RBG Holdings plc

(formerly known as Rosenblatt Group plc)

Report and Financial statements Year ended 31 December 2019

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Company information

Directors

N Foulston
V Hull
M Ismail (appointed 23 January 2019)
K Hamill (appointed 23 January 2020)
R Parker (appointed 11 January 2019)

Secretary and registered office

J Lovitt
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Company number

11189598

Country of incorporation of parent company

United Kingdom

Auditor

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Principal bankers

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Nominated advisers and brokers

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150 Cheapside, London, EC2V 6ET

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Registrars

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

Chairman's statement

Overview

On behalf of the Board, I am pleased to introduce our 2019 annual results. Considerable progress has been made during the year and the Board is able to report a strong financial performance, in line with market expectations. The results are significantly ahead of the 2018 results (on a proforma basis) which is testament to the work Nicky and the team have done against a challenging period for the UK market.

The Group delivered robust growth during 2019, carrying on the strategy to diversify our revenue. Within Rosenblatt Limited ("Rosenblatt" or "The Firm"), this was led by a strong performance in Dispute Resolution and the growth of our Litigation Finance arm. Also, the Group has broadened its reach and client service proposition through the strategic acquisition of Convex Capital Limited, a specialist Corporate Finance boutique, in September 2019.

However, in presenting these results we must acknowledge the significant impact that COVID-19, has had since the end of the financial year. The Board and I are proud of how the Group and its employees quickly adapted and continued to offer the highest standards of service to clients. All businesses are experiencing an unusual degree of uncertainty over future trading. In challenging times, history has shown companies and individuals increasingly require the specialist advice that both Rosenblatt and Convex provide. Over the coming months, we will be able to assess the full impact, but the Board believes the Group is in a relatively strong position with a sound balance sheet and significant borrowing facilities.

Strategy

The strategy of the Group is clear: we want to grow our core professional services businesses, thereby increasing the scope to cross-sell services offered to clients. We can also use the expertise within those businesses to maximise the potential returns by selectively investing in contingent asset classes such as litigation.

At the heart of our business is Rosenblatt, a pioneering law firm, which celebrated its thirtieth anniversary in 2019. Our focus is on maintaining high margins on the work we do while ensuring the core business is cash generative and efficient. The management has done well in achieving this, delivering revenues of £393,000 per fee earner and a 57% gross margin. In addition, we have developed new services, including the successful launch of a new White Collar & Financial Crime Division, and grown the number of fee earners in the business.

We have used our legal expertise to move into litigation finance. This move allows the Group to monetise Rosenblatt's case flow and to diversify income. Over the last thirty years, Rosenblatt has a track record in picking the right cases, with an 84% success rate delivering an Internal Rate of Return (IRR) of 200% on the previous Conditional Fee Arrangements (CFA).

The capital raised at IPO and cash generated by the operating business has enabled us to increase the amount of work we do for clients on a partly contingent basis, in exchange for receiving a pre-agreed proportion of any damages awarded. This approach means we can retain the margin that would otherwise be paid to a third-party funder. The business can increase the number of cases that we can take on, allowing us to grow revenues, supported by our strong litigation track record.

In line with our stated strategy, we have created a new cash-generation opportunity, with litigation finance sales. By selectively selling a percentage of our participation rights in the contingent cases that we invest in through Damages Based Agreements. This also de-risks our investment by selling enough of the position to cover the cash cost to the Group. Importantly for shareholders, we have a stringent set of criteria in place to assess the risk profile of each case and have adopted a conservative approach, within the requirements of the accounting standards, to minimise the scope for any unrealised revenue and gain within our results and balance sheet.

The increasingly diversified model has allowed us to grow Rosenblatt revenues and realised gains by 16% to £21.8 million and increase gross margins to 64%.

The business model and growth prospects are not just dependant on litigation finance or working at risk. To increase optionality, our Litigation Finance Division also generates traditional legal service revenues at attractive margins from contentious law. This happens if the case dynamics or risk profiles do not meet our selective criteria for investment. Our legal expertise, including services across a range of disciplines, ensures that we maintain a diversified legal offering.

M&A

We will continue to assess selective M&A to build and diversify the business. We aim to grow our service offering by taking advantage of what is a highly fragmented professional services market to engage in consolidation but only at the right value, and with the right deal structure. Acquisitions will diversify the business away from a reliance on legal revenues and will help us fulfil our ambition of creating a broad, high-quality professional services group.

Our acquisition will remain on high-margin, specialist companies which can also create opportunities for cross-referrals. The Group's first acquisition since the IPO, Convex Capital Limited, exemplifies this. I am pleased to report that within its first three months of trading since the purchase, Convex has delivered two deals and the pipeline development as we entered the new financial year remains strong. The transactions have generated £1.9 million of incremental revenue for the Group, at a profit before tax margin of 41%. However, COVID-19 may have the potential to delay the completion of certain transactions.

Chairman's statement
continued

The Company remains disciplined in its approach to M&A and will continue to review potential opportunities according to its selective criteria.

Dividend

The Company's balance sheet remains solid, and the Board is committed to a progressive dividend policy. Under that policy, the Board normally expects to pay out a minimum of 60 per cent of retained earnings from the core business in any financial year by way of dividend, subject to cash requirements.

In line with the Group's dividend policy, the Company had intended to pay an interim dividend for the six months to 31 December 2019 of 3 pence per share on 22 May 2020 to shareholders on the register as at 1 May 2020. This payment would have followed the 2 pence per share paid for the first six months of the current year.

However, given the current uncertainty, the Board has postponed the decision about whether to pay this until May.

Board changes

I took over as Chairman in January 2020, replacing Stephen Davidson who stepped down to focus on his other Board commitments. On behalf of the Company, I would like to thank him for his work which has helped the Company progress considerably since its flotation in 2018.

People

The dedication and expertise of our employees are what defines this business. We have 50 fee earners within the Group. Our revenue per fee earner is one of the highest in the listed legal sector. I want to thank everyone for their hard work in delivering this set of results, and their resilience during the current problems.

Keith Hamill
Chairman

20 April 2020

Chief Executive's statement

Overview

I am pleased to report that the Group performed well in its first full year as a listed company. Despite a challenging market backdrop during that time, we are pleased to have delivered year on year growth at high net margins, in-line with our stated strategy. The business has evolved into a broader high-quality professional services group, with a pioneering law firm at its heart, an ambitious litigation finance arm and a disruptive M&A business.

Revenue and realised gains for the period were £23.7 million (2018 pro-forma: £18.75 million*; as reported: £12.5 million) with gross margins of 63%. This growth validates our strategy and represents an exceptional performance within our market, and I would like to thank our staff for the contribution they have made.

EBITDA grew to £9.4 million (2018 pro-forma: £6.5 million*; as reported: £4.3 million), with EBITDA margins of 40%. As previously disclosed, we target margins of 35% or more, which we believe are best in class.

Even taking into consideration the impact of COVID-19, the Group has a sound balance sheet, with net cash of £0.9 million as at 20 April 2020. Cash collections remain as forecast. The Company also has a £10 million revolving credit facility with HSBC. Our balance sheet will support our growth plans, including acquisitions, continued investment in litigation finance opportunities, and the dividend.

*To provide a relative comparison on trading, we have taken the eight months of trading in 2018 following the IPO (May to December) and extrapolated for the full year as proforma; however, the modified retrospective approach to adoption of IFRS 16 means both IFRS measures and APMs are not fully comparable with those calculated in the prior period.

COVID-19 update

Before I review the 2019 financial year, we must acknowledge the impact of COVID-19 on business life. COVID-19 has been a challenge, and I am hugely grateful for how all our employees have successfully adapted to the evolving situation.

All of the Group's 96 staff and directors are remote working from home. This move has been supported by the Group's in-house IT capability, which has benefitted from significant investment since its IPO. The Group's law firm Rosenblatt has always encouraged flexible working as part of its business model. This culture has smoothed the switch to remote working and enabled the Firm to operate at standard capacity. The Group will pay salaries in full as usual while staff are working as normal.

At Rosenblatt, workflows since the UK General Election in December 2019 have been strong. As such, the Group is not experiencing an impact on trading. However, like all businesses, the Company is conducting regular stress tests and reducing all non-essential costs.

Convex is also working remotely. There remains a strong pipeline of transactions, including those that were ongoing at the time of the Government lockdown. However, the lockdown has the potential to delay the completion of certain transactions.

Rosenblatt Limited

During 2019, Rosenblatt had a steady performance with revenues and realised gains up 16% to £21.8 million (2018 pro-forma: £18.75 million*; as reported: £12.5million) delivering £14.0 million of contribution (2018 pro-forma: £12 million***; as reported £8 million) with a focus on contentious law, including Dispute Resolution and realisation of litigation finance gains.

*To provide a relative comparison on trading, we have taken the eight months of trading in 2018 following the IPO (May to December) and extrapolated for the full year as proforma; however, the modified retrospective approach to adoption of IFRS 16 means both IFRS measures and APMs are not fully comparable with those calculated in the prior period.

The delivery of the core business has allowed the Group to increase the amount of contingent work that it has taken on. Importantly, when Rosenblatt enters into CFAs, which can generate incremental margins on a successful case outcome, no revenue is recognised until the outcome of the event has occurred. Such revenue is considered contingent, and in 2019 the amount of contingent work carried out increased by £1.9 million (2018: £1.4 million).

As previously communicated in our interim results, the Firm's Corporate Division, which is focused on commercial transactions, saw reduced billings due to the impact of the cautious business environment caused by Brexit uncertainty. Following the decisive election result, the Group was beginning to see a significant increase in the number of live transactions as client confidence returned to pre-Brexit levels, but this will be impacted by COVID-19 and the uncertainty it has created.

In January 2020, Lord Bernard Hogan-Howe became an adviser to the White-Collar Fraud & Financial Crime Division. Lord Hogan-Howe QPM was the head of London's Metropolitan Police as Commissioner of Police of the Metropolis from 2011 until 2017, the most senior role in British Policing. The organisation is responsible for leading the UK's counter-terrorist network for the United Kingdom and policing London. His distinguished career includes leading Merseyside Police as Chief Constable, and as Her Majesty's Inspector of Constabularies. He led nationally on the themes of counterterrorism and serious and organised crime. He will help not only enhance our service to our clients, but also establish Rosenblatt as one of the leaders in this area.

Furthermore, since these financial results the Group has won three additional cases including Project Neptune, one small unnamed project together with the first interim hearing on Project Shango. This success brings our total wins to 19 out of 22 cases since 2011. Project Neptune will be the subject of an appeal that we anticipate will be heard later in 2020. As this case precedes further work on Project Neptune will be subject to payment on a non-contingent basis as it has external funding.

Litigation finance

Our significant legal expertise ensures that litigation finance represents an incremental opportunity for the Group to monetise our case flow, and to diversify our income streams. It allows us to retain the margin that would otherwise be paid to a third-party funder. We can increase the number of cases we can take on, but also create a new revenue opportunity in terms of our ability to sell participation rights in the cases we invest in. This is in line with our strategy to de-risk our investments.

We are pleased with the progress in litigation finance. During the period, we have invested £1.9 million in external third-party costs across eight litigation cases. The Group has also generated £3.8 million in realised gains from the sale of a percentage of our participation rights in two contingent cases. Currently, the Group has eight cases in progress, and six under consideration.

Case duration is hard to predict, but the returns on investment are high. In January 2020, the Group announced the pre-trial settlement of Project Blue Sky, one of its internally funded litigation cases. The return on the Company's investment in the case, in terms of cash and time, was 184% (with an IRR of 317%) underpinning our rationale for pursuing this strategy. The settlement, while not material in terms of the Group's forecast full-year financial results for 2020, is however, the first successful completion of a case that the Group had invested in since its IPO. It demonstrates the significant returns that can be achieved through the Group's litigation finance strategy.

It is essential to reiterate the conservative approach we adopt towards the handling of and accounting for our litigation investments.

Firstly, to date, we have only financed cases where we run the litigation and have an intimate knowledge of the case. As our Chairman referenced in his commentary, we have an excellent track record in litigation which gives us the confidence we are good at assessing legal risk.

Secondly, we have decided to deploy our capital gradually and do so subject to the guidelines I detail below. While we believe we are in a good position to estimate the cost, likely duration and strength of any litigation matter, we are nevertheless aware that we are investing shareholders' capital. We have therefore adopted a more gradual approach to capital deployment than other sector participants. We expect to increase our investment commitments progressively over time as results are generated.

Thirdly, we have adopted a conservative approach within the requirements of the accounting standards. We judge the fair value of investments to be equal to or as close to cost, which means we do not account for unrealised gains.

Fourthly, we believe successful management of litigation finance requires access to a team with strong legal capabilities and decades of experience of the judiciary. Furthermore, decisions on making investments need strong commercial principles, the ability to approach cases innovatively and the option to de-risk them.

Rosenblatt has all the skills required to succeed in house, with a long-term track record of assessing, minimising and controlling financial risk, predating its acquisition by the Group. Rosenblatt has more than 30 years of experience in undertaking litigation on behalf of clients, and within the last ten years, some cases have been on a risk basis. In these cases, Rosenblatt conducted them based on either a CFA, providing time for free, or at partial cost recovery. Before deciding to undertake work on a contingent basis, Rosenblatt follows a set of core principles:

- To limit the revenue exposure - the Group will only commit up to 25% of the revenue of Rosenblatt, limiting what the fee-earners can spend on a contingent case.
- To limit the Group's cash exposure – total investment in cases (such as spend on third party resource) is limited to 25% of the net assets of the Group. In any one case, the maximum cash exposure is 50% of the cash liability, with the rest to be provided by external investors or other funders.

The Company is very excited about the potential for litigation investing to contribute to shareholder returns.

Convex Capital

The strategy remains to diversify the Group beyond legal services, focusing on other high-margin professional service areas which will also create opportunities for the cross-referral of business.

In line with this strategy, in September 2019, we completed the acquisition of Convex Capital, a specialist sell-side M&A corporate finance boutique based in Manchester, UK. Convex is entirely focussed on helping companies, particularly owner-managed and entrepreneurial businesses, realise their value through sales to large corporates. Convex identifies and proactively targets firms that it believes represent attractive acquisition opportunities.

Convex is an entrepreneurial, high-margin and cash-generative business in the professional services sector, operating across the UK and Europe. Convex was established in 2011 by Chairman, Mike Driver. It has completed on over £1 billion in transaction value over the last four years and completed two deals since we acquired the business in late 2019, with EBITDA margins of more than 40 per cent during the period. With a strong pipeline for the next two years the business looks to build on its previous success that has consistently completed twelve deals a year, at an average of £700,000 a deal.

It is expected that Convex will help generate a regular flow of fee-based work for Rosenblatt's Corporate Division. Also, there will be an opportunity to cross-sell services to the client bases of both companies.

Rosenblatt will use Convex's Manchester base to house a regional Corporate Team. The Group will market its expanded corporate legal services offering from the hub, where the cost savings on back-office functions have already been realised.

The acquisition was structured in accordance with the Board's M&A strategy. This strategy means that the majority of the consideration is to be paid in shares, with a maximum of 40% to be paid in cash. A significant proportion of the consideration is deferred, to lock in the new business and the talent being acquired. This approach ensures the acquisition value is protected, and that the management of Convex are appropriately incentivised to deliver returns for Rosenblatt shareholders as well as themselves.

The total consideration for the acquisition, including expected earn-out and deferred consideration payments measured at fair value, is £15.75 million. The consideration was structured as follows:

- An initial consideration at fair value, payable on completion of £11.37 million. Of this £11.37 million, £6.3 million was paid in cash from the Company's existing resources, and £5.1 million was satisfied by the issue of 5.5 million new RBG shares (the "Initial Consideration Shares") based on a fair value price of 92 pence per share.
- A deferred consideration, payable after one year, of £4.38 million. Of this £4.38 million, £1.8 million will be paid in cash, and £2.58 million will be satisfied by the issue of 4.7 million new RBG shares (the "Deferred Consideration Shares"), at a fair value price of 92 pence per share. The number of Deferred Consideration Shares to be issued depends upon the EBITDA achieved by Convex in the period from 16 September 2019 to 15 September 2020.

Key management and employees of Convex have agreed to a long-term lock-in for the Group's shares and agreed to non-compete clauses. The Initial Consideration Shares and the Deferred Consideration Shares will be subject to a lock-in of three years from their respective issuance dates. Management and employees of Convex will also join the Group performance bonus scheme to ensure close alignment with the interests of shareholders.

Outlook

2019 was a big year for the Group, not only in terms of our financial performance but also operationally. Rosenblatt continued to grow with the Dispute Resolution Division performing particularly well. In contrast, other practice areas such as our Corporate Division were more subdued due to the uncertain business environment caused by Brexit. We completed our first acquisition on excellent terms that we believe are in the best interests of shareholders. By acquiring Convex Capital, we have also diversified our income away from the legal sector while providing opportunities for cross-selling. We have expanded our litigation investment portfolio with positive progress across many of the contingent cases we are working on. While a small matter, we have demonstrated the outstanding returns on offer with the successful conclusion of Project Blue Sky.

The new financial year has been dominated by the COVID-19 crisis. I am delighted with how the business has quickly adapted. At Rosenblatt, we have been able to support all our clients remotely, aided by the IT investment since the IPO. The Firm has had many new client instructions, in particular, to handle complex financial restructurings and employment issues, arising from the crisis. At Convex, there is likely to be a delay in the completion of specific transactions, but the pipeline is strong.

Across the Group, we have proven experience in supporting clients in times of upheaval. I believe that this gives us an ability to better react to the opportunities and challenges the crisis will inevitably offer. At this juncture, it is difficult to predict exactly how the Group will fare this financial year, but we have a solid balance sheet, and also services that will be in demand. We are cautious but optimistic, that the Group will continue its positive progress over the coming months.

Nicola Foulston
Chief Executive Officer

20 April 2020

Chief Financial Officer's review

Financial review

During 2019, we have continued to build on our strong track record of profitable growth, increasing revenue, and maintaining our EBITDA margins, which are leading among those of the listed legal sector. The Group is well positioned to deliver its growth strategy through product diversification, high-quality recruitment, and carefully selected acquisitions.

Key Performance Indicators (KPIs)

- Revenue and realised gains: £23.7 million (2018 proforma: £18.75 million, as reported: £12.5 million)
- EBITDA: £9.4 million, 40% of revenue (2018 proforma: £6.5 million***, 34%; as reported £4.3 million, 34%)
- Profit Before Tax: £7.6 million ,32% of revenue (2018: proforma £6.0 million, 32%; as reported £3 million 24%)
- Total lock up: 122 days (Debtor days 45) (2018: 93 days, (debtor days 33) for the first 8 months of trading).
- Revenue Per Fee Earner: £393,000 (2018: £400,000)
- Utilisation / Realisation: 77% / 96% (2018: 80%/85%)
- EPS: 7.6p (2018: 3.8p)

*To provide a relative comparison on trading, we have taken the eight months of trading in 2018 following the IPO (May to December) and extrapolated for the full year; however, the modified retrospective approach to adoption of IFRS 16 means both IFRS measures and APMs are not fully comparable with those calculated in the prior period.

Revenue and realised gains

Reported Group revenue and realised gains for the period is £23.7 million compared to £18.75 million on a pro-forma basis* in 2018 (as reported: £12.5 million) representing a 26% increase.

Of this increase, 10% (or £1.9 million) was a result of the acquisitions made during the financial year with the balance relating to organic growth. The organic revenue growth of 16% arose due to an increase in the level of litigation realisation through the sale of participation rights and a strong performance from the Dispute Resolution Department. The number of partners in our legal services business has remained constant at 22 with 46 fee earners and an annualised revenue per fee earner of £393,000.

*To provide a relative comparison on trading, we have taken the eight months of trading in 2018 following the IPO (May to December) and extrapolated for the full year; however, the modified retrospective approach to adoption of IFRS 16 means both IFRS measures and APMs are not fully comparable with those calculated in the prior period.

Divisional highlights:

Rosenblatt Limited:

- Total Revenue and realised gains of £21.8 million, up 16% (2018 proforma: £18.75 million*, as reported £12.5 million)
- Dispute Resolution Division performed well, in addition to taking on more contingent work with associated unrecognised revenue of £1.9 million
- Corporate Division subdued due to market uncertainty, but signs of improvement in the current financial year
- Launched White Collar Fraud & Financial Crime Division
- Average revenue per fee earner £393,000; Total Lockup was 122 days of which Debtor Days were 45 days
- Total Lock up is average Debtor Days plus average accrued income Days (2018 lock up days: 93; 2018 debtor days: 33 which is for the first 8 months of trading)
- Won three cases subject to contingent fees since IPO including Project Neptune, Project Blue Sky and one small unnamed project

  Litigation Finance Sales:
- Successfully realised gains from litigation finance sales in two cases totalling £3.8 million
- These gains are from where the Group owns a percentage of the participation rights in a settlement on a contingent case, financed through a Damages-Based Agreement (DBA), and then sells on a proportion of its participation rights
- Cash investment of £2.2 million in eight cases, with associated unrecognised investment of time of £1.9 million in 2019
- In total, the Group has eight cases in progress in which it has invested, and six under consideration for finance.

Convex Capital: (Other Professional Services)

- In September 2019, acquired Convex Capital Limited ("Convex") a specialist sell-side corporate finance boutique, based in Manchester, UK for a total consideration of £15.8 million
- Completed two transactions in the three months to the year-end, generating revenue of £1.9 million, EBITDA margin of 42% and profit before tax margin of 41%

Staff costs

Total staff costs in 2019 were £11.5 million, includes £0.9 million for Convex. In total, this represents 48.5% of revenue compared to 48.7% in 2018.

The acquisition of Convex has added 18 staff to Group's headcount, which at the year-end now totals 95 (2018:73) average for the year 81 (70).

Overhead costs

During 2019, the Group incurred overheads of £14.3 million (before depreciation and amortisation) (Proforma 2018: £13.8 million, including £1 million of IPO costs). Staff costs being £9.4 million (2018: Proforma £8.1 million), contractors costs being £2.0 million (Proforma 2018 £0.9 million).

Other operating costs were £2.8 million, which Convex represented £0.2 million, other costs include Insurances £0.5 million, Rates £0.3 million Training and Recruitment £0.2 million and Books & Subscriptions of £0.2 million The impact of the adoption of IFRS 16 is that other operating costs have been reduced by £0.9 million. This arises because rent payments, which formerly represented an operating cost to the business, are now capitalised and amortised.

*To provide a relative comparison on trading, we have taken the eight months of trading in 2018 following the IPO (May to December) and extrapolated for the full year; however, the modified retrospective approach to adoption of IFRS 16 means both IFRS measures and APMs are not fully comparable with those calculated in the prior period.

EBITDA

In assessing performance, the Group uses EBITDA as a KPI. EBITDA for 2019 was £9.4 million (40% of revenue). In 2018 we adjusted EBITDA to remove non-underlying items, being costs related to the IPO. When extrapolated for the year, proforma* adjusted EBITDA for 2018 was £6.5 million (34% of revenue), and 2019 EBITDA represents a 46% increase on this figure. 2018 adjusted EBITDA as reported was £4.3 million (unadjusted £3.3 million).

*To provide a relative comparison on trading, we have taken the eight months of trading in 2018 following the IPO (May to December) and extrapolated for the full year; however, the modified retrospective approach to adoption of IFRS 16 means both IFRS measures and APMs are not fully comparable with those calculated in the prior period.

Profit Before Tax

The profit before tax for the year has increased by 27% to £7.6 million on 2018: proforma of £6 million and as reported £3 million. In calculating the 2018 proforma profit before tax was adjusted to extrapolate for a full year and to remove IPO costs. The 2019 PBT of £7.6 million represents 32% of revenue and realised gains compared to 32% in the prior year.

Earnings Per Share (EPS)

The weighted average number of shares in 2019 was 81.7 million, which gives a basic earnings per share (Basic EPS) for the year of 7.56p (2018: 3.83p).

Corporation tax

The Group's tax charge for the year is £1.47 million with an effective tax rate of 19% (2018: £0.73 million, 24%) which is made up of a current corporation tax charge of £1.55 million offset by a £0.08 million credit in relation to deferred tax. The deferred tax credit arose largely from the reversal of the deferred tax on acquired intangible assets.

Balance sheet

	2019 £m	2018 £m
Goodwill, intangible and tangible assets	44.7	18.3
Current Assets[7]	11.1	6.2
Current Liabilities	(5.0)	(2.7)
	50.8	**21.8**
Cash and cash equivalents	1.9	13.3
Non-Current Liabilities	(6.3)	(0.1)
Deferred consideration	(4.0)	–
Net assets	**42.4**	**34.9**

The Group's net assets as at 31st December 2019 increased by £7.5 million an increase in the trading for the year. The resultant profit that was generated over the year against the eight months of last year and the increase in goodwill and intangible assets resulting from the acquisition during the year.

[7] comprises net trade receivables, net contract assets and liabilities as shown in more detail in the glossary at the end of this announcement.

Goodwill, tangible and intangible assets

Included within tangible assets £6.7 million relates to IFRS 16 right of use for the Group's leases. Within intangible assets and goodwill is £35 million of intangible assets identified, on current and prior year acquisitions, such as customer relationships, brand. The Board carries out an impairment review of goodwill each year to ensure the carrying value is supportable. As at 31st December 2019 the Board concluded that the goodwill and intangible assets are not impaired.

Working capital

Management of lock up has continued to be a key focus of the Group over the period. Lock up days is a measure of the length of time it takes to convert work done into cash. It is calculated as the combined debtor and WIP days for the Group. This is a key focus for management and the Board as it drives the cash generation necessary to support the growth strategy of the Group. Lock up days at 31st December 2019 were 122 compared to 93 the previous year. Management are satisfied with the level of lock up at the year-end which remains significantly ahead of the industry average for quoted legal firms.

The Group's strong control over debtors is reflected in a low level of bad debts. Total bad debt charge for the year was £350.

Chief Financial Officer's review continued

Net bank debt

We do not have any bank debt, but during the year put in place a Rolling Credit Facility of £10 million. This positions the Group well to deliver its strategy into 2020 and also support the business through the uncertainty of COVID-19

Cash conversion

	2019 £'M	2018 £'M
Net cash generated from operating activities	**3.7**	**0.7**
Interest	0.2	
Capital expenditure	(0.5)	(0.1)
Free cash flow	**3.4**	**0.6**
Underlying profit after tax	6.2	2.3
Cash conversion	**55%**	**29%**

The cash conversion percentage measures the Group's conversion of its underlying profit after tax into free cash flows. Cash conversion of 55% for the year shows an increase from previous periods as a result of 12-month trading period and is a further focus of the business to drive to our targets of 75%

Cash and cash equivalents

Cash at the end of the year was £1.9 million (2018; £13.2 million) the movement during the year included an additional £2 million generated from operating activities, less £6 million paid out on the acquisition of Convex, £2.2 million on litigation investments, £3.8 million in Dividends, £0.5 million in capex and £1 million in operating leases.

Capital expenditure

During the year, the Group continued to invest in its systems and premises to ensure our professionals have a high-quality working environment and consistent systems across the Group to aid integration and support our one firm culture. To this end, we have invested over £0.5 million in our existing IT systems and offices.

Capital spend relates to general investment in IT, communications and infrastructure to support our programme of rolling IT replacements, ensuring our technology is up to date and sufficient to meet the needs of the Business.

The investment during the year also enabled the ability to work remotely when required, as a result of COVID-19. This investment enabled a smooth transition of the whole business to work remotely in a short period of time, enabling staff to provide services in a seamless fashion.

Acquisitions

The initial cash payment on the Convex acquisition was £6.3 million, in addition there is a further £1.8 million deferred consideration which is earned on the successful completion of deals. During 2019 £0.4 million in deferred consideration was paid out.

Corporation Tax- cash flow impact

Going forward the Group will fall under the large quarterly payments regime for its Corporation Tax. This will have the effect of advancing the corporation tax payments such that the full estimated amount is paid during the year rather than only 50%.

Management expect post tax cash conversion to average out at c.75% going forward.

Summary

We are pleased with the growth in profitability during the year. The investment in the Group puts us in a strong position to grow the Business both organically through recruitment, and through selective acquisition opportunities. However, it is important to acknowledge the impact of COVID-19 on business life. COVID-19 has and will be a significant challenge moving forward, that will create greater uncertainty until the full impact is more visible.

Robert Parker
Chief Financial Officer

20 April 2020

PERFORMA
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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 RBG Holdings PLC "the Group" during the year was the provision of professional services and the development of the Litigation Financing business. This is where, through its litigation expertise, in Rosenblatt Limited "RBL", it takes on contingent cases in exchange for participation rights in the settlement and sells a % of these rights to third parties. The Group sells its services through its legal and corporate finance advisory businesses. RBL sells legal services and litigation finance while the other professional services, corporate finance services, are sold through Convex Capital Limited "Convex", a leading mid-market advisor, strives to deliver the best deal to its clients in the sale of their businesses, with some £1billion of deals delivered during its life. The Group's services are tailored to those required by local, regional and national clients and are provided from our offices in London and Manchester. RBL 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.

RBL 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 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 Group 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 business.

The Group's current areas of focus are:

- Enhanced opportunities to grow RBL and Convex 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 RBG's recruitment appeal.

Organic growth strategy

The UK legal services market continues to exhibit growth and clear opportunities exist for RBG 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 RBG's representation of high net worth's and their assets,
- Extending RBG's relationships with the UK's leading house builders,
- Expansion of specialist areas such as regulatory, white collar crime and private client into other geographical areas,
- Developing RBG's project litigation offering and taking advantage of the offshore work this generates.

Acquisition strategy

RBG 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 RBG offers a platform for their continued growth, drawing upon RBG's established supporting back-office infrastructure and access to RBG's existing "sales force" of partners and other lawyers. RBG 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

RBG 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. COVID-19 will have a significant impact on uncertainty and business risk. 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 downturn which might result from Brexit. This assessment is made by virtue of the broad-based nature of the Group's activities: the litigation work of the Dispute Resolution 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, there will be demand from clients looking to exit their businesses and using one of the leading mid-market Corporate Finance advisors will be even more key in delivering the desired return to clients. 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.

Potential impact of COVID-19

The Group is well positioned to manage the uncertainty of COVID-19 but we must acknowledge the significant impact that COVID-19 has had since the end of the financial year. The Group and its employees adapted quickly and continued to offer the highest standards of service to clients. Over the coming months, we will be able to assess the full impact of the lock down, but the Board believes that the Group is in a strong position. History has shown that in challenging times, companies and individuals increasingly require the specialist advice that both Rosenblatt and Convex provide. But the fallout will create significant economic uncertainty, which as yet is not fully understood or appreciated.

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 matter, the reputation of the Group could be significantly damaged. The Group's reputation could also be damaged through RBL's involvement (as an adviser or as a litigant) in high-profile or unpopular legal proceedings. RBL 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 or Convex 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. RBG has operational risk management practices in place to assess and manage these risks which include regular reports to the Board. The advice of both internal and external experts is sought when appropriate. RBL's practice management system is end

of life. The practice management system forms the base of all transactions undertaken by the law practice 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 and corporate finance 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. 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 percent 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 percent 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 percent or more in RBG Holdings plc. 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 as far as they are able, and to ensure that this 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 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 to prevent financial loss. RBL's compliance with the Solicitors Accounts Regulations is reviewed 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.

Section 172 Statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain in this annual report, and below, how the Board engages with stakeholders.

- Relations with key stakeholders such as employees, shareholders and customers are considered in the running of the business on an everyday basis,
- The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006. To ensure the Company was operating in line with good corporate practice, all Directors received refresher training on the scope and application of section 172 in writing. This encouraged the Board to reflect on how the Company engages with its stakeholders and opportunities for enhancement in the future and was considered at the Company's 6 board meetings. The Senior Legal Counsel and Company Secretary provided support to the Board to help ensure that sufficient consideration is given to issues relating to the matters set out in s172(1)(a)-(f),
- The Board regularly reviews the Company's principal stakeholders and how it engages with them. This is achieved through information provided by management and also by direct engagement with stakeholders themselves,
- The Board has enhanced its methods of engagement with the workforce, including a monthly email from the CEO to all staff providing information on matters of interest to employees,
- We aim to work responsibly with our stakeholders. The Board has recently reviewed its anti-corruption and anti-bribery, equal opportunities and whistleblowing policies.

The key Board decisions made in the year are set out below:

Significant events/decisions	Key s172 matter(s) affected	Actions and impact
Acquisition of Convex	Shareholders, employees	• Shareholder consultation took place in accordance with regulatory requirements. • Employee talent management and retention programme was created and implemented.
Development of Litigation Finance business	Shareholders, employees, customers	• Customers have been consulted in relation to how the Group's product could be used to generate funding for contingent cases that are more readily available and economic. • The Group's product offering has been diversified to assist group to generate more revenue and return for itself, its shareholders and customers.
Organic Growth of the business	Customers, employees	• The Group's product offering has been diversified to assist customers and support the organic growth of the business. • Talent management is key to the success of the business and the investment in strategic HR resource is key to this.
Expansion of the White Collar Crime Department	Customers, employees	• Customer consultation in relation to the Company's roadmap has increased to ensure that the customer needs could be matched. • The business has recruited externally to support this development.
Short Term Incentive Scheme	Employees, shareholders	• The scheme is being developed to drive the growth and profitability of the business and ensure all stakeholders are rewarded on success.

Robert Parker
Chief Financial Officer

20 April 2020

Board of Directors

Keith Hamill
Non-Executive Chairman

Keith Hamill OBE is currently a non-executive director of Samsonite International SA and Chairman of Horsforth Holdings Limited, a privately held holding company for a number of leisure businesses.

He is an experienced Chairman and non-executive and his previous roles include Chairman of Tullett Prebon plc, Moss Bros Group plc, Travelodge, Collins Stewart plc, Premier Foods plc and Heath Lambert and non-executive director of easyJet plc, Electrocomponents plc and Max Property Group PLC. He has also been appointed to act as Chairman leading a number of businesses through financial and operational reconstruction.

He was Pro Chancellor and President of Council of the University of Nottingham. Earlier in his career he was a partner in PWC and CFO of Forte plc and WH Smith Group plc.

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 CFO at Tantalum Corp 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. 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 five 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 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 regular basis throughout the year 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 the date of appointment.

	Board Number	Audit Number	Remuneration Number
S Davidson	6/6	3/3	2/2
N Foulston	6/6	3/3	2/2
V Hull	6/6	3/3	1/2
M Ismail	6/6	3/3	2/2
R Parker	6/6	3/3	-

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 noted. 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.

On page 17, the s172 Statement sets out the key decisions that the Board has made in the year.

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.

Relations with Stakeholders

The Board is aware that the long-term success of the Group is reliant upon its employees, clients, shareholders, suppliers and regulators and as such the Group maintains

consistent communication with these stakeholders to ensure that its continued growth in accordance with its strategy reflects their needs and expectations as well as those of the Group.

The Group endeavours to ensure that clients are met with regularly to canvas their opinion on the service levels received and provide any feedback as to how these relationships and/or services can be improved. The Group has a strong track record of retaining deep client relationships with some of these relationships being in excess of 25 years across a number of service lines provided within the Group's business.

The Group's business places a strong reliance on technology and consequently the Group works closely with its practice management system provider to enhance the practice management platform for the benefit of the Group. The Group also has a regular dialogue the Solicitors Regulatory Authority (SRA) due to the Licensed Body status of Rosenblatt Limited.

The Executive Directors meet with the institutional shareholders both on an ad hoc basis and on a more structured basis around the publication of the Group's interim and end of year results. General information about the Group is available on the website at www.rbgholdings.co.uk.

Board effectiveness

The skills and experience of the Board are set out in their biographical details on page 20. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and scrutinise performance. On joining the Board, new directors undergo a formal programme tailored to the existing knowledge and experience of the director concerned. Keith Hammill joined the Board in January 2020 and has taken part in an induction process, during which he met with key employees and advisers and received presentations from the Executive Directors on strategy and finance.

The Group's website does not yet include a detailed description of board performance evaluation, as this policy is in the process of being formalised. Likewise its approach to succession planning and the process for determining senior management appointments has not been described.

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 report – Marianne Ismail

I am pleased to present the Audit Committee report for the year ended 31 December 2019. The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing risk management and internal control systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by and overseeing the relationship with the external auditors.

The Committee consists of three independent Non-Executive Directors: Marianne Ismail (as Chair), Keith Hamill and Victoria Hull. Keith Hamill replaced Stephen Davidson on the Audit Committee following Stephen's resignation as a Non-Executive Director and Keith's appointment as a Non-Executive Director

on 23rd January 2020. Keith has recent and relevant experience as a result of his financial positions held and qualifications. Victoria provides different but relevant skills and experience which support the Committee in meeting its objectives. Robert Parker, the Chief Financial Officer and other Executive Directors attend the Committee meetings by invitation. The Committee meets three times during the year and ensures that sufficient time is set aside to meet with the external auditors, BDO LLP, without Executive Directors being present to discuss any issues arising from their audit work. Neither the Group nor its Directors have any relationships that impair the external auditor's independence.

Duties

The main duties of the Audit Committee during the year included:

Monitoring the integrity of financial statements
The Committee reviewed both the interim and the annual financial statements as well as related results announcements made as part of their disclosure. This process included a review of any estimations made by management in preparing the results. The Committee ensured sufficient attention was given to matters where significant estimation was involved. This includes revenue recognition, impairment of goodwill and the use of alternative performance measures which are used to enhance shareholders understanding of the Group's financial performance.

The significant accounting judgements considered by the Committee are set out below. The Committee has considered and reviewed any relevant papers from the finance function and the findings report of the external auditors on these areas. The key areas are:

Revenue recognition policy
The Group recognises revenue on legal and professional services provided based on the methodology set out in IFRS 15 Revenue from Contracts with Customers. There is estimation involved in establishing the value that will eventually be recovered on all of its contracts. Management use the expected outcomes as at the year end to establish the estimated value and compare to historic outcomes to ensure reasonableness. Estimates are updated as work progresses and any changes in revenue recognition as a result of a change in circumstances is recognised in the Statement of Comprehensive Income for that year. In relation to any contingent fee arrangements, revenue is constrained to the amount for which it is considered highly probable that there will be no significant reversal. The Committee considers the approach adopted by management is prudent and minimises the risk of overstatement of income resulting in future revenue write-offs.

Accounting for business combinations and fair value IFRS 3
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. 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.

Litigation investments and fair value IFRS 9
Where the group enters in to Damages Based Agreements that include both the provision of services and provision of litigation finance, the Group must apportion the total expected settlement between that arising as conditional revenue for services and that arising as a return on participation. The judgements arising in this regard are explained under revenue above. Litigation investments are held at fair value based on a semi annual review of each investment's fair value. Fair values are determined on the specifics of each investment and will typically change upon an investment having a return entitlement or progressing in a manner that, in the Group's judgement, would result in a third party being prepared to pay an amount different from the original sum invested for the Group's rights in connection with the investment.

The fair value estimation process is inherently subjective. Awards and settlements are hard to predict and often have a wide range of possible outcomes. Furthermore, there is much unpredictability in the actions of courts, litigants and defendants and because of the large number of variables involved there is a consequent difficulty of predictive analysis. In addition, there is little activity in transacting investments and hence little relevant data for benchmarking the effect of investment progression on fair value, although the existence of secondary market transactions is a valuation input. In the Group's opinion there are no inputs or variables to which the values of the investments are correlated and whilst the Group's fair value estimation is its best assessment of the current fair value of each investment, the use of different possible outcomes and relative probabilities may result in a different Group income and investment valuation. In the current period, the Group has sold interests in its DBA participation rights to third parties, and has used the selling price as a benchmark for the fair value of the remaining asset, reducing it for expected future costs to be incurred. Where the Group sells an interest in a DBA, the proceeds are recognised as realised fair value gain.

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.

COVID-19
It is important to acknowledge the impact of COVID-19 on business life. COVID-19 has been and will be a significant challenge, and our business and all our employees will have to adapt to the evolving situation.

All of the Group's 96 staff and directors are remote working from home. This move has been supported by the Group's in-house IT capability, which has benefitted from the significant investment made in IT since its IPO. The Group's law firm, Rosenblatt Limited ("Rosenblatt" or the "Firm"), has always encouraged flexible working as part of its business model. This culture has smoothed the switch to remote working and enabled the Firm to operate at normal capacity.

At Rosenblatt, workflows since the UK General Election in December 2019 have been strong. As such, the Group is not experiencing an impact to trading. However, like all businesses the Company is conducting regular stress tests and reducing all non-essential costs.

Use of alternative performance measures

The Board uses a number of alternative performance measures. A key driver for Group income is the number of fee earners employed, and so a number of these measures are based on fee earner numbers, ratios and fees generated by fee earners. Another measure for Group income is the deal pipeline, where the group has a signed contract with the seller, which is analysed and reviewed on a regular basis by the management and Board. Signed engagement letters are an indication of deal coverage rather than direct revenue conversion. Another key focus for the Board is management of its net debt position, therefore cash conversion and lock up days are closely monitored as these are key drivers of the resulting net debt position. The Audit Committee is satisfied that these are the correct measures to use as they monitor the inputs that underpin the trading and cash performance of the Group. These measures are discussed in detail in the CFO's Review on pages 10 to 12.

Risk management and internal controls

As described in the Strategic Report and the Corporate Governance Statement, the Board has established a framework of risk management and internal control systems, policies and procedures. The Committee is responsible for reviewing the risk management and internal control framework, ensuring that it operates effectively. The Committee is satisfied that the internal controls currently in place are sufficient and operating effectively for a business of this size.

At present the Group does not have an internal audit function and the Committee believes that in view of the current size and nature of the Group's business, management is able to derive sufficient assurance as to the adequacy and effectiveness of the internal controls and risk management procedures without a formal internal audit function. This will be kept under review as the business evolves.

Changes to accounting policies

Application of IFRSs, and new and forthcoming standards

The Group has applied International Financial Reporting Standards when preparing its accounts. The Group has adopted IFRS 16 Leases with effect from 1 January 2019. The Committee has reviewed the implementation of this accounting standard and has reviewed the external auditors' assessment on the application of the standard. The Committee is satisfied with the application of IFRS 16 in the financial statements. The Committee is satisfied that there are no other changes in accounting policies impacting the reported results for the year.

Reviewing the extent of non- audit services provided by BDO LLP

The Committee monitors the provision of non-audit services by the external auditor to ensure this has no impact on their independence. A breakdown of the fees between audit and non-audit services is provided in Note 6 to the financial statements.

The Committee considers a number of areas when reviewing the external auditor relationship, namely their performance in discharging the audit, the scope of the audit and terms of engagement, their independence and objectivity and remuneration.

The external auditor prepares a plan for its audit of the full year financial statements which is presented to the Committee before the commencement of the audit. The plan sets out the scope of the audit, areas of perceived significant risk where work will be focused and the audit timetable. This plan is reviewed and agreed by the Committee in advance of the detailed audit work taking place.

Following its external audit process, the auditor presented its findings to the Committee for discussion. A number of areas were reviewed around revenue recognition, going concern, fair valuation of intangibles and the fair value of litigation investments. These areas of concern were identified by the external auditor during the year and debated and it was agreed that management's treatment and representation were in compliance with all accounting standards.

The Committee has confirmed that it is satisfied with the independence, objectivity and effectiveness of BDO LLP and has recommended to the Board that the auditors be reappointed. There will be a resolution to reappoint the auditors at the forthcoming AGM.

Remuneration committee report – Victoria Hull

I am pleased to present the Remuneration committee report for the year ended 31 December 2019.

I chair the Remuneration Committee and the other current members are Non-Executive Directors, Victoria Hull, and Keith Hamill, who took over from Stephen Davidson on 23rd January 2020.

Responsibilities

The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of service.

The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time.

In exercising their role, the Board have regard to the recommendations put forward in the QCA Code and, where appropriate, the QCA Remuneration Committee Guide and associated guidance.

The Remuneration Committee meet as and when necessary and met twice during the 2019.

Our Corporate Governance page can be found on the website https://www.rbgholdings.co.uk/about/corporate-governance/. All enquiries sent via "Contact Us" on the website or via email info@rbgholdings.co.uk will be forwarded to an appropriate member or our team and dealt with promptly. Our Terms and Conditions can be found on the website https://www.rbgholdings.co.uk/terms-conditions/.

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Directors' report

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 31 December 2019.

Principal activities and business review

The principal activities of the Group during the year were the provision of legal and professional services, including management and financing of litigation projects. The results for the year 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 statement of comprehensive income page 36. Interim dividends of 2.8 pence per share and 2.0 pence per share were paid on 24 May 2019 and 22 Oct 2019 respectively. As announced in the Trading and COVID-19 update on 6 April 2020, while the Board considers the Group to be in a strong position, it has decided to postpone the decision on the payment of the Company's interim dividend until May 2020.

Likely future developments

Our priorities for the following financial year are disclosed in the CEO's statement on pages 6 to 8.

Substantial shareholdings

The Company was notified that the following were interested in 3% or more of the issued ordinary share capital at 31st December 2019:

	0.2p Ordinary Shares	
	Number	% of issued share capital
Ian Rosenblatt	16,911,214	19.8%
Premier Miton Investors	14,525,700	17.0%
Director (as analysed below)	11,515,264	13.5%
BlackRock	6,628,780	7.7%
Fidelity International	4,887,500	5.7%
Schroder Investment	4,130,178	4.8%

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 (resigned 23 January 2020)
N Foulston
K Hamill (appointed 23 January 2020)
V Hull
M Ismail (appointed 23 January 2019)
R Parker (appointed 11 January 2019)

The director's interest in the shares of the Company are set out below:

	0.2p Ordinary Shares		0.2p Ordinary Shares	
	2019 Number	2019 % of issued share capital	2018 Number	2018 % of issued share capital
Cascades Ltd*	11,410,000	13.3%	11,410,000	14.2%
Velocity Venture Capital LLP & VV Capital Ltd (VVC)**	105,264	0.2%	105,264	0.2%
	11,515,264	**13.5%**	**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.

Interim dividends of £552,733 were paid on these shares during the year (2018:Nil).

Audited directors' remuneration

Directors' remuneration payable in the year ended 31 December 2019 is set out below:

	Basic Salary and/or Directors Fees	Employer Pension Contributions	Total	Basic Salary and/or Directors Fees	Employer Pension Contributions	Total
	2019 £	2019	2019 £	2018 £	2018 £	2018 £
S Davidson	75,000	-	75,000	41,667	-	41,667
P Firebrace	-	-	-	60,000	1,800	61,800
N Foulston	401,800	14,475	416,275	266,666	8,000	274,666
V Hull	32,500	-	32,500	10,000	-	10,000
M Ismail	28,308	-	28,308	-	-	-
B Land	-	-	-	13,270	-	13,270
R Parker	294,200	-	294,200	-	-	-
	831,808	**14,475**	**846,283**	**391,603**	**9,800**	**401,403**

Directors who have an interest in the shares of the Company will benefit through dividend payments. During the year, R Parker received bonus payments totalling £62,000 (2018:Nil), included within Directors' Fees. No directors have benefitted from share options, or other long term incentive arrangements during the year.

Engagement with employees and stakeholders

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. Details of how the Directors have engaged with and had regard to employees is addressed in the s172 report on page 17.

The directors have regard to the need to foster the company's business relationships with suppliers, customers and others and the impact on principal decisions in the year is also addressed in the s172 report.

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 also has a £10m Revolving Credit Facility with HSBC. The Group's forecasts and projections show that the Group has sufficient resources for both current and anticipated cash requirements.

As part of the ongoing review of the business, a number of scenarios are run looking a range of outcomes driven by different revenue projections. These have been reviewed and updated and the business stressed tested under different scenarios. More detail on this testing can be found in Notes 1 and 28.

COVID-19

The Group is well positioned to manage the uncertainty of COVID-19 but we must acknowledge the significant impact that COVID-19 has had since the end of the financial year. The Group and its employees adapted quickly and continued to offer the highest standards of service to clients. Over the coming months, we will be able to assess the full impact of the lockdown but the Board believes that the Group is in a good position to deal with this impact. However, COVID-19 will result and is resulting in significant economic uncertainty and downturn, which is not as yet fully understood and cannot be fully forecasted. More detail on COVID-19 is contained in Notes 1 and 28.

Financial risk management

Financial risk is managed by the Board on an ongoing basis. The key financial 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 other than the impact of COVID-19, which is discussed in Note 28 and throughout the financial statements as appropriate.

Annual General Meeting

The provisional date for the Company's AGM is 18th June 2020.

Political donations

No political contributions were made during the year.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 year. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the

assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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 Officer

20 April 2020

Independent Auditor's Report to the members of RBG Holdings plc

Opinion

We have audited the financial statements of RBG Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 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 and company statements 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 2019 and of the Group's profit for the year 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 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
Revenue recognition, in particular, the valuation of accrued income *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.*	— We compared the revenue recognition policies as described in the notes with 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 accrued income with reference to time worked. We tested valuation 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 contingent matters we checked their status at the period end and that revenue had been recognised where the contingency had been met and had not been recognised where it had not.
Treatment of Damages Based Agreements *The group has entered into contracts under which it provides both legal services and funding to litigation clients in return for a share in any damages awarded.* *The following key judgements were required, as explained in Note 3:* — *Categorisation and apportionment of share in damages, between contingent revenue and financial asset arising on funding.* — *Treatment of advance payment received as non-contingent revenue rather than a reduction in funding, and determination of the period over which it should be recognised.* — *Valuation of financial assets arising, which management assessed to approximate the cost of disbursements incurred.* — *Treatment of onward sales of shares in damages based awards.* — *Recoverability of receivables in relation to onward sales of interests in damages based awards.*	— *We assessed the substance of the underlying client contracts. We checked the accuracy of management's calculations to apportion the expected share in damages, assessed the reasonableness of the key assumptions and agreed inputs to supporting documentation.* — *We reviewed the sequence of events leading up to the agreement of terms, the terms of the contract and the timing of receipts and payments under damages based contracts.* — *We assessed the extent to which the group was legally obliged to or commercially required to perform further work after the balance sheet date on the matter for which a non-contingent advance payment had been received.* — *We challenged the assumptions in management's fair value calculations, checked their accuracy and agreed factual inputs to supporting documentation.* — *We assessed the substance of the onward sales transactions and checked their treatment for consistency with the requirements of IFRS9.* — *We challenged management judgements made in assessing outstanding receivables and obtained direct confirmation from the counterparty.*

Key audit matter	*How we addressed the key audit matter in our audit*
Valuation of intangibles on business combination *On 16 September 2019, the group acquired 100% of the share capital of Convex Capital Limited, for which the fair value was estimated as set out in Note 2. The significant level of judgement involved in these valuations represented a risk for our audit.*	— We reviewed the terms of the Sale and Purchase Agreement to establish whether any amounts payable represented payment for future services rather than purchase consideration. — We checked the calculations for fair value of purchase consideration, challenging judgements and agreeing factual inputs. — We checked the workings of the model to value intangibles, challenged the reasonableness of key assumptions, and agreed inputs to supporting documentation.
Going concern *As explained in Note 28, COVID-19 has had a significant impact on businesses and the economy, which in turn impacts expected future trading of the group. Management has had to make estimates of the impact of COVID-19 in preparing its projections for future trading and making its assessment of the group's ability to continue as a going concern. The high level of uncertainty surrounding the future impact of COVID-19 has increased the audit risk in this area.*	— We checked the workings of the model, assessed the reasonableness of key assumptions and agreed key inputs to supporting documentation. — We stress tested the model in order to assess management's judgement that there is not significant risk surrounding the group's ability to continue as a going concern for a period of at least one year from signing of the financial statements.

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 £400,000 which represents approximately 5% of profit before tax for the period. Performance materiality has been set at £260,000, 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 £16,000.

Comparatives for the period ended 31 December 2018 were: materiality: £194,200; performance materiality: £126,200; threshold for reporting misstatements: £3,800. Materiality for the comparative period also represented approximately 5% of profit before tax for the period; the increase in materiality from the prior period reflects growth in the group's profit, and a longer accounting period.

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 £360,000. Performance materiality has been set at £234,000, which is 65% of materiality, and we agreed with the Board that we would report to them misstatements identified during our audit above £14,400.

Comparatives for the period ended 31 December 2018 were: materiality: £174,700; performance materiality: £113,500; threshold for reporting misstatements: £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 active subsidiaries. RBG Holdings plc (the holding company) owns Rosenblatt Limited (legal services business) and Convex Capital Limited, and we considered these to represent three significant components of the group. We completed a full scope audit for RBG Holdings plc on which to base our opinion for the parent company and consolidated financial statements. We also performed full scope audits of Rosenblatt Limited and Convex Capital Limited for inclusion in the consolidated financial statements. Materiality for these components was capped, both so that no component's materiality exceeded 90% of group materiality.

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

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 29, 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
55 Baker Street
London
W1U 7EU

20 April 2020

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

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Note	1 January to 31 December 2019 £	6 February to 31 December 2018 £
Revenue	5	19,941,240	12,530,748
Realised fair value gains	5	3,800,000	–
Personnel costs	7	(11,496,875)	(6,112,040)
Depreciation and amortisation expense		(1,576,180)	(296,178)
Other expenses		(2,808,567)	(3,103,500)
Profit from operations	6	**7,859,618**	**3,019,030**
EBITDA		**9,435,798**	**3,315,208**
Adjusted EBITDA		**9,435,798**	**4,314,341**
Depreciation and amortisation expense	6	(1,576,180)	(296,178)
Non-underlying items			
Admission costs		–	(999,133)
Finance expense	8	(253,210)	–
Finance income	8	41,027	16,826
Profit before tax		**7,647,435**	**3,035,856**
Tax expense	9	(1,470,837)	(727,491)
Profit and total comprehensive income attributable to the ordinary equity holders of the parent		**6,176,598**	**2,308,365**
Earnings per share attributable to the ordinary equity holders of the parent	10		
Profit			
Basic (pence)		7.56	3.83
Diluted (pence)		7.50	3.83

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

There were no elements of other comprehensive income for the financial year 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 2019

Company registered number: 11189598

	Note	31 December 2019 £	31 December 2018 £
Assets			
Current assets			
Trade and other receivables	18	11,088,812	6,175,450
Cash and cash equivalents		1,910,156	13,350,467
		12,998,968	**19,525,917**
Non-current assets			
Property, plant and equipment	12	638,382	304,556
Right-of-use assets	13	6,760,198	–
Intangible assets	14	35,137,871	17,985,221
Litigation investments	17	2,209,886	–
		44,746,337	**18,289,777**
Total assets		**57,745,305**	**37,815,694**
Liabilities			
Current liabilities			
Trade and other payables	19	6,710,936	1,898,163
Current tax liabilities	19	1,395,489	753,527
Provisions	20	75,000	35,264
Leases	13	811,105	–
		8,992,530	**2,686,954**
Non-current liabilities			
Deferred tax liability	21	422,144	144,062
Leases	13	5,920,697	–
		6,342,841	**144,062**
Total liabilities		**15,335,371**	**2,831,016**
NET ASSETS		**42,409,934**	**34,984,678**
Issued capital and reserves attributable to owners of the parent			
Share capital	22	171,184	160,184
Share premium reserve	23	37,565,129	32,516,129
Retained earnings	23	4,673,621	2,308,365
TOTAL EQUITY		**42,409,934**	**34,984,678**

The financial statements on pages 36 to 70 were approved and authorised for issue by the Board of Directors on 20 April 2020 and were signed on its behalf by:

Director

The attached notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Profit for the period before tax		**7,647,435**	**3,035,856**
Adjustments for:			
Depreciation of property, plant and equipment	12	232,728	71,067
Amortisation of right-of-use assets	13	891,794	–
Amortisation of intangible fixed assets	14	451,658	225,111
Finance income	8	(41,027)	(16,826)
Finance expense	8	253,210	–
		9,435,798	**3,315,208**
(Increase) in trade and other receivables		(5,091,691)	(4,174,553)
(Decrease)/increase in trade and other payables		(710,714)	1,557,232
Increase in provisions		39,736	35,264
Cash generated from operations		**3,673,129**	**733,151**
Tax paid		(1,637,610)	–
Net cash flows from operating activities		**2,035,519**	**733,151**
Investing activities			
Purchases of property, plant and equipment	12	(534,155)	(75,823)
Purchase of business		–	(20,000,000)
Acquisition of subsidiary, net of cash	24	(6,008,389)	–
Interest received		41,027	16,826
Litigation investments	17	(2,209,886)	–
Net cash used in investing activities		**(8,711,403)**	**(20,058,997)**
Financing activities			
Issue of ordinary shares		–	32,676,313
Dividends paid to holders of the parent	11	(3,811,342)	–
Proceeds from loans and borrowings		1,637,608	–
Repayment of loans and borrowings		(1,637,608)	–
Repayments of lease liabilities	13	(699,875)	–
Interest paid on loans and borrowings		(27,564)	–
Interest paid on lease liabilities	13	(225,646)	
Net cash from financing activities		**(4,764,427)**	**32,676,313**
Net (decrease)/increase in cash and cash equivalents		**(11,440,311)**	**13,350,467**
Cash and cash equivalents at beginning of period		**13,350,467**	**–**
Cash and cash equivalents at end of period		**1,910,156**	**13,350,467**

The attached notes form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Share Capital £	Share Premium £	Retained Earnings £	Total attributable to equity holders of parent £
Balance at 1 January 2019	**160,184**	**32,516,129**	**2,308,365**	**34,984,678**
Comprehensive income for the period				
Profit for the period	–	–	6,176,598	**6,176,598**
Total comprehensive Income for the period	–	–	**6,176,598**	**6,176,598**
Contributions by and distributions to owners				
Dividends	–	–	(3,811,342)	**(3,811,342)**
Issue of share capital	11,000	5,049,000	–	**5,060,000**
Total contributions by and distributions to owners	**11,000**	**5,049,000**	**(3,811,342)**	**1,248,658**
Balance at 31 December 2019	**171,184**	**37,565,129**	**4,673,621**	**42,409,934**

	Share Capital £	Share Premium £	Retained Earnings £	Total attributable to equity holders of parent £
Balance at 6 February 2018	**–**	**–**	**–**	**–**
Comprehensive income for the period				
Profit for the period	–	–	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 2019

Company registered number: 11189598

	Note	2019 £	2018 £
Assets			
Current assets			
Trade and other receivables	18	26,492,958	22,463,757
Cash and cash equivalents		359,684	9,078,495
		26,852,642	**31,542,252**
Non-current assets			
Property, plant and equipment	12	10,427	14,014
Investments	16	15,813,422	100
		15,823,849	**14,114**
Total assets		**42,676,491**	**31,556,366**
Liabilities			
Current liabilities			
Trade and other payables	19	4,326,969	176,166
		4,326,969	**176,166**
Non-current liabilities			
Non current – Deferred tax liability	21	1,773	–
Total liabilities		**4,328,742**	**176,166**
NET ASSETS		**38,347,749**	**31,380,200**
Issued capital and reserves attributable to owners of the parent			
Share capital	22	171,184	160,184
Share premium reserve	23	37,565,129	32,516,129
Retained earnings	23	611,436	(1,296,113)
TOTAL EQUITY		**38,347,749**	**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 profit of £5,718,891 for the year ended 31 December 2019 (2018: £1,296,113 Loss).

The financial statements on pages 36 to 70 were approved and authorised for issue by the Board of Directors on 20 April 2020 and were signed on its behalf by:

Director

The attached notes form part of these financial statements.

Company statement of cash flows

For the year ended 31 December 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Profit for the period before tax		**5,720,664**	**(1,296,113)**
Adjustments for:			
Depreciation of property, plant and equipment	12	5,212	1,486
Finance income	8	(11,269)	–
Finance expense	8	25,945	–
		5,740,552	**(1,294,627)**
(Increase) in trade and other receivables		(4,029,201)	(22,463,757)
(Decrease)/increase in trade and other payables		(289,197)	176,166
Cash generated from operations		**1,422,154**	**(23,582,218)**
Tax paid		–	–
Net cash flows from operating activities		**1,422,154**	**(23,582,218)**
Investing activities			
Purchases of property, plant and equipment	12	(1,625)	(15,500)
Acquisition of subsidiary, net of cash	24	(6,313,322)	(100)
Interest received		11,269	–
Net cash used in investing activities		**(6,303,678)**	**(15,600)**
Financing activities			
Issue of ordinary shares		–	32,676,313
Dividends paid to holders of the parent	11	(3,811,342)	–
Proceeds from loans and borrowings		1,637,608	–
Repayment of loans and borrowings		(1,637,608)	–
Interest paid on loans and borrowings		(25,945)	–
Net cash from financing activities		**(3,837,287)**	**32,676,313**
Net (decrease)/increase in cash and cash equivalents		**(8,718,811)**	**9,078,495**
Cash and cash equivalents at beginning of period		9,078,495	–
Cash and cash equivalents at end of period		**359,684**	**9,078,495**

The attached notes form part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2019

	Share Capital £	Share premium £	Retained Earnings £	Total £
Balance at 1 January 2019	**160,184**	**32,516,129**	**(1,296,113)**	**31,380,200**
Comprehensive profit for the period				
Profit for the period	–	–	5,718,891	5,718,891
Total comprehensive profit for the period	**–**	**–**	**5,718,891**	**5,718,891**
Contributions by and distributions to owners				
Dividends	–	–	(3,811,342)	(3,811,342)
Issue of share capital	11,000	5,049,000	–	5,060,000
Total contributions by and distributions to owners	**11,000**	**5,049,000**	**(3,811,342)**	**1,248,658**
Balance at 31 December 2019	**171,184**	**37,565,129**	**611,436**	**38,347,749**

	Share Capital £	Share premium £	Retained Earnings £	Total £
Balance at 6 February 2018	**–**	**–**	**–**	**–**
Comprehensive profit for the period				
Loss for the period	–	–	(1,296,113)	(1,296,113)
Total comprehensive profit 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

RBG Holdings plc (formerly Rosenblatt Group plc) is a public limited company, incorporated in the United Kingdom. The principal activity of the Group is the provision of legal and professional services, including management and financing of litigation projects.

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 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 financial statements have been prepared for year ended 31 December 2019, with a comparative period from incorporation on 6 February 2018 to 31 December 2018, and 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, except for the following items (refer to individual accounting policies for details):

— Litigation investments – fair value through profit or loss

— Contingent consideration – fair value through profit or loss

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 at least twelve months from the date of approval of the financial statements.

COVID-19

It is important to acknowledge the impact of COVID-19 on business life. COVID-19 has been and will be a significant challenge, and our business and all our employees will have to adapt to the evolving situation.

All of the Group's 96 staff and directors are remote working from home. This move has been supported by the Group's in-house IT capability, which has benefitted from the significant investment made in IT since its IPO. The Group's law firm, Rosenblatt Limited ("Rosenblatt" or the "Firm"), has always encouraged flexible working as part of its business model. This culture has smoothed the switch to remote working and enabled the Firm to operate at normal capacity.

At Rosenblatt Limited, workflows for legal services since the UK General Election in December 2019 have been strong: chargeable time in the first quarter of 2020 has been strong and there has been no deterioration in invoicing or debt collection. For the corporate finance business within Convex Capital Limited there remains a strong pipeline of transactions, including those that were ongoing at the time of the Government lockdown. However, the lockdown has the potential to delay the completion of certain transactions.

In addition to its regular budgeting, the group has prepared sensitised projections for 2020 and 2021, to assess the impact on business of possible adverse consequences of COVID-19, in particular, failure to complete corporate finance transactions and a fall in legal services work, resulting in reduction in operating cash flow. These projections support the expectation that the Group will be able to continue to trade within its cash resources, which include a £10m Revolving Credit Facility with HSBC, for the foreseeable future. They also demonstrate that the Group's assets are not impaired.

Changes in accounting policies

a) *New standards, interpretations and amendments effective from 1 January 2019*

New standards impacting the group that have been adopted in the annual financial statements for the year ended 31 December 2019 and which have given rise to changes in the Group's accounting policies are:

— IFRS 16 Leases (IFRS 16)

Details of the impact that this standard has had are given in Note 26. Other new and amended standards and Interpretations issued by the IASB that apply for the first time do not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

b) *New standards, interpretations and amendments not yet effective*

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2020:

— IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)

— Interest Rate Benchmark reform (Amendments to IFRS9, IAS 39 and IFRS 7)

— Revised Conceptual Framework for Financial Reporting

The Group is currently assessing the impact of these new accounting standards and amendments and does not expect that they will have a material impact on the Group.

2 Accounting policies

Revenue

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

Legal and Other Professional services revenues

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 considered recoverable.

Where revenue is subject to contingent fee arrangements, including where services are provided under Damages Based Agreements (DBAs), 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.

Bills raised are payable on delivery and until paid form part of Trade receivables. The Group has taken advantage of the practical exemption in IFRS 15 not to account for significant financing components where the Group expects the time difference between receiving consideration and the provision of the service to a client will be one year or less. Where revenue has not been billed at the balance sheet date, it is included as contract assets and forms part of Trade and other receivables.

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 Group's interest in the fair value of 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 units ('CGUs'). 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's accounting policy for each category is as follows:

Fair value through profit or loss

Litigation investments relate to the provision of funding to litigation matters in return for a participation share in the settlement of that case (Damages Based Award). Investments are initially measured at the sum invested and are subsequently held at fair value through the profit and loss.

Where the Group sells an interest in its entitlement to any award under a Damages Based Award to a third party, this gives rise to a realised fair value gain through the profit and loss when the sale is agreed. These sales are non-recourse and, if the case is successful, the relevant % of the settlement received is paid to the third party.

Amortised cost

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. 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.

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).

Impairment provisions for receivables from related parties and loans to related parties, including those from subsidiary companies, 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. This annual assessment considers forward-looking information on the general economic and specific market conditions together with a review of the operating performance and cash flow generation of the entity relative to that at initial recognition. 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.

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, and other short term highly liquid investments with original maturities of three months or less.

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
Identifying leases
The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

(a) There is an identified asset:

(b) The Group obtains substantially all the economic benefits from use of the asset; and

(c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of the contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

— Leases of low value assets: and

— Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

— amounts expected to be payable under any residual value guarantee:

— the exercise price of any purchase option granted in favour of the Group if it is reasonable certain to assess that option:

— any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

— lease payments made at or before the commencement of the lease:

— initial direct costs incurred; and

— the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discount at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining lease term.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor for a variable amount, the Group has elected to account for the right-of-use payments as a lease and expense the service charge payments in the period to which they relate.

Externally acquired intangible assets
Externally acquired intangible assets are initially recognised at cost and subsequently amortised over their useful economic lives.

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 for amortisation and to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Remaining useful economic life	Amortisation method	Valuation method
Brand	20 years	18-20 years	Straight line	Estimated discounted cash flow
Customer contracts	1-2 years	1-2 years	In line with contract revenues	Estimated discounted cash flow

Non current investments
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 declared by the directors. 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.

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.

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

Provisions
The group has recognised provisions for liabilities of uncertain timing or amount including those for leasehold dilapidations and legal claims. 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. Where a legal claim is within the scope of an insurance policy held by the Group, provision will be made up to the level of the excess payable on the insurance claim.

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
— 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.

— Other receivables

Judgement has been exercised in respect of interests sold in Damages Bases Agreements and where the amount remains outstanding.

— Revenue recognition

Where the group performs work that is chargeable based on hours worked at agreed rates, assessment must be made of the recoverability of the unbilled time at the period end. This is on a matter by matter basis, with reference to historic and post year-end recoveries. Different views on recoverability would give rise to a different value being determined for revenue and a different carrying value for unbilled revenue.

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.

Where the group enters into Damages Based Agreements that include both the provision of services and the provision of litigation finance, the Group must apportion the total expected settlement between that arising as conditional revenue

for services and that arising as a return on participation. This requires estimation of the total amount of time cost and disbursements that will be incurred on a matter and the expected settlement value; the allocation of the DBA to revenue is made with reference to standard returns on contingent fee work. Different views will impact the level of unrecognised contingent revenue and also the recognised financial asset relating to the DBA participation.

Where non-contingent fees as well as contingent revenue are earned on DBAs, the group must make a judgement as to whether non-contingent amounts represent revenue or a reduction in funding, with reference to the terms of the agreement and timing and substance of time worked and payments made. Where non-contingent revenue arises, the Group must match it against the services to which it relates. This requires Management to estimate work done as a proportion of total expected work to which the fee relates. Different views could impact the level of non-contingent revenue recognised.

— 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, having regard to any relevant insurance cover held by the Group. A different assessment of the likely outcome of each case or of the possible cost involved may result in a different provision or cost.

— Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

— *Level 1:* Quoted prices in active markets for identical items (unadjusted)

— *Level 2:* Observable direct or indirect inputs other than Level 1 inputs

— *Level 3:* Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of inputs used that has a significant effect of the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

— 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. 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.

— Litigation investments and fair value

Where the group enters in to Damages Based Agreements that include both the provision of services and provision of litigation finance, the Group must apportion the total expected settlement between that arising as conditional revenue for services and that arising as a return on participation. The judgements arising in this regard are explained under revenue above. Litigation investments are held at fair value based on a semi annual review of each investment's fair value. Fair values are determined on the specifics of each investment and will typically change upon an investment having a return entitlement or progressing in a manner that, in the Group's judgement, would result in a third party being prepared to pay an amount different from the original sum invested for the Group's rights in connection with the investment.

The fair value estimation process is inherently subjective. Awards and settlements are hard to predict and often have a wide range of possible outcomes. Furthermore, there is much unpredictability in the actions of courts, litigants and defendants and because of the large number of variables involved there is a consequent difficulty of predictive analysis. In addition, there is little activity in transacting investments and hence little relevant data for benchmarking the effect of investment progression on fair value, although the existence of secondary market transactions is a valuation input. In the Group's opinion there are no inputs or variables to which the values of the investments are correlated and whilst the Group's fair value estimation is its best assessment of the current fair value of each investment, the use of different possible outcomes and relative probabilities may result in a different Group income and investment valuation. In the current

period, the Group has sold interests in its DBA participation rights to third parties, and has used the selling price as a benchmark for the fair value of the remaining asset, reducing it for expected future costs to be incurred. Where the Group sells an interest in a DBA, the proceeds are recognised as realised fair value gain.

4 Financial instruments - Risk Management

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

— Credit 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.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous period unless otherwise stated in this note.

(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

— Litigation investments

— Trade and other payables

(ii) Financial instruments by category

Financial assets

	Fair value through profit or loss		Amortised cost	
	31 December 2019 £	31 December 2018 £	31 December 2019 £	31 December 2018 £
Cash and cash equivalents	–	–	1,910,156	13,350,467
Trade and other receivables	–	–	10,393,807	5,725,885
Litigation investments	2,209,886	–	–	–
Total financial assets	**2,209,886**	**–**	**12,303,963**	**19,076,352**

Financial liabilities

	Fair value through profit or loss		Amortised cost	
	31 December 2019 £	31 December 2018 £	31 December 2019 £	31 December 2018 £
Trade payables and accruals	–	–	1,555,988	977,164
Other payables	4,070,000	–	–	–
Total financial liabilities	**4,070,000**	**–**	**1,555,988**	**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 payables and accruals.

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

(iv) Financial instruments measured at fair value
Litigation investments are classified as level 3 in the fair value hierarchy of financial instruments.

The methods and procedures to fair value litigation investments may include, but are not limited to: (i) obtaining information provided by third parties when available; (ii) performing comparisons of comparable or similar investment matters; (iii) calculating the present value of future cash flows; (iv) assessing other analytical data and information relating to the investment that is an indication of value; (v) reviewing the amounts invested in these investments; (vii) entering into a market transaction with an arm's length party.

The material estimates and assumptions used in the analysis of fair value include the status and risk profile of the risks underlying the investment, the timing and expected amount of cash flows based on the investment structure and agreement, the appropriateness of discount rates used, if any, and in some cases, the timing of, and estimated minimum proceeds from, a favourable outcome. Significant judgement and estimation goes into the assumptions which underlie the analyses, and the actual values realised with respect to investments could be materially different from values obtained based on the use of the estimates.

The reconciliation of the opening and closing fair value balance of the level 3 financial instruments is provided in Note 17 together with a sensitivity analysis.

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. The Group invoices in Sterling and purchases denominated in foreign currencies are insignificant. 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 Board reviews the projected financing requirements annually when agreeing the Group's budget and receives rolling 12-month cash flow projections for the Group on a regular basis as well as information regarding cash balances. 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.

Further to this, on 25th October 2019, the Group signed a £10,000,000 three-year Revolving Credit Facility with HSBC UK Bank plc. The Group may utilise any proportion of the facility, paying an interest margin of 1.75-2.25% over LIBOR on utilisations and a commitment fee on the unutilised facility. The facility is secured by the debenture which grants first ranking fixed and floating security of the property and assets of the Group as referenced in Notes 12 and 14. The Group made no drawdowns on the facility during the year and had cash of £1.9m and no debt at the year end.

At the end of the financial period, cash flow projections indicated that the Group expected to have sufficient liquid resources to meet its obligations, including scheduled lease payments (Note 13), under all reasonably expected circumstances.

Even taking into consideration the impact of COVID-19, the Group has a sound balance sheet. Cash collections remain as forecast. The Group also has a £10 million Revolving Credit Facility with HSBC detailed above.

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 are the Board of Directors of RBG Holdings plc. In line with the developments in the business during the year, the Group now considers the following three strategic business groups to be its reportable segments. These business groups offer different services and are reported separately because of the different specialisms in these business groups.

The following summary describes the operations of each reportable segment:

— Legal services – Provision of legal advice, by Rosenblatt Limited.

— Litigation finance – Sale of litigation investments, by Rosenblatt Limited.

— Other Professional services –Provision of sell-side M&A corporate finance services, by Convex.

2019	Legal services £	Litigation finance £	Other Professional services £	Total £
Segment revenue	18,089,740	–	1,851,500	**19,941,240**
Segment realised fair value gains	–	3,800,000	–	**3,800,000**
Segment contribution	10,231,521	–	1,037,839	**11,269,360**
Segment realised fair value gains	–	3,800,000	–	**3,800,000**
Costs not allocated to segments				
Personnel costs				(2,861,240)
Depreciation and amortisation				(1,576,180)
Other operating expense				(2,772,322)
Net financial expenses				(212,183)
Group profit for the period before tax				**7,647,435**

Following the change in the composition of reportable segments, the corresponding items of segment information for 2018 has been restated as below.

2018	Legal services £	Litigation finance £	Other Professional services £	Total £
Segment revenue	12,530,748	–	–	**12,530,748**
Segment realised fair value gains	–	–	–	**–**
Segment contribution	7,997,262	–	–	**7,997,262**
Segment realised fair value gains	–	–	–	**–**
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 chief operating decision makers and are therefore not disclosed.

A geographical analysis of revenue is given below:

	Revenue by location of clients	
	2019 £	2018 £
United Kingdom	17,420,189	11,565,335
Europe	301,799	241,390
North America	71,591	349,155
Other	2,147,661	374,868
	19,941,240	**12,530,748**

Revenues from Legal services clients that account for more than 10% of Group revenue total £7,905,967 (2018:£6,739,505).

Contract assets

Group	2019 £	2018 £
At 1 January 2019	3,040,152	–
Acquired through business combinations	–	1,230,845
Transfers in the period from contract assets to trade receivables	(2,692,814)	(1,005,015)
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	3,449,814	2,814,322
At 31 December 2019	**3,797,152**	**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 Profit from operations and auditor's remuneration

	2019 £	2018 £
Profit from operations is stated after charging:		
Fees payable to the company's auditors		
– Audit fees	147,750	65,000
– Other services	12,500	12,500
Depreciation of property, plant and equipment	232,729	71,067
Amortisation of right-of-use assets	891,794	–
Amortisation/impairment of intangible assets	451,658	225,111
Operating lease expense:		
– Plant and machinery	–	6,164
– Property	–	566,998
Lease expense:		
– Short term	–	–
– Low value	1,872	–

The Alternative Performance Measures used by Management are shown below:

	2019 £	2018 £
Operating profit	7,859,618	3,019,030
Depreciation and amortisation expense	1,576,180	296,178
Non-underlying items	–	999,133
Adjusted EBITDA	**9,435,798**	**4,314,341**

	2019 £	2018 £
Profit before tax	7,647,435	3,035,856
Non-underlying items	-	999,133
Adjusted PBT	**7,647,435**	**4,034,989**

7 Employees

Group	2019 £	2018 £
Staff costs (including directors) consist of:		
Wages and salaries	8,071,730	4,684,210
Short-term non-monetary benefits	114,448	55,211
Social security costs	981,110	571,156
Cost of defined contribution scheme	262,998	148,032
	9,430,286	**5,458,609**

Personnel Costs stated in the Consolidated statement of comprehensive income includes the costs of contractors of £2,066,589 (2018: £653,431).

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

	2019 Number	2018 Number
Legal and professional staff	50	44
Administrative staff	31	26
	81	**70**

Defined contribution pension schemes are operated on behalf of the employees of the group. The assets of the schemes are held separately from those of the group in independently administered funds. The pension charge represents contributions payable by the group to the funds and amounted to £262,998 (2018: £148,032). Contributions amounting to £42,308 (2018: £73,454) were payable to the funds at period 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 27 to 30 and in Note 25. The directors are considered to be the key management personnel.

8 Finance income and expense

Recognised in profit or loss

Finance income	2019 £	2018 £
Interest received on bank deposits	41,027	16,826
Net finance income recognised in profit or loss	**41,027**	**16,826**

Finance expense	£	£
Interest expense on financial liabilities measured at amortised cost	(27,565)	–
Interest expense on lease liabilities	(225,645)	–
	(253,210)	**–**
Net finance (expense)/income recognised in profit or loss	**(212,183)**	**16,826**

The above financial income and expense include the following in respect of assets (liabilities) not at fair value through profit or loss:

	2019 £	2018 £
Total interest income on financial assets	41,027	16,826
Total interest expense on financial liabilities	(27,565)	–
	13,462	**16,826**

9 Tax expense

	2019 £	2018 £
Current tax expense		
Current tax on profits for the period	1,487,925	753,527
Adjustment for under provision in prior periods	61,538	–
Total current tax	**1,549,463**	**753,527**
Deferred tax expense		
Origination and reversal of temporary differences (Note 21)	(78,626)	(26,036)
Total tax expense	**1,470,837**	**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:

	2019 £	2018 £
Profit on ordinary activities before taxation	**7,647,435**	**3,035,856**
Tax using the Company's domestic tax rate of 19%	1,453,013	576,813
Expenses not deductible for tax purposes	31,715	150,678
Adjustments in respect of prior periods	61,539	–
Adjustments in respect of prior periods (deferred tax)	(11,816)	–
Adjust closing deferred tax to average rate	(61,980)	–
Adjust opening deferred tax to average rate	(1,634)	–
Total tax expense	**1,470,837**	**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 31 December 2019 has been calculated based on this rate. This will reduce the Group's future current tax charge accordingly.

10 Earnings per share

Numerator	Total 2019 £	Total 2018 £
Profit for the period and earnings used in basic and diluted EPS	6,176,598	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	**6,176,598**	**3,263,663**

Denominator	Number	Number
Weighted average number of shares used in basic EPS	81,704,435	60,305,232
Effect of:		
Contingent share consideration on business combination	603,422	–
Weighted average number of shares used in diluted EPS	82,307,857	60,305,232

Earnings per share is calculated as follows:

	2019 Pence	2018 Pence
Basic earnings per ordinary share	7.56	3.83
Diluted earnings per ordinary share	7.50	3.83
Basic earnings per ordinary share adjusted for Non Underlying items	7.56	5.41
Diluted earnings per ordinary share adjusted for Non Underlying items	7.50	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

	2019 £	2018 £
Interim dividend of 2.8p (2018: 0p) per Ordinary share proposed and paid during the year relating to the previous year's results	2,228,300	–
Interim dividend of 2.0p (2018: 0p) per Ordinary share paid during the year	1,583,042	–
	3,811,342	**–**

As announced in the Trading and COVID-19 update on 6 April 2020, while the Board considers the Group to be in a strong position, it has decided to postpone the decision on the payment of the Company's interim dividend until May 2020.

12 Property, plant and equipment

Group	Plant and Machinery £	Fixtures and fittings £	Computer Equipment £	Total £
Cost				
At 1 January 2019	309,568	435	65,620	375,623
Additions	2,933	109,045	422,177	534,155
Acquired through business combinations	12,011	6,778	13,611	32,400
At 31 December 2019	**324,512**	**116,258**	**501,408**	**942,178**
Accumulated Depreciation and Impairment				
At 1 January 2019	67,436	63	3,568	71,067
Charge for the period	104,861	9,034	118,834	232,729
At 31 December 2019	**172,297**	**9,097**	**122,402**	**303,796**
Net book value				
At 1 January 2019	242,132	372	62,052	304,556
At 31 December 2019	**152,215**	**107,161**	**379,006**	**638,382**

Company	Computer equipment £	Total £
Cost		
At 1 January 2019	15,500	15,500
Additions	1,625	1,625
Acquired through business combinations	–	–
At 31 December 2019	**17,125**	**17,125**
Accumulated Depreciation and Impairment		
At 1 January 2019	1,486	1,486
Charge for the period	5,212	5,212
At 31 December 2019	**6,698**	**6,698**
Net book value		
At 1 January 2019	14,014	14,014
At 31 December 2019	**10,427**	**10,427**

Under a debenture signed and registered on 25 October 2019, HSBC UK Bank plc have a fixed charge over the property, plant and equipment of the Group.

13 Leases

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 26.

The Group leases its business premises in the United Kingdom. The lease contracts either provide for annual increases in the periodic rent payments linked to inflation or for payments to be reset periodically to market rental rates. The Group also leases an item of office equipment, with fixed payments over the lease term.

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date to lease payments that are variable.

At 31 December 2019	Lease Contracts Number	Fixed Payments %	Variable Payments %	Sensitivity £000
Property leases with payments linked to inflation	1	–	89.7%	+/- 323
Property leases with periodic uplifts to market rentals	1	–	9.7%	+/- 13
Leases of plant and equipment	1	0.7%	–	–
	3	**0.7%**	**99.4%**	**+/-336**

Right-of-Use Assets

	Land and buildings £	Computer equipment £	Total £
At 1 January 2019	7,294,194	16,518	7,310,712
Acquired through business combinations	274,380	-	274,380
Amortisation	(885,187)	(6,607)	(891,794)
Variable lease payment adjustment	66,900	-	66,900
At 31 December 2019	**6,750,287**	**9,911**	**6,760,198**

Notes to the consolidated financial statements continued

Lease liabilities

	Land and buildings £	Computer equipment £	Total £
At 1 January 2019	7,073,880	16,518	7,090,398
Acquired through business combinations	274,380	–	274,380
Interest expense	225,187	459	225,646
Variable lease payment adjustment	66,900	–	66,900
Lease payments	(918,615)	(6,906)	(925,521)
At 31 December 2019	**6,721,732**	**10,071**	**6,731,803**

At 31 December 2019, lease liabilities were falling due as follows:

Group	Up to 3 months £	Between 3 and 12 months £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £	Total £
Lease liabilities	198,071	613,035	852,878	2,613,429	2,454,390	6,731,803

The aggregate undiscounted commitments for low-value leases as at 31 December 2019 was £5,460.

14 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**
At 1 January 2019	**17,260,221**	**200,111**	**750,000**	**18,210,332**
Acquired through business combinations	15,775,039	1,167,673	661,596	17,604,308
At 31 December 2019	**33,035,260**	**1,367,784**	**1,411,596**	**35,814,640**
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**
At 1 January 2019	–	200,111	25,000	225,111
Amortisation charge	–	404,602	47,056	451,658
Impairment losses	–	–	–	–
At 31 December 2019	**–**	**604,713**	**72,056**	**676,769**
Net book value				
At 6 February 2018	–	–	–	–
At 31 December 2018	**17,260,221**	**–**	**725,000**	**17,985,221**
At 31 December 2019	**33,035,260**	**763,071**	**1,339,540**	**35,137,871**

The intangible assets arose on the acquisition of Convex Group (Holdings) Limited, by RBG Holdings plc on 16 September 2019.

Under a debenture signed and registered on 25 October 2019, HSBC UK Bank plc have a fixed charge over the intangible assets of the Group.

15 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.

16 Subsidiaries

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

Name	Principal Activity	Registered Number	Proportion of ownership interest at 31 December	
			2019	2018
Rosenblatt Limited	Legal Services	09986118	100%	100%
Convex Group (Holdings) Limited	Holding Company	11490871	100%	-
Convex Capital Limited	Professional Services	11491052	100%	-

The principal place of business of Convex Group (Holdings) Limited and Convex Capital Limited is Bass Warehouse, 4 Castle Street, Manchester, M3 4LZ. The principal place of business of Rosenblatt Limited and the registered address of each subsidiary is 9-13 St. Andrew Street, London, England EC4A 3AF.

For the year ending 31 December 2019, the principal subsidiary companies, set out above, were exempt from the requirements of the Companies Act relating to the audit of individual accounts by virtue of section 479A of the Companies Act 2006. RBG Holdings plc, has given a statement of guarantee under the Companies Act 2006 section 479C, whereby RBG Holdings plc will guarantee all outstanding liabilities to which the respective subsidiary companies are subject as at 31 December 2019.

17 Litigation investments

The table below provides analysis of the movements in the Level 3 financial assets.

	2019 Level 3 £
At 1 January 2019	–
Additions	2,209,886
Realisations	(3,800,000)
Fair value movement	3,800,000
At 31 December 2019	**2,209,886**

Sensitivity of Level 3 valuations

Following investment, the Group engages in a semi-annual review of each investment's fair value. At 31 December 2019, should the value of investments have been 10% higher or lower than provided for in the Group's fair value estimation, while all other variables remained constant, the Group's income and net assets would have increased and decreased respectively by £220,988 (2018: £Nil).

18 Trade and other receivables

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Trade receivables	3,469,642	–	2,302,733	–
Less: provision for impairment of trade receivables	(64,923)	–	(27,790)	–
Trade receivables – net	**3,404,719**	**–**	**2,274,943**	**–**
Contract assets	3,797,152	–	3,040,152	–
Amounts due from subsidiaries	–	25,995,864	–	22,458,257
Other receivables	3,191,936	489,677	410,790	5,500
Total financial assets other than cash and cash equivalents classified as amortised cost	**10,393,807**	**26,485,541**	**5,725,885**	**22,463,757**
Prepayments	695,005	7,417	449,565	–
Total trade and other receivables	**11,088,812**	**26,492,958**	**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 since incorporation, 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.

The lifetime expected loss provision for trade receivables and contract assets is as follows:

31 December 2019	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total £
Expected loss rate	*0%*	*2%*	*2%*	*5%*	
Gross carrying amount	5,894,884	365,492	402,330	604,088	7,266,795
Loss provision	14,684	8,406	9,254	32,579	64,923

31 December 2018	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	4,337,923	412,212	239,929	352,821	5,342,885
Loss provision	-	4,122	6,598	17,070	27,790

None of the trade receivables and contract assets have been subject to a significant increase in credit risk since initial recognition.

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

	2019 £
At 1 January 2019	27,790
Increase during the period	37,133
At 31 December 2019	**64,923**

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.

19 Trade and other payables

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Trade payables	789,857	–	577,723	–
Corporation tax payable	1,395,489	–	753,527	–
Other taxes and social security	1,084,948	–	920,999	–
Amounts due to group companies	–	44,321	–	–
Other payables	4,070,000	4,070,000	–	–
Accruals	766,131	212,648	399,441	176,166
	8,106,425	**4,326,969**	**2,651,690**	**176,166**

With the exception of Other payables, the carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Other payables represents the outstanding deferred consideration in respect of the acquisition of Convex, which is measured at fair value (Note 24).

20 Provisions

Group	Other provisions 2019 £	Other provisions 2018 £
At 1 January	35,264	–
Charged to profit or loss	39,736	35,264
At 31 December	**75,000**	**35,264**
Due within one year or less	75,000	35,264
Due after more than one year	–	–
	75,000	**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.

21 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.

Following an announcement in the Budget on 11 March 2020, which was substantively enacted on 17 March 2020, the UK corporation tax rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. If this tax rate was applied to the closing deferred tax balances at the 31 December 2019, the impact would be an increase in the deferred tax liability of £61,980 (Note 9).

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

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
At 1 January	144,062	–	–	–
Recognised in profit and loss				
Tax expense	(78,626)	1,773	(26,036)	–
	65,436	1,773	(26,036)	–
Arising on business combination	356,708	–	170,098	–
At 31 December	**422,144**	**1,773**	**144,062**	**–**

22 Share capital

	Authorised			
	2019 Number	2019 £	2018 Number	2018 £
Ordinary shares of 0.2p each	85,592,106	171,184	80,092,106	160,184

	Allotted, issued and fully paid			
Allotted, issued and fully paid	2019 Number	2019 £	2018 Number	2018 £
Ordinary shares of 0.2p each				
At 1 January	80,092,106	160,184	–	–
Other issues for cash during the period	–	–	80,092,106	160,184
Other issues during the period	5,500,000	11,000	–	–
At 31 December	85,592,106	171,184	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.

On 16 September 2019, RBG Holdings plc acquired Convex Group (Holdings) Limited (Note 24) and 5,500,000 ordinary shares with a nominal value of 0.2p each, were allotted and issued in consideration for the transfer of the shares in Convex Group (Holdings) Limited.

23 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.

24 Business combinations during the year

On 16 September 2019, RBG Holdings plc acquired Convex Group (Holdings) Limited and its fully owned subsidiary Convex Capital Limited ("Convex"). Convex is a specialist sell-side corporate finance boutique, based in Manchester. Convex helps companies, particularly owner-managed and entrepreneurial businesses, realise their value through sales to large corporates. The acquisition was made in line with the business strategy to acquire complementary, high gross margin, professional services businesses and Convex 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	32,399	–	32,399
Right-of-use assets	–	274,380	274,380
Intangible assets	4,411,440	(4,411,440)	–
Brand value	–	661,596	661,596
Customer contracts	–	1,167,673	1,167,673
Cash	304,933	–	304,933
Trade and other receivables	117,572	(75,587)	41,985
Trade and other payables	(1,083,487)	–	(1,083,487)
Tax liabilities	(730,108)	–	(730,108)
Lease liabilities	–	(274,380)	(274,380)
Deferred tax liability	–	(356,708)	(356,708)
Total net assets	**3,052,749**	**(3,014,466)**	**38,283**

Trade and other receivables with a fair value of £41,985 were acquired, representing trade debtors of £600 and prepayments of £41,385.

Fair value of consideration paid

	£
Cash	6,313,322
Ordinary shares issued	5,060,000
Deferred cash consideration	1,800,000
Contingently issuable ordinary shares	2,640,000
Total consideration	**15,813,322**
Goodwill (Note 14)	**15,775,039**

Acquisition costs of £147,900 arose as a result of the transaction. These have been recognised as part of Other expenses in the statement of comprehensive income.

The initial consideration for the acquisition was settled with cash amounting to £6,313,322 and the issue of 5,500,000 ordinary shares with a nominal value of 0.2p each. The fair value of the ordinary shares has been based on the acquisition date share price (£0.92 per share). In addition, there is a deferred cash consideration of £1,800,000, which is payable as a percentage of revenue on deals completed post acquisition. Two deals completed in the period between completion and the year end, resulting in the payment of £370,000, leaving an outstanding balance of £1,430,000 at the year end. The deferred consideration due to be settled in shares is contingent on profits generated by Convex over a year following the date of the acquisition. In the event of the target being achieved, the Company is obliged to issue a further 4,714,286 shares to the vendors. The fair value of the contingent consideration has been based on the acquisition date share price (£0.92 per share) with adjustments to reflect the likelihood of the target being achieved. Both elements of deferred consideration are included within Other Payables.

The goodwill recognised will not be deductible for tax purposes.

Since the acquisition date, Convex has contributed £1,851,500 to group revenues and £619,427 to group profit. If the acquisition had occurred on 1 January 2019, group revenue would have been £26,968,000 and group profit for the period would have been £7,147,000.

25 Related party transactions

Group
During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

Related party	Supply of Services 2019 £	Purchase of services 2019 £	Supply of Services 2018 £	Purchase of Services 2018 £
Velocity Venture Capital Ltd*	18,886	194,836	7,610	100,473
Motorsport Circuit Management Limited*	1,000	–	11,680	–
WDK Motorsport Limited*	(2,550)	–	28,460	–
Cascades Ltd **	2,500	–	–	–

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

At 31 December 2019, there were no amounts due to any related party (2018: £nil) and no amounts due by any related party (2018: Velocity Venture Capital Ltd £2,400, Motorsport Circuit Management Limited £3,000, and WDK Motorsport Limited £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 2019 for related party transactions.

Details of directors' remuneration are given in the Directors' Report on pages 27 to 30.

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.

As announced on 24 January 2020, Rosenblatt Limited has negotiated with Ian Rosenblatt an extension and broadening of the restrictive covenants put in place at the IPO (and described in the Company's admission document) to an additional two-year term through to 2023. In consideration of this arrangement, Rosenblatt Limited will make a one off payment to Mr Rosenblatt of £1m.

The above arrangement is classified as a related party transaction under the AIM Rules for Companies. The Directors consider, having consulted with Stifel as nominated adviser, that the terms of the agreement are fair and reasonable, insofar as shareholders are concerned.

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 year.

Company
In addition to the amounts disclosed in the Directors' Report on pages 27 to 30, the Company has entered into the following transactions with related parties.

During 2019, the company reimbursed fees and expenses paid on its behalf by Rosenblatt Limited totalling £151,653 (2018: £75,358). At 31 December 2019, the company was owed £25,995,864 by Rosenblatt Limited (2018: £22,458,257).

At 31 December 2019, the company owed Convex Capital Limited £44,321 in respect of an intercompany loan (2018: £Nil).

26 Effects of changes of accounting policies

The Group adopted IFRS 16 with a transition date of 1 January 2019. The Group has chosen not to restate comparatives on the adoption of the standard, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances. Details of the impact this standard has had are given below. Other new and amended standards and Interpretations issued by the IASB did not impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policy.

IFRS 16, effective 1 January, has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have any leasing activities acting as a lessor.

Transition Method and Practical Expedients Utilised
The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures.

The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

(a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics; and

(b) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the

lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities as follows:

Classification under IAS 17	Right-of-use assets	Lease liabilities
Operating leases	Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.	Measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019. The weighted-average rate applied was 3.25%.

On 1 January 2019, the Group had no leases classified as Finance leases under IAS 17.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 January 2019.

	Note	31 December 2018 £	IFRS 16 £	1 January 2019 £
Assets				
Current assets				
Trade and other receivables	a	6,175,450	(220,314)	5,955,136
Total current assets		**19,525,917**	**(220,314)**	**19,305,603**
Non-current assets				
Right of use assets	b	–	7,310,712	7,310,712
Total non-current assets		**18,289,777**	**7,310,712**	**25,600,489**
Total assets		**37,815,694**	**7,090,398**	**44,906,092**
Liabilities				
Current liabilities				
Leases	a	–	674,631	674,631
Total current liabilities		**2,686,954**	**674,631**	**3,361,585**
Non-current liabilities				
Leases	a	–	6,415,767	6,415,767
Total non-current liabilities		**144,062**	**6,415,767**	**6,559,829**
Total liabilities		**2,831,016**	**7,090,398**	**9,921,414**
NET ASSETS		**34,984,678**	**–**	**34,984,678**

The nature of adjustments resulting from the adoption of IFRS 16 Leases are described below:

a) Trade and other receivables were adjusted to reclassify the prepaid lease payments recognised in the Statement of Financial Position as at 31 December 2018.

b) Right-of-use assets, relating entirely to operating type leases, was measured at the amount of the lease liability adjusted for prepaid lease payments recognised in the Statement of Financial Position as at 31 December 2018.

c) The following table reconciles the minimum lease commitments disclosed in the Group's 31 December 2018 annual financial statements to the amount of lease liabilities recognised on 1 January 2019:

	Land and buildings £	Other £	Total £
Operating lease commitment at 31 December 2018	8,155,692	27,045	8,182,737
Effect of electing to account for short-term and low value leases off balance sheet	–	(9,203)	(9,203)
Effect of discounting lease commitments at an annual rate of 3.25%	(1,081,812)	(1,324)	(1,083,136)
Lease liability at 1 January 2019	**7,073,880**	**16,518**	**7,090,398**

d) For the year ended 31 December 2019, Profit from operations and EBITDA do not reflect lease payments of £925,521, which would have been reflected within Other expenses under IAS 17. Under IFRS 16 amortisation of the right-of-use assets for the period of £891,794 and an interest expense of £225,646 are reflected in Profit before tax, and this results in a basic earnings per share of 7.56p for the period, compared to 7.75p under IAS 17.

27 Notes supporting statement of cash flows

Significant non-cash transactions from investing activities are as follows:

	2019 £	2018 £
Equity consideration for business combination	7,700,000	–

Non-cash transactions from financing activities are shown in the reconciliation of liabilities from financing transactions below:

	Non-current lease liabilities £	Current lease liabilities £	Current loans and borrowings £	Total £
At 1 January 2019	**6,415,767**	**674,631**	**–**	**7,090,398**
Cash flows	(201,018)	(724,503)	(27,565)	(953,086)
Non-cash flows				
– Lease adjustments	62,568	4,332	–	66,900
– Amounts recognised on business combinations	252,518	21,862	–	274,380
– Liabilities classified as non-current at 1 January becoming current during 2019	(811,106)	811,106	–	–
– Interest accruing in period	201,968	23,678	27,565	253,211
At 31 December 2019	**5,920,697**	**811,106**	**–**	**6,731,803**

28 Events after the reporting date

COVID-19

It is important to acknowledge the impact of COVID-19 on business life. COVID-19 has been and will be a significant challenge, and our business and all our employees will have to adapt to the evolving situation.

All of the Group's 96 staff and directors are remote working from home. This move has been supported by the Group's in-house IT capability, which has benefitted from the significant investment made in IT since its IPO. The Group's law firm, Rosenblatt Limited ("Rosenblatt" or the "Firm"), has always encouraged flexible working as part of its business model. This culture has smoothed the switch to remote working and enabled the Firm to operate at normal capacity.

At Rosenblatt Limited, workflows for legal services since the UK General Election in December 2019 have been strong: chargeable time in the first quarter of 2020 has been strong and there has been no deterioration in invoicing or debt collection. For the corporate finance business within Convex Capital Limited there remains a strong pipeline of transactions, including those that were ongoing at the time of the Government lockdown. However, the lockdown has the potential to delay the completion of certain transactions.

In addition to its regular budgeting, the group has prepared sensitised projections for 2020 and 2021, to assess the impact on business of possible adverse consequences of COVID-19, in particular, failure to complete corporate finance transactions and a fall in legal services work, resulting in reduction in operating cash flow. These projections support the expectation that the Group will be able to continue to trade within its cash resources, which include a £10m Revolving Credit Facility with HSBC, for the foreseeable future. They also demonstrate that the Group's assets are not impaired.

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