Registered number: 06952225

FM CAPITAL PARTNERS LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(Amending)

COMPANY INFORMATION

Directors	W Ashur Lord Hamilton of Epsom R D Turner
Registered number	06952225
Registered office	110 Park Street London W1K 6NX
Independent auditor	Blick Rothenberg Audit LLP Chartered Accountants & Statutory Auditor 16 Great Queen Street Covent Garden London WC2B 5AH
Bankers	British Arab Commercial Bank plc 8-10 Mansion House Place London EC4N 8BJ

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Principal activities and business review

The principal activity of the company during the period was that of fund management. The directors intend to continue to develop the business.

Principal risks and uncertainties

The principal risk for FM Capital Partners Ltd derives from the sanctions regime still in place against the assets of the Libya Africa Investment Portfolio (LAIP) which is the controlling shareholder of FM Capital Partners Ltd.

The company has obtained licenses from the relevant governmental authorities in order to manage certain LAIP assets and while operating under these sanctions has experienced limited impediments to the continued normal operations. The directors do not expect the sanctions to be lifted in the near future.

The company continues to monitor the economic impact of the COVID-19 pandemic on the funds the company manages and the emerging impact of the situation in Ukraine. While continuing to note the risk of market volatility on the funds the directors have not identified any material uncertainties about the company's ability to continue as a going concern, as is further discussed in note 2.1 to the financial statements.

Financial key performance indicators

Given the straight forward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the company.

However, this position continues to be under review by the directors and may change in the future.

Research and development activities

We plan to continue to invest in people, information technology and telecommunications to improve our service and processes. The directors regard this investment in personnel and in the business' infrastructure as creating a solid governance framework, as well as being integral to the continuing success of the business. The company will also continue to invest in financial education and the development of new talent.

Future outlook

The company has been working to improve its infrastructure and product offering in order provide a better service to clients. Whilst it continues to upgrade infrastructure, the company will continue to seek opportunities for growth, and to increase assets under management, concentrating on a product offering tailored to institutional investors.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Directors' statement of compliance with duty to promote the success of the Company

The company's customer is also the company's majority shareholder, this ensures that the relationship between maximising the Company's gain and the interests of both are maintained.

The Company maintains the balance of company gains with the interests of its suppliers with the assurance of continuity of supply through staff remuneration reflecting the expertise of each individual and the current market value of their skills along with a safe and healthy working environment. The balance of these aims with suppliers is maintained through constant review of our suppliers to ensure an effective service at a comparable market cost.

This report was approved by the board on 26 April 2022 and signed on its behalf.

R D Turner
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Results and dividends

The profit for the year, after taxation, amounted to £530,299 *(2020 - £1,580,019)*.

No dividends have been paid or are proposed in respect of the year ended 31 December 2021 (2020: £nil). In accordance with certain sanctions (see note 2.1), dividends of £752,655 (2020: £752,655) in respect of the year ended 31 December 2014 which were formally approved but could not be paid are included within other payables.

Pillar III disclosure

The firm has documented the disclosures required by the FCA under BIPRU 11. These are attached to the financial statements as and when the same are filed with Companies House.

Directors

The directors who served during the year were:

W Ashur
Lord Hamilton of Epsom
R D Turner

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements, in accordance with applicable law.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) .

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS , subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Under section 487(2) of the Companies Act 2006, Blick Rothenberg Audit LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 26 April 2022 and signed on its behalf.

R D Turner
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FM CAPITAL PARTNERS LTD

Opinion

We have audited the financial statements of FM Capital Partners Ltd for the year ended 31 December 2021 which comprise the Statement of profit or loss and other comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies set out on pages 16 - 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the United Kingdom; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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 Company'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 FM CAPITAL PARTNERS LTD (CONTINUED)

Other information

The other information comprises the information included in the Annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual report. 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FM CAPITAL PARTNERS LTD (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 5, 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.

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:

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, and non-compliance with laws and regulations, our procedures included the following: enquiring of management concerning the Company's policies with regards identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance; enquiring of management concerning the Company's policies detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; enquiring of management concerning the Company's policies in relation to the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations; discussing among the engagement team where fraud might occur in the financial statements and any potential

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FM CAPITAL PARTNERS LTD (CONTINUED)

indicators of fraud; and obtaining an understanding of the legal and regulatory framework that the Company operates in and focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Company. The key laws and regulations we considered in this context included the UK Companies Act 2006, the relevant rules of the Financial Conduct Authority and applicable tax legislation.

One particular focus area was the risk of fraud through management override of controls. Our procedures to respond to risks identified included the following: performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; reviewing the bank statements of the Company for evidence of any large or unusual activity which may be indicative of fraud; enquiring of management in relation to any potential litigation and claims; and testing the appropriateness of journal entries and other adjustments.

Another focus area was non-compliance with the rules of the Financial Conduct Authority ('the FCA'). The Company was authorised and regulated by the FCA throughout the period. Our procedures to respond to risks identified included the following: reviewing correspondence between the Company and the FCA, performing analytical review to detect receipts of client money and remaining alert to the possibility of accidental receipt of client monies; and discussion of regulatory matters with the appointed officers of the Company.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Alexander Macpherson (Senior statutory auditor)
for and on behalf of
Blick Rothenberg Audit LLP
Chartered Accountants
Statutory Auditor
16 Great Queen Street
Covent Garden
London
WC2B 5AH

27 April 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	*2020 £*
Revenue	5	**6,426,588**	*7,151,079*
Administrative expenses		**(5,754,451)**	*(5,200,009)*
Profit from operations		**672,137**	*1,951,070*
Finance expense		**(77,681)**	*(90,611)*
Profit before tax		**594,456**	*1,860,459*
Tax expense	11	**(64,157)**	*(280,440)*
Profit for the year		**530,299**	*1,580,019*
Total comprehensive income		**530,299**	*1,580,019*

The notes on pages 16 to 29 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	31 December 2021 £	31 December 2020 £	1 January 2020 £
Assets				
Non-current assets				
Property, plant and equipment	12	**1,229,093**	*1,580,808*	*1,972,801*
Intangible assets	13	**-**	*236,719*	*129,790*
Trade and other receivables	14	**224,986**	*224,986*	*224,986*
		1,454,079	*2,042,513*	*2,327,577*
Current assets				
Trade and other receivables	14	**2,311,776**	*3,574,323*	*5,948,639*
Cash and cash equivalents	18	**11,146,780**	*9,340,633*	*5,884,834*
		13,458,556	*12,914,956*	*11,833,473*
Total assets		**14,912,635**	*14,957,469*	*14,161,050*
Liabilities				
Non-current liabilities				
Loans and borrowings	16	**954,730**	*1,294,340*	*1,715,221*
		954,730	*1,294,340*	*1,715,221*
Current liabilities				
Trade and other liabilities	15	**1,820,327**	*1,974,580*	*2,549,878*
Loans and borrowings	16	**339,610**	*420,881*	*208,302*
		2,159,937	*2,395,461*	*2,758,180*
Total liabilities		**3,114,667**	*3,689,801*	*4,473,401*
Net assets		**11,797,968**	*11,267,668*	*9,687,649*

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

	Note	31 December 2021 £	*31 December 2020 £*	*1 January 2020 £*
Issued capital and reserves				
Share capital	17	**402,000**	*402,000*	*402,000*
Other reserves		**198,000**	*198,000*	*198,000*
Retained earnings		**11,197,968**	*10,667,668*	*9,087,649*
Total equity		**11,797,968**	*11,267,668*	*9,687,649*

The financial statements on pages 10 to 29 were approved and authorised for issue by the board of directors on 26 April 2022 and were signed on its behalf by:

R D Turner
Director

The notes on pages 16 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Other reserves	Retained earnings	Total equity
	£	£	£	£
At 1 January 2020	402,000	198,000	9,087,649	9,687,649
Profit for the year	-	-	1,580,019	1,580,019
Total comprehensive income for the year	-	-	1,580,019	1,580,019
At 31 December 2020	**402,000**	**198,000**	**10,667,668**	**11,267,668**
At 1 January 2021	402,000	198,000	10,667,669	11,267,669
Profit for the year	-	-	530,299	530,299
Total comprehensive income for the year	-	-	530,299	530,299
At 31 December 2021	**402,000**	**198,000**	**11,197,968**	**11,797,968**

The notes on pages 16 to 29 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Profit for the year		**530,299**	*1,580,019*
Adjustments for			
Depreciation of property, plant and equipment	12	**356,853**	*394,359*
Amortisation of intangible fixed assets	13	**236,719**	*120,029*
Finance expense		**75,319**	*89,417*
Income tax expense	11	**64,157**	*280,440*
		1,263,347	*2,464,264*
Movements in working capital:			
Decrease in trade and other receivables		**1,262,548**	*2,374,317*
Increase/(decrease) in trade and other payables		**40,194**	*(295,904)*
Cash generated from operations		**2,566,089**	*4,542,677*
Income taxes paid		**(258,604)**	*(559,834)*
Net cash from operating activities		**2,307,485**	*3,982,843*
Cash flows from investing activities			
Purchases of property, plant and equipment		**(5,138)**	*(2,366)*
Purchase of intangibles	13	**-**	*(226,958)*
Net cash used in investing activities		**(5,138)**	*(229,324)*
Cash flows from financing activities			
Payment of lease liabilities		**(496,200)**	*(297,720)*
Net cash used in financing activities		**(496,200)**	*(297,720)*
Net cash increase in cash and cash equivalents		**1,806,147**	*3,455,799*
Cash and cash equivalents at the beginning of year		**9,340,633**	*5,884,834*
Cash and cash equivalents at the end of the year	18	**11,146,780**	*9,340,633*

The notes on pages 16 to 29 form part of these financial statements.

1. Reporting entity and basis of preparation

FM Capital Partners Ltd (the 'Company') is a limited company incorporated in the United Kingdom and registered in England and Wales. The Company's registered office is at 110 Park Street, London, W1K 6NX. The Company's principal activity is fund management.

The financial statements have been prepared in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom.

The company's statutory financial statements for the year ended 31 December 2020 were prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

For internal reporting purposes, and following the preparation of those statutory financial statements, a set of non-statutory financial statements prepared in accordance with applicable law and international accounting standards in conformity with the Companies Act 2006 was prepared and issued to the company's parent undertaking (see note 20). Those non-statutory financial statements were the company's first IFRS financial statements as they contained an explicit and unreserved statement of compliance with IFRSs. Accordingly, IFRS 1 'First time adoption of International Financial Reporting Standards' applied to those non-statutory financial statements and the company's date of transition to IFRSs became 1 January 2019.

The directors have subsequently decided to prepare the company's financial statements in accordance with IFRSs to align with this internal reporting. Notwithstanding that IFRS 1 does not technically apply to these statutory financial statements, the impact of the adoption of IFRSs on the company's position at 1 January 2019, 31 December 2019 and 31 December 2020 and on its results for the years ended 31 December 2019 and 31 December 2020 are provided in note 26. The balance sheet also includes the financial position under IFRSs at 1 January 2020.

Details of the Company's accounting policies, including changes during the year, are included in note 3.

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgments and estimates have been made in preparing the financial statements and their effects are disclosed in note 5.

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

There has been no material impact on the company's financial reporting from new standards and interpretations that are effective for accounting periods commencing on or after 1 January 2021.

Certain new standards and interpretations will be effective for accounting periods commencing on or after 1 January 2022, but none are anticipated to have anything other than a presentation impact on the company's financial reporting.

2. Accounting policies

2.1 Going concern

The sanctions imposed in March 2011 by the US, UK, EU and other international jurisdictions on the trading of assets controlled by certain Libyan individuals and entities, including the Libyan Africa Investment Portfolio, a shareholder and ultimate controlling party of FM Capital Partners Ltd ('FMCP') remain in operation as do the licenses obtained by FMCP to continue to managing the assets.

The sanctions have not prevented the Company from continuing normal operations and, although the directors do not believe the sanctions will be lifted in the near future, they have a valid expectation of renewal of the licences under which the company operates.

The directors are also monitoring the impact of the COVID-19 pandemic that emerged during 2020. Having reviewed post year-end financial results and cash reserves the directors have a reasonable expectation that the company has adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future.

Having considered these factors, the directors continue to adopt the going concern basis of accounting.

2.2 Revenue

Revenue represents fees receivable during the period for discretionary investment management services. Management fee and performance fees are recognised when receivable. Performance fees, which are based on the investment performance achieved for certain client portfolios relative to predefined benchmarks, are recognised as revenue at the end of the period over which the performance is measured.

2.3 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.4 Pensions

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2. Accounting policies (continued)

2.5 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in the 'Loans and borrowings' line in the Statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in 'Property, Plant and Equipment' in the Statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.7.

2. Accounting policies (continued)

2.6 Taxation

Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when conditions for retaining associated tax allowances have been met.

2.7 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following range:

Leasehold improvements	the remaining life of the lease
Fixtures and fittings	3 years
Computer equipment	3-5 years

2.8 Intangible assets

Intangible assets acquired separately

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

2.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

2. Accounting policies (continued)

2.9 Financial instruments (continued)

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The company's cash holdings comprise on demand balances and deposit accounts. All cash is held with banks with strong external credit ratings.

Trade and other creditors and accruals are initially recognised at transaction value as none represent a financing transaction. They are only derecognised when they are extinguished.

Other than rent deposits disclosed in note 14 and lease liabilities disclosed in note 16, the company only has short term receivables and payables. As the lease liabilities are not subject to covenant compliance, the net current asset position, which stood at £11,314,790 at the balance sheet date, is a reasonable measure of the company's liquidity at that point. The undiscounted cash flows associated with the company's lease liabilities are provided in note 16.

3. Functional and presentation currency

These financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest pound, unless otherwise indicated.

4. Accounting estimates and judgments

Performance periods are coterminous with the accounting reference date so there is no material contingent revenue which has not been recognised.

5. Revenue

The following is an analysis of the Company's revenue for the year from continuing operations:

	2021	*2020*
	£	*£*
Management fees recognised over time	**6,426,588**	*7,151,079*

6. Expenses by nature

	2021	*2020*
	£	*£*
Foreign exchange loss	**36,223**	*27,906*
Depreciation of property, plant and equipment	**356,853**	*386,569*
Amortisation of intangible assets	**236,719**	*120,029*

7. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditor and its associates:

	2021 £	*2020* *£*
Fees payable to the Company's auditor and its associates for the audit of the Company's financial statements	**19,750**	*18,500*
Fees payable to the Company's auditor for the audit of the Company's financial statements	**19,750**	*18,500*
Fees payable to the Company's auditor and its associates in respect of:		
Provision of accounting services	**1,925**	*2,800*
Preparation of corporation tax returns and computations	**3,350**	*8,500*
Preparation of financial statements	**4,250**	*1,800*
All non-audit services not included above	**9,525**	*13,100*

8. Employee benefit expenses

	2021 £	*2020* *£*
Employee benefit expenses (including directors) comprise:		
Wages and salaries	**3,030,592**	*2,141,157*
National insurance	**396,668**	*272,547*
Defined contribution pension cost	**76,561**	*86,356*
	3,503,821	*2,500,060*

The monthly average number of persons, including the directors, employed by the Company during the year was as follows:

	2021 No.	*2020* *No.*
Operations	**22**	*22*

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	**448,625**	*321,338*

The highest paid director received remuneration of £313,000 (2020 - £175,223).

10. Finance income and expense

Recognised in profit or loss

	2021 £	2020 £
Finance income		
Finance expense		
Interest on lease liabilities	**75,319**	*89,418*
Other interest payable	**2,362**	*1,193*
Total finance expense	**77,681**	*90,611*
Net finance expense recognised in profit or loss	**(77,681)**	*(90,611)*

11. Tax expense

11.1 Income tax recognised in profit or loss

	2021 £	2020 £
Current tax		
Current tax on profits for the year	**112,390**	*372,773*
Adjustments in respect of prior years	**(48,233)**	*(92,333)*
Total current tax	**64,157**	*280,440*
Total tax expense		
Tax expense	**64,157**	*280,440*

The standard rate of tax in the United Kingdom during the year was 19% (2020: 19%). The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2021 £	2020 £
Profit for the year	**530,299**	*1,580,019*
Income tax expense	**64,157**	*280,440*
Profit before income taxes	**594,456**	*1,860,459*
Tax using the Company's domestic tax rate of 19% (2020:19%)	**112,947**	*353,487*
Expenses not deductible for tax purposes	**76**	*527*
Capital allowances for the year in excess of depreciation	**(690)**	*5,743*
Utilisation of tax losses	**-**	*1,204*
Adjustments to tax charge in respect of prior periods	**(48,233)**	*(92,333)*
Other timing differences leading to an increase/(decrease) in taxation	**57**	*11,812*
Total tax expense	**64,157**	*280,440*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

11. Tax expense (continued)

11.2 Current tax liabilities

	2021 £	*2020* *£*
Current tax liabilities		
Corporation tax payable	**66,479**	*260,926*

11.3 Unrecognised deductible temporary differences, unused tax losses and unused tax credits

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:

- deductible temporary differences	**17,343**	*16,972*

12. Property, plant and equipment

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Right-of-use asset £	Total £
Cost or valuation					
At 1 January 2020	211,528	145,891	211,151	2,225,005	2,793,575
Additions	-	-	2,366	-	2,366
At 31 December 2020	211,528	145,891	213,517	2,225,005	2,795,941
Additions	-	-	5,138	-	5,138
At 31 December 2021	**211,528**	**145,891**	**218,655**	**2,225,005**	**2,801,079**

12. Property, plant and equipment (continued)

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Right-of-use asset £	Total £
Accumulated depreciation and impairment					
At 1 January 2020	181,936	145,053	155,378	338,407	820,774
Charge for the year	29,592	500	25,861	338,406	394,359
At 31 December 2020	211,528	145,553	181,239	676,813	1,215,133
Charge for the year	-	254	18,193	338,406	356,853
At 31 December 2021	**211,528**	**145,807**	**199,432**	**1,015,219**	**1,571,986**
Net book value					
At 1 January 2020	29,592	838	55,773	1,886,598	1,972,801
At 31 December 2020	-	338	32,278	1,548,192	1,580,808
At 31 December 2021	-	84	19,223	1,209,786	1,229,093

Right-of-use assets represent the lease on the Company's offices.

13. Intangible assets

	Computer software £
Cost	
At 1 January 2020	571,093
Additions	226,958
At 31 December 2020	798,051
At 31 December 2021	**798,051**

13. Intangible assets (continued)

	Computer software £
Accumulated amortisation and impairment	
At 1 January 2020	441,303
Charge for the year	120,029
At 31 December 2020	561,332
Charge for the year	236,719
At 31 December 2021	**798,051**
Net book value	
At 1 January 2020	129,790
At 31 December 2020	236,719

14. Trade and other receivables

	2021 £	*2020 £*
Receivables from related parties	**1,995,047**	*3,125,149*
Total financial assets other than cash and cash equivalents classified as loans and receivables	**1,995,047**	*3,125,149*
Prepayments	**227,305**	*355,507*
Other receivables	**314,410**	*318,653*
Total trade and other receivables	**2,536,762**	*3,799,309*
Less: current portion - prepayments	**(227,305)**	*(355,507)*
Less: current portion - other receivables	**(89,424)**	*(93,667)*
Less: current portion - receivables from related parties	**(1,995,047)**	*(3,125,149)*
Total current portion	**(2,311,776)**	*(3,574,323)*
Total non-current portion	**224,986**	*224,986*

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics. The identified impairment loss was immaterial.

15. Trade and other payables

	2021 £	2020 £
Trade payables	**182,722**	*482,718*
Other payables	**763,652**	*754,172*
Accruals	**257,817**	*394,008*
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	**1,204,191**	*1,630,898*
Other payables - tax and social security payments	**616,136**	*343,682*
Total trade and other payables	**1,820,327**	*1,974,580*
Less: current portion - trade payables	**(182,722)**	*(482,718)*
Less: current portion - other payables	**(1,379,788)**	*(1,097,854)*
Less: current portion - accruals	**(257,817)**	*(394,008)*
Total current portion	**(1,820,327)**	*(1,974,580)*
Total non-current position	**-**	*-*

16. Leases

(i) Leases as a lessee

The Company's leasing activities related to the rental lease on the Company's offices.

Lease liabilities are due as follows:

	2021 £	2020 £
Contractual undiscounted cash flows due		
Not later than one year	**396,960**	*496,200*
Between one year and five years	**1,022,308**	*1,419,268*
	1,419,268	*1,915,468*
Lease liabilities included in the Statement of financial position at 31 December	**1,294,340**	*1,715,221*
Non-current	**954,730**	*1,294,340*
Current	**339,610**	*420,881*

16. Leases (continued)

The undiscounted cash flows reconcile to the lease liabilities recognised through future interest charges of £124,928 (2020: £200,247).

The following amounts in respect of leases have been recognised in profit or loss:

	2021 **£**	*2020* *£*
Interest expense on lease liabilities	**75,319**	*89,418*

17. Share capital

Authorised

	2021 **Number**	**2021** **£**	*2020* *Number*	*2020* *£*
Shares treated as equity				
Ordinary shares of £1.00 each	**402,000**	**402,000**	*402,000*	*402,000*
	402,000	**402,000**	*402,000*	*402,000*

Issued and fully paid

	2021 **Number**	**2021** **£**	*2020* *Number*	*2020* *£*
Ordinary shares of £1.00 each				
At 1 January and 31 December	**402,000**	**402,000**	*402,000*	*402,000*

The company's capital and retained earnings constitute its capital. The only borrowings are the amounts payable under the company's office lease. As these are not subject to covenant compliance there is no significant risk that these will fall due ahead of the undiscounted payment schedule disclosed in note 16. Due to certain sanctions measures described in note 2.1, the company is currently unable to pay dividends to its single shareholder. However, in determining an appropriate dividend policy, the principal concern as regards capital management will be to maintain compliance with the capital requirements of the Financial Conduct Authority. These set down a minimum base level of capital, which is based on the company's overheads and which the company comfortably exceeds. There is a more subjective risk-focused level based upon the annual internal capital adequacy and risk assessment process ('ICARA'). The company has not been in breach of the FCA's requirements during the year or to the date of approval of these financial statements.

18. Notes supporting statement of cash flows

	2021	2020
	£	£
Cash at bank available on demand	**11,146,780**	*9,340,633*

Cash and cash equivalents are subject to the impairment requirements of IFRS 9. The identified impairment loss was immaterial.

The company's financing cash flows relate solely to its lease liabilities. Payments during the year comprised interest of £75,319 (2020: £89,418) and repayments of principal of £420,881 (2020: £208,302). The principal repayments reduced the aggregate lease liabilities from £1,715,221 at 31 December 2020 (2019: £1,923,523) to £1,294,340 (2020: £1,715,221) at the balance sheet date.

19. Related party transactions

Turnover includes fees of £6,426,588 (2020: £7,151,079) receivable from Libya Africa Investment Portfolio, a shareholder, and from funds in which this portfolio's assets are invested. Included within debtors at 31 December 2021 was a balance of £786,872 (2020: £690,437) relating to trade debtors and a balance of £1,208,175 (2020: £2,434,712) relating to accrued income.

At the balance sheet date £752,655 (2020: £752,655) was outstanding in respect of dividends declared to Libya Africa Investment Portfolio during the year ended 31 December 2014 and is included in other creditors.

20. Controlling party

Libya Africa Investment Portfolio, a Libyan sovereign fund, is the ultimate controlling party.

Libya Africa Investment Portfolio has no representation in the Executive Management of the company.

21. Events after the reporting date

There have been no significant events affecting the Company since the year end.

22. Transition to IFRS

As described in note 2, the company's transition date to IFRSs was 1 January 2019. The only material impact to the company's financial reporting on transition was to apply IFRS16 *Leases*. The company took transitional exemptions permitted by IFRS 1 from full retrospective adoption of the standard. Accordingly, the company assessed and measured its lease obligations based on the position at 1 January 2019 and recognised an equal and opposite right of use asset which was then adjusted by other lease assets and liabilities recognised at that time under UK GAAP.

At 1 January 2019, the company recognised a right-of-use asset of £2,225,005 (shown under Plant, Property and Equipment) and lease liabilities of £2,217,001. The Company also derecognised operating assets of £91,521 and liabilities of £83,517 at that date. The effect on its net assets previously reported under UK GAAP was £nil.

During the year ended 31 December 2019, the company charged depreciation on the right-of-use asset of £338,406 and interest of £103,483 to the income statement, replacing rent of £343,860 that had previously been recognised as an expense in that year. As a result net income for the year ended 31 December 2019 reduced by £98,029 compared to the amount previously reported under UK GAAP and net assets at 31 December 2019 were decreased by this amount. At 31 December 2019 aggregate lease liabilities recognised were £1,923,523, right of use assets recognised were £1,886,598, derecognised lease prepayments were £91,606 and derecognised operating lease accruals were £30,502.

During the year ended 31 December 2020, the company charged depreciation on the right-of -use asset of £338,406 and interest of £89,418 to the income statement, replacing rent of £365,654 that had previously been recognised as an expense in that year. As a result net income for the year has reduced by £62,170 compared to the amount previously reported under UK GAAP and net asests at 31 December 2020 were reduced by £160,199. At 31 December 2020 aggregate lease liabilities recognised were £1,715,221, right of use assets recognised were £1,548,192, derecognised lease prepayments were £45,761 and derecognised operating lease accruals were £52,591.

FM CAPITAL PARTNERS LTD

PILLAR 3 DISCLOSURE – CAPITAL

1. INTRODUCTION

1.1 Background

The EU Capital Requirements Directive ("CRD IV") came into effect on 1 January 2014 creating a revised regulatory capital framework across Europe and is the EU's implementation of Basel III. In the UK, the Financial Conduct Authority ("FCA") is responsible for the implementation of CRD IV, and existing related legislation, the details and application to FCA regulated firms in the UK being set out in the FCA Handbook. CRD IV was onshored into United Kingdom ("UK") law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA").

The Basel Accords capital adequacy framework, as reflected in the FCA Handbook, consists of three "pillars":

- **Pillar 1** sets out the minimum capital requirements that firms are required to meet for credit, market and operational risk;
- **Pillar 2** requires firms, and the FCA, to take a view on whether additional capital should be held against capital risks not covered by Pillar 1; and
- **Pillar 3** adds a set of disclosure requirements in order to allow market participants to assess the capital adequacy of a firm.

In addition to the above, the Alternative Investment Fund Managers Directive ("AIFMD") resulted in further capital adequacy requirements being imposed on Alternative Investment Fund Managers ("AIFMs"), such requirements also being implemented in the UK by the FCA, and onshored into UK law by virtue of the EUWA.

The Internal Capital Adequacy Assessment Process (ICAAP) is a result of Pillar 2 requirements imposed on firms by the FCA through the relevant provisions in the FCA Handbook, including the additional capital requirements under AIFMD.

Pillar 3 disclosure requirements are implemented in the UK through BIPRU 11, which requires a firm to make disclosure of the relevant information under such rule, unless the information is believed to be immaterial, proprietary or confidential.

1.2 FM Capital Partners Ltd

FM Capital Partners Ltd ("FMCP") was incorporated in July 2009 and became authorised by the FCA in October 2010. FMCP is a London-based investment manager currently providing investment management services and acting as investment manager to a number of hedge funds (the "FMCP Funds").

FMCP is a sole regulated entity, and each of:

- a "BIPRU firm" (see below)
- a "full-scope UK AIFM;" and
- a "collective portfolio management investment firm" ("CPMI").

It should be noted that, from 1 January 2022, FMCP has been subject to the Prudential sourcebook for MiFID Investment Firms ("MIFIDPRU") and is no longer subject to BIPRU. The Firm is a 'MIFIDPRU Investment Firm' according to MIFIDPRU rules.

2. CAPITAL RESOURCES & REQUIREMENTS

2.1 Capital Resources

All figures are based on non-audited Trial Balance sheet figures up to 31 March 2022.

FMCP maintains sufficient capital to meet its regulatory requirement and takes a prudent approach to the management of its capital base. The amount and type of capital resources of FMCP, at 31/03/2022 are set forth in the table below.

Capital	*GBP*
Tier 1 Capital – Paid up Share Capital	402,000
Other Reserves	198,000
Retained earnings	11,305,643
TOTAL Capital (Own Funds)	**11,905,643**

FMCP's retained earnings consists of (1) liquid cash balance, and (2) fixed assets, accruals and deferred income.

2.2 Capital Requirements

(1) AIFMD

The Alternative Investment Fund Managers Directive, with effect from 22 July 2014, has introduced an additional requirement which applies to FMCP as a CPMI firm and requires that it must hold "own funds" and "liquid assets" which equal or exceed:

(i) the higher of:

(a) the "funds under management requirement" plus the "base capital resources requirement" of €125,000, and
(b) the "own funds based on fixed overheads"; plus

(ii) (in order to cover professional liability risk) whichever is applicable of:

(a) the "professional negligence capital requirement";
(b) the "PII capital requirement".

Total capital requirement applicable to FMCP as determined at 31/03/2022 as being £11,905,643

The Pillar 1 Requirement

A BIPRU firm must maintain at all times capital resources equal to or in excess of:

(iii) the "base capital resources requirement" of €125,000; and
(iv) capital requirement (GENPRU 2.1.40)

The variable capital requirement is the higher of (i) and (ii):

(i) the sum of:
(a) the "credit risk capital requirement", plus
(b) the "market risk capital requirement"; and

(ii) the "fixed overheads requirement".

FMCP's Pillar 1 capital resources requirement is determined at 31 December 2021 as being the higher of:

Pillar 1	***GBP***
Base capital (€125,000): [1]	111,757
Credit Risk	£122,000
Market Risk	£416,000
TOTAL	£538,000
Fixed overheads requirement: [2]	£1,225,238
Professional Negligence Capital requirement (PNCR)	£45,825
TOTAL (AIFMD requirement)	1,271,063

1 Converted at 1.1185 GBP/EUR.
2 Based on total relevant expenditure as per most recent SOLO audited financial statements = £4,900,951 x 0.25.

FMCP's Pillar 1 capital as of 31 March 2022 is therefore determined as the fixed overhead requirement (FOR) = £1,225,238

The Pillar 2 Requirement

The Pillar 2 capital assessment consists of identifying key risks to which FMCP is exposed, assessing the probability of those risks occurring and quantifying the potential impacts of those risks, as applied according to the relative degree of complexity of FMCP's activities.

FMCP assessed the major sources of risk applicable to it, and their impacts if they were to be crystallised over the next 12 months – as well as any foreseeable requirements arising over the next three to five years, the most material of which are further discussed below.

In addition, as a reasonableness check on the Pillar 2 capital analysis, the most extreme scenario was considered: costs for an orderly wind-down of FMCP over a six-month period. In a wind-down scenario, FMCP estimates it would need to maintain around £1,225,238.

(2) ***Summary***

The Pillar I capital requirement as of 31/03/2022 is £1,225,238. (being the fixed overheads requirement),

FMCP has decided for prudential reasons to use the Fixed Overhead Requirement calculated as an estimate of orderly wind-down costs and business and sanctions risks of approximately £1,225,238. The allowable capital for Pillar 2 held by FMCP as of 31st March 2022 is £11,905,643 which provides a surplus of £10,680,405 against the Fixed Overhead Requirement amount.

Stress and scenario testing were also performed to consider the effect of extreme scenarios on FMCP's regulatory capital, but the tests did not result in additional capital having to be held.

3. RISK MANAGEMENT

3.1 General

The FCA's Senior Management, Systems and Controls sourcebook (SYSC) 4.1.1 requires all firms to have robust governance arrangements and effective processes for managing risks. It also requires all institutions to have in place sound and effective strategies to assess and maintain adequate capital, having considered the nature and level of their risks in a forward-looking manner.

Risks are discussed at a senior management level daily and systems and controls have been introduced to ensure that risks are mitigated as far as possible. FMCP identify, measure, monitor and control risk through daily reports, trade limits and trade authorisation. The risk management function at FMCP draws upon best practice standards and procedures in order to design and operate its risk framework as mandated or proposed by various regulatory or industry bodies such as the FCA and the AIMA.

FMCP has a low-risk appetite in respect to investing and to managing business and operational activities. This is reflected in the firm's governance, controls and activities.

3.2 **Material Risks (Pillar 2)**

The most material capital adequacy risks for FMCP are outlined below, along with mitigating actions.

(1) *Market Risk* – The risk of decline in the value of the portfolio of funds managed resulting from changes in market factors. Market factors include changes in credit spreads, interest rates, equity markets, foreign exchange rates, volatility, correlation, and exogenous shocks. Decline in value would result in reduction in management fees received by FMCP. Portfolio managers are responsible for evaluating market risk in their portfolios. Key controls include trading limits on the front end, and daily risk reporting by the risk manager. Stress tests involve shocking relevant market factors using scenarios that are believed by management to represent possible market spread widening events. Stress tests are performed and documented regularly or as required by risk management at interim periods.

(2) *Liquidity Risk* – The risk of inability to obtain funding, either via liquid assets or short-term borrowing, on a day-to-day basis and particularly in times of stress. Liquidity reports are distributed to and reviewed by management, as are quarterly management accounts as reported to the Board; excess cash is held to cover three months overhead without restrictions.

(3) *Operational Risk* – The risk of loss due to system breakdowns, internal and operational control failures, employee fraud or misconduct, and catastrophes. FMCP seeks to avoid risks from operational processes through the continued development of a robust infrastructure and adherence to documented processes and controls.

(4) *Performance Risk* – The risk that FMCPs investment performance falls below its targets as a result of poor investment decisions or otherwise. FMCP, as an investment manager, generates its income by way of charging a management and performance fees on the assets under management. If the investment performance were to fall, then FMCP would receive lower management fees because the assets under management would drop and no performance fee would be payable. If this were to happen over a sustained period, this could have a material impact on the firm.

(5) *Regulatory and Legal Risk* – The risk that FMCP activities do not comply with applicable laws and regulations. FMCP actively monitor and manage regulatory and legal risks. In addition, external counsel and consultants with industry expertise are utilised as needed. FMCP has also put in place compliance and operations policies and procedures in order to ensure that it adheres to the restrictions applicable to the assets it manages. Despite the foregoing, there is significant risk to FMCP associated with potential consequences for technical or other breaches of applicable laws and regulations. In the worst-case scenario, FMCP would not be able to continue to manage any affected assets, and thus not

able to collect related management/performance fees which will have corresponding adverse effects on its current business model and operation.

(6) *Counterparty Risk* – The risk of failure of a counterparty to perform as contracted. FMCP may be exposed to counterparty risk primarily from external service providers, e.g., prime brokers. FMCP actively manages counterparty risk by executing its business with highly capitalized counterparties, and monitors on an ongoing basis the creditworthiness of its' counterparties and those of the FMCP Funds. This process involves the monitoring of credit spreads and news. Annual due diligence visits take place in respect of key counterparties which provide services to the FMCP Funds.

4. ONGOING REVIEW

The Pillar 3 disclosures relating to capital adequacy are reviewed in conjunction with FMCP's review of its ICAAP, which is formally reviewed and signed-off by the Board at least annually, and its year-end audited financial statements. This will now be replaced by the Internal Capital Adequacy Risk Assessment (ICARA) in line with changes brought about by the Investment Firm Prudential Regime (IFPR).

The firm's material risks that were outlined above will be examined throughout the year to ensure that the amount of capital needed (if any) in case these risks crystallise is available.

5. REMUNERATION

Remuneration disclosures for FMCP can be found as a part of its audited accounts filed with Companies House.

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FM CAPITAL PARTNERS LTD

PILLAR 3 DISCLOSURE – REMUNERATION

1. Introduction

FM Capital Partners Ltd (the "Company") is a full-scope Alternative Investment Fund Manager ("AIFM") and must comply with the principles of the AIFM Remuneration Code in SYSC 19B (the "AIFM Remuneration Code") of the Financial Conduct Authority ("FCA") Handbook in respect of AIFM Remuneration Code Staff (defined below).

In line with the FCA's general guidance statement regarding the AIFM Remuneration Code and its application to AIFM Remuneration Code Staff, we have determined that the so-called "Payout Process Rules" (relating to retained instruments of variable compensation, deferral, and performance adjustment) under SYSC 19B are not applicable, as they are disproportionate to our size, internal organisation and the nature, scope and complexity of our activities.

General principles

The objective of the Company's Remuneration Policy (the "Policy") is to support the Company's business strategy, objectives and values, including prudent risk management, by retaining and motivating key talent to achieve these outcomes.

The Policy, and its application, strives to adhere to the below general principles:

- remuneration that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles of the Company or the funds it manages;
- support and enhance the Company's business strategy, objectives, values and long-term interests, and where appropriate taking into account the interests of the Company's funds and the investors in such funds;
- fixed and variable components of total remuneration should be appropriately balanced, with the fixed component representing a sufficient proportion of total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility of zero variable remuneration in any particular year;
- where the Company, or the funds', financial performance is subdued or negative, total variable remuneration should generally be contracted; and
- total variable remuneration awarded should not limit the Company's ability to maintain and, if necessary, strengthen its capital base.

2. Remuneration Committee

Although not strictly required by application of the AIFM Remuneration Code, the Board has determined that the oversight of a remuneration committee (the "Committee") is appropriate.

The objectives, constitution and responsibilities of the Committee are documented separately; its key responsibilities include:

- determine and agree with the Board the general principles and remuneration framework for all Company employees;
- review the Policy and its implementation for compliance with the Company's policies and procedures for remuneration as adopted by the Board;
- determine the remuneration for AIFM Remuneration Code Staff;
- review and, if thought fit, approve remuneration for other employees whose total annual remuneration is at or above specified thresholds; and
- propose (if provided for in the Policy) for the Board's approval, the amounts of any bonus pools and approve (or if applicable determine) allocations from such pools at year-end to eligible participants.

In exercising its responsibilities, the Committee takes into consideration financial and non-financial criteria, and any other relevant information in making remuneration decisions, including reports from risk management and compliance functions.

The Committee is constituted such that it is able to exercise competent and independent judgment in relation to the matters in respect of which it has responsibility.

3. Remuneration Framework

Overview

When reviewing and awarding remuneration of any kind for an employee consideration is given to the general principles of the Policy (described above), as well as the following 'remuneration framework' factors:

- overall Company results;
- collective performance of the relevant business unit/team;
- performance of the funds in respect of which the individual has influence;
- individual performance relative to (i) job description and key accountability requirements, (ii) the competency framework against which employees are assessed, and (iii) the performance management process and achievement of objectives;

- adherence to risk management policies and the implementation of effective risk management;
- compliance with all regulatory requirements and Company policies;
- adherence to Company values, including acting honestly, fairly and professionally; and
- competitive market benchmarking data.

Fixed Remuneration

Fixed remuneration is commensurate with the nature of role, the quality and experience of the individual and the needs of Company and will be assessed in reference to competitive market benchmarking data.

Variable Remuneration

The Company operates a fully flexible policy on variable remuneration components, including the possibility of zero variable remuneration in any particular year. Where the Company, or the funds', financial performance is subdued or negative, total variable remuneration should generally be contracted – although exceptions may be warranted for AIFM Remuneration Code Staff in control functions whose compensation may be independent of business performance.

The allocation of variable remuneration to eligible participants is discretionary and subject to the application of the general principles of the Policy and the remuneration framework factors listed above.

4. <u>Performance Reviews</u>

Performance reviews are an integral non-financial component of the Company's remuneration framework and are an important factor in the consideration of remuneration awards under the Policy.

Performance is managed on an ongoing basis through informal discussions between individuals and their managers, with two formal reviews each year: a mid-year and a year-end review. The mid-year review checks progress against objectives with new objectives and development activities being agreed if necessary. In the year-end review managers assess performance for the year, set objectives for the coming year, and agree development activities.

Individual performance is measured relative to (i) job description and key accountability requirements, (ii) the competency framework against which employees are assessed, and (iii) the performance management process and achievement of objectives.

In addition, performance reviews take into account: adherence to risk management policies and the implementation of effective risk management; compliance with all regulatory requirements and Company policies; and adherence to Company values, including acting honestly, fairly and professionally.

5. **AIFM Remuneration Code Staff**

The Company's "AIFM Remuneration Code Staff", as per SYSC 19B, comprise those categories of staff whose professional activities have a material impact on the risk profiles of the Company or the funds it manages. This includes senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers.

Each member of the Company's AIFM Remuneration Code Staff has been informed that they have been so designated. A record of AIFM Remuneration Code Staff is kept by the Committee and is reviewed at least annually.

6. **Review**

The Committee reviews the Policy and its implementation for compliance with the Company's policies and procedures for remuneration as adopted by the Board periodically as necessary and no less frequently than annually. As part of this process the Committee seeks input from the risk management and compliance control functions and independent third parties as required.

The Board reviews the general principles of the Policy periodically as necessary and no less frequently than annually.

7. **Aggregate Remuneration**

For purposes of Pillar 3 disclosure, and compliance with the applicable requirements in a manner that is appropriate to the size, internal organization and the nature, scope and complexity of the Company's activities, the following aggregate remuneration information is provided for the calendar year 2021 broken down by (i) senior management and members of staff whose actions have a material impact on the risk profile of the Company, and (ii) all other employees (on a gross basis and including national insurance contributions):

Senior Management / Material Risk	Other Employees
£2,257,897	£1,106,748

For the avoidance of doubt, the information above excludes remuneration paid to non-executive directors of the Board.

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