rosenblatt

Report and Financial Statements
Period ended
31 December 2018

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Company information

Directors

S Davidson (appointed 6 April 2018)
N Foulston (appointed 6 February 2018)
V Hull (appointed 3 September 2018)
M Ismail (appointed 23 January 2019)
R Parker (appointed 11 January 2019)

Secretary and registered office

J Lovitt
9-13 St Andrew Street, London, EC4A 3AF

Company number

11189598

Country of incorporation of parent company

United Kingdom

Auditors

BDO LLP
55 Baker Street, London, W1U 7EU

Principal bankers

Lloyds Bank
25 Gresham Street, London, EC2V 7HN

Nominated adviser and broker

Cenkos Securities plc
6-8 Tokenhouse Yard, London, EC2R 7AS

Registrars

Computershare
The Pavilions, Bridgwater Road, Bristol, BS13 8AE

Chairman's statement

Introduction

On behalf of the Board, I am pleased to introduce our first annual results as a public company following our successful admission to AIM on 8 May 2018.

Rosenblatt Group plc ("Rosenblatt" or the "Group") has had a strong first period to 31 December 2018 with revenue of £12.5 million and profit before tax of £3.0 million. These results are in line with the expectations we set at the time of admission. Importantly, the Group has continued to maintain a high adjusted EBITDA margin, 34 per cent, on the work it undertakes. We believe this margin is the highest of our peer group and this remains a core focus of the Board and management team.

Our financial performance has strengthened the Board's confidence in the outlook for the Group and our strong balance sheet, with net assets of £35 million and cash and cash equivalents of £13.4 million, has led to the decision to pay our first dividend of 2.8 pence for the period to 31 December 2018.

Admission to AIM

The Group's admission to AIM is enabling us to create a profitable and growing business to capitalise on the changes seen in the UK's legal marketplace in recent years. The significantly oversubscribed fundraising raised £35 million of new money before expenses and will support the development of the business. We set three goals to maximise the funding to deliver superior returns for shareholders.

First, to increase our caseload and retain the funding margin that would otherwise be paid to an external funder, we wanted to fund more litigation 'in-house'. As a result, in November 2018, ahead of the timetable set out at Admission, we established a separate litigation finance arm, to review and monetise the opportunities the legal practice attracts. This arm will enable the Group to take on more cases where there is a need for external finance for third-party costs.

Second, we wanted to attract and retain talent by allowing equity participation for all fee generating staff.

Third, to use the funds raised to take advantage of what is a highly fragmented market to participate in the consolidation opportunity in a manner befitting our high margin business model.

The first two aims are well advanced, and we have a clear strategy in place for the third.

M&A

We continue to assess potential acquisition opportunities that meet our strategic and valuation criteria. However, the Board has remained disciplined and will only pursue transactions that can demonstrate clear benefits for shareholders. The number of acquisition or lateral hire opportunities that meet our criteria has been limited, reflecting the cautious business environment. In what is a fast-changing market, we are well placed to move quickly and capitalise on opportunities as they arise.

Dividend

Over time, the Board will pursue a progressive dividend policy. On 29 April 2019, Rosenblatt Ltd declared a dividend resulting in a distribution to Rosenblatt Group plc of £3,600,000. The directors will file relevant accounts as at that date with Companies' House, to support payment by Rosenblatt Group plc of a dividend of 2.8p per share on 24 May 2019. The first interim dividend since admission for the period to 31 December 2018 is ahead of expectations set at the time of the IPO and will be paid to shareholders on the register as at 10 May 2019. The Board expects to pay out at least 60 per cent of retained earnings in any financial year by way of dividend moving forward. The Group is excited by the opportunities it has identified in Litigation Finance, which is discussed in more detail below. In line with these opportunities, the Board expects to pay special dividends in addition to the interim and final dividends, which will be announced at the time of the Group's half year and final results. The payments of these special dividends are expected to match the timing of cash receipts from Litigation Finance, rather than being on specific quarterly dates.

Board and Governance

Following our admission, we have strengthened the Board, adding additional commercial and public company experience.

I was delighted to become Chairman in July 2018, replacing Brook Land. Since then, we have appointed two experienced non-Executive Directors. Victoria Hull joined in September 2018, and Marianne Ismail in January 2019. Victoria has had an extensive legal career and is a former Executive Director and General Counsel of Invensys plc and Telewest Communications plc. Marianne was formerly Group CEO of Kingswood Holdings Limited, an AIM-listed integrated wealth management group. Marianne has worked in financial services for over 30 years in a variety of senior roles with extensive experience in managing all aspects of financial services in the UK, North America, Asia, Middle East and Latin America.

Finally, Robert Parker was appointed as Chief Financial Officer in January 2019, after a successful spell in an interim role, following the departure of Patrick Firebrace

Chairman's statement
continued

in July 2018. Robert has over 20 years' experience with international businesses and has worked extensively with public funds, private equity and venture capital investors. Before joining Rosenblatt, his roles included interim Chief Financial Offier at Jungheinrich UK Limited and CLA Limited, as well as permanent positions at Ubisense PLC and Immedia Broadcasting plc.

I want to welcome all of them to the Board, and I look forward to working closely with them.

People

The heart of Rosenblatt is our skilled and motivated team. At the period end we had 47 fee earners and employed a total of 72 people. Our staff are all vital to the continued success of the Group. Our revenue per fee earner is the best in our peer group, and they are highly motivated as is evidenced by their long tenure length.

One of the motivations behind our decision to float was to reflect better the changes we see in workplace culture. We believe that the traditional partnership model is inward focused, restricts entrepreneurship and flexibility and sometimes suffers from a lack of commercial nous. It also creates a recruitment and retention problem.

The traditional partnership model means a high level of remuneration for senior partners which makes them reluctant to retire or reinvest, limiting the prospect for change. This model creates career inertia for junior partners and fee earners who increasingly want more flexibility in their work life instead of becoming stuck on the 'partnership track'.

Rosenblatt has led the way in meeting this challenge by installing more commercial management, headed by our CEO, Nicola Foulston. We have aligned remuneration with overall firm performance through a broader range of equity participation. Ownership is now a crucial part of Rosenblatt's culture, and we have been encouraged by the strong levels of productivity and cohesive team focus across the Group since the IPO.

As well as motivating staff financially, we believe that the workplace needs to help people through all stages of their life, in good times and bad. This belief is one of the reasons Rosenblatt is proud to support the mental health charity, MIND.

I want to thank our shareholders for their continued support, and all our employees for their hard work in delivering what has been a successful period.

Stephen Davidson
Chairman

29 April 2019

Chief Executive's statement

Overview

Our first annual results since we were admitted to AIM in May 2018 show that we have continued to grow since the implementation of our new structure. We have now completed the integration of the trade and specific assets of Rosenblatt Solicitors into the Group.

Our financial performance has been strong. Revenue is up 19% to £12.5 million, when compared with 8/12ths of the revenue of Rosenblatt Solicitors as stated in the Historic Financial Information (HFI) for the year ended 31 December 2017. This increase has been driven by strong organic growth in the practice areas focused on contentious law, Dispute Resolution and Employment. This growth has positively benefited the bottom line with underlying EBITDA up 18% to £4.3 million and profit before tax of £3.0 million.

The Group has a strong balance sheet, with net assets of £35 million, and cash and cash equivalents of £13.4 million. This position and our lack of debt will support our growth plans. The combination of our healthy balance sheet and confidence in our outlook meant we had the confidence to announce our first interim dividend for the period to 31 December 2018 of 2.8 pence per share. This sum, which is ahead of expectations set at the time of our IPO, will be paid to shareholders on the register as at 10 May 2019.

Aside from the top-line financial metrics, there are several measures that we focus on as a management team, which we believe differentiates the Group from its peers, specifically the margin we generate on the business we undertake and productivity, as measured by revenue per fee earner. Close monitoring of these KPIs help deliver the successful performance of the Group.

The adjusted EBITDA margin of the business was 34%. This high margin was driven in part by the strong performance in our Dispute Resolution practice. This margin is consistent with the levels the Group aims to deliver, and we believe the highest of our peer group. Our new litigation finance arm, established in the financial year, will help us maintain our high margins. By providing clients with the option to fund their cases through Rosenblatt partly, we can increase the number of cases we handle. Importantly, we can retain more of the margin, which would otherwise be paid to an external funder. Litigation funding is an area where we see significant opportunity for growth, as outlined in more detail below.

In terms of productivity, we use revenue per fee earner as well as utilisation and recovery metrics. We currently have 22 partners and 47 fee-earners in total, which has been broadly consistent throughout the period. Our annualised revenue per fee earner was £400,000, which we believe far exceeds our peers. We will only add more fee earners, either organically or through acquisition, if we are confident we can maintain or increase our revenue per fee-earner per annum. This approach will ensure that our growth continues to be extremely profitable.

Utilisation has been strong since the IPO and we closed the period at 80%, with recoveries of 85%.

Divisional performance

Our primary practice areas, focused on contentious law, namely Dispute Resolution and Employment have performed well. In total, these areas generated revenue of £9.5m with strong gross margins. Dispute Resolution remains the most significant contributor to the total revenue produced by the Group, representing 73%. The practice specialises in areas such as fraud, banking, professional negligence, contractual disputes, insolvency and defamation. Dispute Resolution is an area we expect to see growth. Companies and individuals are increasingly using the Courts to resolve problems. This trend has been driven by the continued fall-out from the financial crisis as well as increased access to litigation funding and has remained robust through times of uncertainty in the UK economy.

Our second largest practice is our Corporate division which specialises in areas such as M&A, IPOs, and private equity transactions, and accounts for 15% of our total revenue. In line with our expectations, the division has not performed as strongly. Like other sub-sectors of the legal market, it has been impacted by the cautious business environment in part caused by Brexit uncertainty. However, there is a good pipeline of new business and we are confident that as the market environment improves, the division will contribute more.

Litigation Finance

In November 2018, we established a separate arm to finance our clients' external litigation costs. £2.0 million of the proceeds of the float were initially allocated to this finance arm, and this will enable the Group to take on more cases where there is a third-party cost element. It means we can retain more of the funding margin that would otherwise be paid to an external funder.

Rosenblatt is the first law firm of its kind to offer such finance to its clients as well as to other law firms. This provides increased opportunities to monetise those matters we attract as well as structural challenges. As with any business challenge there exist opportunities. We believe these will come to be recognised in the years to come from the correct structuring of our finance arm which therefore remains a work in progress.

We currently have five cases under consideration for funding and we believe there is a major market opportunity to expand the number of cases. We have initiated a new litigation funding product aimed at cases with a claim value in excess of £15 million, which are often uneconomic for the larger litigation funders but where there remains a substantial demand for financing. Our well-capitalised balance sheet means our cost of funding is low. The Group's in-house litigation expertise means we can make decisions more quickly than other funders, which also limits

costs and allows deadlines to be met. This, combined with our consistently high success rate, means we expect to make a substantial return from even smaller cases. Once cases are secured, we will reduce our own risk, by selling portions of the case to other investors. We have established a network of family offices and small hedge funds which are attracted by the high potential returns, and Rosenblatt will also receive a success fee on such transactions.

To attract new cases, we will be targeting, and partnering with other law firms and litigation brokers, as well as undertaking direct marketing. These firms and brokers either lack the expertise to progress a case or the capital to support the work. We will also target corporate entities that increasingly want to de-risk their balance sheets by removing litigation cost risk, but also increasingly see litigation as an asset class to be sold. As evidenced by the success of litigation funders, there is a lot of money chasing, what is an effect, a new asset class. The barrier to entry to this asset class is the speed of decision making by risk and investment committees, and the cost of such funding for both the client and law firm. Our USP in the market is therefore that we are faster, more flexible and cheaper.

Remuneration

As a people business, our approach to remuneration is critical in delivering our objective of creating a long-term profitable business. Our policy is to closely align remuneration with the interests of shareholders.

One of the significant changes since the float, and which we believe is another differentiator from other firms, is the close link between remuneration and the profitable performance of the business. Our fee earners are now heavily incentivised through equity participation. Unlike in traditional law firms, our fee earners are rewarded through a combination of basic salary, with dividends on their shareholdings acting as a bonus. In traditional law firms, bonuses are often awarded on how much fee earners bill. In our view, this creates too much focus on top line revenue growth, rather than a more commercially-minded focus on ensuring that the work we take on is profitable.

We believe, and our experience since the flotation supports this, that equity participation creates a culture of collaborative working and a commitment to controlling costs. Rather than relying on a sizeable and costly base of junior lawyers to do the work, our approach is to contract specialists to assist partners and fee earners working on cases as needed.

Our approach to remuneration also means that senior partners can retire with dividends providing a future income. Junior team members can rise up through the business and realise their ambitions. Increasingly, new entrants to the legal profession want much more flexibility in how they work and are rewarded. They are increasingly rejecting the traditional partner track, which sees very few reach the top of the profession. We believe our culture of flexible working, and performance-based reward will ensure we can continue to attract and retain talent.

Outlook

In the year ahead, we expect to see continued strong organic growth driven by our Dispute Resolution practice. This growth will be despite the challenging economic environment caused by Brexit uncertainty which has seen the pipeline of routine corporate and commercial transactions reduced. We will benefit as and when the situation improves.

We are confident that revenue growth will translate to our bottom line. This conversion will come through our focus on high revenue per fee earner, operating margins, and cash generation.

To this end, the focus of the business remains on attracting complex litigation matters and litigation finance opportunities. We are actively targeting overseas markets, where access to litigation finance is harder for the client to obtain. Therefore, these markets are less competitive and the margins are as high as we have experienced in the UK.

In addition to organic growth, we continue to see many M&A opportunities in the sector. We are committed to pursuing the right opportunities but only those that meet our investment criteria and provide shareholders with an appropriate return on investment.

We look forward to the coming year with confidence.

Nicola Foulston
Chief Executive Officer

Rosenblatt Group plc

29 April 2019

Chief Financial Officer's review

Financial review

Key Performance Indicators (KPIs)

The following KPIs are used by the management to monitor the financial performance of the Group.

Revenue: £12.5m

Underlying EBITDA: 34%

Gross Profit (revenue less fee earning staff and contractor costs): 63.8%

Profit after tax of 18.4% (including £1m of IPO costs)

Total Lock up: 93 days, Debtor days: 33, WIP days: 60

Net Assets: £35m

Cash balances: £13.4m.

Interim Dividend: 2.8 pence per share for the period to 31st December 2018

Revenue per fee earner per annum: £400,000

Average Utilisation: 80%
Average Recovery: 85%

Income statement

I am pleased to report revenue for the period to 31 December 2018 of £12.5m; an increase of 19% compared with 8/12ths of the revenue of Rosenblatt Solicitors as stated in the Historic Financial Information (HFI) for the year ended 31 December 2017. Revenue growth has been driven purely by organic growth, through increased productivity of our lawyers, supported by a small number of contracted staff in the last quarter. Our number of partners has remained constant at 22, with 47 fee earners in total and an annualised revenue per lawyer of £400k per annum.

Our strong performance was underpinned by the exceptional performance of our Dispute Resolution business, which generated 73% of our revenues, against 58% in the previous results of Rosenblatt Solicitors.

Gross profit

The gross profit margin of the business for the period was 63.8%, driven by the strong performance in Dispute Resolution.

Overhead costs

In the period to 31 December 2018, the business incurred overheads (before non-underlying items and depreciation and amortisation) of £8.2m, including a step up in the overhead base of £0.28m, relating to professional fees associated with the change from a Private to a Public Company.

EBITDA

In assessing performance, the business uses EBITDA (before non-underlying items) as a KPI, as this excludes items which are non-recurring in nature. EBITDA (before non-underlying items) for the period was £4.3m (34% of Revenue) maintaining the 2017 EBITDA margin of Rosenblatt Solicitors in the Historic Financial Information, in spite of additional PLC running costs.

The EBITDA for 2018 was £3.3m, including £1m of IPO costs.

Flotation costs

On 8 May 2018, the Group was successfully admitted to AIM. The total cost directly attributable to the transaction was £3.4m of which £2.4m has been allocated to share premium with the balance being charged as a cost in the period.

Taxation

The high effective tax rate of 24% results from expenses connected with the admission to Aim which are not deductible for tax purposes. The underlying tax rate of 19%, excluding these admission expenses, is in line with the standard tax rate.

Earnings per share

The basic earnings per share adjusted for non-underlying items, based on earnings after adding back floatation costs in 2018 and the weighted average number of shares of 60.3m shares, was 5.41 pence. Whilst basic and diluted earnings per share, being profit for the period divided by the number of shares used above, was 3.83 pence.

Statement of financial position

Cash

The Group's business model is focused on profitable services, the average earnings per lawyer of £400k, which is well above the industry average and a strong commercial focus on the lock up, in particular the collection of debts. As such, the business generated underlying operating cash flows of £0.7m after one-off IPO costs. Investing activities included £20m for the specific assets and liabilities of the Rosenblatt Partnership and capital expenditure of £0.08m. The successful AIM listing raised net proceeds of £32.7m, which as indicated at the time of the Admission, was used to acquire the partnership, and set aside £5m for future acquisitions and £5m to fund contingent cases.

Dividend

On 29 April 2019, Rosenblatt Ltd declared a dividend, resulting in a distribution to Rosenblatt Group plc of £3,600,000. The directors will file relevant accounts as at that date with Companies' House, to support payment by Rosenblatt Group plc of a dividend of 2.8p per share on 24 May 2019. The proposed dividend will be payable to shareholders on the register at the close of business on 10 May 2019. The shares will go ex-dividend on 9 May 2019. At the time of the admission to AIM, the Board indicated that it aimed to pay a dividend equivalent to 2/3rds of post-tax profits for the period ending 31 December 2018 and that it would pay a dividend in respect of the post admission period on a similar basis. The total dividend proposed for the year ended 31 December 2018 is equivalent to 91% post-tax profits for the period.

Net assets

The net assets of the Group are £35m. This has been predominantly caused by the funds raised on listing. The Group has a cash balance of £13.3m at the end of the year and is carrying no debt.

Robert Parker
Chief Financial Officer

29 April 2019

Strategic report

Strategic report

This report has been prepared by the directors in accordance with the requirements of Section 414 of the Companies Act 2006.

Principal objectives, strategy and outlook

The principal activity of the Rosenblatt Group during the period was the provision of commercial legal services. The Group sells its services through its core legal business, grouped into four operating segments, Dispute Resolution, Corporate, Real Estate, and Employment. Dependent on a client's requirements, any given mandate or assignment can involve more than one business line. The Group's services are tailored to those required by local, regional and national clients and are provided from our offices in London. Rosenblatt also maintains informal, non-exclusive, relationships with a number of law firms (30+) around the world, enabling it to provide clients access to a global legal solution.

Rosenblatt Limited became an Alternative Business Structure ("ABS") with effect from 8 May 2018. Non-lawyers are permitted to own and invest in ABS law firms. The Board believes a combination of the new ABS structure and admission to trading on AIM provides a platform for the continued profitable growth and future development of the business. It enables the business to differentiate itself from its competition through an enhanced service-offering and (currently) unique career opportunity, to diversify its revenue streams through the acquisition of additional complementary professional services businesses and finally to incentivise its people offering wider and earlier ownership to staff of a more modern, dynamic legal business.

The Group's current areas of focus are: • Enhanced opportunities to grow Rosenblatt organically – including lateral hires of individuals or teams, • Making selective acquisitions, including (i) other legal firms which offer geographical expansion or additional specialist services and (ii) professional service businesses offering complementary services, • Alignment through share participation, of the interests of shareholders (including employee shareholders) with those of the business, aiding retention of staff and enhancing Rosenblatt's recruitment appeal.

Organic growth strategy

The UK legal services market continues to exhibit growth and clear opportunities exist for Rosenblatt to continue to differentiate its service offering and grow organically, in particular from: • The retention of existing employees, working together to deliver 100% client satisfaction by looking after our clients' businesses as if they were our own, • Attracting new talent wishing to be a part of a pioneering and entrepreneurial professional services group, • Whilst legal services will always remain at the heart of the business, we will continue to provide enhanced cross-selling opportunities, • Continue to build upon our straight talking corporate service offering, • Maintaining and building upon Rosenblatt's representation of high net worths and their assets, • Extending Rosenblatt's relationships with the UK's leading house builders, • Expansion of specialist areas such as regulatory and private client into other geographical areas, • Developing Rosenblatt's project litigation offering and taking advantage of the offshore work this generates.

Acquisition strategy

Rosenblatt believes that it can strengthen its business by broadening its service offering through the acquisition of complementary professional service businesses. A broader set of services creates additional channels to market, increases cross-sales potential, facilitates a more flexible sales model and enhances client retention.

To owners of target complementary professional services businesses Rosenblatt offers a platform for their continued growth, drawing upon Rosenblatt's established supporting back-office infrastructure and access to Rosenblatt's existing "sales force" of partners and other lawyers. Rosenblatt will expand by: • being well positioned, as a result of its more flexible corporate structure, to take advantage of anticipated consolidation within the UK legal services industry, • acquiring legal teams or firms offering new niche services or sector specialism, • acquiring complementary professional services businesses (facilitated by the Group's alternative business structure).

Incentivisation

Rosenblatt is in the process of introducing a range of employee performance schemes that ensure all staff can acquire shares and participate in the financial success of our business. The aim of encouraging earlier and widespread equity ownership in the business is to attract, retain and motivate talent and to ensure all employees can benefit from the Group's longer term success.

Principal risks and uncertainties

Due to the nature of the business and the markets in which it operates, many of the risks it faces are ongoing over longer than any single year. The key risks identified by the business are detailed below.

Economic

The economic situation or conditions deteriorate with a consequent reduction in confidence. This will create competitive pressure resulting in reduced revenue growth and profitability. In mitigation, the Group continuously reviews its business and growth opportunities both in terms of the specialist services it offers and the markets it operates in. Business requirements are regularly discussed with clients and prospective clients to support the development of the services provided by the Group.

Potential impact of the UK's exit from the European Union "Brexit"

The Group considers that it is positioned well to withstand an economic down-turn which might result from Brexit. This assessment is made by virtue of the broad-based nature of the Group's activities: the work of the litigation department is a natural hedge against our Corporate department, as in general downturns people are naturally more litigious. Group cash-flows are largely unaffected by currency fluctuations. The Group also believes that, regardless of Brexit, English law will remain one of, if not the, pre-eminent legal code, protecting demand for UK legal services even in challenging economic times. The Group believes that potential economic uncertainty justifies the Group's decision to move to a Plc structure, which provides the platform for the continued, measured growth and development of the business. The Group continues to look at future service lines.

Reputation

The success of the Group's business depends on the maintenance of good client relationships and its reputation for providing high-quality professional services. If a client's expectations are not met, or if the business is involved in litigation or claims relating to its performance in a particular matter, the reputation of the Group could be significantly damaged. The Group's reputation could also be damaged through Rosenblatt's involvement (as an adviser or as a litigant) in high-profile or unpopular legal proceedings. The Group may be required to incur legal expenses in defending itself against any litigation arising in, or out of, such cases and may also incur significant reputational and financial harm if such litigation is successful or if there is negative press coverage. The Group regards its brand names, domain names, trade secrets and similar intellectual property as important to its success. Its businesses have been developed with a strong emphasis on branding. Should the brand name of Rosenblatt be damaged in any way or lose market appeal, the Group's businesses could be adversely impacted. The Group constantly endeavours to maintain its reputation as a provider of client focused commercial advice and has adopted internal management processes and training programmes to support this. While the Group will use all reasonable endeavours to protect its intellectual property rights should this be required, it may not be able to prevent any unauthorised use or disclosure of its intellectual property having an adverse effect on the operating, marketing and financial performance of the Group.

Operational risk

The Group's profitability is subject to a variety of operational risks including strategic and business decisions (including acquisitions and litigation funding cases), client choice in relation to the ability to appoint alternative advisers at any time, technology risk (including business systems failure), reputation risk, fraud, compliance with legal and regulatory obligations, counterparty performance under outsourcing arrangements, business continuity planning, legal risk, data integrity risk, client default risk, key person risk and external events. Rosenblatt has operational risk management practices in place to assess and manage these risks which include regular reports to the Board of the trading company and to the Directors. The advice of both internal and external experts is sought when appropriate. The Group's practice management system is end of life. The practice management system forms the base of all transactions undertaken by the Group and its replacement presents a risk both in relation to data and continuity of business. A project to replace the existing practice management system is in progress.

Professional liability and uninsured risks

The Group provides professional services, predominantly legal advice. Like all providers of professional services, it is susceptible to potential liability from negligence, breach of client contract and other claims by clients. As well as the risk of financial damage, such claims also carry a risk of damage to the Group's reputation. The professional indemnity insurance held by the Group may not cover all potential claims or may not be adequate to indemnify the Group for all liability that may be incurred (or loss which may be suffered). Any liability or legal defence expenses that are not covered by insurance or are in excess of the insurance coverage could have a material adverse effect on the Group's business and financial condition. The Group is advised by market leading insurance brokers and the Directors believe that it holds comprehensive professional liability insurance. Any claims are defended strongly with senior members of the business involved at all stages and external advice is sought where appropriate. The Group works hard to ensure its employees provide excellent advice and service to its clients underpinned by quality processes and bespoke training programmes.

Regulatory and Compliance Risks

The Group, like all businesses is subject to a range of regulations. Failure to comply with these could have significant implications for the business ranging from reputational damage to criminal prosecution and sentencing. The Group seeks advice from both internal and external experts to support it in its adherence to applicable regulations and guidelines. The last year has seen the introduction of additional regulation including for example the Criminal Finances Act and GDPR. Experts within the business have provided advice and appropriate policies, procedures and training have been adopted and implemented. In many cases the introduction of new regulations also provides an opportunity for us to support our clients in their adoption of these regulations in their businesses.

In addition, the businesses of the Group operate in regulated markets which impose additional regulation, for example: Restrictions on holdings of 10 % or more. Under the Legal Services Act 2007, there are restrictions on the holding of "restricted interests" in Licensed Body law firms. A restricted interest for this purpose is an interest

of 10 per cent or more in the issued share capital of the Licensed Body and includes an interest in the ultimate parent company of the Licensed Body. Rosenblatt Limited is currently a Licensed Body. The effect of the restrictions is that the consent of the Solicitors Regulation Authority ("SRA") is required should any person who is not a deemed approved lawyer seek to acquire a shareholding of 10 per cent or more in the Company. It is a criminal offence for a person who is not a deemed approved lawyer to acquire a restricted interest without first notifying the SRA or to acquire a restricted interest having notified the SRA but before obtaining its consent. Any consent from the SRA may have conditions attached. The Directors are in dialogue with the SRA to minimise such risk and as far as they are able, and to ensure that this particular regulation is made known to shareholders.

The SRA also has power to force the divestment of any shareholding which breaches this rule via the courts and/or to suspend or revoke the Licensed Body status of Rosenblatt Limited, which would have a serious effect on the Group. Through duty of confidentiality and non-disclosure, the SRA regulates the use and disclosure of client information. The Group is exposed to the risk of employees engaging in misconduct, including the improper use or disclosure of confidential client information. Employee misconduct could result in considerable harm to the Group's reputation, as well as regulatory sanctions and financial damage. Staff are trained and reminded of these duties and file management processes are in place to mitigate this risk but it cannot be removed in full.

Employees

Well trained and experienced employees are essential for the delivery of excellent professional services. The market for such employees remains competitive and the loss of or failure to recruit and retain such employees could impact on the Group's ability to deliver professional services and financial performance. A failure to implement effective succession planning throughout the business could also adversely affect financial performance. Recruitment is led by senior members of the business with all professional staff being interviewed by partners and senior managers. Over the last 12 months our recruitment process has been developed to include a strong value proposition for candidates. Remuneration arrangements include a range of benefits and are considered to be highly competitive. Employee contracts include appropriate provisions to protect the business where possible. A comprehensive training programme is in place for all staff providing management, leadership, technical and skills training. The Board is responsible for the implementation of succession plans for each of the businesses and investment continues to be made in the recruitment of appropriate staff where required. Use of internal communications systems are continuously reviewed and developed to meet staff needs. The Group has a vision statement which sets out the core values and behaviours expected of staff.

Information systems and other facilities

Loss of its IT provision or other material facilities would have a serious impact on the Group's operations. The Group can give no assurance that all such risks will be adequately covered by its existing systems or its insurance policies to prevent an adverse effect on the Group's financial performance. The Group monitors the resilience of its information systems and other facilities on an ongoing basis introducing updates and upgrades as appropriate. The Group works with external partners to support for example the delivery of its internal and client facing IT provision. External advice is sought as appropriate. The Group has a business continuity plan which is being tested. The tests include IT services and staff communications.

Financial

Inaccurate financial information may result in inappropriate decisions being taken by management and staff. Inadequate internal controls may fail to prevent the Group suffering a financial loss. The systems of internal control deployed within the Group are designed to comply with the applicable regulatory requirements (for example to protect client monies) and also to prevent financial loss. Rosenblatt Group plc's compliance with the Solicitors Accounts Regulations is reviewed and a report is filed annually by external accountants. Remedial action necessary for any breaches identified during the year or as part of the annual review is communicated to the business by the Compliance Officer for Legal Practice ('COLP') and/or Compliance Officer for Finance and Administration ('COFA').

Acquisition risk

The Group will consider complementary and earnings enhancing acquisitions as part of its overall growth strategy. Acquisitions may not always realise the benefits expected at the time of completion. A failure to successfully integrate acquisitions may impact on Group profitability. Due diligence appropriate to the size and nature of targets is undertaken and appropriate warranties and indemnities are sought from sellers wherever possible. Integration plans are formulated as part of the acquisition process and executed in anticipation of and following acquisition as appropriate. For example: • Day 1 IT requirements are identified and implemented, • Employment contract terms and conditions are aligned between existing and new employees where appropriate post integration, • Formal Board and reporting structures are introduced post acquisition and authorities are agreed.

Robert Parker
Chief Financial Officer

29 April 2019

Board of Directors

Stephen Davidson

Independent Non-Executive Chairman
Stephen has over 18 years as a director of both publicly listed and private companies. He is Non-Executive Chairman of Actual Experience plc, Datatec Limited and PRS For Music Limited. He is also Non-Executive Director of Informa plc. In his earlier career Stephen was Chief Financial Officer and then Chief Executive Officer of Telewest Communications plc and Vice Chairman of Investment Banking at WestLB Panmure.

Nicola Foulston

Chief Executive Officer
Nicola Foulston ("Nicky") has one of the sharpest minds in the business world. In 1990, at the age of 22, she served as CEO of the Brands Hatch Leisure Group ("Brands Hatch") when the business was valued at £6m. Having made transformational changes to the company's operations and financial management over the next 6 years, she floated the group in 1996 and sold it three years later to Interpublic, the US marketing giant for over $195m, at a time when Brands Hatch was then the largest organiser and promoter of motorsport in Europe. She was subsequently named Veuve Cliquot "Business Woman of the Year" in 1996 and she remains the award's youngest ever recipient at the age of 29.

She subsequently ran a family office with private equity investments in the USA and Europe. In 2014, she was appointed as a Board Member of the Government's Industrial Development Advisory Board (IDAB), an advisory non-departmental public body, sponsored by the Department for Business, Energy & Industrial Strategy, to help government boost growth in business.

Nicky was appointed CEO of Rosenblatt, a City law firm, in September 2016 and in that role, has taken over the commercial management of the firm, transforming it in readiness for a listing on the Alternative Investment Market of the London Stock Exchange, which took place on 8 May 2018 at a valuation of £70m+. Prior to that, she had been a client of the firm for over 30 years.

She has a deep understanding of operational restructuring, improving business performance, best outcome identification and implementation and balance sheet de-leveraging often working with multiple stakeholders at all levels of a company's capital structure. She has a reputation for reliability, trustworthiness and delivering on time.

Robert Parker

Chief Financial Officer
Robert has over 20 years' experience with international businesses and has worked extensively with public funds, private equity and venture capital investors. His recent roles include interim Chief Financial Officer at Jungheinrich UK Limited and CLA Limited, as well as permanent roles at Ubisense PLC and Immedia Broadcasting plc.

Victoria Hull

Non-Executive Director
Victoria is a former Executive Director and General Counsel of Invensys plc and Telewest Communications plc. Her legal career commenced at Clifford Chance LLP in 1985 where she trained and qualified into the corporate finance discipline. She joined FTSE100 industrial company, Invensys plc, as General Counsel in 2001 and gained global experience across a wide variety of legal matters in diverse industries including M&E, litigation, contracting, IP.

Marianne Ismail

Non-Executive Director
Marianne Ismail has worked in financial services for over 30 years in a variety of small and large regulated entities.

She was a Managing Director of Morgan Stanley for 10 years working in New York and internationally and has held senior positions in Citigroup and Standard Chartered Bank. She has a strong understanding of the management of growing companies and of corporate risk and is committed to ensuring compliance with appropriate regulations as well as the implementation of suitable organisational and management structures to meet these regulations. Marianne has held FCA significant influence functions throughout her career.

She is Pro Chancellor and Chair of the governing body of the University of Greenwich and is a NED of Qatar Islamic Bank -UK and Town and Country Housing Group.

Until January 2019, she was Group Chief Executive of the AIM listed Kingswood Holdings Group.

Corporate Governance statement

Chairman's Introduction

In this section of our report, we set out our Corporate Governance Framework. This is our first statement since admission to AIM on 8 May 2018. The Directors recognise the importance of sound corporate governance and intend to comply with the Corporate Governance Guidelines, to the extent appropriate for a Company of its nature and size. The Quoted companies Alliance Corporate Governance Code for small and mid-size Quoted Companies ("the QCA Code") were designed by the Quoted Companies Alliance ("the QCA") in consultation with a number of significant institutional small company investors as an alternative corporate governance code applicable to AIM companies. An alternative code was proposed because the QCA considers the UK Corporate Governance Code to be inappropriate for many AIM companies. The Corporate Governance Guidelines state that "The purpose of good corporate governance is to ensure that the Company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

The composition of the Board

The Board comprises 5 directors, two executives and three Non-executives, reflecting a blend of different experience and background. All of the Non-executives are considered independent.

How the Board operates

The Board is responsible for reviewing, formulating and approving the Group's strategy, budgets and corporate actions and overseeing the Group's progress towards its goals. This is formally documented in a schedule of matters reserved for board approval and includes: • Strategy and business plans, including annual budget, • Structure and capital including dividends, • Financial reporting and controls, • Internal controls on risk management and policies, • Significant contracts and expenditure, • Communication with shareholders, • Remuneration and employment benefits, • Changes to the board composition

Board Meetings

The Board has met on a number of occasions during the period following admission to AIM and has a programme of Board and Committee meetings for the current financial year. For all board meetings, an agenda is established and papers circulated in advance so that all Directors can give due consideration to the matters in hand. As a minimum the Board will meet six times per annum and the matters discussed include: • Financial and Operating performance review including presentations from Senior Managers • Progress on all strategic aims of the business, • Proposals on any areas of major expenditure, • Update on all governance legal, health & safety and risk matters. The Board will at least annually consider the Group's strategic plan and annual budget. The following table shows directors' attendance at scheduled board and committee meetings from since admission, from the date of appointment.

	Board Number	Audit Number	Remuneration Number
S Davidson	6/6	2/2	1/1
N Foulston	6/6	2/2	1/1
V Hull	3/3	2/2	1/1

Board decisions and activity during the year

The Board has a schedule of regular business, financial and operational matters and each Board Committee has compiled a schedule of work to ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the year. The Chairman, aided by the Company Secretary, is responsible for ensuring the Directors receive accurate and timely information. The Company Secretary compiles the Board and Committee papers which are circulated to the Directors prior to the meetings. The Company Secretary also ensures that any feedback or suggestions for improvement on Board papers is fed back to management and ensures input is gathered from all Board members on matters that should be included for consideration at meetings. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted. In addition to the board meetings there is regular communication between Executive and Non-Executive Directors, including where appropriate updates on matters requiring attention prior to the next scheduled board meeting. It is intended that the Non-Executive Directors will meet as appropriate, but not less than annually, without the Executive Directors being present.

Board committees

The Board has delegated specific responsibilities to the Audit and Remuneration Committees. Each Committee has terms of reference setting out its duties, authority and reporting responsibilities. The terms of reference of each Committee were put in place at the time of the Company's admission to AIM and it is intended they will be kept under review to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice. Each committee comprises the Non-executive Directors and the Executive Directors attend by invitation.

Board effectiveness

The skills and experience of the Board are set out in their biographical details on page 14. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and scrutinise

performance. Victoria Hull joined the Board in September 2018 and has taken part in an induction process, during which she met with key employees and advisors and received presentations from the Executive Directors on strategy and finance. It is intended that, in the future, on joining the Board, new directors will undergo a formal programme which will be tailored to the existing knowledge and experience of the director concerned.

Time commitments

All Directors have been advised of the time required to fulfil the role prior to appointment and were asked to confirm that they could make the required commitment before they were appointed. The minimum requirement for the Non-Executive Chairman is at least six days per annum and that for a Non-Executive Director is at least four days per annum and this is included in their letter of appointment.

Development

The Company Secretary ensures that all Directors are kept abreast of changes in relevant legislation and regulations, with the assistance of the Group's advisers where appropriate. Executive Directors are subject to the Group's performance review process through which their performance against objectives is reviewed and their personal and professional development needs considered.

Conflicts of interest

At each meeting, the Board considers Directors' conflicts of interest. The Company's Articles of Association (Articles) provide for the Board to authorise any actual or potential conflicts of interest.

Directors' and officers' liability insurance

The Company has purchased Directors' and Officers' liability insurance as allowed by the Company's Articles.

Risk management and internal controls

The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for an internal audit function, but has concluded that the internal control system in place is appropriate for the size and complexity of the Group. The Board is also responsible for the identification and evaluation of major risks faced by the Group and for determining the appropriate course of action to manage those risks.

Committees of the Board

Audit Committee

The audit committee is charged with the oversight of the internal financial controls and risk management systems, making recommendations to the Board on the appointment of auditors and the audit fee, monitoring and reviewing the conduct and control of the audit work as well as monitoring the integrity of all formal reports and announcements relating to the Group's financial performance. The Chief Executive Officer and Chief Financial Officer attend the committee meetings by invitation. The Committee has unrestricted access to the Group's auditors. The members of the Audit Committee are: S Davidson (Chairman) and V Hull. The Committee considers all proposals for non-audit services and ensures that these do not impact on the objectivity and independence of the auditor. The Audit Committee in its meetings with the external auditor reviews the safeguards and procedures developed by the auditor to counter threats or perceived threats to their objectivity and independence and assess the effectiveness of the external audit. The Group's policy on non-audit services performed by the external auditor is to address any issues on a case by case basis.

Remuneration committee

The remuneration committee reviews the performance of the executive directors, sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders and reviews and approves any proposed bonus entitlement. It will also be responsible for the consideration of any share based incentive schemes to be put in place across the Group. The members of the Remuneration committee are: S Davidson (Chairman) and V Hull.

Due to the limited number of committee meetings since Admission, Audit and Remuneration committee reports are not included for this period.

Our Corporate Governance page can be found on the website https://www.rosenblatt-law.co.uk/about/corporate-governance/. All enquiries sent via "Contact Us" on the website or via email info@rosenblatt-law.co.uk will be forwarded to an appropriate member or our team and dealt with promptly. Our complaints handling policy can be found on the website https://www.rosenblatt-law.co.uk/complaints-policy/ and in our Terms of Business. Any questions, comments or matters of concern raised by clients are dealt with by the Client Partner in the first instance and escalated to the practice Administration Director if necessary.

The directors have pleasure in presenting their report and the financial statements of the group for the period ended 31 December 2018.

Directors' report

Principal activities and business review

The principal activities of the Group during the period were the provision of legal and professional services. The results for the period and the financial position of the Group are as shown in the annexed financial statements. A review of the business and its future development is given in the Chairman's and Chief Executive's statements.

Results and dividends

The results for the year are set out in the consolidated income statement on page 24. An interim dividend for the period to 31 December 2018 of 2.8 pence per share will be paid to shareholders on the register as at 10 May 2019.

Likely future developments

Our priorities for the following financial year are disclosed in the CEO's statement on pages 6 to 7.

Substantial shareholdings

The Company was notified that the following were interested in 3% or more of the issued ordinary share capital at 31st December 2018:

	0.2p Ordinary Shares	
	2018 Number	2018 % of issued share capital
Ian Rosenblatt	16,911,214	21.1%
Milton Asset Management Limited	15,387,464	19.2%
Cascades Ltd*	11,515,264	14.4%
BlackRock Investment Management (UK) Ltd	6,362,831	7.9%
Fidelity International	4,935,000	6.2%
Schroder Investment Management Ltd	4,130,178	5.2%

*A company wholly owned by the Foulston Family Trust of which Nicola Foulston is a beneficiary.

Directors and their interests

The directors who served throughout the year except where otherwise stated and in place at the date of this report are as follows:

S Davidson (appointed 6 April 2018)
P Firebrace (appointed 30 April 2018, resigned 31 August 2018)
N Foulston (appointed 6 February 2018)
V Hull (appointed 3 September 2018)
M Ismail (appointed 23 January 2019)
B Land (appointed 6 April 2018, resigned 12 July 2018)
R Parker (appointed 11 January 2019)

The directors' interest in the shares of the parent company are set out below:

	0.2p Ordinary Shares	
	2018 Number	2018 % of issued share capital
Cascades Ltd*, VVC**	11,515,264	14.4%

*A company wholly owned by the Foulston Family Trust of which Nicola Foulston is a beneficiary.
**VVC 105,264 shares owned by Nicola Foulston.

Audited directors' remuneration

Directors' remuneration payable in the period ended 31 December 2018 is set out below:

	Basic Salary and/or Directors Fees 2018 £	Employer Pension Contributions 2018 £	Total 2018 £
S Davidson	41,667	–	41,667
P Firebrace	60,000	1,800	61,800
N Foulston	266,666	8,000	274,666
V Hull	10,000	–	10,000
B Land	13,270	–	13,270
	391,603	9,800	401,403

Directors who have an interest in the shares of the Company will benefit through dividend payments. No directors have benefitted from any bonus, share options, or other long term incentive arrangements during the period.

Employees

The Group operates an equal opportunities employment policy. The Group's policy on recruitment, development, training and promotion includes provision to give full and fair consideration to disabled persons, having particular regard to their aptitudes and abilities. The Group appreciates and values the input of all its employees and encourages development and training to enhance employee skills. The Group ensures that employees are aware of any important matters that may impact on the performance of the Group.

Going concern

The Group financial statements have been prepared on a going concern basis as the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has no debt and has a strong trading performance. The Group's forecasts and projections show that the Group has sufficient resources for both current and anticipated cash requirements.

Financial risk management

Financial risk is managed by the Board on an ongoing basis. The key risks relating to the Group are outlined in more detail in note 4 to the consolidated financial statements. The Group's principal risks and uncertainties are outlined in the Chief Financial Officer's report.

Post balance sheet events

There have been no material post balance sheet events.

Annual General Meeting

The Company's first AGM will be held on 18th June 2019.

Political Donations

No political contributions were made during the year.

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare the group and company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation. 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 group and company and of the profit or loss of the group for that period. In preparing the group and company financial statements, the directors are required to: a) Select suitable accounting policies and then apply them consistently; b) Make judgements and accounting estimates that are reasonable and prudent; c) State whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the company financial statements; d) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Auditor

A resolution to reappoint BDO LLP as auditor for the ensuing year will be proposed at the Annual General Meeting in accordance with Section 489 of the Companies Act 2006.

Disclosure of information to auditor

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

On behalf of the board

Robert Parker
Chief Financial Offer

29 April 2019

Independent auditors' report to the members of Rosenblatt Group Plc

Opinion

We have audited the financial statements of Rosenblatt Group plc (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated 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 the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

— the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the period then ended;

— the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

— the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

— the consolidated financial statements 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

— the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

— the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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) 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 we addressed the key audit matter in our audit*
Valuation of contract assets and completeness of contract liabilities. *The accounting policy for revenue as set out in note 2 requires that revenue should be recognised over time as service obligations are performed unless to do so would give rise to the risk of significant reversal. Categorisation of contracts between those for which revenue should be recognised over time and those for which it should be recognised on satisfaction of a contingency, in order to prevent the risk of significant reversal, is a matter of judgment and audit risk, as is the valuation of unbilled revenue at the period end.*	Our work included the following: — We compared the revenue recognition policies as described in the notes to the relevant requirements of IFRS 15 and checked that policies are appropriate and are free from bias. — We checked, on a sample basis, that classification of matters between contingent and non-contingent was consistent with the underlying engagement terms. — For a sample of non-contingent matters we tested the existence of contract assets with reference to time worked. We tested recoverability of the items chosen by tracing to post year-end billings and receipts and where billing had not yet occurred, we challenged managers on the expected recovery and obtained supporting evidence to support the judgements taken. — For a sample of matters where year end unbilled time had been written down we obtained explanations for the provision and challenged these with management, securing appropriate evidence where necessary.
Valuation of intangibles on business combination *On 8 May 2019, the group acquired certain assets and liabilities of Rosenblatt Partnership, for which the fair value was estimated as set out in note 23. The significant level of judgment involved in these valuations represented a risk for our audit.*	Our work included the following: — We assessed the competence, capability and reliability of the expert used to perform the valuations. — We checked the workings of the model, assessed the reasonableness of key assumptions, and agreed inputs to supporting documentation, including assumptions used by market peers. — We reviewed the various agreements related to the transaction.

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. 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.

We have used profit before tax as a benchmark for group materiality, as we consider quality and growth of profit before tax to be key metrics of the group's performance used by shareholders.

We determined materiality for the group financial statements as a whole to be £194,200 which represents approximately 5% of profit before tax for the period adjusted for non-underlying items. Performance materiality has been set at £126,200, which is 65% of materiality. Performance materiality means the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. We agreed with the Board that we would report to them misstatements identified during our audit above £3,800.

Independent auditors' report to the members of Rosenblatt Group Plc
continued

We would ordinarily use gross assets as a benchmark for materiality of the parent company as it is a key metric for an investment holding company; however, 1% of gross assets of the parent company is in excess of group materiality. As a result we have capped parent company materiality at 90% of group materiality, being £174,700. Performance materiality has been set at £113,500, which is 65% of materiality, and we agreed with the Board that we would report to them misstatements identified during our audit above £3,400.

We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds. There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

An overview of the scope of our audit

The group is made up of a parent company and two subsidiaries. Rosenblatt Group Plc (the holding company) owns Rosenblatt Limited (legal services business) and Rosenblatt Litigation Funding Limited (currently dormant). We completed a full scope audit for Rosenblatt Group Plc on which to base our opinion for the parent company and consolidated financial statements. We performed a full scope audit of Rosenblatt Limited to a lower level of materiality than that for the group, as required to meet statutory requirements, and for inclusion in the consolidated financial statements.

An interim visit was conducted to assess the Group's internal control environment, including that related to the financial reporting process, and we assessed the appropriateness, completeness and accuracy of group journals and other adjustments performed on consolidation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions 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 period 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

— the parent company 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 set out on page 19, 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 group's and the parent 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 group or the parent 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.

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.

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nicholas Carter-Pegg (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
29 April 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

For the period ended 31 December 2018

	Note	6 February to 31 December 2018 £
Revenue	5	12,530,748
Personnel Costs	7	(6,112,040)
Depreciation and amortisation expense		(296,178)
Other expenses		(3,103,500)
Profit from operations	6	**3,019,030**
Adjusted EBITDA		**4,314,341**
Depreciation and amortisation expense	6	(296,178)
Non-underlying items		
Admission costs		(999,133)
Finance income	8	16,826
Profit before tax		**3,035,856**
Tax expense	9	(727,491)
Profit attributable to the ordinary equity holders of the parent		**2,308,365**
Earnings per share attributable to the ordinary equity holders of the parent	10	
Profit		
Basic (pence)		3.83
Diluted (pence)		3.83

The results for the period presented above are derived from continuing operations.

There were no elements of other comprehensive income for the financial period other than those included in the income statement.

The attached notes form part of these financial statements.

Consolidated statement of financial position

As at 31 December 2018

Company registered number: 11189598

	Note	2018 £
Assets		
Current assets		
Trade and other receivables	16	6,175,450
Cash and cash equivalents		13,350,467
		19,525,917
Non-current assets		
Property, plant and equipment	12	304,556
Intangible assets	13	17,985,221
		18,289,777
Total assets		**37,815,694**
Liabilities		
Current liabilities		
Trade and other payables	17	1,898,163
Current tax liabilities	17	753,527
Provisions	18	35,264
		2,686,954
Non-current liabilities		
Deferred tax liability	19	144,062
		144,062
Total liabilities		**2,831,016**
NET ASSETS		**34,984,678**
Issued capital and reserves attributable to owners of the parent		
Share capital	20	160,184
Share premium reserve		32,516,129
Retained earnings		2,308,365
TOTAL EQUITY		**34,984,678**

The financial statements on pages 24 to 46 were approved and authorised for issue by the Board of Directors on 29 April 2019 and were signed on its behalf by:

Director

The attached notes form part of these financial statements.

Consolidated statement of cash flows

For the period ended 31 December 2018

	Note	2018 £
Cash flows from operating activities		
Profit for the period before tax		**3,035,856**
Adjustments for:		
Depreciation of property, plant and equipment	12	71,067
Amortisation of intangible fixed assets	13	225,111
Finance income	8	(16,826)
		3,315,208
Increase in trade and other receivables		(4,174,553)
Decrease in trade and other payables		1,557,232
Increase in provisions		35,264
Cash generated from operations		**733,151**
Tax paid		–
Net cash flows from operating activities		**733,151**
Investing activities		
Purchases of property, plant and equipment	12	(75,823)
Purchase of business, net of cash acquired	23	(20,000,000)
Interest received		16,826
Net cash used in investing activities		**(20,058,997)**
Financing activities	20	
Issue of ordinary shares		32,676,313
Net cash (used in)/from financing activities		**32,676,313**
Net increase in cash and cash equivalents		**13,350,467**
Cash and cash equivalents at beginning of period		–
Cash and cash equivalents at end of period		**13,350,467**

The attached notes form part of these financial statements.

Consolidated statement of changes in equity

For the period ended 31 December 2018

	Share capital £	Share Premium £	Retained Earnings £	Total attributable to equity holders of parent £
Balance at 6 February 2018	–	–	–	–
Comprehensive income for the period				
Profit	–	–	2,308,365	**2,308,365**
Total comprehensive Income for the period	**–**	**–**	**2,308,365**	**2,308,365**
Contributions by and distributions to owners				
Issue of share capital	160,184	34,926,316	–	**35,086,500**
Share issue costs	–	(2,410,187)	–	**(2,410,187)**
Total contributions by and distributions to owners	**160,184**	**32,516,129**	**–**	**32,676,313**
Balance at 31 December 2018	**160,184**	**32,516,129**	**2,308,365**	**34,984,678**

The attached notes form part of these financial statements.

Company statement of financial position

As at 31 December 2018

Company registered number: 11189598

	Note	2018 £
Assets		
Current assets		
Trade and other receivables	16	22,463,757
Cash and cash equivalents		9,078,495
		31,542,252
Non-current assets		
Property, plant and equipment	12	14,014
Investments		100
		14,114
Total assets		**31,556,366**
Liabilities		
Current liabilities		
Trade and other payables	17	176,166
Current tax liabilities	17	–
Provisions	18	–
		176,166
Non-current liabilities		–
Total liabilities		**176,166**
NET ASSETS		**31,380,200**
Issued capital and reserves attributable to owners of the parent		
Share capital	20	160,184
Share premium reserve		32,516,129
Retained earnings		(1,296,113)
TOTAL EQUITY		**31,380,200**

The Company has taken advantage of the exemption contained in S408 Companies Act 2006 and has not presented a separate income statement for the Company. The Company recorded a loss of £1,296,113 for the period ended 31 December 2018.

The financial statements on pages 24 to 46 were approved and authorised for issue by the Board of Directors on 29 April 2019 and were signed on its behalf by:

Director

The attached notes form part of these financial statements.

Company statement of changes in equity

For the period ended 31 December 2018

	Share Capital £	Share premium £	Retained Earnings £	Total equity £
Balance at 6 February 2018	–	–	–	**–**
Comprehensive loss for the period				
Loss for the period	–	–	(1,296,113)	**(1,296,113)**
Total comprehensive loss for the period	**–**	**–**	**(1,296,113)**	**(1,296,113)**
Contributions by and distributions to owners				
Issue of share capital	160,184	34,926,316	–	**35,086,500**
Share issue costs	–	(2,410,187)	–	**(2,410,187)**
Total contributions by and distributions to owners	**160,184**	**32,516,129**	**–**	**32,676,313**
Balance at 31 December 2018	**160,184**	**32,516,129**	**(1,296,113)**	**31,380,200**

The attached notes form part of these financial statements.

Notes to the consolidated financial statements

(forming part of the consolidated financial statements)

1 Basis of preparation

Rosenblatt Group plc is a public limited company incorporated on 6 February 2018 and domiciled in the United Kingdom.

These are the first financial statements prepared by Rosenblatt Group plc. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and have been prepared in accordance with IFRS as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared for the period from 6 February 2018 to 31 December 2018.

The consolidated financial statements are presented in Sterling, which is also the Group's functional currency.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out in note 2. The policies have been consistently applied to the period presented, unless otherwise stated.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Basis of measurement
The consolidated financial statements have been prepared on a historical cost basis.

Going concern
The Group financial statements are prepared on a going concern basis as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. On 8 May 2018 the Group was admitted to AIM and acquired, through its subsidiary Rosenblatt Limited, the trade and certain assets of Rosenblatt Solicitors. Rosenblatt Limited, and the Group, are cash generative on an underlying basis, with a strong trading performance since the acquisition.

Changes in accounting policies

a) *New standards, interpretations and amendments effective from 1 January 2018*
The Group has adopted all of the new and revised standards and interpretations issued by the IASB that are relevant to its operations and are currently effective.

b) *New standards, interpretations and amendments not yet effective*
There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the group has decided not to adopt early. The most significant of these is:

— IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019).

IFRS 16 Leases
Adoption of IFRS 16 will result in the group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The Group has decided it will apply modified retrospective adoption of IFRS 16, and therefore will only recognise leases on balance sheet as at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date. At 31 December 2018 operating lease commitments amounted to £8.2 million. The effect of discounting those commitments is anticipated to result in right-of-use assets and lease liabilities of approximately £7.1 million being recognised on 1 January 2019.

Instead of recognising an operating expense for its operating lease payments, the group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost, which for the period ended 31 December 2018 was approximately £0.6 million.

Other
The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

2 Accounting policies

Revenue
Revenue comprises the fair value of consideration receivable in respect of professional services provided during the period, inclusive of recoverable expenses incurred but excluding value added tax.

Revenue is recognised when the Group has performed services in accordance with the agreement with the relevant client and has obtained a right to consideration for those services. Where such income has not been billed at the balance sheet date, it is included as contract assets and forms part of Trade and other receivables.

Where the Group enters into contingent fee arrangements, no revenue is recognised until the contingent event has occurred, as the Directors consider to do so would give rise to the risk of significant reversals.

Basis of consolidation
Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Goodwill
Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. Direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets)
Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial period end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating unit ('CGU'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Foreign currency
Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Financial assets
The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Amortised cost
These assets arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Financial liabilities
The Group classifies its financial liabilities depending on the purpose for which the liability was acquired.

Other financial liabilities

All the Group's financial liabilities are classified as other financial liabilities, which include the following items:

— Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Defined contribution schemes
Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the period to which they relate.

Leased assets
Where substantially all of the risks and rewards incidental to ownership of a leased asset are not transferred to the Group (an “operating lease”), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Externally acquired intangible assets
Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. Amortisation is included in the Depreciation and amortisation expense in the Consolidated statement of other comprehensive income.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Brand	20 years	Estimated discounted cash flow
Customer contracts	8 months	Estimated discounted cash flow

Investments
Fixed asset investments are stated at cost less provision for any impairment in value.

Investments in subsidiary undertakings are stated at cost less amounts written off for impairment. Investments are reviewed for impairment where events or circumstances indicate that their carrying amount may not be recoverable.

Dividends
Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when the dividend is paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

Deferred taxation
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

— The initial recognition of goodwill.

— The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and

— Investments in subsidiaries and joint arrangements where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

— The same taxable group company, or

— Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Property, plant and equipment
Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is provided on all 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 rates:

Plant and machinery – 33% per annum straight line
Fixtures and fittings – 25% per annum straight line
Computer equipment – 33% per annum straight line

Residual values and useful economic lives of the assets are reviewed annually.

Provisions
The group has recognised provisions for liabilities of uncertain timing or amount. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

3 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on actual experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Estimates and assumptions
— Accounting for business combinations and fair value

Business combinations are accounted for at fair value. Valuation of acquired intangibles requires estimates of future growth rates, profitability, remaining useful lives and discount rates for input to the business combination valuation methodology. Intangible assets have been recognised for brand and customer contracts; customer relationships have been assessed by the directors to have no material value. A difference in the estimated future growth rates, profitability, the use of a different discount rate, or the selection of a different valuation method may result in a different assessment of fair value of the asset or liability acquired as part of the business combination.

— Estimated impairment of intangible assets including goodwill

Determining whether an intangible asset is impaired requires an estimation of the value in use of the cash generating units to which the intangible has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from each cash generating unit and determine a suitable discount rate. A difference in the estimated future cash flows or the use of a different discount rate may result in a different estimated impairment of intangible assets.

— Impairment of trade receivables

Receivables are held at cost less provisions for impairment. Impairment provisions are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. A different assessment of the impairment provision with reference to the probability of the non-payment of trade debtors or the expected loss arising from default, may result in different values being determined.

— Revenue recognition

Where fees are contractually able to be rendered by reference to time charged at agreed rates, the revenue is recognised over time, based on time worked charged at agreed rates, to the extent that it is not considered likely to be reversed.

Where revenue is subject to contingent fee arrangements, the Group estimates the amount of variable consideration to which it will be entitled and constrains the revenue recognised to the amount for which it is considered highly probable that

there will be no significant reversal. Due to the nature of the work being performed, this typically means that contingent revenues are not recognised until such time as the outcome of the matter being worked on is certain. Factors the Group considers when determining whether revenue should be constrained are whether:-

i) The amount of consideration receivable is highly susceptible to factors outside the Group's influence.

ii) The uncertainty is not expected to be resolved for a long time.

iii) The Group has limited previous experience (or limited other evidence) with similar contracts.

iv) The range of possible consideration amounts is broad with a large number of possible outcomes.

Different views being determined for the amount of revenue to be constrained in relation to each contingent fee arrangement may result in a different value being determined for revenue and also a different carrying value being determined for unbilled amounts for client work.

In calculating revenue from fixed price contracts, the Group makes certain estimates as to the stage of completion of those contracts. In doing so, the Group estimates the remaining time and external costs to be incurred in completing contracts and the clients' willingness to pay for the services provided. A different assessment of the outturn of the contract may result in a different value being determined for the revenue and also a different carrying value being determined for unbilled amounts for client work.

— Share issue and IPO

Judgement was required in determining a fair method of apportionment of costs incurred jointly for the share issue and IPO. A different method of apportionment may have resulted in a different allocation to the share premium account and a different cost being charged to the Statement of Comprehensive Income in the period.

It is the directors' judgment that the issue of shares in Rosenblatt Group plc prior to its IPO was unrelated to the subsequent IPO and purchase of the trade and certain assets from Rosenblatt Solicitors, and to ongoing services provided to the Group by those who purchased these shares.

— Claims and regulatory matters

The Group from time to time receives claims in respect of professional service matters. The Group defends such claims where appropriate, but makes provision for the possible amounts considered likely to be payable. A different assessment of the likely outcome of each case or of the possible cost involved may result in a different provision or cost.

4 Financial instruments - Risk Management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk and
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

(i) Principal financial instruments
The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables

Notes to the consolidated financial statements
continued

(forming part of the consolidated financial statements)

(ii) Financial instruments by category

Financial assets

	Financial assets at amortised cost 2018 £
Cash and cash equivalents	13,350,467
Trade and other receivables	5,725,885
Total financial assets	**19,076,352**

Financial liabilities

	Financial liabilities at amortised cost 2018 £
Trade and other payables	(977,164)
Total financial liabilities	**(977,164)**

Trade and other payables are due within twelve months.

(iii) Financial instruments not measured at fair value
Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, and trade and other payables.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value.

General objectives, policies and processes
The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk
Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations. It is Group policy to assess the credit risk of new and irregular clients before entering contracts and to require money on account of work for these clients. The Group reviews, on a regular basis, whether to perform further work where clients have unpaid bills. The Group works with a broad spread of long standing reputable clients to ensure there are no significant concentrations of credit risk.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. Cash and cash equivalents are invested with banks with an A+ credit rating.

Foreign exchange risk
Foreign exchange risk refers to the risk that the value of a financial commitment or recognised asset or liability will fluctuate due to changes in foreign currency rates. At the balance sheet date the net monetary assets of the group denominated in foreign currencies translated into Sterling totalled £Nil. Management does not consider this to be a significant risk to the Group.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash (or agreed facilities) to allow it to meet its liabilities when they become due and to take advantage of business opportunities. The Board reviews the projected financing requirements annually when agreeing the Group's budget and receives rolling 12-month cash flow projections on a regular basis as well as information regarding cash balances. At the end of the financial period, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Capital Management
The Group monitors “adjusted capital” which comprises all components of equity (i.e. share capital, share premium and retained earnings).

The Group’s objectives when maintaining capital are:

— to safeguard the entity’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

— to provide an adequate return to shareholders.

The Group expects to pursue a progressive dividend policy over time, driven primarily by the level of cash retained within the business as well as investment opportunities available to the Group and from time to time review the continued appropriateness of such policy.

5 Segment information

The chief operating decision makers (CODMs) are the Board of Directors of Rosenblatt Group plc. The Group has the following four strategic business groups, which are its reportable segments. These business groups offer different services and are reported separately because of the different specialisms from the legal teams in those business groups.

The following summary describes the operations of each reportable segment:

— *Real Estate* – Provision of legal advice in respect of construction, planning, real estate and residential property development services.

— *Employment* – Provision of legal advice in respect of employment and pension services.

— *Corporate* – Provision of legal advice in respect of corporate, private client and taxation services.

— *Dispute Resolution* – Provision of legal advice in respect of commercial dispute resolution.

2018	Real Estate £	Employment £	Corporate £	Dispute Resolution £	Total £
Segment revenue	1,096,619	401,648	1,891,306	9,141,175	**12,530,748**
Segment contribution	532,282	231,214	466,719	6,767,047	**7,997,262**
Costs not allocated to segments					
Personnel costs					(1,589,812)
Depreciation and amortisation					(296,178)
Other operating expense					(3,092,242)
Net financial expenses					16,826
Group profit for the period before tax					**3,035,856**

Total assets and liabilities by operating segment are not reviewed by the CODM and are therefore not disclosed.

A geographical analysis of revenue is given below:

	External revenue by location of clients 2018 £
United Kingdom	11,565,335
Europe	241,390
North America	349,155
Other	374,868
	12,530,748

Revenues from clients that account for more than 10% of revenue total £6,739,505.

Contract balances

Group	2018 £
At 6 February	–
Acquired through business combinations	1,230,845
Transfers in the period from contract assets to trade receivables	(1,005,015)
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	2,814,322
	3,040,152

Contract assets are included within "trade and other receivables" on the face of the statement of financial position. They arise when the Group has performed services in accordance with the agreement with the relevant client and has obtained right to consideration for those services but such income has not been billed at the balance sheet date.

6 Expenses and auditor's remuneration

	2018 £
Profit from operations is stated after charging:	
Fees payable to the company's auditors	
– Audit fees	65,000
– Taxation services	8,500
– Other services	12,500
Depreciation of property, plant and equipment	71,067
Amortisation/impairment of intangible assets	225,111
Operating lease expense:	
– Plant and machinery	6,164
– Property	566,998

7 Employees

Group	2018 £
Staff costs (including directors) consist of:	
Wages and salaries	4,684,210
Short-term non-monetary benefits	55,211
Social security costs	571,156
Cost of defined contribution scheme	148,032
	5,458,609

Personnel Costs stated in the Consolidated statement of comprehensive income includes the costs of contractors who are not employees.

The average number of employees (including directors) during the period was as follows:

	2018 Number
Legal and professional staff	44
Administrative staff	26
	70

A defined contribution pension scheme is operated by the group on behalf of the employees of one of the subsidiary undertakings. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £148,032. Contributions amounting to £73,454 were payable to the fund at year end and are included in Trade and other payables.

Company
The company has no employees (excluding directors); all personnel are employed by subsidiary undertakings.

Details of the Directors' remuneration, share interests and transactions with directors are included in the Directors' Report on pages 18 to 19 and in Note 24. The directors are considered to be the key management personnel.

8 Finance income and expense

Recognised in profit or loss

Finance income	2018 £
Interest received on bank deposits	16,826
Net finance income recognised in profit or loss	16,826

9 Tax expense

	2018 £
Current tax expense	
Current tax on profits for the period	753,527
Total current tax	**753,527**
Deferred tax expense	
Origination and reversal of temporary differences (Note 19)	(26,036)
Total tax expense	**727,491**

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the United Kingdom applied to profits for the period are as follows:

	2018 £
Profit on ordinary activities before taxation	**3,035,856**
Tax using the Company's domestic tax rate of 19%	576,813
Expenses not deductible for tax purposes	150,678
Total tax expense	**727,491**

Changes in tax rates and factors affecting the future tax charge
A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was announced in the Budget on 16 March 2016. The deferred tax liability at 30 April 2018 has been calculated based on this rate. This will reduce the Group's future current tax charge accordingly.

10 Earnings per share

Numerator	Total 2018 £
Profit for the period and earnings used in basic and diluted EPS	2,308,365
Add Non Underlying items	
– Admission costs	999,133
Less tax effect of above items	(43,835)
Profit for the period adjusted for Non Underlying items	**3,263,663**

Denominator

	Number
Weighted average number of shares used in basic and diluted EPS	60,305,232

Earnings per share is calculated as follows:

	2018 Pence
Basic and diluted earnings per ordinary share	3.83
Basic and diluted earnings per ordinary share adjusted for Non Underlying items	5.41

Clawback arrangements over certain shares of Cascades Ltd would have an anti-dilutive effect on earnings per share and therefore no impact on diluted earnings per share.

11 Dividends

On 29 April 2019, Rosenblatt Ltd declared a dividend, resulting in a distribution to Rosenblatt Group plc of £3,600,000. The directors will file relevant accounts as at that date with Companies' House, to support payment by Rosenblatt Group plc of a dividend of 2.8p per share on 24 May 2019. This dividend has not been accrued in the consolidated statement of financial position as it has been proposed after the reporting period.

12 Property, plant and equipment

Group	Plant and Machinery £	Fixtures and fittings £	Computer Equipment £	Total £
Cost				
At 6 February 2018	–	–	–	–
Additions	9,768	435	65,620	75,823
Acquired through business combinations	299,800	–	–	299,800
Disposals	–	–	–	–
At 31 December 2018	**309,568**	**435**	**65,620**	**375,623**
Accumulated Depreciation and Impairment				
At 6 February 2018	–	–	–	–
Charge for the period	67,436	63	3,568	71,067
Disposals	–	–	–	–
At 31 December 2018	**67,436**	**63**	**3,568**	**71,067**
Net book value				
At 6 February 2018	–	–	–	–
At 31 December 2018	**242,132**	**372**	**62,052**	**304,556**

Company	Computer equipment £	Total £
Cost		
At 6 February 2018	**–**	**–**
Additions	15,500	15,500
Acquired through business combinations	–	–
Disposals	–	–
At 31 December 2018	**15,500**	**15,500**
Accumulated Depreciation and Impairment		
At 6 February 2018	–	–
Charge for the period	1,486	1,486
Disposals	–	–
At 31 December 2018	**1,486**	**1,486**
Net book value		
At 6 February 2018	–	–
At 31 December 2018	**14,014**	**14,014**

13 Intangible assets

Group	Goodwill £	Customer Contracts £	Brand £	Total £
Cost				
At 6 February 2018	–	–	–	**–**
Acquired through business combinations	17,260,221	200,111	750,000	**18,210,332**
At 31 December 2018	**17,260,221**	**200,111**	**750,000**	**18,210,332**
Accumulated amortisation and impairment				
At 6 February 2018	–	–	–	**–**
Amortisation charge	–	200,111	25,000	**225,111**
Impairment losses	–	–	–	**–**
At 31 December 2018	**–**	**200,111**	**25,000**	**225,111**
Net book value				
At 6 February 2018	–	–	–	**–**
At 31 December 2018	**17,260,221**	**–**	**725,000**	**17,985,221**

On 8 May 2018, Rosenblatt Limited acquired the trade and specific assets and liabilities of Rosenblatt Partnership. Details of the goodwill arising on the business combination are set out in Note 23.

14 Impairment of goodwill and other intangible assets

The Group is required to test, on an annual basis, whether goodwill and other intangible assets have suffered any impairment. The recoverable amounts are determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows. The recoverable amounts were determined to be higher than the carrying amounts and so no impairment losses were recognised.

The recoverable amounts have been determined from value in use calculations based on an extrapolation of the cash flow projections from the formally approved budget. Values assigned to the key assumptions represent management's estimate of expected future trends and are as follows:

- A post-tax discount rate of 15% was applied in determining the recoverable amount. The discount rate is based on the average weighted cost of capital.
- Growth rates of between 2-4% are based on management's understanding of the market opportunities for services provided.
- Increases in costs are based on current inflation rates and expected levels of recruitment needed to generate predicted revenue growth.
- Cash flows have been assessed over ten years with the assumption that the business will be ongoing at the end of that period.

The review demonstrated significant headroom such that the estimated carrying values are not sensitive to changes in assumptions. Having reviewed the key assumptions used, the Directors do not believe that there is a reasonably possible change in any of the key assumptions that require further disclosure.

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15 Subsidiaries

The principal activity of the Rosenblatt Group during the period was the provision of legal and professional services.

The principal subsidiaries of Rosenblatt Group plc, which are incorporated and operate in England and Wales and have been included in these consolidated financial statements, are as follows:

Name	Principal Activity	Proportion interest of ownership 2018
Rosenblatt Limited	Legal Services	100%
Rosenblatt Litigation Funding Limited	Dormant	100%

16 Trade and other receivables

	Group 2018 £	Company 2018 £
Trade receivables	2,302,733	–
Less: provision for impairment of trade receivables	(27,790)	–
Trade receivables - net	2,274,943	–
Contract assets	3,040,152	–
Amounts due from subsidiaries	–	22,458,257
Other receivables	410,790	5,500
Total financial assets other than cash and cash equivalents classified as amortised cost	**5,725,885**	**22,463,757**
Prepayments	449,565	–
Total trade and other receivables	**6,175,450**	**22,463,757**

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

The Group does not hold any collateral as security.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts. The expected loss rates are based on the Group's credit losses experienced over the period adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the countries where the Group operates.

At 31 December 2018 the lifetime expected loss provision for trade receivables and is as follows:

	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total £
Expected loss rate	0%	1%	3%	5%	
Gross carrying amount	1,297,771	412,212	239,929	352,821	2,302,733
Loss provision	–	4,122	6,598	17,069	27,790

Movements in the impairment allowance for trade receivables are as follows:

	2018 £
At 6 February	–
Increase during the period	27,790
At 31 December	**27,790**

Company
The loan due from Rosenblatt Limited is on demand and interest free.

Management considers that there is no increase in credit risk on the related party loan. Given that the loan is on demand, lifetime credit losses and 12 month credit losses will be the same. Having considered different recoverability scenarios which incorporated macroeconomic information (such as market interest rates and growth rates), current and forward looking information, management consider the expected credit loss to be close to nil.

17 Trade and other payables

	Group 2018 £	Company 2018 £
Trade payables	577,723	–
Corporation tax payable	753,527	–
Other taxes and social security	920,999	–
Accruals	399,441	176,166
	2,651,690	**176,166**

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

18 Provisions

Group	Other provisions £
At 6 February 2018	–
Charged to profit or loss	35,264
At 31 December 2018	**35,264**
Due within one year or less	35,264
	35,264

Other provisions represent the amount equal to the insurance excess payable on outstanding claims against the Group which are covered by the Group's professional indemnity insurance policy. The amount or timing of amounts payable in these cases is uncertain as the resolution of the cases is unknown at the period end.

Notes to the consolidated financial statements
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19 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17%. A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was announced in the Budget on 16 March 2016. This new rate has been applied to deferred tax balances which are expected to reverse after 1 April 2020, the date on which that new rate becomes effective.

The movement on the deferred tax account is as shown below:

Group and Company	2018 £
At 6 February	–
Recognised in profit and loss	
Tax expense	(26,036)
	(26,036)
Arising on business combination	170,098
At 31 December	**144,062**

20 Share capital

	Authorised	
	2018 Number	2018 £
Ordinary shares of 0.2p each	80,092,106	160,184

	Allotted, issued and fully paid	
	2018 Number	2018 £
Ordinary shares of 0.2p each		
At 6 February	–	–
Other issues for cash during the period	80,092,106	160,184
At 31 December	**80,092,106**	**160,184**

Ordinary shares rank equally as regards to dividends, other distributions and return on capital. Each ordinary share carries the right to one vote.

Between 4 April 2018 and 20 April 2018, 43,249,999 ordinary shares were issued at 0.2p per share, with a nominal value of 0.2p per share.

On 8 May 2018, there was a placing of 36,842,106 ordinary shares at 95p per share, with a nominal value of 0.2p per share.

21 Reserves

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value less transaction costs.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

22 Leases

Operating leases
At 31 December 2018, the Group's total future minimum lease payments under non-cancellable operating leases were as follows:

	Land & buildings £	Other £
Not later than one year	890,068	8,778
Later than one year and not later than five years	3,741,882	18,267
Later than five years	3,523,742	–
	8,155,692	**27,045**

23 Business combinations during the period

On 8 May 2018, Rosenblatt Limited acquired the trade and specific assets and liabilities of Rosenblatt Solicitors. The acquisition was made in line with the business strategy to acquire legal services businesses and Rosenblatt is an established business in the Group's target market.

Details of the provisional fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Provisional Value £	Adjustment £	Fair Value £
Property, plant and equipment	299,800	–	299,800
Brand value	–	750,000	750,000
Customer contracts	–	200,111	200,111
Trade and other receivables	2,274,159	(273,262)	2,000,897
Trade and other payables	(340,931)	–	(340,931)
Deferred tax liability	–	(170,098)	(170,098)
Total net assets	**2,233,028**	**506,751**	**2,739,779**

The acquisition of the trade, certain assets and liabilities was settled with cash amounting to £20,000,000. Trade and other receivables with a fair value of £2,000,897 were acquired, representing receivables of £770,052 and contract assets of £1,230,845.

Fair value of consideration paid

	£
Cash	20,000,000
Total consideration	20,000,000
Goodwill (note 13)	**17,260,221**

The goodwill arising on the acquisition of £17,260,221 is not deductible for tax purposes.

Since the acquisition date, the trade of Rosenblatt Partnership has contributed £12,530,748 to group revenues and £3,035,856 to group profit. If results for the post-acquisition period are extrapolated, as if the acquisition had occurred on 6 February 2018, group revenues and profit for the period would have been £17,230,000 and £3,680,000 respectively.

Notes to the consolidated financial statements continued

(forming part of the consolidated financial statements)

24 Related party transactions

Group
During the period Group companies entered into the following transactions with related parties (companies controlled by Nicola Foulston) who are not members of the Group:

Related party	Supply of Services 2018 £	Purchase of services 2018 £	Amounts owed by related party 2018 £	Amounts owed to related party 2018 £
Velocity Venture Capital Ltd	7,610	100,473	2,400	–
Motorsport Circuit Management Limited	11,680	–	3,000	–
WDK Motorsport Limited	28,460	–	21,675	–

Sales and purchase of services to related parties were conducted on an arm's length basis on normal trading terms.

The Group has not made any allowance for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during 2018 for related party transactions.

Details of directors' remuneration are given in the Directors' Report on pages 18 to 19.

Ian Rosenblatt is not a director of any company in the Group, nor a member of key management personnel, nor does he have a significant influence over the Group. Therefore the directors do not consider him to be a related party.

There are various other companies controlled by Nicola Foulston, which use the Group's office as their registered address, with which there have been no transactions during the period.

Company
In addition to the amounts disclosed in the Directors' Report on pages 18 to 19, the Company has entered into the following transactions with related parties:

Related party Relationship	Type of Transaction	Transaction amount 2018 £	Balance owed 2018 £
Subsidiaries	Fees and expenses reimbursed to related party	75,358	–
	Intercompany loan	–	22,458,257

25 Events after the reporting date

Since the reporting date, there have been no events which would require disclosure in these financial statements.

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