THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED

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THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED

Fund information, Investment Objective & Policy

Introduction
The Flight and Partners Recovery Fund Limited (the "Fund") is a Guernsey-domiciled closed-ended investment company listed on The International Stock Exchange ("TISE"). The Fund aims to achieve attractive risk-adjusted returns over the economic cycle through investment in stressed and distressed small to medium-sized UK businesses with fundamentally sound business models that offer strong recovery prospects.

The Fund invests in transactions that are originated, executed and managed by Rcapital Partners LLP (the "Investment Adviser" or "Rcapital"). Rcapital aims to use its financial restructuring and operational turnaround capabilities to improve the performance of the acquired businesses. The Fund has no sector bias, but investments are not made in sectors regarded by the Board as inherently problematic.

The Fund's investments are made in the form of loans that are secured against the underlying assets in the investee company. Loans are provided at a minimum interest rate of 10% or 6% over base rate, whichever is higher. The Fund typically also receives an equity stake in the investee company at zero or nominal cost.

The Fund's investments are valued in accordance with the International Private Equity and Venture Capital valuation guidelines ("IPEV"). Equity interests in investee companies are provided by Rcapital and reviewed by the Board, where they are deemed to have value, this is included in the net asset value of the Fund. The holding periods for loan finance and equity participation are intended to be of limited duration to enable the Fund's resources to be reinvested over time.

In January 2021, the Fund issued £14.9m of new redeemable preference A Shares (the "A Share(s)"). At the same time, investors in the existing share class holding 3.1m of shares with an NAV of £5.6m voted to retain their holdings (the "Retainers"). The combined share classes therefore had a NAV of £20.5m as at 6 January 2021.

Investment Objective & Policy
The investment objective of the Fund is to generate significant total returns over the long term with limited risk to shareholders' subscriptions.

The Board (through the management and advisory services provided by Flight & Partners Limited (the "Manager") and Rcapital aims to achieve the following investment objectives:

- to identify financially or operationally distressed businesses with fundamentally sound business models that offer strong prospects for recovery;
- to use the skills of the Investment Adviser to restructure the businesses (usually involving the transfer of the business and assets of the target into a new company in which the Fund will have a material equity interest) with a view to ensuring their long-term viability and profitability;
- to provide loan finance to and acquire an equity interest in the restructured businesses;
- to use the technical, operational and management skills of the Investment Adviser to enhance the profitability and value of the restructured businesses with a view to eventual disposal of the Fund's equity interests at a gain; and
- consequently to extract a return for the Fund from a combination of interest and fees charged on the loan finance and equity gains, targeting a minimum return of at least 6% per annum above bank base rate or 10% per annum, whichever is higher.

Fund information, Investment Objective & Policy, continued

The investment policy of the Fund is to target small and medium-sized UK companies that:

- are in financial difficulties due to any one or more or of mismanagement, poor internal controls (particularly over costs), shareholder disputes or other operational challenges;
- in the view of the Manager and the Investment Adviser have fundamentally solid underlying business models;
- represent good prospects for a return to viability and profitability through restructuring, refinancing and the application of management expertise and cost reduction;
- have assets presenting good security for loan finance; and
- once restructured and/or returned to profitability, represent attractive acquisition or refinancing candidates for strategic acquirers and/or financial investors.

The Investment Adviser

The Investment Adviser is Rcapital, a special situations investment firm that has been operating since 2004 and has made over 80 investments in this period. The Board and the Manager consider that Rcapital has a leading track record in assessing, executing and managing turnaround investments, providing the Fund with a key competitive advantage.

Rcapital is able to source a wide range of investment opportunities through its relationships with banks, insolvency practitioners and corporate finance houses. The investment team have a strong knowledge of UK insolvency law and how this can be used to restructure businesses. Rcapital also has its own team of operating partners with business turnaround expertise and a network of contacts for the recruitment of executives with relevant turnaround and sector experience.

Rcapital is obliged to offer to the Fund all recovery investment opportunities it identifies and recommends which meet the Fund’s criteria. If the Fund does not wish to invest or does not have the cash so to do, or the investments are too large, Rcapital is free to invest in such businesses itself, or to place them with other parties. The interests of the Fund and the Adviser are aligned by the Investment Adviser’s remuneration terms which are to receive 70% of the equity available in investee companies, free of cost or at minimal cost, with the Rcapital obligation to make good any losses incurred by the Fund’s loan book from gains on its investments in other investee companies.

THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED

Chairman's Statement
For the year ended 30 June 2021

When I wrote the Chairman's Statement last year, few would have predicted the COVID-19 pandemic would have continued to impact our lives to the same extent over the last 12 months. Nevertheless, we are still living with the virus today and it has had a profound impact on the way people live and work, and how businesses operate.

Some of these changes have been positive – many people have enjoyed the increase in home working and spending more time with their families – and some companies have benefitted from increased efficiency and a reduced fixed cost base as a result.

Successful businesses have been agile in taking prompt action to embrace these changes, both to protect value and to adapt their business models to the 'new normal'. Within the Fund's portfolio, Independent Group would be one example, where they have been able to reduce their property portfolio through moving their call centres to a remote model.

We are grateful that our portfolio has shown great resilience in the face of the challenges brought on by the pandemic. The rapid recovery in performance of the portfolio companies, the make good obligation, together with a faster than anticipated recovery in the M&A market and public company valuations, have meant that the Sterling Redeemable Preference Shares ("SRP Shares") have recovered the losses suffered in the early part of the pandemic, and finished the year at their highest yet NAV per share of £1.8042, an increase of 9.9% over the year. Likewise the new A Shares have increased in value by 1.8% in the 6 months since their listing, finishing the year at an NAV per share of £1.0175.

We are also thankful to the management teams and staff of our portfolio companies for showing great determination, flexibility and entrepreneurial spirit to get through the pandemic. Likewise, Rcapital has acted as a highly effective steward, using all of their turnaround skills to help our companies navigate these extraordinary times.

However other changes have undoubtedly had a negative impact on our lives. The inability to travel and see friends and family has been very difficult for many people. CHS Engineering, one of our portfolio companies, was an unfortunate casualty of this. CHS Engineering was a successful UK SME providing engineering expertise to its airport clients on a global basis, and a turnaround story we were proud to support. The shutdown in global travel resulted in CHS Engineering's clients suspending virtually all capital investment, and revenue fell to unsustainable levels, ultimately resulting in the company's administration.

Within this challenging environment, your Board was extremely happy to announce the successful completion of the fundraising and listing of the new A Share class in January. Similarly, we were delighted that the original Retainers supported the extension of the Fund and 46% decided to retain their investments for another 7 years. As a result of this, the Fund had a combined net asset value of £20.5m as at 6 January 2021, including £17.1m of cash to invest.

Part of the premise for the fundraising was that the pandemic would lead to a substantial funding requirement amongst UK SMEs, and accordingly attractive investment opportunities for the Fund. Since then we have seen the UK government continue to inject unprecedented amounts of funding into the economy and UK businesses alike. This has resulted in the unusual situation of the distressed investment market being as quiet as we have seen for circa 20 years.

Accordingly deal flow and deployment of capital for the Fund has been behind target. In a difficult market for new deals, we were pleased to complete two new investments in the year, with a combined investment value of £6.5m. We feel strongly that it is better to wait for the 'right' deals, than to chase deals just because we have capital to deploy. As a result of this, we will not be proposing payment of a dividend on the A Shares, as we have not yet generated sufficient net income. We hope to be able to start paying dividends on the A Shares from next year.

We planned to hold a second closing of the fundraising in late 2021, once we had good visibility on deployment of the capital raised in the first closing. As we stand, we do not feel we have this visibility, and accordingly these plans are on hold for now.

We are also conscious that many of the shareholders voted to redeem their shareholdings and will be awaiting redemption payments. £1.2m was returned to redeeming investors in February this year, and the remaining balances will be paid as and when the pre-2020 investment portfolio is realised. The Manager and the Investment Adviser are working hard to ensure that we maximise proceeds for investors on the sale of these investments, and it is expected that further distributions will be made in instalments over the next 18-24 months.

We do anticipate that this coming year will be a busy one for the Fund, with an expected pick-up in activity in the new investment market, and potential disposals from the old portfolio. We would like to thank our investors for their continued support and look forward to updating you further as we progress.

William Scott
Chairman
Date: 21 October 2021

Introduction

The year to 30 June 2021 was an extraordinary year because of the COVID-19 pandemic, and a uniquely challenging one for people, businesses and investors alike.

Within this context we were pleased with the performance of the Fund and the progress that was made during the year.

We completed the fundraising and 7-year extension of the Fund to 12 October 2027, in rather difficult circumstances, and the Fund issued £14.9m of new redeemable preference A Shares in January 2021. At the same time, investors in the existing share class holding 3.1m of shares with an NAV of £5.6m voted to retain their holdings. We are very grateful to new and existing shareholders for their support.

The combined share classes therefore had a 'pro-forma' net asset value of £20.5m as at 6 January 2021, giving the Fund the ability to capitalise on what is expected to be an attractive market for new investments. The A Shares and the Retainers are now investing in new transactions alongside each other, pro-rata to the amount of cash available in each share class.

The combined net asset value of the Fund as at 30 June 2021 was £20.8m, and both share classes finished the year at their respective high water marks:

- Sterling Redeemable Preference Shares – NAV per share of £1.8042, an increase of 9.9% over the year; and
- A Shares – NAV per share of £1.0175, an increase of 1.8% since the listing in January 2021.

In what has been a difficult environment for new investments, we were also pleased to complete two new investments in the year, as follows (and discussed later in the Investments section):

- Patrick Parsons – an engineering consultancy to the built environment; and
- FAE Ventures Limited, trading as FAE Group (formerly: First Access Entertainment) – a music publishing company.

We anticipate that new investment activity will increase in the second half of 2021 and early 2022 and look forward to a busy period for the Fund.

Market Overview

Market conditions varied considerably over the year depending on the extent of the COVID-19 related lockdown measures:

- Q1 (July-September 2020) – gradual easing of restrictions following the first lockdown, albeit with greatly reduced overseas travel;
- Q2 (October-December 2020) – return of restrictions towards full lockdown by December;
- Q3 (January-March 2021) – lockdown restrictions throughout; and
- Q4 (April-June 2021) – relaxation of lockdown, as non-essential shops and outdoor venues re-opened on 12 April and indoor venues were re-opened on 17 May, albeit with remaining restrictions.

Trading conditions for the portfolio companies were therefore negatively impacted for most of the year, and to a greater extent in Q2 and Q3.

Against this backdrop, the Fund's investment portfolio displayed generally robust performance. Richard Irvin, Independent Group and Patrick Parsons all ended the year strongly and trading ahead of budget. Independent Group in particular saw a very positive recovery from lockdown restrictions, having been the most impacted by its inability to enter claimants' homes. Capital Cooling has continued to see strong demand from customers, but has had a more difficult time on the supply side, with particular challenges getting products into the UK because of Brexit and COVID-19 related issues.

Market overview, continued
Unfortunately, the pandemic proved too challenging for CHS Engineering, and it was put into administration in November 2020. The shutdown in global air travel had decimated what was previously a profitable and growing business, and very successful turnaround story. The business and assets of the company were sold to a trade buyer, resulting in a partial redemption on the Fund's loan, and the balance of £0.6m was written off and now forms part of the Makegood.

Throughout the year we saw the UK government continue to support UK corporates and SMEs with unprecedented levels of direct and indirect funding. The various COVID-19 related government support schemes were originally anticipated to finish in September/October 2020, but have been extended well into 2021 and beyond:

- VAT/PAYE deferrals until 31 March 2021, with VAT rate cuts for certain sectors until 31 March 2022;
- Coronavirus Business Interruption Loan Scheme (CBILS) extended until 31 March 2021 and immediately replaced by the Recovery Loan Scheme (RLS);
- Furlough scheme extended until 30 September 2021;
- the moratorium on winding-up petitions and statutory demands extended until 30 September 2021; and
- the return of landlord rights delayed until 31 March 2022.

Whilst this has been enormously beneficial in providing liquidity and helping companies trade through a difficult period, it has also resulted in a significant reduction in the volume of new investment opportunities we have seen.

In the early stages of the pandemic we saw an initial wave of opportunities, but these were predominantly in consumer-facing sectors that had been particularly badly affected, and markets such as retail and casual dining that had prior systemic issues. Accordingly we were highly cautious in assessing these opportunities.

Since the autumn of 2020 the distressed investment market has been supressed because of the levels of government support available to companies and the restrictions on creditor actions. A recent study by Interpath Advisory (formerly KPMG Restructuring) found that 301 UK companies fell into insolvency from January to June 2021, compared to 655 in the same period in 2020 and 686 in 2019. The months of May and June saw particularly low levels, with 32 insolvencies in each month, the lowest total since Interpath started tracking the data in 2005 (source: Interpath Advisory).

We fully expect that activity in the distressed investment market will increase, and we have already seen an uptick in new opportunities towards the end of the year, but it may be early 2022 before we see a return to previous levels of activity.

Fund Performance

Sterling Redeemable Preference Shares

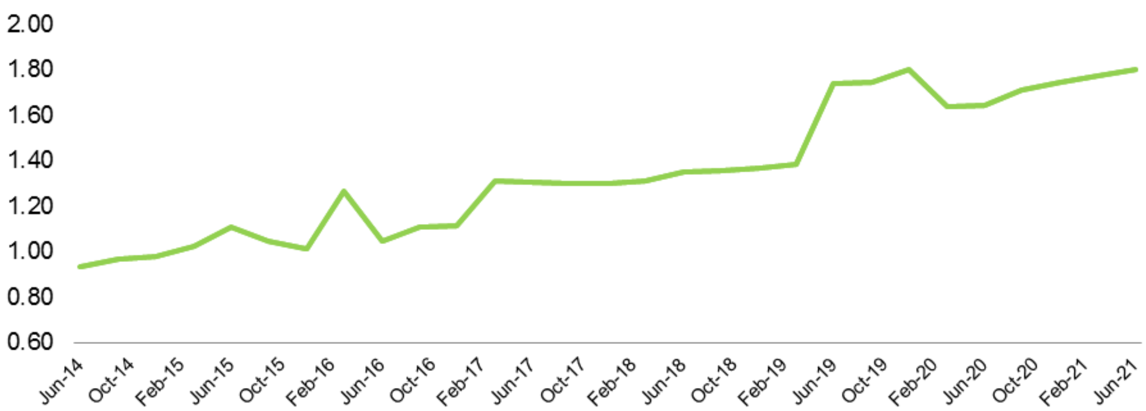
The NAV per Sterling Redeemable Preference Shares at 30 June 2021 is £1.8042, an increase of 9.9% from the position at 30 June 2020. Longer term performance statistics of the Sterling Redeemable Preference Shares are as follows (also see table and chart below):

- Last 3 years: up 33.8%
- Last 5 years: up 72.8%
- Last 7 years: up 93.1%

Exhibit 1: Sterling Redeemable Preference Shares – Performance Since Inception

	Q1		Q2		Q3		Q4		YTD
	Price	% Change	Price	% Change	Price	% Change	Price	% Change	
2008	1.0000	0.00%	0.9998	(0.02%)	1.0138	1.40%	1.0333	1.92%	3.30%
2009	0.9707	(6.06%)	1.0030	3.33%	1.0457	4.26%	1.0667	2.01%	3.53%
2010	1.0754	0.82%	0.8423	(21.68%)	0.8517	1.12%	0.8615	1.15%	(18.59%)
2011	0.8734	1.38%	0.8856	1.40%	0.8973	1.32%	0.9073	1.11%	5.21%
2012	0.9173	1.10%	0.6659	(27.41%)	0.6690	0.47%	0.6671	(0.28%)	(26.12%)
2013	0.6518	(2.29%)	0.9051	38.86%	0.8718	(3.68%)	0.8774	0.64%	33.53%
2014	0.8796	0.25%	0.9343	6.22%	0.9656	3.35%	0.9804	1.53%	11.35%
2015	1.0239	4.44%	1.1108	8.49%	1.0441	(6.00%)	1.0120	(3.07%)	3.85%
2016	1.2651	25.01%	1.0438	(17.49%)	1.1105	6.39%	1.1160	0.50%	14.40%
2017	1.3108	17.46%	1.3037	(0.54%)	1.2998	(0.30%)	1.2989	(0.07%)	16.55%
2018	1.3129	1.07%	1.3488	2.74%	1.3546	0.43%	1.3653	0.79%	5.03%
2019	1.3823	1.25%	1.7391	25.81%	1.7452	0.35%	1.7999	3.13%	30.54%
2020	1.6368	(9.06%)	1.6411	0.26%	1.7100	4.20%	1.7434	1.95%	(2.65%)
2021	1.7724	1.66%	1.8042	1.79%					3.46%

Exhibit 2: Sterling Redeemable Preference Shares – 7-year Historical NAV per Share



Fund Performance, continued

Exhibit 3: Sterling Redeemable Preference Shares – Net Asset Value Analysis

NAV Analysis (£m)	30 June 20	30 June 21	Diff.
Cash	£1.4m	£0.5m	(£0.9m)
Loans	£5.0m	£3.3m	(£1.7m)
Equity / Make Good	£5.2m	£7.6m	£2.3m
Other Assets	£0.3m	£0.3m	£0.0m
Gross Asset Value	**£12.0m**	**£11.7m**	**(£0.3m)**
Other Liabilities	(£0.1m)	(£6.1m)	(£6.0m)
Net Asset Value	**£11.9m**	**£5.6m**	**(£6.3m)**
Shares in issue (000s)	7,235	3,101	(4,134)
NAV per share (£)	**£1.6411**	**£1.8042**	**£0.1631**

Commentary on the material movements is as follows:

- Cash – reduced by £0.9m primarily due to redemption payments of £1.2m made to exiting shareholders, offset against a net £0.2m reduction in the gross loan portfolio and £0.1m of net income;
- Loans – reduced by £1.7m because of net repayments (£0.2m) and an increase in the provisions for CHS Engineering (0.6m) and Capital Cooling (£0.9m);
- Equity / Make Good – increased by £2.3m to reflect an increase in the valuation of Independent Group and Richard Irvin, combined with a Make Good increase from CHS Engineering and Capital Cooling; and
- Other Liabilities – increased due to the redemption creditor due to exiting shareholders.

A Shares

The NAV per A Share as at 30 June 2021 is £1.0175 per share, an increase of 1.8% from the date of listing of 6 January 2021.

Exhibit 4: A Shares – Performance Since Inception

	Q1		Q2		Q3		Q4		YTD
	Price	% Change	Price	% Change	Price	% Change	Price	% Change	
2020	n/a	n/a	n/a	n/a	n/a	n/a	1.0000	0.00%	n/a
2021	1.0009	0.09%	1.0175	1.66%					1.75%

Exhibit 5: A Shares – Net Asset Value Analysis

NAV Analysis (£m)	1 Jan 20	30 June 21	Diff.
Cash	£14.9m	£8.4m	(£6.5m)
Loans	£0.0m	£6.4m	£6.4m
Equity / Make Good	£0.0m	£0.5m	£0.5m
Other Assets	£0.0m	£0.0m	£0.0m
Gross Asset Value	**£14.9m**	**£15.3m**	**£0.4m**
Other Liabilities	£0.0m	(£0.1m)	(£0.1m)
Net Asset Value	**£14.9m**	**£15.2m**	**£0.3m**
Shares in issue (000s)	14,947	14,947	0
NAV per share (£)	**£1.0000**	**£1.0175**	**£0.0175**

A Shares, continued

Commentary on the material movements is as follows:

- Cash – reduced by £6.5m due to £6.1m of loan drawdowns and £0.4m of listing and operating costs;
- Loans – increased by £6.4m for the loans to Patrick Parsons and First Access; and
- Equity – increased by £0.5m for the latest valuation of Patrick Parsons.

The Fund's Investments

As of 30 June 2021, the Fund held the investments in the following five companies (see table below for further details):

- Independent Group (UK) Limited ("Independent Group");
- Beheren Limited ("Capital Cooling");
- Richard Irvin FM Limited ("Richard Irvin");
- PPCE Group Limited ("Patrick Parsons"); and
- FAE Ventures Limited ("FAE Group").

Over the year the Fund exited one investment, the business and assets of CHS Engineering Services Limited ("CHS Engineering"), and completed two new investments, Patrick Parsons and First Access.

Exhibit 6: Fund Investments as at 30 June 2021

Portfolio Company	Business Overview	Flight Fund Loan (£k)		Flight Fund Equity	
		SRP Shares	A Shares	SRP Shares	A Shares
Independent Group	Insurance Support Services	£1,029.2	n/a	20.54%	n/a
Capital Cooling	Commercial Refridgeration Supplier	£1,324.8	n/a	20.05%	n/a
Richard Irvin FM	Facilities Management Provider	£500.0	n/a	23.67%	n/a
Patrick Parsons	Engineering Consultancy	£6.7	£93.3	1.83%	25.47%
First Access	Music Publishing	£476.5	£6,275.7	n/a	n/a

Independent Group

Independent Group is a group of companies which provide a wide range of outsourced services to the insurance industry relating to domestic and commercial claims. Their brands include:

- Ansa Drainage Solutions – which validates and fulfils drainage claims;
- ChemDry – a leading fire and flood disaster remediation provider; and
- Independent Inspections – which specialises in handling water damage claims.

The Fund's loan to the company, originally totalling £1.5m, was made via two Rcapital loan companies, FCAP Six Limited and Blackstar 2016 Limited. To date Independent has repaid a total of £0.5m. The funds invested in Independent now comprises of loans totalling £1.0m and a 20.5% shareholding which is currently valued at £0.7m.

Financial commentary:

- Following a challenging previous quarter due to lockdown, Independent recovered strongly in the final quarter of the year.
- Trading was well ahead of budget at revenue and EBITDA level. The business generated revenue of £7.4m in the quarter, an increase from £6.1m in the prior period.
- The business recently completed its financial year end to April 2021. Whilst two quarters of the year were heavily impacted by lockdown, the business generated a strong positive EBITDA result for the year and was well ahead of budget.
- The budget for FY22 sees a continuation of current trading, together with some wins and losses in the client portfolio. Various cost savings and efficiencies have been identified over the previous 12-18 months which are now working through the business.

Capital Cooling

Capital Cooling specialises in the design, sale and installation of commercial refrigeration equipment, both under its own brands and as distributor for leading third-party manufacturers such as Isla Refrigeration, SIFA and SAYL. The majority of the company's customers are supermarkets, retailers, convenience stores and other suppliers to these markets. Over the last 15 years Capital Cooling have developed and refined their own range of innovative refrigeration products, each item designed to meet the highest standards while delivering exceptional performance, energy efficiency and reliability.

On 30 July 2020, Capital Cooling was restructured in order to put it on a stronger financial footing. The trade and assets of Capital Cooling Refrigeration Limited were sold to a new company, Beheren Limited (trading as Capital Cooling). The purchase was funded by a new loan issued by the Fund to Beheren Limited. The proceeds of the purchase were used to repay the previous outstanding loan from the Fund – it was therefore cash neutral for the Fund.

The Fund's stake in Beheren Limited was subsequently reduced from 25% to 20% as further equity was issued to management. This diluted Rcapital and the Fund pro-rata. The investment in Capital Cooling now comprises loans totalling £3.7m and a 20.05% shareholding. £2.4m of the loan is presently considered not recoverable (and is provided for) but there is sufficient value in the Investment Adviser's Make Good undertaking to recoup the provision.

Financial commentary:

- Capital Cooling continues to experience challenges getting sufficient stock into the UK from its overseas suppliers. This has resulted in the loss of orders/sales as it has not had product available. In addition, transport costs have increased significantly.
- The business was aiming to launch a new product range in Germany which had to be postponed due to COVID restrictions.
- The business had been expecting a strong end of the year but, due to the above issues, revenue in the final quarter was behind budget, albeit marginally up on the prior quarter.
- Results for the year to 30 June 2021 are essentially breakeven at EBITDA level. The budget for FY22 shows an uplift on current year performance and positive EBITDA.

Richard Irvin

Richard Irvin is a leading facilities management company based in Aberdeen that works mainly for local authorities and commercial clients in Scotland and the UK and has contracts to support a number of key Ministry of Defence sites.

The business has 6 offices across Scotland and employs approximately 340 people, including 270 field engineers. The business provides a range of hard FM services, including technical FM, managed services, housing services, energy services, small projects and compliance.

The Fund's investment in Richard Irvin comprises a loan totalling £0.5m and a 23.67% shareholding, currently valued at £2.0m.

Financial commentary:

- Richard Irvin has performed robustly throughout the pandemic, and delivered another strong final quarter, with revenue and EBITDA ahead of budget.
- The company has seen an improvement in market conditions across the maintenance side of the business, with trading around 80-90% of expected pre-COVID levels. The projects division remains slow at c.15%.
- As a result of recent trading, the company has marginally improved its expected outturn for the year to 31 December 2021.
- The management team are currently looking at various strategic initiatives to drive future growth. An increased focus in being placed on new business and the company is looking to strengthen its team in this area.

Patrick Parsons

Patrick Parsons is a full service multi-disciplinary engineering consultancy to the built environment.

The group is headquartered in Birmingham with 3 further UK offices and 100 engineers, generating annual turnover of c.£10million. The business offers a one-stop solution of engineering disciplines: Civils, Structural, Geo-environmental and Mechanical & Electrical. The company serves a range of blue-chip clients in the construction, infrastructure and house-building industry, with many under framework contracts.

The Fund provided a £750k loan facility (of which only £100k has been drawn) to finance the acquisition of the company and support growth in the business, and has taken a 27.3% equity stake alongside Rcapital, currently valued at £0.5m. The investment is split 93%/7% between the A Shares and the Sterling Redeemable Preference Shares respectively.

Financial commentary:

- Patrick Parsons, the first new investment in the year, was acquired in March 2021 so has been under Rcapital's control for a relatively short period.
- Performance has generally been strong with revenue and EBITDA ahead of budget. This has resulted in an upgrade to expectations for the full year to March 2022.
- The business is implementing various post-deal initiatives to improve efficiency and decrease costs, which are expected to translate into improved profitability over the course of the year.
- The pipeline generally looks positive although there are some concerns in the market around extended planning approval timelines and construction material shortages and the impact this could have on project timing.

FAE Group

FAE Group is a music publishing company. It identifies, develops and produces new musical talent, typically taking a c.50% share in the music IP developed and therefore any royalty income generated.

The company has a stable of well-known artists and generates consistent levels of monthly royalty income, predominantly through the digital music platforms such as Spotify and Apple Music.

In 2020 the music portfolio generated gross royalty income of £8.4m and net income of £3.6m (after distribution costs and artists' share). Net income has averaged £3.2m over the prior 3 years. Via a UK SPV, the Fund has provided a loan of £6.43m secured against this IP (and all other assets of the company). The loan is for 12 months, with the potential to extend to 18 months, and is expected to generate a return in excess of the minimum hurdle for the Fund. The fair value of the loan has subsequently been increased to £6.75m to reflect contracted future profit share payments to the Fund.

There is currently an active investment market for music portfolios such as this, due to the annuity income they generate. Independent analysis undertaken suggests that average multiples paid for portfolios are around 15.9x annual average earnings, with a range between 6.5x and 26.2x.

The FAE Group portfolio has been independently valued by an expert at over 4x the value of the Fund's loan. The loan is senior secured against this portfolio, providing strong asset-backing.

This is the second of the new investments made by the Fund this year. The investment was funded 93% from the A Shares and 7% from the Sterling Redeemable Preference Shares.

The Lord Flight
Chairman
Flight & Partners Limited
Date: 21 October 2021

Report of the Directors
For the year ended 30 June 2021

The Directors of The Flight and Partners Recovery Fund Limited (the "Fund") are pleased to present their annual report and audited financial statements for the year ended 30 June 2021 ("the Financial Statements"), which have been prepared properly, in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland" ("FRS 102"), The Protection of Investors (Bailiwick of Guernsey) Law, 1987 and in accordance with any relevant enactment for the time being in force; and are in accordance with the requirements of The Companies (Guernsey) Law, 2008. The Sterling Redeemable Preference Shares of the Fund are listed on The International Stock Exchange ("TISE"). The A Shares were listed on TISE on 6 January 2021.

At the Extraordinary General Meeting and Class Meeting held on 12 October 2020 (the "Continuation Proposal"), shareholders passed all of the resolutions and in particular the resolution that the Fund continues for another 7-year period. Accordingly, the Fund will continue for another 7-year period and, as promised to those shareholders who elected to redeem, the Board has effected the redemption of their shares as at 31 December 2020 in line with the Articles of Incorporation of the Fund.

INVESTMENT OBJECTIVE & POLICY

The Fund's investment objective and policy are detailed on page 1.

GOING CONCERN

The Continuation Proposal for the Fund to carry on for a further period of 7 years to 12 October 2027 was passed at the EGM held on 12 October 2020.

In addition, the Fund has considerable financial resources and after making enquiries the Directors have a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing these Financial Statements.

RESULTS

The results for the year are set out in the Statement of Comprehensive Income on page 23.

The Fund has raised a total of £14,947,000 through the issue of 14,947,000 A Shares.

As part of the Continuation Proposal shareholders had the option to remain in or redeem from the Fund. Those Shareholders who elected to redeem ("Redeemers") were redeemed and their shares cancelled with effect from 31 December 2020. Since redemption and cancellation of the Redeemers' shares, they are now treated as a creditor of the Fund for their pro rata entitlement to the existing investments as they are disposed of (including income received after 31 December 2020 from those investments prior to disposal) and their share of other net assets as at 31 December 2020. The actual amount which will be returned will depend on the sales proceeds realised from investments held as at 31 December 2020. Redeemers will not be exposed to new investments acquired by the Fund's reinvestment of the proportion of existing investments attributable to continuing shareholders.

4,133,733 shares were redeemed on 31 December 2020. During April 2021, the first distribution totaling £1,200,000 to Redeemers was made.

For the Retainers the Directors propose to reinvest all profits earned after costs, including interest, and commitment and redemption fees (and any associated fees) earned on loan finance provided to restructured businesses representing investments of the Fund, into the Fund's available cash for investment.

Retainers' entitlement to their proportion of the Fund will not be affected or geared by the entitlement of redeeming shareholders as the latter will vary in line with the proceeds of disposal (and prior to that, the valuation of the corresponding investments).

DIRECTORS
The Directors, all of whom are non-executive directors, are as listed on page 47. All the Directors were appointed on incorporation.

DIRECTORS' INTERESTS
The interests in the Fund, as at 30 June 2021, of the Directors who held office during the year and their families are set out below:

	Sterling Redeemable Preference Shares 2021	Sterling Redeemable Preference Shares 2020
	No.	No.
William Scott (Chairman)	-	-
Mark Warde-Norbury	40,061	40,061
Roger Le Tissier	-	-

There were no changes in the interests of the Directors prior to the date of this report.

DIVIDENDS
The Directors do not recommend the payment of a dividend for the year ended 30 June 2021 (30 June 2020: £nil).

MANAGER AND INVESTMENT ADVISER INTERESTS
As at 30 June 2021, directors and associates of both the Manager and Investment Adviser owned a total of 2,863,023 Sterling Redeemable Preference Shares and A Shares ("Shares") in the Fund. (30 June 2020: 1,833,012 Sterling Redeemable Preference Shares) or 15.86% (30 June 2020: 25.33%) of the Fund's total Shares in issue. Further details of the Manager and Investment Adviser interests are disclosed in note 4 to these Financial Statements.

DIRECTORS' RESPONSIBILITIES STATEMENT
The Companies (Guernsey) Law, 2008 requires Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Fund and of the profit or loss of the Fund for that period and are in accordance with applicable laws. 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 – FRS 102 have been followed subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and enable them to ensure that the Financial Statements have been prepared in accordance with the Companies (Guernsey) Law, 2008 and the Fund's principal documents. They are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Fund's 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 Fund's auditor is aware of that information.

CORPORATE GOVERNANCE
Following the publication by the GFSC of the Finance Sector Code of Corporate Governance in September 2016 (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 Fund.

DATA PRIVACY

The Fund has polices in place to comply with The Data Protection (Bailiwick of Guernsey) Law, 2017 (as amended) and to the extent that goods or services are offered to individuals within the EU, the EU data protection regime introduced by the General Data Protection Regulation (Regulation 2016/679) (together he "Data Protection Legislation"). The Fund's Data Protection Notice ("the Notice") describes how your personal data is collected, handled, stored, disclosed, and otherwise processed to meet the Fund's data protection obligations in compliance with with the Data Protection Legislation. Shareholders can obtain a copy of the Notice by contacting the Fund Secretary at Sarnia House, Le Truchot, St Peter Port, Guernsey GY1 1GR or by telephoning +44 1481 737600.

ANTI-BRIBERY AND CORRUPTION

The Board acknowledge that the Fund's operations may give rise to possible claims of bribery and corruption. In consideration of the enacted UK Bribery Act, at the date of this report the Board had conducted an assessment of the perceived risks to the Fund arising from bribery and corruption to identify aspects of business which may be improved to mitigate such risks. The Board has adopted a zero tolerance policy towards bribery and has reiterated its commitment to carry out business fairly, honestly and openly.

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.

OTHER SIGNIFICANT INTERESTS

As at 30 June 2021, Mr Jamie Christopher Constable held an interest of 11.77% (30 June 2020: 19.76%) of the issued share capital of the Fund. The Cayzer Trust Company Limited held an interest of 16.62% (30 June 2020: 0%) of the issued share capital of the Fund. Harris & Sheldon Investments Limited held an interest of 13.85% (30 June 2020: 0%) of the issued share capital of the Fund.

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 Fund registered with the Internal Revenue Service ("IRS") during 2014 as a Foreign Financial Institution ("FFI") and received a Global Intermediary Identification Number.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

The Fund is categorised as a non-EU Alternative Investment Fund ("AIF"). The Fund does not expect to be required to comply with the AIFM Directive except to the extent required to permit the marketing of the Fund 's shares in EEA Member States. Should the Fund undertake any future marketing of its shares into any EEA Member State, the Board would seek professional advice, as appropriate, to ensure the Fund complies with applicable provisions of the AIFM Directive. Compliance with the AIFM Directive would be expected to have a minor impact on costs, including regulatory and compliance costs. If this were to occur the relevant regime remains the national private placement arrangements in the relevant EEA Member State.

The Manager acts as AIFM on behalf of the Fund. The Manager is responsible for fulfilling the role of the AIFM and ensuring the Fund complies with the AIFMD reporting requirements

INDEPENDENT AUDITOR
BDO Limited was re-appointed as auditor of the Fund and is eligible for re-appointment at the forthcoming AGM.

Director: William Scott
On behalf of the Board of Directors
Date: 21 October 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED

Opinion on the financial statements
In our opinion, the financial statements of The Flight and Partners Recovery Fund Limited (the "Fund"):

- give a true and fair view of the state of the Fund's affairs as at 30 June 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with the Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102"); and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements of the Fund for the year ended 30 June 2021 which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, 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 FRS 102.

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. Our audit opinion is consistent with the additional report to the audit committee.

Independence

We remain independent of the Fund 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 Fund's ability to continue to adopt the going concern basis of accounting included:

- Obtaining those charged with governance and the Directors' going concern assessment and discussing this with those charged with governance and management to ensure a full understanding of the assessment has been gained.
- Consideration of the significant cash available versus the forecasted annualised running expenses of the Company and challenging whether the assumptions used in the expenses forecast were reasonable based on, and consistent with, our knowledge of the Company gained throughout the audit.
- Performing our own sensitivity analysis of the headroom of the cash available over the annual running expenses.
- Reviewing the minutes of meetings of those charged with governance, the RNS announcements and the compliance reports for any events of conditions 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 Fund'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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED, CONTINUED

Overview

Key audit matters		2021	2020
	Investment ownership and valuation	✔	✔
	Ownership and recoverability of loans receivable	✔	✔
Materiality	£473,000 (2020:£209,800) based on 1.75% (2020: 1.75%) of total assets		

An overview of the scope of our audit
Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company'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.

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

Key audit matter		**How the scope of our audit addressed the key audit matter**
Investment ownership and valuation. Notes 2 (g), 3, 7 and 14.	The Company makes investments in underlying investee companies that are unquoted entities. We focused on the investment valuation and ownership as they are key drivers to the Company's net asset value The application of the judgements such as valuation method, earnings basis and the appropriate multiples are considered to be one of the most critical accounting judgements and estimates made by the Directors and the Investment Advisor and we therefore consider this to be a key audit matter.	We challenged the Investment Advisor and the board on key judgements including maintainable EBITDA, investment multiples, net debt adjustments, discounted cash flow model inputs and asset values affecting the investee company valuations in the context of observed industry best practice and the provisions of the International Private Equity and Venture Capital Valuation Guidelines. In particular, we considered, based on the underlying investments stage of progress, the appropriateness of the valuation basis selected by the Investment Advisor for each investment as well as the underlying assumptions, such as the choice of benchmark for earnings multiples. We compared key underlying financial data inputs used in the valuation provided by management to external sources such as Capital IQ investment multiples, and investee company management information, as applicable.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED, CONTINUED

Key audit matter		How the scope of our audit addressed the key audit matter
		In particular, we challenged the assumptions around the sustainability of earnings based on the plans of the investee companies, historical results and whether these are achievable. We obtained shareholding confirmations direct from the underlying investee companies to verify ownership of the investments held at year end. *Key observations* Based on our procedures we are satisfied that the judgements applied in valuing the investments are appropriate. Based on our procedures we are satisfied that the ownership of the investments is correct
Recoverability and existence of loans receivable. Notes 2(g), 3, 8 and 14.	In addition to acquiring equity in the underlying unquoted investees, the Company advances loans. Similar, to the investments, the loan ownership and recoverability are key drivers to the Company's net asset value. Judgement over the recoverability of loans could significantly impact this performance indicator. Impairment considerations are considered to be one of the most critical accounting judgements and estimates made by the Directors which include the determination of appropriate assumptions underlying the impairment analysis.	We evaluated the Investment Advisor's and the board's assumptions and judgements used to assess whether the loans had incurred any impairment. Our procedures included : - discussions with the Investment Advisor as to the rationale for the assumptions and judgements made; - obtaining and then considering whether latest financial information of the debtors supports such conclusions made; - considering post year end information such as the management accounts of the underlying investee companies that may indicate an impairment at the balance sheet date; and - We obtained loan confirmations from the underlying investee companies to verify ownership of the loans receivable at year end. *Key observations* Based on our procedures we are satisfied that judgements made in valuing the loans receivable is appropriate.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED, CONTINUED

Our application of materiality, continued
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:

	Fund Financial statements	
	2021	2020
Materiality	£473,000	£209,800
Basis for determining materiality	1.75% of total assets	
Rationale for the benchmark applied	Due to it being an investment fund with the objective of generating significant total returns over the long term with the investment and loans being a key focus of the financial statements.	
Performance materiality	£331,100	£146,860
Basis for determining performance materiality	70% of materiality This was determined using our professional judgement and took into account control environment in place, the Directors' assessment of risk and our past experience of adjustments.	

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £23,650 (2020:£10,490). 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 THE FLIGHT AND PARTNERS RECOVERY FUND 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 Company; 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company 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 FRS 102 and the Companies (Guernsey) Law, 2008.

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.

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 interest income from the loans receivable and management bias and judgement involved in accounting estimates, specifically in relation to the loan recoverability (the response to which are detailed in our key audit matters above).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED, CONTINUED

Auditor's responsibilities for the audit of the financial statements, 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, internal compliance reports, complaint registers and breach registers to identify and consider any known or suspected instances of non-compliance with laws and regulations and fraud;
- Recalculating loan interest income based on the underlying loan agreements; and

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.

The engagement director on the audit resulting in this independent auditor's opinion is Simon Hodgson.

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.

BDO Limited
Chartered Accountants
Place du Pré
Rue du Pré
St Peter Port
Guernsey
Date: 21 October 2021

THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED

Statement of Financial Position
As at 30 June 2021

	Notes	30 June 2021	30 June 2020
		£	£
Non Current Assets			
Investments at fair value through profit or loss	7	3,239,119	1,900,699
Loans and receivables	8	6,604,903	3,348,080
		9,844,022	5,248,779
Current Assets			
Loans and receivables	8	8,176,950	5,029,194
Other receivables	9	38,786	311,382
Cash and cash equivalents		8,972,132	1,404,739
		17,187,868	6,745,315
Total Assets		27,031,890	11,994,094
Current Liabilities			
Other payables	10	207,291	120,253
Total net assets		**26,824,599**	**11,873,841**
Equity			
Revenue reserve		6,338,510	4,812,258
Share capital	11	14,465,716	7,061,581
Redeemers reserve	12	6,020,371	-
		26,824,597	11,873,839
Management share capital	11	2	2
Total equity		**26,824,599**	**11,873,841**
Net asset value per Sterling Redeemable Preference Shares	13	£1.8042	£1.6411
Net asset value per Class Sterling Redeemable Preference A Shares	13	£1.0175	-
Net asset value per Redeemer's Shares	13	£1.4564	-

The Financial Statements on pages 22 to 46 were approved and authorised for issue by the Board of Directors on 21 October 2021 and signed on its behalf by:

Director: William Scott

The accompanying notes on pages 26 to 46 form an integral part of these Financial Statements.

THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED

Statement of Comprehensive Income
For the year ended 30 June 2021

	Notes	30 June 2021	30 June 2020
		£	£
Income			
Loan interest	8	232,934	707,128
Interest from cash and cash equivalents		-	2,886
Net gains/(losses) on investments and loans at fair value through profit or loss	7, 8	1,660,603	(985,914)
Realised loss on loan	8	-	(1,824,000)
Movement in make good	8	1,727,629	1,324,000
Movement in impairment charge and bad debt provision	8	(1,490,000)	500,000
Total income		2,131,166	(275,900)
Expenses			
Supplemental return due to Rcapital	4	(4,950)	(7,575)
Management fee	4	(388,715)	(248,481)
Administration fee	4	(70,109)	(51,020)
Directors' fees and expenses	4	(35,714)	(32,576)
Auditor's remuneration		(32,687)	(29,500)
Legal and professional		(11,390)	(39,044)
Bad debt		(10,323)	-
Other expenses		(37,405)	(24,844)
Total expenses		(591,293)	(433,040)
Profit/(loss) for the financial year before taxation		1,539,873	(708,940)
Net withholding tax charge	16	-	-
Profit/(loss) for the financial year		1,539,873	(708,940)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**1,539,873**	**(708,940)**
Basic and diluted earnings/(deficit) per Sterling Redeemable Preference Share	6	17.97p	(9.80p)
Basic and diluted earnings per Sterling Redeemable Preference A Share	6	4.00p	-
Basic and diluted earnings per Redeemer's Share		-	-

The results for the current and prior years are derived from continuing operations.

The accompanying notes on pages 26 to 46 form an integral part of these Financial Statements.

THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED

Statement of Changes in Equity

For the year ended 30 June 2021

	Notes	Share capital	Management share capital	Revenue reserve	Redeemers reserve	Total Equity
		£	£	£	£	£
As at 30 June 2020		7,061,581	2	4,812,258	-	11,873,841
Total comprehensive income for the year		-	-	1,526,252	13,621	1,539,873
A Shares issued	11	14,947,000	-	-	-	14,947,000
Costs of A Share issue		(336,115)	-	-	-	(336,115)
Funds due to Redeemers	12	(7,206,750)	-	-	7,206,750	-
Share redemptions	11	-	-	-	(1,200,000)	(1,200,000)
As at 30 June 2021		**14,465,716**	**2**	**6,338,510**	**6,020,371**	**26,824,599**

For the year ended 30 June 2020

	Notes	Share capital	Management share capital	Revenue reserve	Total Equity
		£	£	£	£
As at 30 June 2019		7,061,581	2	5,521,198	12,582,781
Total comprehensive loss for the year		-	-	(708,940)	(708,940)
As at 30 June 2020		**7,061,581**	**2**	**4,812,258**	**11,873,841**

The accompanying notes on pages 26 to 46 form an integral part of these Financial Statements.

THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED

Statement of Cash Flows
For the year ended 30 June 2021

	Notes	30 June 2021	30 June 2020
		£	£
Operating activities			
Loan interest received	8	279,648	507,873
Operating expenses paid		(503,140)	(426,109)
Loans advanced	8	(6,530,000)	(1,600,000)
Loan repayments received	8	910,000	426,000
Interest received from cash deposits		-	2,886
Net cash outflow from operating activities		(5,843,492)	(1,089,350)
Financing activities			
A Shares issued	11	14,947,000	-
A Share issue costs	11	(336,115)	-
Share redemptions paid	11	(1,200,000)	-
Net cash inflow from financing activities		13,410,885	-
Increase/(decrease) in cash and cash equivalents in the year		**7,567,393**	**(1,089,350)**
Reconciliation of net cash flow			
Balance brought forward		1,404,739	2,494,089
Increase/(decrease) in cash and cash equivalents in the year		7,567,393	(1,089,350)
Balance carried forward		8,972,132	1,404,739
Reconciliation of profit for the financial year to net cash flow from operating activities			
Profit/(loss) for the financial year		1,539,873	(708,940)
Unrealised movement on investments	7	(170,603)	985,914
Realised loss on loan	8	-	1,824,000
Decrease/(increase) in receivables		272,596	(200,024)
Increase in payables		87,038	7,700
Loans advanced	8	(6,530,000)	(1,600,000)
Capitalised interest		(224,767)	-
Loans impairment movement	8	-	(500,000)
Movement in make good	8	(1,727,629)	(1,324,000)
Loans repayments received	8	910,000	426,000
		(5,843,492)	(1,089,350)

The accompanying notes on pages 26 to 46 form an integral part of these Financial Statements.

1. **The Fund:**
The Fund is a Guernsey closed-ended investment fund, incorporated with limited liability in Guernsey on 31 January 2008 in accordance with The Control of Borrowing (Bailiwick of Guernsey) Ordinance, 1959 as amended and the Companies (Guernsey) Law, 2008. The Fund commenced business on 17 March 2008. The Sterling Redeemable Preference Shares of the Fund are listed on The International Stock Exchange ("TISE"). The A Shares were listed on TISE on 6 January 2021.

The Fund is a Guernsey Authorised Closed-ended Investment Scheme and is subject to the Authorised Closed-Ended Investment Scheme Rules, 2008.

2. **Principal Accounting Policies:**

(a) Statement of Compliance

The Financial Statements of the Fund for the year ended 30 June 2021 have been prepared in accordance with United Kingdom ("UK") accounting standards, under the Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102").

(b) Going Concern

The Continuation Proposal for the Fund to carry on for a further period of 7 years to 12 October 2027 was passed at the EGM held on 12 October 2020.

In addition, the Fund has considerable financial resources and after making enquiries the Directors have a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis in preparing these Financial Statements.

The fluidity of the COVID-19 virus makes it difficult to predict its ultimate impact. However, the Directors do not underestimate the seriousness of the issue and the inevitable effect it will have on the global economy and many businesses across the world. The assessment of this situation will need continued attention and will evolve over time.

(c) Foreign Currency

(i) Functional and Presentation Currency

The Fund's investors are mainly from the UK, with the subscriptions and redemptions of the Shares denominated in sterling. The primary objective of the Fund is to offer UK investors the opportunity to generate significant total returns over the long term with limited risk to Shareholders' subscriptions. The performance of the Fund is measured and reported to investors in sterling. The Directors consider sterling to be the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Financial Statements are presented in sterling, which is the Fund's functional and presentation currency.

2. Principal Accounting Policies, continued:

(c) Foreign Currency, continued

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Translation differences on financial assets and liabilities such as equities at fair value through profit or loss are recognised in the Statement of Comprehensive Income.

(d) Income

Investment income

Income is included in the Statement of Comprehensive Income as follows:

- Income is recognised on a gross basis including withholding tax, if any.
- Interest revenue is recognised on a time-proportionate basis using the effective interest method.

(e) Financial Instruments

The Fund adopts the recognition and measurement principles of IAS 39 in respect of its Financial Instruments and the Disclosure requirements of Sections 11 and 12 of FRS 102.

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Fund becomes a party to the contractual provisions of the instrument.

(i) Financial assets

The classification of financial assets at initial recognition depends on the purpose for which the financial asset was acquired and its characteristics.

All financial assets are initially recognised at fair value. All purchases of financial assets are recorded at trade date, being the date on which the Fund became party to the contractual requirements of the financial asset.

The Fund’s financial assets are categorised as financial assets at fair value through profit or loss and loans and receivables. Unless otherwise indicated the carrying amounts of the Fund’s financial assets approximate to their fair values. Gains and losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are recognised in the Statement of Comprehensive Income.

A financial asset (in whole or in part) is derecognised either:

- when the Fund has transferred substantially all the risk and rewards of ownership;
- when it has not retained substantially all the risk and rewards and when it no longer has control over the asset or a portion of the asset; or
- when the contractual right to receive cash flow has expired.

Loans are initially recognised at fair value, which at the point of acquisition is equal to cost, less transaction costs that are directly attributable to the acquisition and subsequently carried at amortised cost, using the effective interest rate method, less provisions for impairment, if they meet the definition of a basic financial instrument.

(ii) Financial liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics.

All financial liabilities are initially recognised at fair value, which at the point of the transaction is equal to cost, net of transaction costs incurred.

2. Principal Accounting Policies, continued:

(e) Financial Instruments, continued

(ii) Financial liabilities, continued
Financial liabilities measured at amortised cost include trade payables and other short-term monetary liabilities, and are subsequently carried at amortised cost using the effective interest rate method.

A financial liability (in whole or in part) is derecognised when the Fund has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the Statement of Comprehensive Income.

(f) Impairment of Loans and Receivables
Loans and receivable assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They principally comprise trade and other receivables, but also incorporate other types of contractual monetary assets.

Loans and receivables are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. Loans and receivables are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Other factors considered include information about the counterparty, liquidity, solvency, business and financial risk exposures and the fair value of collateral and guarantees.

Individually significant financial assets are tested for impairment on an individual basis. In considering the gross impairment of the Fund's loan book, consideration is given to the Investment Adviser undertaking to make good losses incurred by the Fund on loans advanced in portfolio companies. This capped guaranteed amount is based on the fair value of Rcapital's underlying investee companies in which the Fund co-invested. Any make good effectively serves to reduce impairments which would otherwise be recognised by the Fund on Portfolio loans.

All impairment losses as reduced by make good are recognised in the Statement of Comprehensive Income. Rcapital's make good obligations exist for all investments. However, make good obligations relating to losses on investments made prior to the continuation vote on 31 December 2015 were not to be taken into account against new investments. All investments held as at 30 June 2020 were acquired post 31 December 2015, and, as at 30 June 2021, £5,075,709 of make good obligation is due from the Investment Adviser in respect of the investments made since 31 December 2015 (30 June 2020, £3,324,000).

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in the Statement of Comprehensive Income.

(g) Investments at Fair Value Through Profit or Loss
(i) Classification
Equity investments are measured at fair value through profit or loss.

(ii) Measurement
Investments at fair value through profit or loss are initially recognised at fair value, which at the point of acquisition is equal to cost. All investments are designated at fair value through profit or loss as the portfolio is managed on this basis. Transaction costs are expensed in the Statement of Comprehensive Income. Subsequent to initial recognition, all investments are measured at fair value through profit or loss. Realised and unrealised gains and losses arising on such investments are presented in the Statement of Comprehensive Income in the period in which they arise.

2. Principal Accounting Policies, continued:

(g) Investments at Fair Value Through Profit or Loss, continued

Classification of Fair Value Measurements

In accordance with FRS 102, the Fund is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Management has adopted the amendments to the fair value hierarchy disclosures to FRS 102 contained within the section 34 and issued in March 2016. 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 (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, the measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement considering factors specific to the asset or liability.

(iii) Fair value estimation

Unquoted investments at fair value through profit or loss are valued in accordance with the International Private Equity and Venture Capital valuation guidelines (“IPEV”).

When valuing the underlying investee companies the Investment Adviser and Manager review information provided by the underlying investee companies and apply IPEV methodologies to estimate a fair value as at the date of the Statement of Financial Position.

Initially acquisitions are valued at cost, being price of recent investment. Once maintainable earnings can be identified the preferred method of valuation is the earnings multiple valuation technique, where a multiple that is an appropriate and reasonable indicator of value (given the size, risk profile and earnings growth prospects of the underlying company) is applied to the maintainable earnings of the company. Where the earnings multiple valuation technique is not considered to be the most appropriate valuation method other methods will be applied.

In the current year equity investments are valued as follows:

EBITDA Multiple – Independent Group (UK) Limited
EBITDA Multiple – Richard Irvin FM Limited
EBITDA Multiple – PPCE Group Limited
Breakup Value (Asset value) – Beheren Limited (trading as Capital Cooling)

The loan held at fair value is valued using a discounted cash flow.

(refer to Note 7 for further details).

2. Principal Accounting Policies, continued:

(g) Investments at Fair Value Through Profit or Loss, continued

The Board reviews and considers the fair value arrived at by the Investment Adviser and Manager before incorporating into the fair value of the investments adopted by the Fund. The variety of valuation bases adopted, quality of management information provided by the underlying investee companies and the lack of liquid markets for the investments mean that there are inherent difficulties in determining the fair value of these investments that cannot be eliminated. Therefore, the amounts realised on the sale of investments may differ from the fair values reflected in these Financial Statements and the differences may be significant.

(h) Expenses

Expenses are accounted for on an accruals basis.

(i) 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 change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3. Critical Accounting Estimates And Judgements:

The preparation of Financial Statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements relating to the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates. 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 only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key 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.

(i) Fair value of Investments at fair value through profit or loss

The Fund's policy is for the Investment Adviser and the Board of Directors to evaluate the information about these investments on a fair value basis together with other related financial information.

Initially acquisitions are valued at cost. Once maintainable earnings can be identified the preferred method of valuation is the earnings multiple valuation technique, where a multiple that is an appropriate and reasonable indicator of value (given the size, risk profile and earnings growth prospects of the underlying company) is applied to the maintainable earnings of the company. Where the earnings multiple valuation technique is not considered to be the most appropriate valuation method other methods will be applied.

The Board reviews and considers the fair value arrived at by the Investment Adviser and Manager before incorporating into the fair value of the investments adopted by the Fund. The variety of valuation bases adopted, quality of management information provided by the underlying investee companies and the lack of liquid markets for the investments mean that there are inherent difficulties in determining the fair value of these investments that cannot be eliminated. Therefore, the amounts realised on the sale of investments may differ from the fair values reflected in these Financial Statements and the differences may be significant. Please refer to note 15 for further information on sensitivities.

3. Critical Accounting Estimates And Judgements, continued:

(ii) Loan recoverability

Loans and receivables are assessed by the Board at each reporting date to determine whether there is any objective evidence that they are impaired. Loans and receivables are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Other facts considered include information about the counterparty, liquidity, solvency, business and financial risk exposures and the fair value of collateral and guarantees.

In accordance with the Fund's investment policy, the Fund identifies financially distressed companies and aims, along with the Investment Adviser, to financially restructure the company by providing finance by way of loans. As such, as the Fund invests in distressed companies, the loans carry more risk than if they had been provided to standard operating companies and the Board take this into account when considering any impairment.

The Board also considers that where the equity associated with an investment has value, this implies that the associated loan is recoverable as all loans would be repaid through a sale. Where there is no value in the equity, the Board considers that the associated loans carry considerably more risk than those backed with equity value. As at 30 June 2021, loans amounting to £1,629,194 (30 June 2020: £3,029,194) had an associated equity value of £3,239,119 (30 June 2020: £1,900,699) and loans amounting to £8,076,950 (30 June 2020: £2,000,000) had no associated equity value.

In assessing impairment management take account of Rcapital's obligations under the cumulative make good, as at 30 June 2021, there were £2,990,000 losses to consider and, as such, £1,727,629 make good obligation has arisen (30 June 2020: there were £1,500,000 losses to consider and, as such, £1,324,000 make good obligation had arisen).

4. Related Parties & Material Agreements:

Flight and Partners Limited (the "Manager") is a related party of the Fund. Mark Warde-Norbury, a Director and shareholder in the Fund (see Directors' interests as disclosed at the end of this note), is also a director of the Manager.

The Lord Flight, a director of the Manager, is a shareholder in the Fund.

As at 30 June 2021, Mr Permjot Valia, a director of the Manager, holds 50,000 A Shares in the Fund (30 June 2020: nil).

As at 30 June 2021, the Manager owned a total of 62,500 (30 June 2020: 62,500) Shares in the Fund.

As at 30 June 2021, the families of the directors and associates of the Manager owned a total of 403,084 (30 June 2020: 300,628) Shares in the Fund.

As at 30 June 2021, directors and associates of the Investment Adviser beneficially owned a total of 2,500,000 Shares (30 June 2020: 1,429,823) in the Fund through entities owned or controlled by the directors of the Investment Adviser.

The Fund is responsible for the continuing fees of the Manager and Administrator in accordance with the Investment Management Agreement dated 5 February 2008 (as amended and restated on 18 January 2017) and Administration Agreement dated 5 February 2008.

4. Related Parties & Material Agreements, continued:

Investment Manager

The Manager was appointed to the Fund pursuant to an Investment Management Agreement dated 5 February 2008 between the Fund and the Manager. The Investment Manager Agreement as amended and restated on 18 January 2017 and as further amended and restated on 17 September 2020 (the "Investment Management Agreement"). Under this agreement the Manager is responsible, inter alia, for the management on behalf of the Fund, of the Fund's investments, such management to be undertaken in accordance with the Investment Strategy and Investment Restrictions, to act as Alternative Investment Fund Manager ("AIFM") for the Fund. The Manager is also responsible for advising the Board from time to time on the Fund's Investment Strategy and programme. The Manager has express authority under the terms of the Investment Management Agreement to delegate part of its responsibilities to the Investment Adviser and the Administrator.

Pursuant to the provisions of the Investment Management Agreement, the Manager is entitled to receive a management fee during the period calculated at 2.0% per annum of the quarter end NAV of the Fund, payable quarterly in arrears. The total management fee due to the Manager for the year was £388,715 (30 June 2020: £248,481) and as at 30 June 2021 the management fee creditor was £134,430 (30 June 2020: £59,340).

As a result of the previous continuation vote, the Manager has waived its right to a performance fee.

The Investment Management Agreement may be terminated by either party giving not less than 12 months' notice in writing (or such shorter notice as the Manger may accept) to the other party expiring on or after the twentieth anniversary of 11 February 2008 of the Investment Management Agreement. In addition, the Investment Management Agreement may be terminated earlier upon certain breaches of the Investment Management Agreement or the insolvency or receivership of either party.

Investment Adviser

Rcapital Partners LLP was appointed Investment Adviser to the Manager pursuant to an Investment Advisory Agreement dated 11 February 2008 amended and restated on 18 January 2017 and as further amended and restated on 12 October 2020 (the "Investment Advisory Agreement") between the Manager and the Investment Adviser (and amended, as advised in the Managers' Report in the Annual Report and Audited Financial Statements for the year ended 30 June 2010, in order to clarify and refine the circumstances and arrangements under which the Investment Adviser is required to underwrite any losses of capital and the levels of income arising on the Fund's portfolio from the gains it realises on its equity interests in investee companies). Under this agreement the Investment Adviser is responsible, amongst other things, to act as investment adviser to the Manager in relation to the Fund.

The Investment Advisory Agreement may be terminated by either party giving not less than 3 months' notice in writing to the other party or after the twentieth anniversary of 11 February 2008 of the Investment Advisory Agreement. In addition, the Investment Advisory Agreement may be terminated earlier upon certain breaches of the Investment Management Agreement or the insolvency or receivership of either party.

Under the terms of the Discretionary Advisory Services Agreement between the Investment Adviser and the Manager, the Investment Adviser holds 70% of the equity interest in any investments that the Fund invests in. The Investment Adviser will also be entitled to charge and recover charges directly from fund investments:

- In respect of services provided by the Investment Adviser to fund investments comprising management consultancy, operational and related financial restructuring advice;
- In respect of legal, accountancy or professional services arranged by the Investment Adviser for the benefit of fund investments; and
- In respect of other services required to improve the operation or financial position of fund investments.

4. Related Parties & Material Agreements, continued

Investment Adviser, continued

Additionally, under the terms of the Discretionary Advisory Services Agreement, the Investment Adviser has two qualified obligations to the Fund. First the Investment Adviser will make good any losses (whether such losses arise from the failure of the borrower to make repayments of principal, interest, commitment, redemption charges or other sums due) arising in respect of the Fund's portfolio. Secondly the Investment Adviser will underwrite returns in the event that the average returns across the Fund's loan portfolio shall fall short of the equivalent of an annual return of 6% above Barclays Base Rate or 10%, whichever is higher. In summary the two qualified obligations are structured as described in paragraphs a) and b) below:

a) the obligation to make good losses is measured each time the Investment Adviser realises equity investments it holds in companies in which the Fund is also an equity investor. If at the date of realisation a loss has arisen on the Fund's loan book (through failure of a borrower to make a required payment or where a provision has been made in respect of a loss) an amount equivalent to the loss will be paid by the Investment Adviser to the Fund out of the proceeds of sale of the Investment Adviser's equity investment. If the proceeds of sale are insufficient to recover the loss, the shortfall will be recovered (to the extent such proceeds are available) from the proceeds of sale of subsequent realisations of equity investments held by the Investment Adviser in companies in which the Fund is also an investor;

b) the obligation to underwrite returns was measured firstly on 30 June 2009 and then on each anniversary of that date until the expiry of the expected initial seven year duration of the Fund. If, at the date of measurement average returns across the Fund's loan portfolio fall short of the equivalent of an annual return of 6% above Barclays Base Rate or 10%, whichever is higher the Investment Adviser will have an obligation to reimburse the shortfall to the Fund from subsequent realisations of equity investments held by the Investment Adviser in companies in which the Fund is also an investor;

c) the Investment Adviser's obligations to make good losses and to underwrite returns are qualified in three ways. Firstly, the Investment Adviser's aggregate commitment cannot exceed a maximum of the proceeds of sale of equity interests held by the Investment Adviser in companies in which the Fund holds an equity interest. Secondly, the Fund cannot make a double recovery by recovering sums representing the same loss under the Investment Adviser's obligation to make good losses (sub-paragraph (a) above) and to underwrite returns (under sub-paragraph (b) above). Thirdly, if when the Investment Adviser disposes of equity it either has no obligation to make good losses out of the proceeds of sale or the losses are covered by the proceeds of sale, the remaining balance of the proceeds of sale, once any sums due to the Fund by way of underwriting of returns are deducted, are the irrevocable property of the Investment Adviser and will not be available to the Fund for the reimbursement of future losses; and

d) the Fund will take a charge over the Investment Adviser's equity interests to secure the Investment Adviser's obligations regarding losses and returns.

As at 30 June 2021 a make good amount of £5,075,709 (30 June 2020: £3,348,080) has been taken into account when considering and recognising cumulative loan book impairments as explained in note 2 (f). In addition, no make good (30 June 2020: £nil) was received from the Investment Adviser during the year by way of actual make good received and an amount of £nil (30 June 2020: £nil) was written-off. While Rcapital's make good obligations will continue with regard to both existing and new investments, make good obligations relating to historic losses arising on investments made before 31 December 2015 will not be taken into account against investments made after that date. Make good on investments made prior to Continuation Proposal on 1 January 2021, will only be attributable to SRP Shares and Redeemers. Make good on investments made post 1 January 2021, will only be attributable to A Shares and SRP Shares.

4. Related Parties & Material Agreements, continued

Investment Adviser, continued

The make good obligation is calculated based on an estimate of the underlying value of the Investment Adviser's shares in investee entities. As such the level of recognised make good is subject to future fluctuation based on the underlying investee company valuations.

In addition, under the terms of the Discretionary Advisory Services Agreement, should the Fund receive any additional payment of a capital or income nature, in relation to the loan facilities (excluding principal repayments and income returns constituting the Minimum Average Return) ("Supplemental Return"), the Fund shall be entitled to receive 30% of the Supplemental Returns so received and the Investment Adviser shall be entitled to receive 70%. These payments include, but are not limited to, exceptional interest payments, arrangement fees, commitment fees and redemption fees or any additional or increased payments of this type.

The Supplemental Returns can be offset against the obligations of the Investment Adviser to the Fund, as described above. During the year, an amount of £4,950 (30 June 2020: £7,575) was received by the Fund which was due to the Investment Adviser as Supplemental Return. As at 30 June 2021, the amount of Supplemental Return payable to the Investment Adviser was £24,022 (30 June 2020: £19,072).

The Administrator

Praxis Fund Services Limited (the "Administrator") has been appointed to the Fund pursuant to an Administration Agreement dated 5 February 2008, as amended on 12 October 2020 (the "Administration Agreement") between the Administrator and the Fund. The Administrator has also been appointed to act as Secretary of the Fund. Under this agreement, the Administrator will be responsible for certain administrative duties in accordance with the Administration Agreement.

The Administration Agreement may be terminated by either party on not less than 180 days written notice, or earlier upon certain breaches of the Administration Agreement or the insolvency or receivership of either party or if the Administrator ceases to be qualified to act as such.

With effect from 12 October 2020, the Administrator is entitled to receive an annual administration fee of 0.125% of the Fund's NAV, subject to a minimum fee of £37,500 (previously: £31,100) together with a fee for company secretarial services charged on a time basis. The total administration fee due for the year was £70,109, of which £15,000 related to a one off launch fee in relation to the A-Shares. (30 June 2020: £51,020) and as at 30 June 2021 the administration fee creditor was £13,077 (30 June 2020: £14,090).

With effect from 1 May 2020, the Administrator is entitled to receive a sponsor fee of £6,000 per annum (previously £4,230). The total sponsor fee due for the year was £5,166. (30 June 2020: £3,554) and as at 30 June 2021 the sponsor fee creditor was £1,003 (30 June 2020: prepayment £4,230).

Directors' Fees & Interests

Each of the Directors has entered into an agreement with the Fund providing for them to act as a non-executive director of the Fund. Their annual fees, excluding all reasonable expenses incurred in the course of their duties which will be reimbursed by the Fund are as follows:

	30 June 2021 Annual Fee	30 June 2020 Annual Fee
	£	£
William Scott (Chairman)	13,500	12,000
Mark Warde-Norbury	11,000	10,000
Roger Le Tissier	11,000	10,000
	35,500	32,000

4. Related Parties & Material Agreements, continued
Directors' Fees & Interests, continued
As at 30 June 2021, an amount of £495 (30 June 2020: £nil) was payable to the Directors. During the year, an amount of £214 was paid in relation to Directors' expenses (30 June 2020: £576).

The interests of the Directors who held office during the year and their families are set out below:

	30 June 2021 Shares	**30 June 2020 Shares**
William Scott (Chairman)	-	-
Mark Warde-Norbury	40,061	40,061
Roger Le Tissier	-	-
	40,061	40,061

Subsequent to the year end, there have been no changes in the interests of the Directors prior to the date of approval of this report.

5. Controlling Parties:
The Shares of the Fund are owned by a number of different parties, with no individual owning more than 20% of the Shares in issue, and therefore, in the opinion of the Directors, there is no ultimate controlling party of the Fund.

As at 30 June 2021, Mr Jamie Christopher Constable held an interest of 11.77% (30 June 2020: 19.76%) of the issued share capital of the Fund. The Cayzer Trust Company Limited held an interest of 16.62% (30 June 2020: 0%) of the issued share capital of the Fund. Harris & Sheldon Investments Limited held an interest of 13.85% (30 June 2020: 0%) of the issued share capital of the Fund.

6. Basic and diluted earnings/(deficit) per Sterling Redeemable Preference Share:
Profit per Sterling Redeemable Preference Share is based on the allocated profit for the year of £928,423 (30 June 2020: loss £708,940) and the weighted average number of Sterling Redeemable Preference Shares in issue for the year ended 30 June 2021 which was 5,165,436 (30 June 2020: 7,235,137).

Profit per A Shares is based on the profit for the year of £597,829 (30 June 2020: not applicable) and the weighted average number of A Shares during the year of 14,947,000 (30 June 2020: not applicable).

Profit per Redeemer's share is based on the profit for the year of £13,621 (30 June 2020: not applicable) and the number of Sterling Redeemable Preference Shares redeemed during the year of 4,133,733 (30 June 2020: not applicable).

There are no instruments in issue which could dilute future earnings.

7. Investments at Fair Value Through Profit or Loss:

	30 June 2021	**30 June 2020**
	£	**£**
Book cost brought forward	-	-
Book cost carried forward	-	-
Net unrealised gain on fair value through profit or loss investments:		
Brought forward	1,900,699	2,886,613
Movement during the year	1,338,420	(985,914)
Unrealised gain carried forward	3,239,119	1,900,699
Fair value carried forward	3,239,119	1,900,699

Total gains on investments at fair value through profit or loss:	**30 June 2021**	**30 June 2020**
	£	**£**
Movement in net unrealised gains on investments at fair value through profit or loss	1,338,420	(985,914)
	1,338,420	(985,914)

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

2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Investments at fair value through profit or loss	-	-	3,239,119	3,239,119

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Investments at fair value through profit or loss	-	-	1,900,699	1,900,699

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. There were no transfers within the fair value hierarchies during the year.

No investments have been reclassified between non-current assets and current assets during the year ended 30 June 2021 or 30 June 2020.

7. Investments at Fair Value Through Profit or Loss, continued:

Valuation methodology	Description	Discounted multiples	Fair value
30 June 2021 **EBITDA Multiple** Independent Group (UK) Limited PPCE Group Limited Richard Irvin FM Limited	Commonly used Private Equity valuation methodology. Used for investments which are profitable and for which a set of listed companies and precedent transactions with similar characteristics can be determined.	EBITDA multiple of 5 times at investee level.	£3,239,119
Breakup value (asset value) Beheren Limited (trading as Capital Cooling)	The investment into Beheren Limited is held at fair value and has been valued using breakup value (asset value) approach adjusted for preferential HMRC costs and administration costs. The assets include the Debtors and stock which have been included at 90% and 80% of balance sheet value respectively.	Breakup value (asset value)	£nil
30 June 2020 **EBITDA Multiple** Independent Group (UK) Limited Capital Cooling Refrigeration Limited CHS Engineering Services Limited Richard Irvin FM Limited	Commonly used Private Equity valuation methodology. Used for investments which are profitable and for which a set of listed companies and precedent transactions with similar characteristics can be determined.	EBITDA multiples ranging from 3 times to 4.25 times at investee level.	£1,900,699

8. Loans and Receivables:

	30 June 2021				
	Loans at amortised cost £	**Loan held at fair value £**	**Loan interest receivable £**	**Make good receivable £**	**Total loans & receivables £**
Loans and receivables Current	2,953,961	6,752,183	-	5,075,709	14,781,853
Other receivables (see note 9)	-	-	19,193	-	19,193
Total loans and receivables	2,953,961	6,752,183	19,193	5,075,709	14,801,046

	30 June 2021				
	Loans at amortised cost £	**Loan held at fair value £**	**Loan interest receivable £**	**Make good receivable £**	**Total loans & receivables £**
Book cost brought forward	6,529,194	-	290,674	3,348,080	10,167,948
Interest charged	-	-	232,934	-	232,934
Loans advanced*	3,824,767	6,430,000	-	-	10,254,767
Movement in make good	-	-	-	1,727,629	1,727,629
Capitalised interest	224,767	-	(224,767)	-	-
Repayments of loan investments and interest*	(4,634,767)	-	(279,648)	-	(4,914,415)
Fair value movement	-	322,183	-	-	322,183
Book cost carried forward	5,943,961	6,752,183	19,193	5,075,709	17,791,046
Net impairment:					
Brought forward	(1,500,000)	-	-	-	(1,500,000)
Impairment movement	(1,490,000)	-	-	-	(1,490,000)
Carried forward	(2,990,000)	-	-	-	(2,990,000)
Loans and receivables carried forward	2,953,961	6,752,183	19,193	5,075,709	14,801,046

**£3,724,767 was a reassignment of a loan between Capital Cooling and Beheren Limited*

As described in the accounting policy note 2 (f), when assessing for impairment on the loan portfolio, the Directors take account of the capped guaranteed amount of Rcapital's underlying co-invested equity as part of their obligation to make good.

Where make good has been received this is a reversal of a past impairment and has been shown separately for clarity. Any make good receivable effectively serves to reduce impairments which would otherwise be recognised by the Fund on portfolio loans; however, the Directors have as additional information shown make good movements separately in the above table.

The loan held at fair value relates to the FAE Group loan. It does not meet the definition of a basic financial instrument due to the profit share element of the income received. As a result it does not meet the definition of a basic financial instrument and consequently, the loan is required to be held at fair value. The discount rate applied to the loan as at 30 June 2021 is 10%.

8. Loans and Receivables, continued:

	30 June 2020				
	Loans	**Loan interest receivable**	**Make good received**	**Make good receivable**	**Total loans & receivables**
	£	**£**	**£**	**£**	**£**
Loans and receivables					
Current	5,029,194	-	-	3,348,080	8,377,274
Other receivables (see note 9)	-	290,674	-	-	290,674
	5,029,194	290,674	-	3,348,080	8,667,948

	30 June 2020				
	Loans	**Loan interest receivable**	**Make good received**	**Make good receivable**	**Total loans & receivables**
	£	**£**	**£**	**£**	**£**
Book cost brought forward	7,179,194	91,419	-	2,024,080	9,294,693
Interest charged	-	707,128	-	-	707,128
Loans advanced	1,600,000	-	-	-	1,600,000
Movement in make good	-	-	-	1,324,000	1,324,000
Realised loss on loan	(1,824,000)	-	-	-	(1,824,000)
Repayments of loan investments and interest	(426,000)	(507,873)	-	-	(933,873)
Book cost carried forward	6,529,194	290,674	-	3,348,080	10,167,948

As described in the accounting policy note 2 (f), when assessing for impairment on the loan portfolio, the Directors take account of the capped guaranteed amount of Rcapital's underlying co-invested equity as part of their obligation to make good.

Total gains on loans and receivables:	**30 June 2021**	**30 June 2020**
	£	**£**
Loan interest	232,934	707,128
	232,934	707,128

9. Other Receivables:

	30 June 2021	30 June 2020
	£	£
Deferred sale proceeds	-	10,320
Prepayments	19,593	10,388
Loan interest (note 8)	19,193	290,674
	38,786	311,382

10. Other Payables:

	30 June 2021	30 June 2020
	£	£
Management fees (note 4)	134,430	59,340
Supplemental return due from Rcapital* (note 4)	24,022	19,072
Audit fee	31,855	27,751
Administration fee (note 4)	16,489	14,090
Directors' fee	495	-
	207,291	120,253

* Supplemental Return is a 70% share of any additional amounts received by the Fund, such as, exceptional interest, arrangement fees, commitment fees and redemption fees, relating to loans advanced and which is payable to the Investment Adviser. See note 4 for further detail.

The Directors consider that the carrying amount of trade and other payables approximates fair value.

11. Share Capital:

	Number of shares	Share premium
		£
At 30 June 2019	7,235,137	7,061,581
Sterling Redeemable Preference Shares redeemed during the year	-	-
At 30 June 2020	**7,235,137**	**7,061,581**
Sterling Redeemable Preference Shares redeemed during the year	(4,133,733)	(7,206,750)
A Shares issued (less related costs)	14,947,000	14,947,000
A Share issue costs	-	(336,115)
At 30 June 2021	**18,048,404**	**14,465,716**

The authorised share capital of the Fund on incorporation was divided into an unlimited number of Sterling Redeemable Preference Shares of no par value and 2 Management Shares of £1.00 each.

Subject to the provisions of the law and without prejudice to any rights attaching to any existing shares or to the provisions of the Articles, any new shares in the Fund may be issued with or have attached thereto such preferred, deferred or other rights or such restrictions whether in regard to dividend, return of capital, voting or otherwise as the Fund may from time to time by ordinary resolution determine, or, if no such resolution is passed or so far as any pertinent resolution does not make specific provision, as the Directors may decide.

Share Capital refers to the equity which has arisen due to share dealing transactions in the Fund. Revenue reserves relates to the net income the Fund has earned to date, less any dividend or distributions paid to investors.

11. Share Capital, continued:

Management Shares

The Management Shares have been created and issued so that Redeemable Preference Shares may be issued. To qualify as Redeemable Preference Shares, the shares were required under the Companies (Guernsey) Law, 1994, at incorporation, to have a preference over some other class of share capital. Accordingly, in a winding up, the holders of the Management Shares have a right to repayment only of paid-up capital after repayment of the paid-up capital on the Preference Shares. The Management Shares are not redeemable and do not carry a right to participate in the profits or assets of the Fund. Each holder of Management Shares is entitled to receive notice of and attend any general meeting of the Fund. The holder does not have the right to vote at a General Meeting until such time as there are no Preference Shares in issue.

Sterling Redeemable Preference Shares

The Sterling Redeemable Preference Shares carry the right to any dividends as determined by the Directors. The shares carry a right to attend and vote at any general meeting. In a winding up, holders of these shares also have a preferential right in respect of return of capital. The shares are redeemable at the option of the Fund only, not at the instance of the shareholders and are therefore classified as equity.

Sterling Redeemable Preference A Shares

On 6 January 2021, the Fund issued 14,947,000 Sterling Redeemable Preference A Shares. The Sterling Redeemable Preference A Shares carry the right to any dividends as determined by the Directors. The shares carry a right to attend and vote at any general meeting. In a winding up, holders of these shares also have a preferential right in respect of return of capital. The shares are redeemable at the option of the Fund only, not at the instance of the shareholders and are therefore classified as equity.

12. Redeemers’ reserve:

The Redeemers’ reserve reflects the value attributable to those shareholders who elected to redeem at the 12 October 2020 EGM. The Board effected the formal redemption of their shares as at 31 December 2020, following which redeeming shareholders became creditors of the Fund for their pro rata entitlement to the sales proceeds of existing investments as they were realised, and including income received after 31 December 2020 from those investments prior to their disposal; and their share of other net assets as at 31 December 2020.

The Redeemers’ reserve was adjusted for expenses which are attributable to the existing investments held as at 31 December 2020.The aggregate amount that redeeming shareholders ultimately received is dependent on the final sales proceeds of the relevant investee companies.

13. Net asset value per share:

The net asset value per Sterling Redeemable Preference Share is based on the net assets at 30 June 2021 attributable to Sterling Redeemable Preference shareholders of £5,595,512 (30 June 2020 £11,873,841) and on the year end number of Sterling Redeemable Preference Shares in issue of 3,101,404 (30 June 2020: 7,235,137).

The net asset value per Sterling Redeemable Preference A Share is based on the net assets at 30 June 2021 attributable to Sterling Redeemable Preference shareholders of £15,208,714 (30 June 2020 £nil) and on the year end number of Sterling Redeemable Preference Shares in issue of 14,947,000 (30 June 2020: nil).

The net asset value per Redeemers is based on the net assets at 30 June 2021 attributable to Redeemers of £6,020,371 (30 June 2020: not applicable) and on the number of Sterling Redeemable Preference Shares redeemed as at 31 December 2020 as part of the Continuation Proposal of 4,133,733 (30 June 2020: not applicable).

14. Financial Instruments:

(a) Significant accounting policies:
Details of the significant accounting policies and methods adopted in respect of the Fund's financial assets and liabilities, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, are disclosed in note 2 to these Financial Statements.

(b) Categories of financial instruments:
Financial assets comprise loans and receivables, unquoted equity investments, trade receivables and cash and cash equivalents. As at 30 June 2021, the fair value of the Fund's financial instruments was £27,012,297 (30 June 2020: £11,983,706). This was 100.70% (30 June 2020: 100.93%) of net assets attributable to Shareholders and Redeemers.

(c) Derivatives:
In accordance with the Fund's scheme particulars the Fund may invest in derivatives or forward foreign exchange contracts for the purpose of efficient portfolio management. No such derivatives or forward foreign exchange contracts were held during the year ended 30 June 2021 (30 June 2020: none).

15. Financial Risk Management:

Strategy in Using Financial Instruments:
The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

The Fund's investment objective is to generate significant total returns over the long term with limited risk to Shareholders' subscriptions.

Market Risk:
All securities investments present a risk of loss of capital. The Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's portfolio and investment strategy is reviewed continuously by the Manager and on a quarterly basis by the Board. The investments held, including loans, make up 23% (30 June 2020: 58%) of the Fund's NAV and these are monitored by the Investment Manager on a monthly basis (refer to note 15 – Concentration risk).

Market risk is affected by three main components: changes in actual market prices, interest rate and foreign currency movements. The Fund currently only invests in sterling denominated investments and is therefore not directly subject to market foreign currency risk.

15. Financial Risk Management, continued:
Market Risk, continued:

When preparing the following sensitivity analysis the make good amount is included within the value of equity investments as it is directly linked to the equity value and as such any increase or decrease in the equity value would also impact the make good amount (refer to note 4).

The Fund's equity investments are currently valued at £3,239,119 (30 June 2020: £1,900,699 inclusive of make good). £5,075,709 make good obligation is due from Rcapital as at 30 June 2021 (30 June 2020: £3,348,080). If the price of the underlying investments, which are valued using a multiple basis, determined by the investee's EBITDA and EBITDA Multiple, increased by 10% with all other variables held constant representing the Directors' assessment of a reasonable possible change, this would bring about a £323,912 (30 June 2020: £190,070) increase in the net assets attributable to holders of Shares. Please refer to note 3(i) for further sensitivities.

If the equity investment value decreased by 10% with all other variables held constant representing the Directors' assessment of a reasonable possible change, this would bring about a £323,912 (30 June 2020: £190,070) decrease in the net assets attributable to holders of Shares.

Interest Rate Risk:
The Fund has exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial instruments and future cash flows as approximately 33% (30 June 2020: 12%) of gross assets comprise floating rate loan instruments and floating rate cash. As at 30 June 2021, no floating rate loan instruments were held, therefore at 30 June 2021 there was no negative exposure to lower interest rates on loan instruments. These floating rate assets are generally held at amortised cost (since they are held to maturity and are short duration).

The table below summarises the Fund's exposure to interest rate risk by the contractual maturities:

At 30 June 2021	Weighted average effective interest rate	Less than 1 year	Greater than 1 year	No Fixed Maturity	Total
	%	£	£	£	£
Financial assets					
Fixed interest rate unlisted loans	5.80	1,424,767	1,529,194	-	2,953,961
Loan at fair value through profit or loss	10.00	6,752,183	-	-	6,752,183
Floating interest rate cash at bank	0.00	8,972,132	-	-	8,972,132
Non-interest bearing		19,193	-	8,314,828	8,334,021
Total financial assets		17,168,275	1,529,194	8,314,828	27,012,297
Financial liabilities					
Non-interest bearing		(207,291)	-	-	(207,291)
Net financial assets		16,960,984	1,529,194	8,314,828	26,805,006

15. Financial Risk Management, continued:
Interest Rate Risk, continued:

At 30 June 2020	Weighted average effective interest rate	Less than 1 year	Greater than 1 year	No Fixed Maturity	Total
	%	£	£	£	£
Financial assets					
Fixed interest rate unlisted loans	10.17	5,029,194	-	-	5,029,194
Floating interest rate cash at bank	0.00	1,404,739	-	-	1,404,739
Non-interest bearing		300,994	-	5,248,779	5,549,773
Total financial assets		6,734,927	-	5,248,779	11,983,706
Financial liabilities					
Non-interest bearing		(120,253)	-	-	(120,253)
Net financial assets		6,614,674	-	5,248,779	11,863,453

The sensitivity analysis below has been determined based on the Fund's exposure to interest rates for interest bearing assets and liabilities (included in the interest rate exposure table above) at the Statement of Financial Position date and the stipulated change taking place at the beginning of the financial year and held constant through the financial year in the case of instruments that have floating rates.

Although the Fund has the ability to borrow for investment, it has not done so to date. Accordingly, fluctuations in public policy or market interest rates have little direct impact on Fund operations.

Interest rates may have a significant impact on the operating environment of investee companies and on their borrowings from other providers, such as banks, and the Manager and Board consider such effects as part of their regular portfolio monitoring. Although the direct impact of fluctuations in market and policy interest rates on the Fund's operations is considered by the Board to be immaterial, for illustrative purposes a 25 basis point increase or decrease is used in this note to indicate the effect of such changes, representing the Directors' assessment of a reasonable possible change.

If interest rates had been 25 basis points higher/(lower), for assets and liabilities as at 30 June 2021 that are subject to changing interest rates, and all other variables were held constant, the Fund's net assets attributable to holders of Shares for the year ended 30 June 2021 would have increased/decreased by £22,430 (30 June 2020: £3,511). The floating interest rate unlisted securities have interest rate floors to reduce the Fund's exposure to a decrease in interest rates.

Foreign Currency Risk:
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

As at 30 June 2021 and 30 June 2020 all of the Fund's assets and liabilities are denominated in sterling, the reporting currency of the Fund. Therefore, the Fund has no direct exposure to fluctuations in exchange rates.

15. Financial Risk Management, continued:

Credit Risk:
Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund. The maximum exposure to credit risk that the Fund faces is equal to the fair value of the loans and receivables (and other receivables) held by the Fund.

This risk is managed through diversification of the investment portfolio and regularly reviewing third party borrower's underlying performance. The Fund aims to hold a diversified portfolio with a target of up to 10 holdings. The Fund has advanced loan finance on a secured basis only after a full assessment has been made by the Investment Adviser of the adequacy of the security (and associated protections inherent in the nature of the business) available to cover the loan finance concerned. The Fund has no sector bias. The Fund has not invested in sectors regarded as problematical for recovery opportunities due to the nature of their underlying businesses as determined by the Board from time to time. Investments have been made only when the Fund (together with holdings of the Investment Adviser) have been able to obtain sufficient equity to ensure voting (and thus management) control.

Cash deposits are placed with Lloyds Bank plc. As at 30 June 2021 the long term credit rating of Lloyds Bank plc provided by Fitch, a leading provider of credit ratings, was 'A+' (30 June 2020: 'A+'). 100% (30 June 2020: 100%) of the loans advanced are repayable within one year. All loans are carried at amortised cost. Market conditions may dictate that loan investments need to be impaired. In calculating impairment, consideration is given to the Investment Adviser's guarantee to make good any losses (refer to note 4) and the value of the co-invested equity which is held as collateral to secure the guarantee.

As at 30 June 2021 a make good amount of £5,075,709 (30 June 2020: £3,348,080) has been taken into account when considering and recognising cumulative loan book impairments as explained in note 2 (f). No make good was received from the Investment Adviser during the year (30 June 2020: £nil).

As at 30 June 2021, loans and receivables have been impaired, after make good provisions, by a total of £2,990,000 (30 June 2020: £1,500,000). Credit risk on loans held is the total value of loans and receivables held of £2,953,961 (30 June 2020: £5,029,194) or 11.01% (30 June 2020: 42.36%) of net assets attributable to Sterling Redeemable Preference Shareholders.

During the year to 30 June 2021, loan interest of £nil (30 June 2020: £nil) was received in relation to impaired assets.

Liquidity Risk:
Liquidity risk is the risk that the Fund will encounter in realising assets or otherwise raising funds to meet financial commitments. The Fund has sufficient liquid assets to meet creditors/liabilities that fall due and all liabilities of the Fund are regular, operating costs and, as such, are all due within 6 months of the reporting date.

Concentration Risk:
The Fund holds a relatively small number of investments, each of which represents a relatively large proportion of the Fund's net assets. Losses incurred in such investments could have a materially adverse effect on the Fund's overall financial position. As the majority of the pre-Continuation Proposal portfolio's investments have been realised and distributed, the Investment Adviser is pursuing and appraising potential investments for the Fund. The key criteria are to identify investments of sufficiently good quality and which are an appropriate size for the Fund. As at 30 June 2021, the Fund has eight (30 June 2020: eight) investments with a maximum exposure of £12,945,263 (30 June 2020: £6,929,893).

15. Financial Risk Management, continued:

Capital Risk Management:
The Fund's capital is represented by its share capital. The Fund's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns to Shareholders and to maintain a strong capital base to support the development of investment activities of the Fund. In addition, the Fund is able to raise capital by way of borrowing under the terms of its prospectus, however, it has not done so to date.

16. Taxation:
The Income Tax Authority of Guernsey has granted the Fund exemption from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989, as amended and the income of the Fund may be distributed or accumulated without deduction of Guernsey income tax. Exemption under the above mentioned Ordinance entails payment by the Fund of an annual fee of £1,200 (30 June 2020: £1,200 per annum) for each year in which the exemption is claimed.

The Fund has suffered no withholding tax during the year (30 June 2020: £nil). It should be noted, however, that interest and dividend income accruing from the Fund's investments may be subject to withholding tax in the country of origin.

17. Commitments:
The Fund has total commitments at 30 June 2021 of:

- GBP 750,000 regarding its investment in Patrick Parsons, with GBP650,000 of this outstanding at 30 June 2021.

As at 30 June 2020, no commitments existed.

18. Post Balance Sheet Events:
There were no post year end events that require disclosure in these Financial Statements.

THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED

Directors & Advisers

Directors:	William Scott *(Chairman)* Mark Warde-Norbury Roger Le Tissier	
Registered Office:	Sarnia House Le Truchot St Peter Port Guernsey, GY1 1GR	
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Safe Custody: ***(loan debentures & equity certificates)***	Praxis Nominees Limited Sarnia House Le Truchot St Peter Port Guernsey, GY1 1GR	
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Guernsey Advocates:	Ogier Redwood House St Julian's Avenue St Peter Port Guernsey, GY1 1WA	
English Solicitors:	Charles Russell Speechlys LLP 5 Fleet Place London, EC4M 7RD	
Principal Bankers:	Lloyds Bank International (Guernsey) Limited PO Box 123, Sarnia House Le Truchot, St Peter Port Guernsey, GY1 4EF	
Company Number:	48444 (Registered in Guernsey)	

Share dealing:

Shares can be purchased or sold through your usual stockbroker.

Sources of further information:

The Fund's Shares are quoted on The International Stock Exchange (TISE).

Key Dates:

Fund's year end	30 June 2021
Annual results announced	by 31 October 2021

Frequency of NAV publication:

The Fund's net asset value is released to TISE quarterly.