

KESTREL OPPORTUNITIES
A CELL OF GUERNSEY PORTFOLIOS PCC LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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MANAGEMENT AND ADMINISTRATION

DIRECTORS OF GUERNSEY PORTFOLIOS PCC LIMITED

Michael Stimpson
Mark Cleary (appointed 1 July 2020)
David McNay (appointed 1 July 2020
(resigned 21 December 2020)
Adam Buckholt (appointed 1 July 2020)
(resigned 24 March 2021)
Peter Edwards (appointed 1 July 2020)
(resigned 15 April 2021)
Patrick Firth (resigned 1 July 2020)
Ben Morgan (resigned 1 July 2020)
Grant Wilson (resigned 1 July 2020)
Nicholas Stebbing (resigned 1 July 2020)
Lisa Haggarty (appointed 24 Mar 2021)
The address of the Directors is the registered office of the Company.

REGISTERED NUMBER: 45598

REGISTERED OFFICE

For the period to 30 June 2020

Sarnia House
Le Truchot
St Peter Port
Guernsey, GY1 1GR

REGISTERED OFFICE

With effect from 1 July 2020

Third Floor, Cambridge House
Le Truchot
St Peter Port
Guernsey, GY1 1WD

ADMINISTRATOR, REGISTRAR, LISTING SPONSOR AND SECRETARY

For the period to 30 June 2020

Praxis Fund Services Limited
Sarnia House
Le Truchot
St Peter Port
Guernsey, GY1 1GR

With effect from 1 July 2020

Zedra Fund Managers (Guernsey) Limited
Third Floor, Cambridge House
Le Truchot
St Peter Port
Guernsey, GY1 1WD

MANAGER

Saltus (Channel Islands) Limited
Third Floor, Cambridge House
Le Truchot
St Peter Port
Guernsey, GY1 1WD

LEGAL ADVISERS

Carey Olsen (Guernsey) LLP
PO Box 98
Carey House
Les Banques
St Peter Port
Guernsey, GY1 4BZ

CUSTODIAN

Butterfield Bank (Guernsey) Limited
PO Box 25
Regency Court
Gategny Esplanade
St Peter Port
Guernsey, GY1 3AP

INVESTMENT MANAGER

Kestrel Partners LLP
1 Adam Street
London, WC2N 6LE

INDEPENDENT AUDITOR

BDO Limited
Place du Pré
Rue du Pré
St Peter Port
Guernsey, GY1 3LL

INVESTMENT OBJECTIVES AND STRATEGY

The objective of Kestrel Opportunities (the "Cell") is to achieve long term capital appreciation by pursuing the investment strategy set out below.

The strategy of the Cell is to invest in equity, quasi equity and debt instruments of small capitalisation companies quoted on the Official List or the Alternative Investment Market of the London Stock Exchange ("AIM") through a combination of primary issues and secondary market purchases. The Cell has material stakes in a concentrated portfolio of no more than 25 companies. Kestrel Partners LLP (the "Investment Manager") actively engages in regular dialogue with the boards of its investee companies. Investments are actively managed on a long only basis with a target hold period of 3 to 5 years. The Cell does not borrow in order to make its investments.

Any material changes to the investment strategy and approach may be made by way of an ordinary resolution (as defined in the Articles) of the shareholders. Any such changes that are not material may be made by the Directors and will be notified to shareholders.

INVESTMENT MANAGER'S REPORT

Portfolio Overview

As at 31 March 2021, Kestrel Opportunities held equity investments in 16 different companies and unsecured loans with 3 of these companies and warrants with 1. The five largest positions were in IDOX plc, Redcentric plc, Access Intelligence plc, Amino Technologies plc and Gresham Technologies plc.

Our objective for the coming year is to continue to achieve long term capital growth which we intend to do by supporting and investing in our existing portfolio companies as well as making selected investments in new companies. Holdings are partially or fully liquidated depending on our expectations for that particular investment and alternative opportunities available to us as well as on the Cell's overall liquidity requirements.

Performance

During the year under review, NAV per share increased from £4.078 to £6.068, representing an increase of 48.8%. Over the same period the FTSE Small-Cap (excluding Investment Trusts) index increased 71.2% whilst the FTSE AIM All-share index increased 75.6%.

Assets under management increased from £125.1m as at 31 March 2020 to £189.8m as at 31 March 2021. This increase was mainly due to positive cell performance of £61.1m. This cell performance which was essentially due to market movement on the investments held. Unrealised gains increased by £64 million.

Subscriptions & Redemptions

The Cell is open for new subscriptions with dealing days occurring on the first business day of each month. The notice period for redemption is 12 months.

Cash outflow from operating activities for the year ended 31 March, 2021 totalled £9.4m (31 March 2020 inflow £22.6m); with £3.7m in net subscriptions (31 March 2020: £21.5million net redemptions), the cash and cash equivalents balance decreased by £5.8m (31 March 2020: £1.1m increase).

Kestrel Partners LLP
12 October 2021

REPORT OF THE DIRECTORS

The Directors submit the annual report and audited financial statements (the "Financial Statements") of Kestrel Opportunities (the "Cell"), a cell of Guernsey Portfolios PCC Limited (the "Company") for the year ended 31 March 2021.

The Cell currently consists of one Participating Redeemable Preference share class, GBP Class Participating Redeemable Preference shares ("PRP shares"), which were launched on 20 November 2009. The PRP shares are listed on the Official List of The International Stock Exchange ("TISE").

Principal Activity

The principal activity of the Cell is that of an open-ended investment vehicle. The principal objective of the Cell is to generate attractive risk-adjusted returns over its life cycle for its investors, please refer to page 2.

Results

The results for the year are set out in the Statement of Comprehensive Income on page 13.

Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 March 2021 (31 March 2020: £nil). Please refer to note 7 of the Financial Statements.

Going Concern

As disclosed in the 31 March 2020 financial statements the Board had considered the potential efficiencies and benefits which could be achieved by an amalgamation of the majority of the existing Guernsey Portfolio PCC Limited Cells (the "Existing Cells") into New Cells, which were intended to be newly formed protected cells of Zedra PCC (No 1) Limited, an existing protected cell company incorporated in Guernsey, which like the Company, is an open-ended collective investment scheme authorised by the GFSC pursuant to The Authorised Collective Investment Scheme (Class B) Rules 2013.

Subsequent to this the Board were of the opinion that it was no longer appropriate to prepare the 31 March 2020 financial statements on a going concern basis and had therefore chosen to prepare the financial statements on a basis other than that of going concern. This did not have any impact on the carrying value of the company's assets or liabilities and no adjustments were made to the 31 March 2020 financial statements as a result of preparing them on a basis other than that of a going concern.

On reflection, during the current year the Board decided not to amalgamate the Existing Cells into New Cells, due to issues in relation to the management of conflicts which would arise as a result of Zedra Fund Managers (Guernsey) Limited acting in the capacity of both Administrator and Manager and also providing Director services to Zedra PCC (No 1) Limited.

Furthermore, the amalgamation would have resulted in Zedra Fund Managers (Guernsey) Limited being brought into scope of certain responsibilities in relation to the Alternative Investment Fund Managers Directive, which the Board decided against.

The World Health Organisation declared a global health emergency in March 2020, it declared the spread of COVID-19 as a global pandemic. In order to stem the spread of the virus, Governments around the World took drastic steps which included compulsory closure of various businesses, shops and schools and heavy restrictions on movement of people which had a significant effect of global economies. While the Board continues to monitor the development and impact of the virus, it is of the opinion that given that the Administrator is able to continue to provide services, COVID-19 is likely to have minimal impact on the operations of the Cell. Global measures such as vaccinations, travel restrictions and containment of live cases have since been introduced by jurisdictions to combat COVID-19 and the investment markets have been recovering. The impact on the Cell's investments is now known and there have been no issues.

The Board has considered the consequences of COVID-19 and other events and conditions, and it has determined that the Cell has sufficient resources and to cover operating costs for a period of a least 12 months from date of approval of these financial statements and is able to continue as a going concern.

Directors of the Company

The Directors of the Company who served during the year and to date are listed on page 1.

REPORT OF THE DIRECTORS (continued)**Directors of the Company (continued)**

The Directors of the Company who served during the year had the following interests in the Cell, held either directly or indirectly:

Name	31 March 2021 No. of PRP shares	31 March 2020 No. of PRP shares
Patrick Firth (resigned on 1 July 2020)	12,625	12,625
Ben Morgan (resigned on 1 July 2020)	6,184	6,184

There have been no changes to the Directors' shareholdings since 31 March 2021.

Directors' Responsibilities Statement

The Directors of the Company are responsible for preparing the annual report and the Financial Statements for each financial year which give a true and fair view of the state of affairs of the Cell and of the results for the year then ended, in accordance with applicable Guernsey law and European Union ("EU") adopted International Financial Reporting Standards ("IFRS"). In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Cell will continue in business.

The Directors of the Company are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Cell. They are also responsible for safeguarding the assets of the Cell and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors of the Company confirm that they have complied with the above requirements in preparing the Financial Statements.

So far as the Directors are aware, there is no relevant audit information of which the Auditor is unaware, having taken all steps the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Cell's auditor is aware of that information.

Corporate Governance

Following the publication by the Guernsey Financial Services Commission of the Finance Sector Code of Corporate Governance in September 2011 (re-issued in 2016, effective from 1 April 2016 year ends onwards) (the "Code"), the Directors continually consider the effectiveness of their corporate governance practices with regard to the principles set out in the Code. The Directors are satisfied with their degree of compliance with the principles set out in the Code in the context of the nature, scale and complexity of the Cell's business.

Anti-Bribery and Corruption

The Cell adheres to the requirements of the Prevention of Corruption (Bailiwick of Guernsey) Law, 2003. In consideration of the UK Bribery Act 2010, the Board abhors bribery and corruption of any form and expects all the Cell's business activities, whether undertaken directly by the Directors themselves or by third parties on the Cell's behalf, to be transparent, ethical and beyond reproach.

Criminal Finances Act

The Directors of the Company have a zero tolerance commitment to preventing persons associated with it from engaging in criminal facilitation of tax evasion. The Board has satisfied itself in relation to its key service providers that they have reasonable provisions in place to prevent the criminal facilitation of tax evasion by their own associated persons and will not work with service providers who do not demonstrate the same zero tolerance commitment to preventing persons associated with them from engaging in criminal facilitation of tax evasion.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("FATCA") is aimed at determining the ownership of assets of US persons in foreign accounts and improving US tax compliance with respect to those assets. On 13 December 2013, the States of Guernsey entered into an intergovernmental agreement ("IGA") with US Treasury, in order to facilitate the requirements under FATCA. The Company registered with the Internal Revenue Service ("IRS") during 2014 as a Foreign Financial Institution ("FFI") and received a Global Intermediary Identification Number.

REPORT OF THE DIRECTORS (continued)

Common Reporting Standard

The Common Reporting Standard (“CRS”), formally the Standard for Automatic Exchange of Financial Account Information, became effective on 1 January 2016, and is an information standard for the automatic exchange of information developed by the Organisation for Economic Co-operation and Development (“OECD”). CRS is a measure to counter tax evasion and it builds upon other information sharing legislation, such as FATCA, the UK – Guernsey Inter-Governmental Agreement for the Automatic Exchange of Information and the European Union Savings Directive. Early adopters who signed the Multilateral Agreement (including Guernsey) have made the necessary information exchanges since September 2017.

Alternative Investment Fund Managers Directive

The Board acknowledged that the Alternative Investment Fund Managers Directive (“AIFMD”) became effective during 2014. The AIFMD seeks to regulate managers of alternative investment funds (“AIFs”), such as the Cell. It imposes obligations on managers who manage AIFs in a member state of the European Economic Area (“EEA state”), or who market shares in AIFs to investors who are domiciled, or with a registered office, in an EEA state. Under the AIFMD, an Alternative Investment Fund Manager (“AIFM”) must be appointed and must comply with various organisational, operational and transparency requirements.

On 2 July 2014, the Company appointed Saltus (Channel Islands) Limited (the “Manager”) to act as AIFM on behalf of the Company. The Manager is responsible for fulfilling the role of the AIFM. As the Cell has sought to raise new capital, it is considered to market in the EU and therefore must comply with the AIFMD reporting requirements.

Scheme Particular Amendments

Pursuant to the requirements of The Authorised Collective Investment Schemes (Class B) Rules, 2013, a review of the Cell’s scheme particulars (“SP”) is completed on an annual basis.

The latest annual review was completed in September 2019, with no significant amendments required. The Scheme Particulars are currently being reviewed for the period since then.

Independent Auditor

A resolution to reappoint BDO Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

Mark Cleary
Lisa Haggarty

Directors
Date: 12.10.2021

CUSTODIAN'S REPORT TO THE SHAREHOLDERS

In our capacity as Custodian to the Company we confirm that, in our opinion, the Manager has managed the Cell during the year ended 31 March 2021, in accordance with the provisions of the principal documents of the Company and The Authorised Collective Investment Schemes (Class B) Rules, 2013 and that no material breaches have occurred.

BUTTERFIELD BANK (GUERNSEY) LIMITED

PO Box 25
Regency Court
Gategny Esplanade
St Peter Port
Guernsey, GY1 3AP
Date: 12 October 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KESTREL OPPORTUNITIES, A CELL OF GUERNSEY PORTFOLIOS PCC LIMITED

Opinion on the financial statements

In our opinion, the financial statements of Kestrel Opportunities ("the Cell"), a cell of Guernsey Portfolios PCC Limited (the "Company"):

- give a true and fair view of the state of the Cell's affairs as at 31 March 2021 and of its income for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements of the Cell for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Net Assets Attributable to Holders of Participating Redeemable Preference Shares, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards, as adopted by the European Union.

Basis for opinion

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

Independence

We remain independent of the Cell and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- Obtaining those charged with governance and directors' paper in respect of going concern and challenging the liquidity of the investment portfolio held, and the expected annual running costs and determining whether these assumptions were reasonable , based on our knowledge of the Cell, with both those charged with governance and management;
- Reviewing the minutes of meetings of those charged with governance, the RNS announcements and the compliance reports for any indicators of concerns in respect of going concern.

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

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

Overview

Key audit matters (2021 & 2020)	Valuation and ownership of investments
Materiality	<i>Cell financial statements as a whole</i> £3,331,000 (2020:£2,197,900) based on 1.75% (2020: 1.75%) of total assets.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KESTREL OPPORTUNITIES, A CELL OF GUERNSEY PORTFOLIOS PCC LIMITED (CONTINUED)

An overview of the scope of our audit

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

We carried out a full scope of the Cell which was tailored to take into account the nature of the Cell's investments, the accounting and reporting environment and the industry in which the entity operates.

In designing our overall audit approach, we determined materiality and assessed the risk of material misstatement in the financial statements.

This assessment took into account the likelihood, nature and potential magnitude of any misstatement. As part of this risk assessment, we considered the Cell's interaction with the Manager and the Cell's Administrator and Custodian. We obtained an understanding of the control environment in place at the Manager and the Cell's Administrator to the extent that it was relevant to our audit. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Key audit matters

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

<p>Valuation and Ownership of Investments (Note 2, 6)</p>	<p>The investment portfolio at 31 March 2021 comprised mainly listed investments.</p> <p>We focused on the valuation and ownership of investments because investments represent the principal element of the net asset value as disclosed in the Statement of Financial Position.</p> <p>Furthermore, as an element of the portfolio is unlisted, the availability of external evidence regarding pricing and valuation is limited.</p> <p>This is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager.</p>	<p>For the listed investments, we tested the valuation of all investments held by agreeing the bid prices used in the valuation to independent third-party sources such as the price notified to the relevant exchange or underlying net asset value statements.</p> <p>We also agreed the nominal amount of investments held to custodian confirmations.</p> <p>For the unlisted loan note investments, due to the nature of these investments, we performed the following:</p> <ul style="list-style-type: none"> • Obtained the loan note agreements and checked the terms of the loan notes including any conversion options. • Recalculated the interest due based on the amount of investment and the terms of arrangement on acquisition. • Compared the conversion option valuations with independent third-party sources using the Black Scholes model. • In consideration of existence we obtained a custodian confirmation and checked whether this was consistent with disclosures in the financial statements. <p>Key observations: Based on the procedures performed we did not identify any matters to indicate that the ownership and valuation of investments are inappropriate.</p>
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KESTREL OPPORTUNITIES, A CELL OF GUERNSEY PORTFOLIOS PCC LIMITED (CONTINUED)

Our application of materiality

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

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

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

	2021 £	2020 £
Materiality	3,331,000	2,197,900
Basis for determining materiality	1.75% of total assets	1.75% of total assets
Rationale for the benchmark applied	We considered total assets to be the most appropriate benchmark due to the Cell being an investment fund.	
Performance materiality	£2,498,250	£1,648,425
Basis for determining performance materiality	75% of materiality This was determined using our professional judgement and took into account control environment in place, our assessment of risk and our past experience of adjustments.	

Specific materiality

We also determined that for investment income and sensitive expenses including investment management fee and service charge to Manager, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based on 10% of materiality being £333,100 (2020: £219,790). We further applied a performance materiality level of 75% (2020:75%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Board of Directors that we would report to them all individual audit differences identified during our audit in excess of £166,550 (2020: £109,800). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and audited financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KESTREL OPPORTUNITIES, A CELL OF GUERNSEY PORTFOLIOS PCC LIMITED (CONTINUED)

Other Companies (Guernsey) Law, 2008 reporting

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

- proper accounting records have not been kept by the Cell; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Cell'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 Cell or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

Based on our understanding of the Cell and the industry in which it operates, we identified the principal risks of non-compliance with laws and regulations related to its investment activities, and we considered the extent to which non-compliance might have a material effect on the Cell's financial statements.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Cell and have a direct impact on the preparation of the financial statements. We determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework such as IFRS and the Companies (Guernsey) Law, 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of management override of controls), and determined that the principal risks were related to revenue recognition in relation to the investments and management bias and judgement involved in accounting estimates, specifically in relation to the valuation of investments (the responses to which are detailed in our key audit matters above).

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KESTREL OPPORTUNITIES, A CELL OF GUERNSEY PORTFOLIOS PCC LIMITED (CONTINUED)

Audit procedures performed by the engagement team to respond to the risks identified included:

- Discussion with and enquiry of management and those charged with governance concerning known or suspected instances of non-compliance with laws and regulations and fraud;
- Obtaining an understanding of the internal control environment in place to prevent and detect irregularities;
- Reading minutes of meetings of those charged with governance, correspondence with the Guernsey Financial Services Commission and internal compliance reports to identify and consider any known or suspected instances of non-compliance with laws and regulations and fraud;
- Recalculating investment income and realised and unrealised gains and losses
- Agreeing prices used in listed investment valuations to independent third party sources; and
- Recalculating the value of unlisted loan notes with reference to supporting documents

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Cell'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 Cell'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 Cell and the Cell's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO Limited
Chartered Accountants
Place du Pré
Rue du Pré
St Peter Port
Guernsey

Date: 12 October 2021

KESTREL OPPORTUNITIES, A CELL OF GUERNSEY PORTFOLIOS PCC LIMITED

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 March 2021

	Notes	1 April 2020 to 31 March 2021 £	1 April 2019 to 31 March 2020 £
Net capital gains/(losses) on investments at fair value through profit or loss	6	63,773,993	(3,451,992)
Income			
Interest income		30,844	150,635
Investment income	6	902,741	1,672,703
Other income		59,957	32,500
Total net income/(expense)		64,767,535	(1,596,154)
Operating expenses			
Management fee	4	(3,128,810)	(2,858,036)
Service charge to Manager	4	(526,489)	(483,659)
Transaction fees		(22,853)	(33,660)
Other operating expenses		(25,731)	(25,671)
Total operating expenses		(3,703,883)	(3,401,026)
Operating income/(loss) for the financial year		61,063,652	(4,997,180)
Tax charge	8	-	-
Total comprehensive income/(loss)		61,063,652	(4,997,180)
Basic and diluted earnings/(loss) per GBP Class Participating Redeemable Preference share	15	£1.99	(£0.15)

All items in the above statement derive from continuing operations.

All income is attributable to the PRP shares of the Cell.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATING REDEEMABLE PREFERENCE SHARES
For the year ended 31 March 2021

		1 April 2020 to 31 March 2021 £	1 April 2019 to 31 March 2020 £
	<i>Notes</i>		
At 1 April		125,094,746	151,544,092
Income/(loss) for the financial year		61,063,652	(4,997,180)
Total comprehensive income/(loss) for the year		61,063,652	(4,997,180)
Transactions with holders of Participating Redeemable Preference shares			
Share issues	11	15,544,509	7,332,130
Share redemptions	11	(11,881,164)	(28,784,296)
Total transactions with holders of Participating Redeemable Preference shares		3,663,345	(21,452,166)
At 31 March		189,821,743	125,094,746

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

Assets	<i>Notes</i>	31 March 2021 £	31 March 2020 £
Investments at fair value through profit or loss	6	175,723,610	105,546,435
Unsettled investment sales		100,091	-
Other receivables and prepayments	9	286,020	22,932
Cash and cash equivalents		14,274,971	20,026,515
Total Assets		190,384,692	125,595,882
Liabilities			
Unsettled investment purchases		129,763	237,510
Trade and other payables	10	433,186	263,626
Total Liabilities		562,949	501,136
Net Assets		189,821,743	125,094,746
Equity			
Share capital	11	-	-
Share premium	11	70,303,328	66,639,983
Retained earnings	11	119,518,415	58,454,763
Total Equity		189,821,743	125,094,746
GBP Class Participating Redeemable Preference shares in issue	11	31,282,226	30,673,922
Net Asset Value per GBP Class Participating Redeemable Preference share	16	£6.07	£4.08

The Financial Statements on pages 13 to 30 were approved by the Board of Directors and authorised for issue on 12 October 2021.

Mark Cleary
 Lisa Haggarty

Directors

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 March 2021

	<i>Notes</i>	1 April 2020 to 31 March 2021 £	1 April 2019 to 31 March 2020 £
Cash flows from operating activities			
Income/(loss) for the financial year		61,063,652	(4,997,180)
Adjustment for:			
Net realised gain on disposal of investments	6	(3,305,831)	(555,285)
Net change in unrealised (gains)/losses on investments	6	(60,468,162)	4,007,277
		(2,710,341)	(1,545,188)
Changes in working capital:			
Movement in trade and other payables		169,560	(19,159)
Movement in receivables and prepayments		(263,088)	24,203
		(2,803,869)	(1,540,144)
Movement in capitalised interest		(177,302)	(93,590)
Purchase of investments		(17,626,190)	(2,702,474)
Proceeds from sale of investments		11,192,472	26,890,786
Net cash (outflow)/inflow from operating activities*		(9,414,889)	22,554,578
Cash flows from financing activities			
Proceeds from issue of Participating Redeemable Preference shares	11	15,544,509	7,332,130
Redemption of Participating Redeemable Preference shares	11	(11,881,164)	(28,784,296)
Net cash inflow/(outflow) from financial activities		3,663,345	(21,452,166)
Net movement in cash and cash equivalents		(5,751,544)	1,102,412
Cash and cash equivalents as at start of year		20,026,515	18,924,103
Cash and cash equivalents as at end of year		14,274,971	20,026,515

*Included in Cash flows from operating activities is £29,552 (31 March 2020: £174,191) of interest which was received in cash.

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021

1. General Information:

Guernsey Portfolios PCC Limited (the "Company") is an open-ended investment company of unlimited duration incorporated in Guernsey on 5 October 2006 as a protected cell company in accordance with the provisions of the Protected Cell Companies Ordinance, 1997 (subsequently replaced by the Companies (Guernsey) Law, 2008). It is authorised by the Guernsey Financial Services Commission as a Class B Collective Investment Scheme under the Protection of Investors (Bailiwick of Guernsey) Law, 1987. As at 31 March 2021, the Company had three (31 March 2020: four) active cells, including Kestrel Opportunities (the "Cell").

The Cell currently consists of one Participating Redeemable Preference share class ("PRP shares"), GBP Class PRP shares, which were launched on 20 November 2009. The PRP shares are listed on the Official List of The International Stock Exchange ("TISE").

2. Principal Accounting Policies

Basis of Accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The Company maintains a separate cell account for each class of PRP shares, to which the proceeds of issue and the income arising from the investment of these proceeds are credited, and against which the expenses allocated are charged. Upon redemption, shareholders are only entitled to their proportion of the net assets held in the cell account relating to their particular PRP shares. Separate Financial Statements have been prepared for each cell of the Company. These Financial Statements represent the Cell only.

Going Concern

As disclosed in the 31 March 2020 financial statements the Board had considered the potential efficiencies and benefits which could be achieved by an amalgamation of the majority of the existing Guernsey Portfolio PCC Limited Cells (the "Existing Cells") into New Cells, which were intended to be newly formed protected cells of Zedra PCC (No 1) Limited, an existing protected cell company incorporated in Guernsey, which like the Company, is an open-ended collective investment scheme authorised by the GFSC pursuant to The Authorised Collective Investment Scheme (Class B) Rules 2013.

Subsequent to this the Board were of the opinion that it was no longer appropriate to prepare the 31 March 2020 financial statements on a going concern basis and had therefore chosen to prepare the financial statements on a basis other than that of going concern. This did not have any impact on the carrying value of the company's assets or liabilities and no adjustments were made to the 31 March 2020 financial statements as a result of preparing them on a basis other than that of a going concern.

On reflection, during the current year the Board decided not to amalgamate the Existing Cells into New Cells, due to issues in relation to the management of conflicts which would arise as a result of Zedra Fund Managers (Guernsey) Limited acting in the capacity of both Administrator and Manager and also providing Director services to Zedra PCC (No 1) Limited.

Furthermore, the amalgamation would have resulted in Zedra Fund Managers (Guernsey) Limited being brought into scope of certain responsibilities in relation to the Alternative Investment Fund Managers Directive, which the Board decided against.

The World Health Organisation declared a global health emergency in March 2020, it declared the spread of COVID-19 as a global pandemic. In order to stem the spread of the virus, Governments around the World took drastic steps which included compulsory closure of various businesses, shops and schools and heavy restrictions on movement of people which had a significant effect of global economies. While the Board continues to monitor the development and impact of the virus, it is of the opinion that given that the Administrator is able to continue to provide services, COVID-19 is likely to have minimal impact on the operations of the Cell. Global measures such as vaccinations, travel restrictions and containment of live cases have since been introduced by jurisdictions to combat COVID-19 and the investment markets have been recovering. The impact on the Cell's investments is now known and there have been no issues.

The Board has considered the consequences of COVID-19 and other events and conditions, and it has determined that the Cell has sufficient resources to cover operating costs for a period of 12 months from the

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

2. Principal Accounting Policies (continued)

Going Concern (continued)

date of approval of these financial statements and therefore concluded that the Cell is able to continue as a going concern.

New Accounting Standards, interpretations and amendments adopted

There were no new standards adopted which have had a material impact on the Financial Statements of the Cell.

New Accounting Standards, interpretations and amendments adopted (continued)

The Directors believe that the Financial Statements contain all of the information required to enable shareholders and potential investors to make an informed appraisal of the investment activities and profits and losses of the Cell for the period to which they relate and do not omit any matter or development of significance.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Cell's Financial Statements:

Financial Instruments

Financial assets and financial liabilities are recognised in the Cell's Statement of Financial Position when the Cell becomes a party to the contractual provisions of the instrument. Unless otherwise indicated the carrying amounts of the Cell's financial instruments approximate to their fair values. Financial assets and financial liabilities are only offset, and the net amount reported in the Statement of Financial Position and Statement of Comprehensive Income when there is a currently enforceable legal right to offset the recognised amounts and the Cell intends to settle on a net basis or realise the asset and liability simultaneously.

On initial recognition, the Cell classifies financial assets as measured at amortised cost or at fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest.

All other financial assets of the Cell are measured at FVTPL.

In making an assessment of the objective of the business model in which a financial asset is held, the Cell considers all of the relevant information about how the business is managed.

The Cell has determined that it has two business models.

- *Held-to-collect business model*: this includes cash and cash equivalents and prepayments. These financial assets are held to collect contractual cash flow.
- *Other business model*: this includes investments and derivatives. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

Financial Assets

Financial assets are classified into categories:

Classification of financial assets

The Cell classified financial assets into the following categories.

Financial assets at amortised cost:

Cash and cash equivalents, other receivables and unsettled investment sales.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

2. Principal Accounting Policies (continued)

Financial Instruments (continued)

Financial assets at FVTPL:
Investments

Expected credit loss

The Cell assesses on a forward-looking basis the expected credit loss associated with its financial assets held at amortised cost. The Cell has elected to apply the simplified approach permitted by IFRS 9 in respect of receivables as they have a maturity of less than one year and do not contain a significant financing component. Under the simplified approach the requirement is to always recognise lifetime Expected Credit Loss ('ECL'). Under the simplified approach practical expedients are available to measure lifetime ECL but forward-looking information must still be incorporated. Under the simplified approach there is no need to monitor significant increases in credit risk and entities will be required to measure lifetime ECLs at all times. The Directors have concluded that any ECL on receivables would be highly immaterial to the Financial Statements due to the low credit risk of the relevant counterparties and the historical payment history.

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes.

Other receivables

Included in other receivables is interest receivable and investment income receivable. The balances do not contain a significant financing component, as such the identified impairment loss is immaterial.

Recognition and initial measurement

Financial assets are measured initially at fair value, usually being the transaction price, including transaction costs for items that will subsequently be measured at amortised cost, on the trade date. Transaction costs on financial assets at fair value through profit or loss are expensed immediately.

Subsequent measurement

After initial measurement, financial assets classified at FVTPL are measured at their fair values. Changes in fair value are recorded within the Statement of Comprehensive Income.

Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Cell has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the fair value of an instrument is measured using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Instruments quoted in an active market are valued at a bid price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then valuation techniques are used that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the change has occurred.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the Cell transfers the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

2. Principal Accounting Policies (continued)

Financial Instruments (continued)

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

Financial liabilities – Classification, subsequent measurement and gains and losses (continued)

A financial liability is classified as a FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including other interest expense, are recognized in profit and loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities at amortised cost:

This includes trade and other payables and unsettled investment purchases.

Derecognition

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Fair Value Measurement Hierarchy

IFRS 13 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see note 5). The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement as a whole. Financial assets and financial liabilities are classified in their entirety into only one of the three levels. Further details are contained in note 5.

Participating Redeemable Preference shares

The Company issues PRP shares in the Cell, which are classified as equity in accordance with IAS 32. Should the PRP shares' terms or conditions change such that they do not comply with the strict criteria conditions in IAS 32 the PRP shares would be reclassified to a financial liability from the date the instrument ceases to meet the criteria.

PRP shares in the Cell can be put back to that Cell for cash equal to a proportionate PRP share of its net asset value ("NAV"), with a 12 month notice period for redemptions. The PRP shares are carried at the redemption amount that is payable at the end of the reporting period if the holder exercises the right to put the PRP share back to the Cell at that date.

PRP shares are issued and redeemed at the holder's option at prices based on the Cell's NAV per PRP share at the time of issue or redemption of PRP shares in the Cell. The Cell's NAV per PRP share is calculated by dividing the net assets attributable to holders of PRP shares in the Cell with the total number of outstanding PRP shares in the Cell.

Operating Segments

The Board has considered the requirements of IFRS 8. Although PRP shares of the Cell are listed on TISE, these PRP shares are not traded across TISE. As a result the Cell is outside the scope of IFRS 8.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

2. Principal Accounting Policies (continued)

Interest income

Interest income is recognized on a time-proportionate basis using the effective interest method and on a gross basis including withholding tax, if any.

Investment income

Dividends are recognised when the Cell's right to receive payments is established, normally being the ex-dividend date. The income is recognised on a gross basis including withholding tax, if any.

Other Income

Other income is recognised on an accrual basis to the extent that it is probable that there will be economic benefit and the income can be reliably measured. Bank interest, loan interest and transaction fee income are accounted for on an accrual basis.

Expenses

Expenses are recognised in the Statement of Comprehensive Income on the accrual basis.

Foreign exchange

Functional and presentation currency

Items included in the Financial Statements of the Cell are measured in the currency of the primary economic environment in which the Cell operates (the "functional currency"). The Board considers the currency of the primary economic environment in which the Cell operates to be Sterling as this is the currency that represents the economic effect of the underlying transactions, events and conditions. Sterling is also the currency in which the Cell measures its performance and reports its results.

Transactions and balances

Foreign currency assets and liabilities are translated into Sterling at the rate of exchange ruling at the end of the reporting period. Transactions in foreign currencies during the course of the year are translated at the rate of exchange ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary items that are denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Foreign exchange gains and losses on investments at fair value through profit or loss are recognised together with other changes in the fair value in the line item "Net capital losses on investments at fair value through profit or loss".

3. Critical accounting estimates and judgments

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Key assumptions and sources of estimation uncertainty

The following are the key assumptions and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Investments at fair value through profit or loss

The valuation methods/techniques used by the Cell in valuing the investments involve critical judgements to be made and therefore the actual value of the investment could differ significantly from the value disclosed in these Financial Statements. The investments that are not traded in an active market are valued by Saltus (Channel Islands) Limited (the "Manager"), after consultation with the Kestrel Partners LLP (the "Investment Manager"), having regard to the International Private Equity and Venture Capital Valuation Guidelines. The Directors consider these net asset values reported to best represent the fair value of investments as the underlying fund managers/administrators adopt fair value accounting for their underlying investments when generating their net asset values.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

3. Critical accounting estimates and judgments (continued)

Investments at fair value through profit or loss (continued)

There are four unlisted holdings at the reporting date; these investments are valued at £5,366,760 which represents the Manager's best estimate of realisable value. These positions are level 3 assets which are detailed in note 5.

Going concern

Please refer to note 2 for further details on the going concern assessment.

4. Significant fee arrangements

Management fees and Performance fees

The Manager is due a management fee of 1/12th of 2 per cent of the NAV of the Cell per calendar month, payable monthly in arrears.

The Manager is also entitled to receive a performance fee of 15 per cent of the difference between the subscription price paid and the redemption price received on the relevant dealing day, subject to the achievement of a minimum annual rate of return of Bank of England Base Rate plus 300 basis points:

To the extent payable, performance fees will be paid only on redemption (or, at the discretion of the Investment Manager, on a transfer) and calculated on an individual investor basis. The performance fee is deducted from the redemption proceeds paid. Any management or performance fee received by the Manager is paid in full to the Investment Manager.

During the year, the Manager was due a management fee of £3,128,810 (31 March 2020: £2,858,036) of which £343,961 (31 March 2020: £219,195) was outstanding at the end of the year.

Other Administrative Expenses

The Cell bears a service charge ("Service Charge") which is payable to the Manager out of which the Manager will pay certain operating expenses, such as administration, custodian, audit, directors' fees and professional fees in connection with obtaining and maintaining compliance with AIFMD. Charges relating to transactions, commissions in respect of dealing, listing fees, professional fees relating to reporting fund status, fees paid to advisers, corporate actions or changes to the Cell particulars are borne by the Cell. The Service Charge due to the Manager is calculated and paid monthly in advance. It is based on a percentage of the NAV calculated as follows.

- 0.475 per cent of the first £20 million of NAV of the GBP Class PRP shares; then
- 0.350 per cent of the NAV of the GBP Class PRP shares between £20 million and £80 million; then
- 0.300 per cent of the NAV of the GBP Class PRP shares between £80 million and £100 million; then
- 0.275 per cent of the NAV of the GBP Class PRP shares in excess of £100 million.

During the year, the Manager was due Service Charge of £526,489 (31 March 2020: £483,659) of which £55,432 (31 March 2020: £38,008) was outstanding at the end of the year.

With effect from 1 July 2020, the administration of Guernsey Portfolios PCC Limited and the Cell was transferred from Praxis Fund Services Limited to Zedra Fund Managers (Guernsey) Limited.

5. Financial risk management and financial instruments

Strategy in using financial instruments

The Cell's activities expose it to a variety of financial risks: market risk (including equity price risk, concentration risk and interest rate risk), credit risk and liquidity risk. As at 31 March 2021, all financial instruments of the Cell are denominated in Sterling, therefore the Cell is not directly exposed to currency risk; however, the investment companies in which the Cell invests may have exposure to currency risk. The Cell's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Cell's financial performance.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in note 2 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2021

5. Financial risk management and financial instruments (continued)

	31 March 2021	31 March 2020
	£	£
Financial assets		
Fair value through profit or loss:		
- Investments	175,723,610	105,546,435
Amortised cost:		
- Other receivables (excluding prepayments)	286,020	16,976
- Unsettled investment sales	100,091	-
- Cash and cash equivalents	14,274,971	20,026,515
Total financial assets	190,384,692	125,589,926
Financial liabilities		
Amortised cost:		
- Trade and other payables	433,186	263,626
- Unsettled investment purchases	129,763	237,510
Total financial liabilities	562,949	501,136

The following table analyses within the fair value hierarchy the Cell's financial assets at fair value through profit or loss:

31 March 2021	Level 1	Level	Level 3	Total
	£	£	£	£
Fair value through profit or loss				
- Investments	170,356,850	-	5,366,760	175,723,610
31 March 2020	Level 1	Level	Level 3	Total
	£	£	£	£
Fair value through profit or loss				
- Investments	102,585,312	-	2,961,123	105,546,435

The valuation and classification of the investments are reviewed on a regular basis. The Board determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table shows the movements in the Cell's Level 3 financial assets measured at fair value:

	1 April 2020 to	1 April 2019 to
	31 March 2021	31 March 2020
	£	£
Opening balance at 1 April	2,961,123	2,832,290
Purchases	3,000,000	101,843
Capitalised interest	270,892	93,590
Disposals	(1,000,000)	-
Unrealised gains/(losses)	134,745	(66,600)
Closing balance at 31 March	5,366,760	2,961,123

The net gains or losses on investments at FVTPL above are included in the net capital gains on investments at fair value through profit or loss line in the Statement of Comprehensive Income

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

5. Financial risk management and financial instruments (continued)

Capital risk management

The objective of the Cell is to achieve long term capital growth.

The capital structure of the Cell consists of equity attributable to equity holders, comprising issued capital, share premium, and distributable reserves as disclosed in the note 11. The Cell does not have any externally imposed capital requirements. At 31 March 2021 the Cell had capital of £189,821,743 (31 March 2020: £125,094,746).

The Cell manages its capital to ensure that its objective is met. It does this by investing available cash whilst maintaining sufficient liquidity to meet redemptions and on-going expenses.

The Investment Manager ensures that not more than 20% of the Cell's net assets at the point of investment are invested in any one company whilst the net assets of the Cell are less than £20 million and not more than 10% when the net assets of the Cell exceed £20 million. The Investment Manager will also ensure that no more than 10% of the Cell's net assets, at the time of making the investment, will be held in unlisted companies.

Market risk

The Cell's activities expose it primarily to the market risk of changes in market prices, concentration risk and interest rate risk.

The Cell currently only holds investments that are sterling denominated and is therefore not directly subject to market foreign currency risk.

(a) Equity Price Risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

All investment securities present a risk of loss of capital. The Investment Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits. The Cell's overall market positions are monitored on a daily basis by the Investment Manager and are reviewed on a quarterly basis by the Board.

(b) Price sensitivity

If the price of the underlying investments at 31 March 2021 had increased/decreased by 5% with all other variables held constant, representing the Directors' assessment of a reasonably possible change, the change in net assets attributable to holders of PRP shares in the Cell would be £8,786,181 (31 March 2020 30%: £31,663,931). The 30% sensitivity applied in the prior year represented increased market volatility during the year.

(c) Concentration Risk

While the Investment Manager will attempt to spread the Cell's assets among a number of investments in accordance with the investment policies adopted by the Cell, at times the Cell may hold a relatively small number of investments each representing a relatively large portion of the Cell's net assets representing a relatively large portion of the Cell's net assets. Losses incurred in such investments could have a materially adverse effect on the Cell's overall financial position. Whilst the Cell's portfolio is diversified in terms of its investments, the investment portfolio of the Cell may be subject to more rapid change in value than would be the case if the Cell were required to maintain a broader diversification among types of securities, countries and industry groups.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

5. Financial risk management and financial instruments (continued)

Market risk (continued)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of the Cell's financial assets and liabilities are non-interest bearing. As a result, the Cell is not directly subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash or cash equivalents are invested at short-term interest rates.

The table below summarises the Cell's exposure to interest rate risks:

	Floating rate £	Fixed Rate £	Non- interest £	Total £
31 March 2021				
Financial assets				
Investments at fair value through profit or loss	-	4,773,680	170,949,930	175,723,610
Unsettled investment sales	-	-	100,091	100,091
Amortised cost:				
Other receivables (excluding prepayments)	-	-	286,020	286,020
Cash and cash equivalents	16,244	149,515	14,109,212	14,274,971
Total financial assets	16,244	4,923,195	185,445,253	190,384,692
Financial liabilities measured at amortised cost:				
Trade and other payables	-	-	433,186	433,186
Unsettled investment purchases	-	-	129,763	129,763
Total financial liabilities	-	-	562,949	562,949
Total interest sensitivity gap	16,244	4,923,195	184,882,304	189,821,743

	Floating rate £	Fixed Rate £	Non- interest £	Total £
31 March 2020				
Financial assets				
Investments at fair value through profit or loss	-	2,961,123	102,585,312	105,546,435
Amortised cost:				
Other receivables (excluding prepayments)	-	-	16,976	16,976
Cash and cash equivalents	20,019,500	7,015	-	20,026,515
Total financial assets	20,019,500	2,968,138	102,602,288	125,589,926
Financial liabilities measured at amortised cost:				
Unsettled investment purchases	-	-	237,510	237,510
Trade and other payables	-	-	263,626	263,626
Total financial liabilities	-	-	501,136	501,136
Total interest sensitivity gap	20,019,500	2,968,138	102,101,152	125,088,790

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

5. Financial risk management and financial instruments (continued)

Market risk (continued)

(d) Interest rate risk (continued)

At 31 March 2021, should interest rates have lowered or risen by 25 basis points, with all other variables remaining constant, representing the Directors' assessment of a reasonably possible change, the change in net assets attributable to holders of PRP shares for the year would be £40,610 (31 March 2020: £50,049). The Manager monitors the Cell's overall interest rate sensitivity on a regular basis by reference to prevailing interest rates and the level of the Cell's cash balance.

Credit risk

The Cell takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due resulting in financial loss to the Cell. Impairment provisions are provided for losses that have been incurred by the end of the reporting period, if any.

All transactions in listed securities are settled/paid for upon delivery using market-approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. Credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The following table shows the maximum exposure to credit risk:

	31 March 2021	31 March 2020
	£	£
Unlisted investments	5,366,760	2,961,123
Unsettled investment sales	100,091	-
Cash and cash equivalents	14,274,971	20,026,515
Other receivables (excluding prepayments)	286,020	16,976
Total	20,027,842	23,004,614

Amounts in the above table are based on the carrying value of all accounts. The carrying amounts of these assets are considered to represent their fair value.

As at 31 March 2021 and 31 March 2020, no receivables are impaired or past due.

Substantially all of the cash held by the Cell is held by Butterfield Bank (Guernsey) Ltd ("Butterfield Bank") and Barclays Bank Plc ("Barclays Bank") (together the "Banks"). Bankruptcy or insolvency of the Banks may cause the Cell's rights with respect to these assets to be delayed or limited. The Cell monitors its risk by monitoring the credit rating of the Banks. At the date of authorisation of the Financial Statements, Butterfield Bank had a Standard & Poor's long term rating of BBB+ (31 March 2020: BBB+), the parent company and Barclays Bank had a Standard & Poor's long term rating of A (31 March 2020: A). If credit quality deteriorates, the Investment Manager may move the holdings to other banks.

The Investment Manager monitors the Cell's credit position on a regular basis, and the Board reviews it on a quarterly basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

5. Financial risk management and financial instruments (continued)

Liquidity risk

The Cell takes on exposure to liquidity risk, which is the risk that the Cell will encounter in realising assets or otherwise raising funds to meet financial commitments.

The majority of the Cell's investments may comprise securities which are traded on recognised financial markets. The Cell may also invest in securities which may lack an established secondary trading market or are otherwise considered illiquid. Liquidity of a security relates to the ability to easily dispose of the security and the price to be obtained and does not generally relate to the credit risk or likelihood of receipt of cash at maturity.

The Cell is exposed to monthly cash redemptions of PRP shares subject to a twelve month notice period. Short notice redemptions may be requested subject to 60 days' notice and satisfied at the sole discretion of the Directors, acting after consultation with the Investment Manager, and subject to a short redemption notice penalty of 5% of the gross redemption proceeds which is retained for the benefit of the Cell. The Investment Manager regularly monitors the Cell's liquidity position, and the Board reviews it on a quarterly basis.

The table below analyses the Cell's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

At 31 March 2021

	Less than 1 Month £	Total £
Unsettled investment purchases	129,763	129,763
Trade and other payables	433,186	433,186
Total financial liabilities	562,949	562,949

At 31 March 2020

	Less than 1 Month £	Total £
Unsettled investment purchases	237,510	237,510
Trade and other payables	263,626	263,626
Total financial liabilities	501,136	501,136

The carrying amounts of financial liabilities recorded at amortised cost in the Financial Statements approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

6. Investments at fair value through profit or loss

	31 March 2021	31 March 2020
	£	£
Listed investments	170,356,850	102,585,312
Unlisted investments	5,366,760	2,961,123
Total investments at fair value through profit or loss	175,723,610	105,546,435
	31 March 2021	31 March 2020
	£	£
Net capital gains on investments at fair value through profit or loss:		
Realised gains	3,305,831	555,285
Unrealised gains/(losses)	60,468,162	(4,007,277)
Total capital gains/(losses) on investments at fair value through profit or loss:	63,773,993	(3,451,992)
Investment income	902,741	1,672,703
Total gains/(losses) on financial assets at fair value through profit or loss	64,676,734	(1,779,288)

7. Dividends

Reporting Fund status for the Cell has been obtained with effect from 1 April 2011.

The Board does not recommend payment of a dividend for the year ended 31 March 2021 (31 March 2020: £nil).

8. Taxation

The Company is exempt from Guernsey income tax and is charged an annual exemption fee of £1,200 (31 March 2020: £1,200) which is allocated between each cell.

The taxation charge included in the Statement of Comprehensive Income represents irrecoverable withholding tax incurred on investment income received in the year. There was none charged in the current year (31 March 2020: none).

9. Other receivables and prepayments

	31 March 2021	31 March 2020
	£	£
Accrued interest receivable	187,052	1,739
Accrued investment income receivable	98,968	15,237
Prepayments	-	5,956
	286,020	22,932

10. Trade and other payables

	31 March 2021	31 March 2020
	£	£
Management fee	343,961	219,195
Service charge	55,432	38,008
Other operating expenses	33,793	6,423
	433,186	263,626

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

11. Share capital

PRP shares entitle the holders to participate in the assets and income of the respective Cells of the Company to which they relate. In a winding up, the holders of the PRP shares have the right to a return of the nominal capital paid up in respect of such PRP shares using the assets available in the Cell. Surplus assets remaining after the return of capital paid up on the PRP shares of the Cell are distributed to the holders of the PRP shares on a pro-rata basis. The Cell has the power to issue an unlimited number of PRP Shares of no par value.

Issued and fully paid share capital	Number of shares	Share Premium £	Share capital £
GBP Class			
At 1 April 2020	30,673,922	66,639,983	-
PRP shares issued during the year	3,068,043	15,544,509	-
PRP shares redeemed during the year	(2,459,739)	(11,881,164)	-
At 31 March 2021	31,282,226	70,303,328	-

Issued and fully paid share capital	Number of shares	Share Premium £	Share capital £
GBP Class			
At 1 April 2019	36,018,387	88,092,149	-
PRP shares issued during the year	1,575,700	7,332,130	-
PRP shares redeemed during the year	(6,920,165)	(28,784,296)	-
At 31 March 2020	30,673,922	66,639,983	-

Retained earnings

At the discretion of the Directors, any part of the amount standing to the credit of the Cell's retained earnings reserve may be used for distribution amongst the holders of PRP shares of the Cell, including the payment of dividends.

12. Capital Commitments

At the end of the reporting period no capital commitments existed.

13. Controlling Parties

The issued PRP shares of the Cell are owned by a number of parties and therefore, in the opinion of the Directors, there is no ultimate controlling party of the Cell, as defined by IAS 24 - Related Party Disclosures.

14. Related Parties

Mr Michael Stimpson and Mrs Lisa Haggarty, Directors of the Company, are also a Directors of the Manager.

Mr Patrick Firth and Mr Grant Wilson, Directors of the Manager, were also Directors of the Company until their resignation as Directors of the Company on 1 July 2020.

Mr Nick Stebbing, an alternate Director of the Manager, was also a Director of the Company until his resignation on 1 July 2020.

Mr Ben Morgan, a Partner of the Company's Legal Adviser, was also a Director of the Company until his resignation on 1 July 2020.

Mr David McNay, Director of the Manager, was also a Director of the Company until his resignation as Director of the Company on 21 December 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

14. Related Parties (continued)

At 31 March 2021 parties relating to the Investment Manager held a total of 2,775,481.714 shares in the Cell (31 March 2020: 2,721,699.305). On 20 May 2021 parties holding 79,101.044 shares became members of the Investment Manager taking the total related party holdings to 2,854,582.758.

The fees and expenses payable to the Manager are explained in note 4.

15. Basic and diluted earnings per PRP share

Basic and diluted earnings per GBP PRP share has been calculated on a weighted average basis. This is arrived at by dividing the income for the year, £61,063,652 (31 March 2020: £4,997,180 loss), by the weighted average number of GBP Class PRP shares in issue, 30,651,323 (31 March 2020: 32,329,300).

The Cell's diluted earnings per PRP share is the same as basic earnings per PRP share since the Cell has not issued any instruments that could potentially dilute earnings per PRP share in future years.

16. Net Asset Value per PRP shares

The net asset value per GBP PRP share is based on the net assets at 31 March 2021 attributable to shareholders of £189,821,743 (31 March 2020: £125,094,746) and the year-end number of GBP PRP shares in issue of 31,282,226 (31 March 2020: 30,673,922).

17. Events after the end of the reporting period

There were no other significant post year end events that require disclosure in these Financial Statements.

KESTREL OPPORTUNITIES, A CELL OF GUERNSEY PORTFOLIOS PCC LIMITED

PORTFOLIO STATEMENT (unaudited) As at 31 March 2021

Listed Investments	Holding	Market Value £	% of Net Asset Value %
Access Intelligence plc	14,159,220	18,973,355	10.00
Aferian plc (formerly Amino Technologies plc)	10,999,158	17,928,628	9.44
Attraqt Group plc	11,952,641	5,378,688	2.83
Centralnic Group plc	17,926,535	14,968,657	7.89
Eckoh plc	20,317,125	14,018,816	7.39
Fonix Mobile plc	2,079,609	3,576,928	1.88
Gresham Technologies plc	9,645,292	15,143,108	7.98
IDE Group Holdings plc ('IDE')	28,189,212	422,838	0.22
Idox plc	32,989,349	20,453,396	10.78
Ingenta plc	3,440,983	2,546,327	1.34
IQGeo Group plc	10,487,659	11,221,795	5.91
K3 Business Technology Group plc ('KBT')	8,491,879	14,266,357	7.52
KRM22 plc ('KRM')	3,362,586	1,546,790	0.81
Pebble Beach Systems Group plc	12,395,625	1,053,628	0.56
Redcentric plc	15,261,669	19,077,086	10.05
ULS Technology plc	11,927,382	9,780,453	5.15
		170,356,850	89.75
Unlisted Investments			
IDE 12% Secured Loan 9 Jan 25	879,578	1,128,595	0.59
IDE 0% Unsecured Loans Convertible 21 Aug 2023	1,965,966	1,179,580	0.62
KBT 31 Mar 30 Warrant	400,000	593,080	0.31
KRM 9.5% Secured Loan 20 Sep 23	2,000,000	2,465,505	1.30
		5,366,760	2.82
Total Investments		175,723,610	92.57
Other Net Assets		14,098,133	7.43
Net Assets Attributable to Holders of Participating Redeemable Preference shares		189,821,743	100.00

KESTREL OPPORTUNITIES, A CELL OF GUERNSEY PORTFOLIOS PCC LIMITED

SCHEDULE OF PORTFOLIO CHANGES (unaudited) For year ended 31 March 2021

Purchases	Shares/Nominal	Cost £
1spatial plc	857,430	153,249
Access Intelligence plc	1,986,750	1,514,743
Aferian plc (formerly Amino Technologies plc)	2,474,950	3,164,091
Attraqt Group plc	2,364,341	657,447
Eckoh plc	1,253,292	779,805
Fonix Mobile plc	2,334,666	2,097,799
Gresham Technologies plc	1,611,399	2,034,737
Idox plc	511,433	191,030
Ingenta plc	15,000	6,750
IQGeo Group plc	1,175,000	913,000
K3 Business Technology Group plc ('KBT')	810,508	1,181,786
KBT 8% Unsecured Loan 30 Jun 21	1,000,000	1,000,000
KBT 31 Mar 30 Warrant	400,000	-
KRM 9.5% Secured Loan 20 Sep 23	2,000,000	2,000,000
KRM22 plc ('KRM')	3,362,586	1,056,747
Redcentric plc	296,865	79,305
ULS Technology plc	1,183,040	687,954
Total purchases in the year		17,518,443
	Shares/Nominal	Proceeds £
Sales		
1Spatial plc	1,537,430	338,235
Aferian plc (formerly Amino Technologies plc)	678,240	871,538
Aptitude Software Group plc	17,000	66,300
Castleton Technology plc	4,348,662	4,131,229
Eckoh plc	3,419,165	2,250,627
Fonix Mobile plc	255,057	431,408
Idox plc	1,060,000	587,240
KBT 8% Unsecured Loan 30 June 21	1,000,000	1,000,000
Redcentric plc	125,791	155,239
Rosslyn Data Technologies plc	29,214,950	1,460,747
Total sales in the year		11,292,563

The above transactions represent the Cell's total purchases and sales of investments during the year.

Additional Information (unaudited)
For the year ended 31 March 2021**Alternative Investment Fund Managers Directive**

The total amount of fixed remuneration for the year ended 31 March 2021 paid by the Alternative Investment Fund Manager (the "AIFM"), Saltus (Channel Islands) Limited to its staff was as follows:

	31 March 2021	31 March 2020
Director	£	£
P Firth	1,250	5,000
G Wilson	1,250	5,000

Mr Firth was appointed as the Risk Director in order to facilitate the risk reporting and monitoring efficiently at an annual fee of £5,000. Until his resignation as a Director of the Cell on 1 July 2020, total Director's fee payable to Mr Firth were £27,500 per annum (31 March 2020: £27,500).