648	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 £903,311 at each payment date. Payments for all three years will be made within 5 days of 12 February 2024. 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.

The earn-out liability has been revalued by discounting the probability-weighted earn-out payments back to present value at a rate of 12%.

10. Other payables

	31 December 2022	31 December 2021
	GBP	GBP
Other accrued expenses	156,199	188,828
Trade payables	93,923	-
Social security and other taxes	25,735	-
	275,857	188,828

11. Share capital

		31 December 2022	31 December 2021
Allotted, called up and fully paid	**Number**	183,996,059	183,996,059
Ordinary Shares	**GBP**	184,116,761	184,116,761

The Group did not purchase any of its own shares during the year ended 31 December 2022 or during the year ended 31 December 2021. No shares were cancelled during either year.

No shares were held in Treasury or sold from Treasury during the year ended 31 December 2022 or during the year ended 31 December 2021.

12. Loss per ordinary share

Loss per share is based on the loss of £34,094,085(31 December 2021: £11,989,976) attributable to the weighted average of 183,996,059 (31 December 2021: 182,573,503) 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.

13. Net assets per ordinary share

The figure for net assets per Ordinary Share is based on £138,032,700 (2021: £172,126,784) divided by 183,996,059 (2021: 183,996,059) voting Ordinary Shares in issue at 31 December 2022.

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	**NAV per share**
	GBP	**Pence**
NAV as published on 31 December 2022	138,032,700	75.02
NAV as disclosed in these financial statements	**138,032,700**	**75.02**

14. 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 note 15. As at 31 December 2022, 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 Group. The Investment Manager will become entitled to a performance fee subject to meeting certain performance thresholds.

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

During the year, performance fees of Nil (31 December 2021: Nil) were charged to the Group, of which Nil (31 December 2021: Nil) remained payable at the end of the year.

b) Administrator and Secretary

Northern Trust International Fund Administration Services (Guernsey) Limited (the "Administrator") is entitled to: (i) an administration fee of 0.05% of the Net Asset Value of the Group up to £200 million, 0.03% of the net asset value of the Group between £200 million and £400 million, and 0.02% of the net asset value of the Group over £400 million (subject to a minimum administration fee of £60,000); (ii) a financial reporting fee of £10,000; (iii) a company secretarial services fee of £10,000; and (iv) an additional fee of £2,000 while the Administrator acts as the Group's nominated firm (as described in the FCA Handbook), in each case per annum (exclusive of VAT). In addition, the Administrator is entitled to certain other fees for ad hoc services rendered from time to time. During the year, administration and secretarial fees of £78,386 (31 December 2021: £50,821) were charged to the Group, of which £35,206 (31 December 2021: £18,361) remained payable at the end of the year.

c) Depositary

Northern Trust (Guernsey) Limited (the "Depositary") is entitled to: (i) a custody fee of 0.02% of the net asset value of the Group (subject to a minimum of £20,000); and (ii) a depositary services fee of 0.02% of the net asset value of the Group up to £200 million, falling to 0.01% of the net asset value of the Group 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 £30,297 (31 December 2021: £7,344) were charged to the Group, of which £7,043 (31 December 2021: £7,344) remained payable at the end of the year.

d) Registrar

The Group utilises the services of Link Market Services (Guernsey) Limited as Registrar in relation to the transfer and settlement of Ordinary Shares. Under the terms of the Registrar Agreement, the Registrar is entitled to a fee calculated on the basis of the number of Shareholders and the number of transfers processed (exclusive of VAT). In addition, the Registrar is entitled to certain other fees for ad hoc services rendered from time to time. During the year, registrar fees of £5,803 (31 December 2021: £4,219) were charged to the Group, of which £11,613 was prepaid as at 31 December 2022 (31 December 2021: £4,219 remained payable).

15. Related parties

Directors' remuneration & expenses

The Directors' fees for the year are as follows;

	31 December 2022	31 December 2021
	GBP	GBP
Joanne Peacegood	40,000	24,137
Andrew Whittaker	35,000	17,836
Joanna Duquemin Nicolle	30,000	11,219
David Stevenson	30,000	6,082
Lorraine Smyth*	-	-
Graham Shircore**	-	-
	135,000	59,274

No Directors' fees were outstanding as at 31 December 2022 (31 December 2021: £Nil).

Shares held by related parties

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

	31 December 2022 Number of ordinary shares	31 December 2021 Number of ordinary shares
Joanne Peacegood	10,000	10,000
Andrew Whittaker	40,000	40,000
Joanna Duquemin Nicolle	75,000	75,000
David Stevenson	-	-
Lorraine Smyth*	-	-
Graham Shircore**	-	-

* Resigned on 15 December 2022.
** Appointed on 15 December 2022.

As at 31 December 2022, the Investment Manager held no Shares (31 December 2021: no Shares) of the Issued Share Capital. Partners and employees of the Investment Manager held no Shares (31 December 2021: no Shares).

Gary Channon is CEO and CIO of Phoenix Asset Management Partners Limited, the Investment Manager. Mr Channon was CEO of Dignity which is a portfolio holding. Mr Channon became CEO on 22 April 2021 and his final day as CEO of Dignity Plc was 9 June 2022, when he also stepped down from the Board following the Group's Annual General Meeting.

Lorraine Smyth was a Director of the Company until 15 December 2022. She was appointed as Director of the subsidiary on 14 June 2022. She is an employee of Phoenix Asset Management Partners Limited, the Investment Manager. Ms. Smyth is currently a Director of Rawnet which is a portfolio holding.

Graham Shircore is a Director of the Group and an employee of Phoenix Asset Management Partners Limited, the Investment Manager.

The Company has entered into an agreement with Ocula, the "Ocula Castelnau Software Services Agreement", where Ocula charged the Company £200,000 for the year ended 31 December 2022, to provide services to some of the Company's portfolio companies.

16. Financial instruments – risk analysis

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

(a) Potential Market Risks, which are principally:
  (i) Currency Risk
  (ii) Interest Rate Risk and
  (iii) Other Price Risk
(b) Liquidity Risk
(c) Credit Risk; and
(d) Capital management policies and procedures

Each is considered in turn below:

A (i) Currency Risk

The portfolio as at 31 December 2022 was invested in sterling securities and there was no currency risk arising from the possibility of a fall in the value of sterling impacting upon the value of investments or income.

The Group had no foreign currency borrowings at 31 December 2022 or 31 December 2021 and no sensitivity analysis is presented for this risk.

A (ii) Interest Rate Risk

The Group did not hold fixed interest securities at 31 December 2022 or 31 December 2021.
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 Group had no borrowings at 31 December 2022 or 31 December 2021.

A (iii) Other Price Risk

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

The effect on the portfolio of a 10.0% increase or decrease in market prices would have resulted in an increase or decrease of £12,268,474 (2021: £9,840,986) in the investments held at fair value through profit or loss at the year end, which is equivalent to 8.89% (2021: 5.72%) 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 Group's liabilities into relevant maturity groupings based on the maturities at the Consolidated Statement of Financial Position date. The amounts in the table are the undiscounted net cash flows on the financial liabilities:

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

	1-12 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

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

Agency credit ratings do not apply to the Group's investment in loans. The credit quality of the loans are deemed to be reflected in the fair value of the investee company. Financial assets that are stated at amortised cost are reviewed and assessed for impairment at each reporting date in line with the expected credit loss policy.

The Group invests in quoted and unquoted equities and fixed interest securities which are level 1, level 2 and level 3 investments. The majority of cash is currently placed with The Northern Trust Company. The Group is subject to credit risk to the extent that this institution may be unable to return this cash. The Northern Trust Company is a wholly owned subsidiary of The Northern Trust Corporation. The Northern Trust Corporation is publicly traded and a constituent of S&P 500. The Northern Trust Corporation has a credit rating of A+ from Standard & Poor's and A2 from Moody's. At 31 December 2022, cash held at bank comprised £7,652,732 (2021: £44,497,139) held by the Depository which is the maximum credit risk that the Group is exposed to.

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

D Capital management policies and procedures

The Group's capital management objectives are:

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

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

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

17. Post year end events

These Financial Statements were approved for issuance by the Board on 3 April 2023. Subsequent events have been evaluated to this date.

On 20 January 2023, the Company entered into an unsecured term loan facility to borrow up to an amount of £60,000,000 from Phoenix UK Fund Limited pursuant to the Standby Loan Facility A, as amended and restated on 1 February 2023, which is currently nil drawn.

On 20 January 2023, the Company entered into an unsecured term loan facility to borrow up to an amount of £49,000,000 from Phoenix UK Fund Limited pursuant to the Standby Loan Facility B, as amended and restated on 1 February 2023, which is currently nil drawn.

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

Further to the Announcement, the Group published a prospectus (the "Prospectus") containing details of:
• a proposed issue of up to 133,052,656 new Ordinary Shares to be issued by the Company in connection with the acquisition of Dignity Plc (the "Takeover Offer");
• a proposed issue of up to 32,442,740 Ordinary Shares to be issued by the Company pursuant to the Consortium Rollover;
• a placing of up to 154,000,000 Ordinary Shares at 75.02p (the "Issue Price") per Ordinary Share (the "Placing"); and
• a placing programme for up to 300,000,000 Ordinary Shares and/or C Shares (the "Placing Programme"). The Placing is intended to raise proceeds to assist with the funding of the Company's cash funding obligation pursuant to the Takeover Offer and, if sufficient, further investment in accordance with the Company's investment policy.

The subsequent Placing Programme allows the Company to issue up to a further 300 million Ordinary Shares and/or C Shares (together the "Shares"), in aggregate, in the twelve months from the date of the Prospectus.

Further information on the Takeover Offer will be contained in the offer document, when published by Bidco.

A copy of the Prospectus is available on the Company's website at www.castelnaugroup.com, subject to certain access restrictions. A copy of the Prospectus will also be submitted to the National Storage Mechanism and will shortly be available for inspection at https://www.fca.org.uk/markets/primary-markets/regulatory-disclosures/national-storage-mechanism.

On 27 January 2023, the Phoenix UK Fund Limited signed the PUK Commitment Letter pursuant to which it agreed that in the event the Placing does not raise Gross Proceeds of at least £10 million by 30 April 2023, it will subscribe for such number of new Ordinary Shares at a subscription price of 75.02 pence per Ordinary Share as will provide the Company with gross proceeds of £10 million (less the Gross Proceeds raised under the Placing (if any)).

Alternative Performance Measures (Unaudited)

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

Discount/Premium to NAV

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 of 69.00p (31 December 2021: 105.50p) from the NAV per share at year end of 75.02p (31 December 2021: 93.55p) and is usually expressed as a percentage of the NAV per share of 8.02% (31 December 2021: 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 Group's operating expenses, excluding finance costs, expressed as a percentage of the average of the monthly net assets during the year. The Board continues to be conscious of expenses and works hard to maintain a sensible balance between good quality service and cost.

	Year ended 31 December 2022	**Year ended 31 December 2021**
Average NAV for the year (A)	150,013,156	171,343,518
Operating expenses (annualised) (B)	786,345	556,863
Ongoing charges (B/A)	0.52%	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 year. It is calculated by adding the increase or decrease in NAV per share with the dividend per share when paid and reinvested back into the NAV, and dividing it by the NAV per share at the start of the year.

	Year ended 31 December 2022	**Period ended 31 December 2021***
Opening NAV per share (A)	93.55	100.00
Closing NAV per share	75.02	93.55
Decrease in NAV per share (B)	(18.53)	(6.45)
NAV total return (B/A)	-19.81%	-6.45%

NAV per Ordinary Share

NAV per share is calculated by dividing the total net asset value of £138,032,700 (2021: £172,126,785) by the number of shares at the end of the year of 183,996,059 shares (2021: 183,996,059). This produces a NAV per share of 75.02p (2021: 93.55p), which was a decrease of 19.81% (2021: decrease of 6.45%*).

*From 18 October 2021 to 31 December 2021.

Group Information

Directors – Parent (all non-executive)
Joanne Peacegood (Chair)
Andrew Whittaker
Joanna Duquemin Nicolle
David Stevenson
Lorraine Smyth (resigned 15 December 2022)
Graham Shircore (appointed 15 December 2022)

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Registrar
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Guernsey
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Appendix (Unaudited)

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

Cumulative	1098%	562%	233%
Annualised Returns	10.6%	8.0%	5.0%