RBG Holdings plc
(AIM:RBGP)

Report and Financial Statements
Year ended 31 December 2021

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Company information

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Chairman's statement

Overview

On behalf of the Board, I am pleased to announce our 2021 results. Our performance shows that the Group is benefiting from our strategy to diversify the revenue of the business. A larger more diversified Group has generated improved revenue, EBITDA, and margins.

Our legal services business, RBGLS has had a successful year and is now trading under two brands - Rosenblatt and Memery Crystal. These brands provide clients with a diversified offering, balanced across three main legal areas - Dispute Resolution (via Rosenblatt), and Corporate and Real Estate (through Memery Crystal). The business is beginning to realise the benefits of the integration and resultant scale.

Across RBGLS, we have continued to win new client instructions which reflects our expertise and the high demand for our complementary services. In difficult times like these, people need help to handle complex situations such as business restructurings as well as entrepreneurs who want to participate in M&A. As a result, RBGLS has delivered growing revenue, high margins, and a core KPI for the Group, revenue per fee earner, has remained significantly ahead of industry standards. This is despite a big increase in the number of fee earners following the acquisition of Memery Crystal.

At Convex Capital, after a tough 2020, when deal completions were impacted by COVID-19, the management team re-built a strong pipeline of deals across a variety of sectors. This meant that in 2021, Convex Capital completed 14 deals, generating revenue of £9.4 million (2020: 2 deals, £1.6 million). Since the year end, Convex Capital has completed two further deals, delivering revenue of £1.7 million. As at 28 March 2022, Convex Capital had a strong pipeline of 20 deals with six deals going through due diligence.

The Group has continued to invest and grow its two types of litigation assets – RBGLS' own client matters, and litigation matters run by third-party solicitors through our separately branded business, LionFish. The arrangements, recently announced with an alternative investment manager, has provided LionFish with increased funding to leverage investments and increase returns.

Looking ahead, the Board believes the Group remains in a strong operational and financial position with a solid balance sheet and a strategy to deliver continued profitable growth.

Strategy

The Group's strategy is to build a high margin professional services business with diversified revenue and profit streams. The aim is for no single part of the Group to dominate, and to leverage the expertise across the Group to deliver incremental returns. Using the legal expertise within the Group, we will maximise potential returns by selectively investing in contingent asset classes, such as litigation. This can be achieved through Rosenblatt working on clients' cases on a contingent basis, or by LionFish providing litigation funding to cases being run by third parties.

A key focus of the Group is to grow profit. RBGLS delivers this by maintaining consistently high margins. In 2021, the largely integrated business has done well in delivering revenue of £347,000 per fee earner and a gross margin of 46.1% (2020: £425,800 per fee earner and a 52.1% gross margin).

Our service-led, profit driven business model has enabled us to selectively increase the amount of work we do for clients on a partly contingent basis. This is in exchange for receiving a pre-agreed proportion of any damages awarded within the limits set by the Board for contingent work. This approach means we can increase our margin with one-off settlements, but our pricing strategy will deliver a benefit to the client who would otherwise pay higher amounts to a third-party funder. Rosenblatt has a long-standing track record in picking the right cases, with an 86% success rate over the last 10 years.

In line with our stated strategy, we created a new cash-generation opportunity, with litigation finance sales. By selectively selling a percentage of our participation rights in the contingent cases that RBGLS invests in through Damages Based Agreements, the Group raises working capital. The investment and divestment decisions are driven through a stringent set of criteria, marrying both our commercial expertise with our legal expertise to assess the risk profile of each case. We have adopted a conservative approach to estimates as part of our fair valuing of litigation assets: while accounting standards require the recognition of these investments at fair value, we have currently assessed the fair value to be close to cash disbursed less cash received on disposals in the early stage of the investment cycles.

At LionFish, our strategy has evolved having, in February 2022, agreed a £20 million litigation investment arrangement with a large alternative investment firm. We will now generate income from settlements and our new investments rather than sell participation rights.

M&A

In line with our strategy, we continue to assess M&A opportunities to diversify the business and grow our service offering to clients. Our ambition is to create a broad, high-quality, high margin professional services group. As such, we focus on high-margin, specialist companies which can also create opportunities for cross-referrals. However, we will only do deals at the right price and with the right deal structure.

Each of the acquisitions we have made so far has met these criteria. First, Convex Capital in September 2019, and, in May 2021, Memery Crystal. Memery Crystal has been immediately earnings enhancing and has the potential to generate significant value for shareholders over the long-term.

Dividend

The Group's balance sheet is satisfactory. The Board is committed to its long-term progressive dividend policy. In line with that policy, the Board normally expects to pay up to 60 per cent of distributable retained earnings from the core

business in any financial year by way of dividend, subject to cash requirements.

The Board made a total payment of 5 pence per share for the year 2021 (2 pence paid at the half year and 3 pence at the full year). Based on current outlook, we expect to pay up to 60 per cent of retained earnings in the 2022 financial year by way of dividend, in line with the Group's published dividend policy. Over time, we expect to have opportunities to pay special dividends because of returns generated from the Group's litigation assets.

Executive Incentive Plan ("EIP") & Growth Share Scheme

We have agreed a new EIP as well as Growth Share Schemes for two of the Group's subsidiaries, RBGLS and Convex Capital. The EIP will replace the Group's existing senior executive bonus scheme, and the Growth Share Schemes will replace the Convex Capital flexible commission scheme introduced in 2021, and for the first time, introduce a growth share scheme for RBGLS. These growth share schemes are designed to replicate what would happen in a privately held equity partnership.

Since the Group's admission to AIM in 2018, RBG has delivered significant growth through a combination of organic and acquisition-led performance. Given the growth and evolution of the Group, the Board believes a new remuneration structure is needed to retain and motivate the senior management team and key performing employees, focusing them on long term value creation and aligning their interests directly with shareholders.

Further details of the EIP and Growth Share Schemes can be found in the separate stock exchange announcement issued on 1 April 2022.

Board Appointments

In June 2021, we appointed Patsy Baker and David Wilkinson to the Board as independent non-executives while another Non-Executive Director Victoria Hull retired. Both Patsy and David have brought considerable experience to the Board. Patsy is the Chair of Citigate Dewe Rogerson, a leading global strategic financial communications consultancy, part of Huntsworth Communications which specialises in healthcare and public relations. Patsy was a Non-Executive Director of The Westminster Group plc, a security company listed on AIM, where she chaired the Nominations and Disclosure committees. From 1994 to 2017, Patsy was responsible for Group Client Relationships and Business Development at Bell Pottinger. There, Patsy used her extensive networks to advise boards on leadership and corporate reputation within the UK financial and business communities.

David Wilkinson is an experienced Non-Executive Chairman and Director, with a history of advising fast-growth, entrepreneurial businesses and professional practices. He is Senior Independent Director and Audit Committee Chair at Saietta Group plc, an electric motor business which floated on AIM in July last year and is Audit Committee Chair at Marks Electrical Group plc, an online domestic appliance retailer, which also floated on AIM last year. He chairs two private companies, CH Bailey, a formally AIM-listed business in overseas commercial and hospitality property, and Goal Group, a UK market leader in technology-based reclamation of withholding tax and legal class action proceeds. He is also a Non- Executive Director of Verso Biosense, a medical technology spinout from Southampton University.

Following the appointment of David and Patsy, the Board now consists of two executive directors and four non-executive directors, providing a blend of different experiences and backgrounds. All non-executives are considered independent. David and Patsy have joined the Remuneration Committee, Nomination Committee and Audit Committee of the Board of the Group with David the Chair of the Remuneration Committee.

Ukraine

In response to the Russian invasion of Ukraine, the Group immediately reviewed any relationships across the business with Russian companies and individuals to ascertain if we were acting for any individual or corporate client that did not comply with the UK's sanctions regime. Overall, we have limited exposure through our law firms – Rosenblatt and Memery Crystal - while neither Convex Capital or LionFish have any Russian clients.

People

The strength of the Group is in our ability to retain and attract high-quality people. This is evidenced by our performance, and I want to thank everyone for their hard work. I would also like to thank shareholders for their continued support.

Keith Hamill
Chairman

31 March 2022

Chief Executive's statement

Overview

The Group continues to evolve into a diversified, high-quality professional services group with a litigation finance business leveraging the Group's legal expertise. We are building a broad revenue base that removes dependence on any one income generator. The combination of Memery Crystal with the Group's pioneering law firm Rosenblatt means we have built one of London's premier mid-tier law firms providing quality advice to entrepreneurs and high net worth individuals.

Overall, the Group has performed well despite the challenges of the pandemic. Our legal services business, RBGLS, has contributed to the strong professional services revenue generated by the Group. This includes our sell-side M&A advisory boutique, Convex Capital, which has had an exceptional year, and this has been augmented by the acquisition of Memery Crystal. We are already seeing the delivery of greater profits as the integration of Memery Crystal has improved our operating efficiency as we combine business support functions.

As a result of the strong performance across the Group, with each subsidiary exhibiting growth, our revenue (and gains on litigation assets) was up 86.7% to £47.2 million (2020 restated: £25.3 million) at a gross margin of 42.0% (2020 restated: 41.5%). Organic growth was up 19.6% with revenue to £26.8 million (2020 restated: £22.4 million) and organic adjusted EBITDA has grown 29.6% to £9.4 million (2020 restated: £7.2 million).

Convex Capital completed 14 deals and £9.4 million of revenue in 2021 (2020: 2 deals and £1.6 million). Importantly, deal flow momentum remains strong, and the pipeline of opportunities continues to grow.

We continue to invest in litigation assets, with 23 active deals across RBGLS and LionFish. LionFish has invested in 11 deals since its inception in May 2020 with one already completed. There were gains on litigation assets during the year of £5.2 million (2020 restated: £2.8 million).

Group EBITDA increased to £12.9 million (2020 restated: £9.9 million) at a margin of 27.4% (2020 restated: 39.0%) due to the acquisition of Memery Crystal. As previously disclosed, we target an EBITDA margin of 35% or more. Adjusted EBITDA was £13.8 million (2020 restated: £7.2 million) at a margin of 29.2% (2020 restated: 28.6%).

The Group's profit before tax was £9.2 million (2020 restated: £7.4 million) and profit after tax was £7.3 million (2020 restated: £6.4 million).

Our balance sheet remains satisfactory. Our net debt position was £14.2 million versus net cash of £3.5 million in 2020. This change reflects the investment in Memery Crystal and the £10.0 million term loan to fund the acquisition, which will be paid down over three years. The Group has a £15.0 million revolving credit facility of which £10.0 million has been drawn. Our balance sheet will support our long-term growth plans, including acquisitions, continued investment in litigation investment opportunities, and future dividends.

RBG Legal Services Limited ("RBGLS")

Following the completion of the acquisition of Memery Crystal in May 2021, the Group has combined its two law firms, Rosenblatt, and Memery Crystal, into a new legal services corporate entity called RBG Legal Services Limited ("RBGLS"). This approach will enable the Group to fully realise the transaction's synergies. The business is almost fully integrated and is now based at one office on Fleet Street in London. The final part of the integration which is putting both businesses on a single practice management system, is expected to be completed in the last quarter of 2022.

Rosenblatt and Memery Crystal retain their own brand identities and continue to operate as two separately branded law firms (under the umbrella of RBGLS as the regulated entity). From November 2021, the two brands became aligned to contentious (Rosenblatt) and non-contentious (Memery Crystal) legal services to reflect their position within the legal services market.

As at 31 December 2021, RBGLS employed 193 people, including 137 fee earners, with a strong offering to clients across Dispute Resolution, Corporate and Real Estate practise areas. The acquisition of Memery Crystal has significantly enhanced the Group's scale and ability to win non-contentious mandates as well as improving the new business pipeline, diversifying the revenue contribution by department, and delivering a more balanced legal business.

Due to the strong demand for its services, revenue (and gains on the sale of assets) was up 61.4% to £33.7 million (2020: £20.9 million). The consolidated business has helped diversify the legal services business. We have a balanced business across the key areas, Dispute Resolution, Corporate and Real Estate. As a result of the acquisition of Memery Crystal, Dispute Resolution is now a more balanced part of our business giving a natural hedge to the changing environment.

As well as the financial metrics, the Company has performed well in terms of the other KPIs of focus. The average revenue per fee earner was £347,000 (2020: £425,800), reflecting the diversification of the legal services business into more non-contentious areas of law, following the acquisition of Memery Crystal. These areas are less profitable due to fixed fees and are yet to fully benefit from the integration. However, these areas provide a natural hedge to Rosenblatt's focus on Dispute Resolution. Our revenue per fee earner is still within the top 20 of the Legal 100.

In line with its strategy, RBGLS has delivered a managed increase in the amount of contingent work it has taken on, enabled by the Group's solid balance sheet, with net assets of £60.8 million (2020 restated: £47.0 million) and a banking facility to support our growth strategy. These investments are always taken in consideration of delivering a balanced investment strategy within the limits set by the Board to ensure the business is not overly exposed to contingent cases. Such litigation cases need to pass the Group's stringent legal and commercial review process. Importantly, as RBGLS' revenue and profit grow we can enter into more Alternative Billing

Arrangements (ABAs), which generate incremental margins on a successful case outcome. No revenue is recognised by the Company until the result of the case has occurred. Such revenue is considered contingent.

During the year, RBGLS invested a further £2.8 million in external disbursements and counsel fees in relation to its litigation investments. The amount of contingent work carried out by the legal services business during the period was £3.4 million (2020: £2.1 million). As at 31 December 2021, RBGLS had invested a total of £7.6 million in external disbursements and counsel fees in 13 litigation investments, with a total contingent WIP of £11.3 million.

LionFish Litigation Finance Limited ("LionFish")

Since our IPO in 2018, our strategy has been to develop our own litigation finance business as an important pillar of the Group. The Group initially just invested in Rosenblatt's own client matters, but on 1 May 2020 the Group launched LionFish. LionFish finances litigation matters being run by other solicitors in return for a significant return on the outcome of those cases. Lionfish exclusively funds third party solicitors and does not fund any RBGLS contingent cases. As such, the Group now has two types of litigation investments – RBGLS's own client matters, and litigation matters run by third-party solicitors. Both types of litigation investments not only have significant return potential, but they represent an opportunity to extract further value from the Group's legal and commercial expertise and diversify its sources of income.

Before investing, LionFish utilises the expertise of Rosenblatt which has a proven record of evaluating the legal merits of a litigation matter to optimise its profit. By leveraging this ability, alongside the origination capabilities of LionFish, and the Group's commercial acumen, the Group can identify potentially profitable third-party litigation cases and make investments with strong risk-adjusted returns. We have a strict investment process where the cases go through an initial review, before a more stringent legal and commercial review, and finally a full review by the Group's investment committee. The process is efficient and customer-focused, aiming for a quick decision and turnaround.

As at 31 December 2021, LionFish had received 517 enquiries for finance: 45 remain under consideration and 448 were rejected; an 87% rejection rate on concluded enquiries. Based on the Group's strategy to target a return of two times the money invested, since its launch, Lionfish has invested in 11 cases with £10.5 million committed (with £3.7 million drawn down) over the life of the cases, which is circa three years. One case has completed delivering a return of two times the money invested.

I believe it is important to reiterate the conservative approach we adopt towards the handling of, and accounting for, our litigation investments. While accounting standards require the recognition of these investments at fair value, we have currently assessed the fair value to be close to cash disbursed less cash received on disposals in the early stage of the investment cycles, which means fair values do not materially exceed net cash disbursed, as well as having rules limiting the Group's cash and revenue exposure.

Since launch, LionFish has delivered further revenue from sales in participation rights from litigation finance business beyond Rosenblatt's own client matters. In 2021, LionFish delivered £3.1 million of participation rights sales (2020 restated: £2.6 million). There were gains on litigation assets of £4.1 million (2020 restated: £2.8 million). While litigation finance sales help manage the Group's litigation investment exposure, it is also part of a strategy to create a secondary market for litigation investments.

The LionFish strategy and scale has evolved since the year-end. On 15 February 2022, the Group announced that LionFish had agreed a £20.0 million litigation investment arrangement (the "Arrangement") with a large alternative investment firm (the "Firm"). Under the terms of the Arrangement, the Firm will participate in all of LionFish's litigation investments, investing up to 75% in each of LionFish's investments across the portfolio over a two-year period. LionFish will be entitled to receive a significant share of the returns of the Arrangement after a high single-digit return hurdle has been met, therefore providing significant additional potential returns to LionFish beyond its own investment. It means that the Group will now look to generate income from LionFish's settlements and new investments, and we will not look to sell participation rights.

LionFish will have sole discretion in terms of which investments to pursue within a broad set of agreed parameters (similar to LionFish's current investment parameters). The focus of the Arrangement will be on maintaining LionFish's highly selective, quality-focused investment standards, without any undue deployment pressure. LionFish will also be responsible for the administration of each underlying litigation investment.

The Arrangement provides LionFish with significant additional capital flexibility in the investments it makes, allowing it to manage a more diversified and granular portfolio of risks off balance sheet, as well as to move away from the investor sales model currently being used to reduce risk. By partnering with a large alternative investment manager, LionFish has the opportunity to extend or repeat the Arrangement on a rolling basis, potentially providing a long-term flexible capital source that can grow in line with the business. The Arrangement has been approved by RBG's banking partners and is not a debt or credit facility. The Group's balance sheet will remain unchanged as a result of the Arrangement.

Convex Capital

Convex Capital, the specialist sell-side corporate finance advisory business based in Manchester, was acquired by the Group in September 2019. Convex Capital is entirely focused on helping companies, particularly owner-managed and entrepreneurial businesses, realise their value through sales to large corporates or private equity companies.

Convex Capital identifies and proactively targets businesses that it believes represent attractive acquisition opportunities. Convex has a motivated, dynamic team of 12 people, of which 11 are fee-earners.

The acquisition of Convex Capital was part of the Board's strategy to diversify the Group beyond legal services, focusing on other high-margin professional service areas. Convex Capital is an entrepreneurial, cash-generative business operating across the UK and Europe and provides the Group with further funds for reinvestment into other high-margin areas.

During 2021, Convex Capital completed fourteen deals and delivered £9.4 million of revenue. The strength of its pipeline and the agile nature of the business has enabled Convex Capital to accelerate deals that COVID-19 has not affected. Since the year end, Convex Capital has completed two further deals, delivering revenue of £1.7 million. As at 28 March 2022, Convex Capital had a strong pipeline of 20 deals, with six deals going through due diligence.

The business is actively building its target pipeline with a data-driven approach to generate deals rather than the traditional passive model where the target company waits to be approached and then appoints a corporate finance partner.

Last year the management of Convex Capital failed to achieve the earn-out agreed at the time of acquisition because of the economic environment. For 2021, the earn-out was replaced with a one-off commission agreement for the key directors. Under the arrangement, the directors exchanged salary for commission based on deal completion. A commission of 20% was earned on all completed deals, and 50% of that success fee was used to purchase shares in RBG. During 2021, a total of 556,153 shares were acquired through the commission arrangement. The new Growth Share Scheme will replace the flexible commission scheme used in 2021. Further details of the Growth Share Scheme can be found in the separate stock exchange announcement issued on 1 April 2022.

Outlook

The Group is performing well despite the continuing impact of COVID-19, the situation in Ukraine and current inflationary pressures. RBG remains well-positioned to deliver profitable growth as we progress through the second half of the year. Over the last year, we have worked hard to grow our services, adapt the Group to changing client needs and build our litigation finance business. Our strategy of diversification has provided protection through the pandemic and has enabled the Group to further progress towards its ambitious goals. The Group remains disciplined in its approach to M&A and will continue to review potential opportunities according to its selective criteria.

Overall, the Group had an excellent 2021 which is reflected in our improved revenue and profit growth. With strong demand for all the Group's services, we delivered the upgraded market expectations for the 2021 full year. While acknowledging that economic conditions continue to be volatile, we look forward to the coming year with optimism and are excited about the long-term prospects for the Group.

Nicola Foulston
Group Chief Executive Officer

31 March 2022

Chief Financial Officer's review

The financial results contain a restatement of the prior year figures. The restatement is described fully in Note 30 and summarised below:

- Reclassification of contracts for insured litigation assets, which were previously treated as sales, which do not meet the derecognition requirements of IFRS 9 para 3.2.2.
- Restatement of the fair value of the uninsured contracts to correct an error in the previous valuation.

The Consolidated statement of financial position adjustments increased litigation assets by £274,356, increased trade and other payables by £575,000, reduced current tax liabilities by £57,122 and reduced equity by £243,522. The Consolidated statement of comprehensive income adjustments decreased gains on litigation assets by £300,644 and reduced tax expenses by £57,122.

Financial Review

During 2021 we have continued to build on our strong track record of profitability. Revenue and EBITDA is increasingly coming from diverse sources while we continue investing in the growth of the business. The Group is well positioned to deliver its growth strategy through product diversification, carefully selected acquisitions and high-quality litigation investments.

Key Performance Indicators (KPIs)

- Group revenue (including gains from litigation assets): £47.2 million (2020: restated £25.3 million)
- Revenue including gains from litigation assets and adjusted EBITDA have increased 86.7% and 91.0% respectively
- Organic business revenue has increased 19.6%
- Adjusted EBITDA £13.8 million, representing 29.2% of revenue and gains on litigation assets (2020 restated: £7.2 million, 28.6%)
- EBITDA: £12.9 million, representing 27.4% of revenue and gains on litigation assets (2020 restated: £9.9 million, 39.0%, includes £2.6 million of the released deferred earn out not earned)
- Adjusted Profit before tax: £10.1 million, representing 21.4% of revenue and gains from litigation assets (2020 restated: £4.8 million, 18.9%)
- Profit before tax: £9.2 million, representing 19.6% of revenue and gains on litigation assets (2020 restated: £7.4 million, 29.3%)
- Net debt of £14.2 million (2020: net cash of £3.5 million) reflecting new £10.0 million term facility. The Group has a new £15.0 million revolving credit facility which is available to support the growth of the business
- Total Lockup was 109 days (2020: 99) of which Debtor Days were 59 (2020: 47)
- RBG Legal Services revenue per fee earner: £347,000 (2020: £425,800)
- RBG Legal Services Utilisation/ Realisation was 84%/86% (2020: 89%/106%)

Revenue and Gains on Litigation Assets

Reported Group revenue and gains on litigation assets for the period is £47.2 million compared to £25.3 million in 2020 (restated), representing an 86.7% increase.

Of this increase, 26.8% (or £6.8 million) was a result of the organic business as Convex Capital and LionFish delivered ahead of last year and the remainder was delivered from the newly acquired business. Gains on Litigation Assets were £5.2 million against £2.8 million in the previous year (restated). LionFish delivered £4.1 million of the gains against £2.8 million last year (restated).

Combined professional services revenue is up 87.0% to £42.0 million from £22.4 million in 2020, this growth is driven, in part by the acquisition of Memery Crystal. Legal services revenue for RBGLS, within professional services, is up 56.1% to £32.6 million from £20.9 million in 2020. There was a strong performance from Convex Capital with £9.4 million of revenue, completing 14 deals, against £1.6 million of revenue in 2020, completing two deals.

Divisional highlights

RBGLS

- Total revenue and gains on litigation assets of £33.7 million, (2020: £20.9 million, RB only)
- Legal services revenues: £32.6 million, up 56.3% on last year (2020: £20.9 million, RB only)
- Legal Services business is now integrated and trading under the two brands
- Staff numbers are 193 (2020: 73, RB only) of which 137 are fee earners (2020: 43, RB only)
- Revenue mix across the business is now more evenly split across Dispute Resolution, Corporate and Real Estate
- Dispute Resolution continued to perform well, in addition to taking on more contingent work with associated unrecognised time worked of £3.4 million
- EBITDA is 27.0% of revenue and gains on litigation assets (2020: 35.1% of revenue and gains on litigation assets, RB only)
- Average revenue per fee earner £347,000 (2020: £425,800, RB only)
- Total Lockup was 109 days (2020: 99, RB only) of which Debtor Days were 59 days (2020: 47, RB only)

LionFish

- Successfully realised litigation asset sales in five cases with proceeds totalling £3.1 million (2020 restated: £2.6 million)
- These gains are from where LionFish 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 £1.8 million in ten cases (2020: £1.8 million in 7 cases), with a full commitment of £10.5 million if funded through to trial over the next 2-3 years
- During the year successfully completed the first case and delivered a return of two times money invested as per the strategy

Rosenblatt

- Successfully realised litigation asset sales with proceeds totalling £1.8 million (2020: £0.4million)

Convex Capital

- Completed fourteen transactions in the year, generating revenue of £9.4 million (2020: £1.6 million) and EBITDA of £4.2 million (2020: EBITDA loss £0.9 million)
- During the year the senior team had a one off 20% commission scheme based on completed deals

Staff costs

Total staff costs in 2021 were £27.4 million (2020: £14.8 million), which includes £4.8 million for Convex (£3.3 million in relation to the Directors bonus scheme of 20% of completed deals, of which 50% was re-invested in RBG shares), £0.6 million for LionFish and £19.6 million from RBGLS. The average number of employees for the Group was 175 (2020: 90). The acquisition of Memery Crystal has added 128 staff to the Group's headcount, RBGLS at the end of the period totalled 193 (2020: 73), of which 137 are fee earners.

Overhead costs

During 2021, the Group incurred overheads of £34.3 million (before depreciation and amortisation) (2020: £15.4 million). Staff costs were £27.4 million (2020: £14.8 million), of which contractors' costs were £3.0 million (2020: £3.2 million).

Other operating costs were £6.9 million (2020: £0.6 million, includes a deduction of £2.6 million for the deferred consideration release), of which the cost of the acquisition represented £0.9 million. Other costs including insurances of £1.5 million (2020: £0.7 million), rates £0.7 million (2020: £0.3 million), training and recruitment £0.6 million (2020: £0.3 million).

Operationally, there remains a significant focus on IT and in 2021 we invested in Adnitor Limited to deliver cost effective IT solutions (details of which are included in Note 17). We have invested sensibly over recent years and further enhanced both our internal and client facing experiences of IT usage.

EBITDA and Adjusted EBITDA

In assessing performance, the Group uses EBITDA as a KPI, the acquisition of Memery Crystal will initially suppress our Group EBITDA but will eventually increase it as the integration benefits fully flow through in 2022.

EBITDA for 2021 was £12.9 million (27.4% of revenue and gains on litigation assets) (2020 restated: £9.9 million, 39.0%, which includes non-trading adjustment of £2.6 million release of deferred earn out). This includes £0.9 million for costs of acquiring a subsidiary and excluding this non-underlying item gives an Adjusted EBITDA of £13.8 million (29.2% of revenue and gains on litigation assets) (2020 restated: £7.2 million, 28.6%).

Profit Before Tax

Profit before tax for 2021 was £9.2 million representing 19.6% of revenue and gains on litigation assets (2020 restated: £7.4 million, 29.3% of revenue). This includes the £2.6 million Convex deferred consideration write back and excluding this gives profit before tax for 2020 (restated) of £4.8 million, representing 18.9% of revenue and gains on litigation assets.

Adjusted profit before tax was £10.1 million representing 21.4% of revenue and gains on litigation assets (2020 restated: £4.8 million, 18.9%.

Earnings Per Share (EPS)

The weighted average number of shares in 2021 was 91.4 million which gives a basic earnings per share (Basic EPS) for the period of 7.63 (2020 restated: 7.29p).

2020 earnings included £2.6 million write back of the deferred Convex Capital earn out.

Corporation tax

The Group's tax charge for the year is £2.0 million with an effective tax rate of 21.3% (2020 restated: £1.0 million, 10.5% which was impacted by Convex deferred consideration write back which is non-taxable income).

Following the announcement made in the Chancellor's Spring Budget regarding an increase to the UK corporate tax rate from 19% to 25% from 1 April 2023, the Finance Bill 2021 was subsequently enacted on 24 May 2021. As IFRS requires deferred tax to be measured at tax rates that have been subsequently enacted at the reporting date, the Group's deferred tax balances have been re-measured accordingly and the impact has been reflected within the consolidated financial statements (full details can be found in Note 9).

Balance Sheet

	2021 £m	2020 £m
Goodwill, intangible and tangible assets	86.0	48.2
Current Assets	18.6	7.8
Current Liabilities	(12.7)	(6.0)
	91.9	**50.0**
Net debt	(14.2)	3.5
Non-Current Liabilities	(14.7)	(5.4)
Deferred consideration	(2.2)	(1.1)
Net assets	**60.8**	**47.0**

Chief Financial Officer's review
continued

The Group's net assets as at 31 December 2021 increased by £13.8 million on the prior year due to the increase in goodwill and intangible assets resulting from the acquisition of Memery Crystal and an increase in the profitable trading for the period.

Goodwill, Tangible and Intangible Assets

Included within tangible assets is £15.9 million (2020: £5.8 million) which relates to IFRS 16 right of use assets for the Group's leases. Within total intangible assets of £55.9 million (2020: £35.4 million), £21.1 million relates to current year acquisitions and have been attributed between goodwill, customer contracts and brand. The Company has considered the amounts at which goodwill and intangible assets are stated on the basis of forecast future cash flows and although these are subjected to unusually high levels of general uncertainty due to COVID-19, concluded that that these assets have not been materially impaired.

Working Capital

Management of lock up has continued to be a key focus of the Group over the period. For the Legal Services business, 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. In Convex and LionFish invoices are raised and cash is received at the point of deal completion. Lock up is a key focus for management and the Board, as cash generation is a Group focus. Lock up days at 31 December 2021 were 109 (2020: 99), with debtor days being 59 (2020: 47). This has increased as the business has become more balanced and driven by non-contentious transactions which have longer payment terms. Trade debtors less provision for impairment at the end of the year were £9.6 million (2020: £3.4 million), reflecting the scale up of the business after the acquisition. Equally contract assets at the year end was £6.0 million (2020: £3.0 million) again reflecting the newly consolidated business and the doubling in the size of RBGLS.

Net Debt

We have a new revolving credit facility (RCF) of £15.0 million and a new acquisition term loan of £10.0 million repayable over three years. Our net debt position at the year end was £14.2 million (net cash 2020: £3.5 million) leaving a substantial part of the RCF facility available. This positions the Group well to deliver its strategy into 2022 and support the business through any uncertainty.

Cash Conversion

	2021 £m	2020 £m
Cash flows from operating activities	12.6	10.0
Movements in working capital	(0.7)	4.1
Increase in litigation assets	(4.7)	(4.5)
Net cash generated from operations	**7.2**	**9.6**
Interest	(0.7)	(0.4)
Capital expenditure	(0.1)	(1.2)
Free cash flow	**6.4**	**8.1**
Underlying profit after tax	7.3	6.4
Cash conversion	**88%**	**125%**

The cash conversion percentage measures the Group's conversion of its underlying profit after tax into free cash flows. Movements in working capital have been adjusted for deferred consideration payments made to Memery Crystal in the current year and Convex in the prior year. Net cash generated from operations includes £0.3 million (2020: net cash outflow £3.7 million) of net litigation investments. Cash conversion of 88% (2020 restated: 125%) was impacted by the acquisition during the year as shown in the movement in working capital in 2021.

Net Debt / Net Cash and cash equivalents

Net debt at the end of the period was £14.2 million (2020: £3.5 million net cash). The net decrease in cash and cash equivalents of £8.8 million for the period included £6.1 million of inflows generated from operating activities (including £4.7 million of further investments in litigation assets). Investing activities gave rise to an outflow of £16.9 million, of which £15.4 million related to the cash element of the acquisition of Memery Crystal. Inflows from financing activities of £2.0 million is predominantly made up of net £9.0 million of term loan to fund the acquisition less £4.4 million in dividends and £2.5 million payments of the term loan and lease.

Summary

We are pleased with the profitability and performance of the Group during the year; we have integrated a significant business in Memery Crystal and still delivered results. Convex Capital has come back to a normalised state and LionFish is progressing. The business is performing well despite the continuing impact of COVID-19, the fast-evolving situation in Ukraine and current inflationary pressures. However, it is important to acknowledge the impact of these events on business life, as they will be a significant challenge moving forward.

Robert Parker
Chief Financial Officer

31 March 2022

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 legal and professional services and the funding of litigation assets through its litigation finance business. The Group joined the AIM market on 8 May 2018 with a view to grow a high margin professional services offering and set up and grow a litigation financing business to leverage its asset base and diversify its revenue streams. As part of the listing the Group purchased the trade and specific assets and liabilities of Rosenblatt Solicitors, an established legal firm in the Group's target market. On 16 September 2019 the Group acquired Convex, a specialist sell-side corporate finance boutique and during 2020, the Group launched LionFish, a provider of finance to the third-party litigation market. On 28th May 2021, the Group acquired Memery Crystal, a full service legal services business, which has now been integrated with RB to produce a leading mid-tier, high margin legal services business under RBG Legal Services, trading under its two brands Memery Crystal for non-contentious work and RB for the contentious work. As the Group enters its fourth year since Admission to AIM, the Board has re-considered the strategy adopted at Admission and has concluded that the market for its services continues to support this strategy.

Rosenblatt became an Alternative Business Structure ("ABS") with effect from 8 May 2018. 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 legal and non-legal professional services businesses, to launch its own litigation finance business and finally to incentivise its people by offering wider and earlier ownership to staff of a more modern, dynamic business.

The Group continues to pursue a strategy of:

- pursuing opportunities to grow organically
- making selective acquisitions, including
    - other legal firms which offer additional specialist services and
    - professional service businesses offering complementary services
- aligning the interests of shareholders (including employee shareholders) with those of the business through share participation to support retention of staff and enhance our recruitment appeal

Organic growth strategy

RBGLS
Trading under its two brands – Rosenblatt for Contentious Law (Dispute Resolution) and Memery Crystal for Non-Contentious (Corporate and Real Estate)

The UK legal services market continues to exhibit growth and clear opportunities exist for RBGLS to continue to differentiate its service offering and grow organically, in particular from:

- The retention of existing employees, working together to deliver a truly valued service that at its core delivers client satisfaction by looking after our clients' businesses as if they were our own
- Attracting new talent wishing to be part of an entrepreneurial, pioneering law-led professional services group
- Collaborative group-wide and cross service working
- Expanding our client base of owner managed, entrepreneurs and high net worth individuals
- Continued strengthening of our network, offering a quality, value- legal service to mid-market clients in the markets in which they trade
- Delivering solutions and making difficult things possible
- Continuing to build upon our straight talking mid-market corporate and real estate service offering
- Expansion of specialist areas such as contentious employment, white collar crime and insolvency

Convex Capital
Continue to offer sell-side M&A services to owner managed or entrepreneurial businesses across the UK & Europe.

LionFish
Continue to build and develop our portfolio of investments and funding to third party law firms with the litigation market. Introducing funding partners that want to invest in our expertise and increase our potential to fund an ever growing portfolio of opportunities.

Over the last 12 months the total number of staff across the group has continued to increase and is now approximately 256 at the date of this report. Recruitment has once again been active during the year at all levels across all businesses.

Acquisitive growth

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

We provide an attractive platform for target businesses to support their continued growth.

Since our Admission to AIM in 2018 we have acquired the assets and trade of Rosenblatt (now RBL Law) Limited in 2018 Convex Capital in 2019 a specialists sell side M&A business to the Mid-Sector and launched LionFish Litigation Finance Limited in May 2020 and acquired Memery Crystal the full service law firm in May 2021

The Board will continue to seek to grow the group by:

- being well positioned, as a result of its more flexible corporate structure, to take advantage of consolidation within the UK legal services industry
- acquiring legal teams or firms offering new niche services, sector specialism, or an opportunity to enter new geographic markets deemed strategic acquiring complementary professional services businesses (facilitated by the Group's alternative business structure)

Incentivisation

We have agreed a new EIP as well as Growth Share Schemes for two of the Group's subsidiaries, RBGLS and Convex Capital. The EIP will replace the Group's existing senior executive bonus scheme, and the Growth Share Schemes will replace the Convex Capital flexible commission scheme introduced in 2021, and for the first time, introduce a growth share scheme for RBGLS. These growth share schemes are designed to replicate what would happen in a privately held equity partnership.

Since the Group's admission to AIM in 2018, RBG has delivered significant growth through a combination of organic and acquisition-led performance. Given the growth and evolution of the Group, the Board believes a new remuneration structure is needed to retain and motivate the senior management team and key performing employees, focusing them on long term value creation and aligning their interests directly with shareholders.

Further details of the EIP and Growth Share Schemes can be found in the separate stock exchange announcement issued on 1 April 2022.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chief Financial Officer's review on pages 10 to 12, together with the financial position of the Group, its cash flows, liquidity position and borrowing facilities.

Financial projections have been prepared to March 2023, the going concern review period, and form part of a three-year plan which show positive earnings and cash flow generation and projected compliance with banking covenants at each testing date. Over the last two years the COVID-19 situation has created an unprecedented and constantly changing challenge to all businesses. The process of monitoring the impact of COVID-19, the fast evolving situation in Ukraine and current inflationary pressures on the Group's financial performance and liquidity is ongoing. The Group has applied sensitivities informed by the performance of the Group since the onset of the pandemic, including the Group's utilisation, fee generation, deal completions and cash collections since March 2020 to December 2021 into its current financial projections based on various downside scenarios. This illustrates the potential impact from a loss of utilisation in the Group's personnel during home working, a loss of capacity from staff being unable to work due to sickness, a reduction in client activity by service line and business segment, constraints in the Group's ability to on-board new clients during 2022 and 2023 outside of those already contracted and increased expenditure due to inflationary pressures.

This process included a reverse 'stress test' used to inform downside testing which identified the break point in the Group's liquidity. Whilst the sensitivities applied do show an expected downside impact on the Group's financial performance in future periods, for all scenarios modelled the Board have identified the appropriate mitigating actions to ensure that the Group maintain a robust balance sheet and liquidity position. Possible mitigating actions considered include reducing dividend payments, lowering capital expenditure, reducing the amount of funding allocated to new litigation investment opportunities, reductions in personnel and overhead expenditure and other short-term cash management activities within the Group's control as part of their assessment of going concern.

Furthermore, as an extra safeguard to support the Group's liquidity position in light of the ongoing pandemic, the Board has worked closely with its supportive banks in order to find the right balance between revolving credit facility and term loan facility levels, during the year we increased our RCF to £15.0 million and used a term loan to help finance the last acquisition, a £10.0 million facility that is repaid over 5 years.

The Group expects to be able to operate within the Group's financing facilities and in accordance with the covenants set out in all available facility agreements. Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they have adopted the going concern basis of accounting in preparing the annual Group financial statements.

Principal risks and uncertainties

The Board monitors both existing and emerging risks, recording these in a risk register and regularly assesses their status. 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.

Demand for services provided by RBG Holdings PLC in the markets and sectors in which it operates

We operate in a number of industry sectors and geographies and demand for our services can be affected by global, regional or national macro-economic conditions, for example the ongoing situation in Ukraine and continued inflationary pressures. We operate in a competitive environment, where other Professional Services Firms seek to deliver similar services to its clients. Changes in demand for our services and products can significantly impact revenues and profits.

Chance medium, impact high
Mitigating Factors
In response to anticipated changes in demand and competitive pressures, the Group has continued to develop our offerings and de-risk any reliance on any one fee earner or business. Our business is focused on profitable revenue and the management of resource within this model is key to the Groups' success. Our acquisition strategy has delivered a more diversified business; we have grown our fee earning base.

Development and retention of key client relationships

The Group contracts with clients for the delivery of services and or funding. A large portion of our work is case or project based over varying lengths of time. Some of these relationships can develop to delivering a range of our services to returning and new clients. However, there is considerable choice within our sectors and clients can change based on price or change of preferred supplier. Failure to develop and retain clients could result in a significant reduction in the Groups revenue and profit.

Chance low, impact medium
Mitigating Factors
The Group delivers high quality and valued services that promote and enhance client relationships. We deliver valued services in demanding cases and projects, where we see ourselves and doing difficult things in difficult environments. We have flexible contracting models that are focused on commercial success for our clients and us as a business. We have a continued focus on the delivery of high value solutions that exceeds clients' expectations.

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.

Chance medium, impact high, change in risk: no change

Mitigating Factors
Recruitment is led by our professional HR team and the talent management team within that, this includes senior members of the business, with all professional staff being interviewed by senior managers and people within the business. 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.

Reputation

The success of the Group's business depends on the maintenance of good client relationships and its reputation for providing high-quality, highly valued 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 Rosenblatt's involvement (as an adviser or as a litigant) in high-profile or unpopular legal proceedings. Rosenblatt 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, Convex, LionFish or Memery Crystal be damaged in any way or lose market appeal, the Group's businesses could be adversely impacted.

The chance is considered medium and the impact high, change in risk: no change

Mitigating Factors
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 and information systems

The Group places significant reliance on its IT systems, any loss of these 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 is in the process of transitioning to a new practice management system ("PMS"). With any transition of this nature there is a risk to data retention and integrity as well as business continuity.

Chance is medium and impact is high, change in risk: no change

Mitigating Factors
The Group monitors the resilience of it information systems and other facilities on an ongoing basis. The Group, and external partners assisting in the development and implementation of the new system have undertaken risk assessment procedures and believe that adequate safeguards are in place to minimise the risk of loss or disruption to the business

Cyber risk

Due to the nature of the Group's business and its reliance on IT platforms, the Group is susceptible to cyber risks. This risk continues to increase within the legal and other professional services sectors. The risk relates primarily to the malicious hacking of the Group's and/or client data or ransom attacks.

Chance was high to medium last year and the impact was high, the risk continues and has changed to high chance and high impact

Mitigating Factors
The Group are aware of the increasing cyber risk and have an ongoing programme to implement controls and procedures to mitigate this risk. External advice is sought as appropriate. 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 the delivery of its internal and client facing IT provision. The Group regularly reviews its security arrangements, in order to identify and subsequently address weaknesses within the current systems. The Group has a cyber insurance policy in place to help to mitigate this 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, 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.

The Group has in place a business continuity plan that is reviewed as appropriate.

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.

Chance low and impact medium, change in risk: no change

Mitigating Factors
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. RBGLS and RBL Law Limited are currently Licensed Bodies. 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 approved 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.

Chance is low and impact is medium, change in risk: no change

Mitigating Factors
The Directors of RBGLS 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 RBGLS, 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 although management processes are in place to mitigate this risk, it cannot be removed in full.

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.

Chance is low, impact is medium, change in risk: no change

Mitigating Factors
The business has recruited a professional financial team and they have implemented reporting and systems of internal control that are deployed within the Group that are designed to comply with the applicable regulatory requirements (for example to protect client monies) and to prevent financial loss and deliver a true and fair picture of the businesses finances. We are investing in RBGLS' compliance team to ensure that the business manages risks and complies with the Solicitors Accounts Regulations. Remedial action necessary for any breaches identified during the year or as part of the annual review is communicated to RBGLS 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.

Chance low, impact medium, change in risk: no change

Mitigating Factors
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.

Litigation Investments

The business invests in litigation Assets, the funding of Litigation cases for third parties. By their nature these are high risk investments, the cases are complex and challenging.

Chance medium, impact high, change in risk: no change

Mitigating Factors
The business has employed experienced professionals and put in process a series of reviews from both Legal and commercial areas of the Group, within the process all cases are fully vetted and taken through stages of Investment committees to ensure there is full due process with each investment decision.

Management have considered the principal risks and uncertainties faced by the Group for the year and where applicable have added to those we disclosed last year.

Continued impact of COVID-19

The COVID-19 pandemic has created an unprecedented and constantly changing challenge to all businesses with no clear end-point. Whilst the risk to the Group is reduced, as the business model is adaptable to homeworking and hybrid-working we believe that there are still risks posed by the continuing COVID-19 pandemic including:

- Loss of efficiency due to further disruption impacting clients, causing delays in projects due to ongoing changes in their working practices
- Loss of projected capacity due to team members being incapacitated or having to care for other family members
- Loss of productivity due to hybrid working creating complexities between remote working and office based working
- Fewer promotional events and a lack of face to face meetings with clients may cause a decrease in instructions although this is mitigated by strong personal relationships and the increased use of web based communication channels

Chance was considered medium to high last year and the impact low, change in risk: the risk continues and has changed to medium and low impact.

Mitigating Factors
The Group has proven that it is well positioned to withstand the effects of the COVID-19 pandemic and any resultant downturn. This assessment is made by virtue of the broad-based nature of the Group's activities; comprising legal and non-legal services delivered to a diverse well spread client base. The balance between transactional services and litigation services effectively hedges the position of the business and whilst lockdown restrictions initially impacted clients the gradual return to working environments has eased this impact.

In the last two financial years there has been no reduction of efficiencies and staff have adapted well to the hybrid work place that is in place to meet the changing environment. Our earlier investments in IT have supported the transition to the hybrid model and we continue to develop the IT infrastructure to drive more efficiencies. The new ways of working have shown we can support existing clients but also develop and secure new clients.

Section 172 Statement

The directors consider that they have acted in the way most likely to promote the success of the Group for the benefit of its Shareholders and members.

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders 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 is 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 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 by direct engagement with stakeholders themselves
- The Board's methods of engagement with the workforce include 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

Strategic report continued

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 businesses during the year and specifically Memery Crystal	Shareholders, employees, customers	• The Group has an acquisition strategy. In 2021 the Group despite the uncertain environment made the decision to support the strategy. In reaching the decision the board considered the worst case scenario cash flows and concluded that the business was fully funded to ensure that the business would cope with all eventualities.
Dividend	Shareholders, employees	• The board has declared two interim dividends for the year 2021 of 5p per share in total. In reaching this decision the Board considered its shareholders' requirements and the cash position of the business, ensuring that the cash management of the business is key. The board determined our cash reserves to be sufficient to ensure continued ability to meet all obligations and the investment in the growth of the business.
Further Investment in the Groups Litigation Investments	Shareholders, Customers, employees	• With cash management at the forefront of the Board's decisions, aligned with the strategy to diversify Income streams the board took the active decision to support the strategy to role out its litigation investments that are mitigated by the sell on of some of our positions to manage the exposed risk. This reduces the upside but supports our conservative approach to invest wisely and partially de-risk in these early stages.
Approval of 2022 budget	Employees, shareholders	• The Group's business plan is to drive sustainable growth in the long term, which is in the interest of all stakeholders. The Board has paid close consideration to this objective in establishing and approving the 2022 budget. In the current economic climate this has involved close monitoring of the impact of COVID-19 on each sector in which the Group operates, ensuring no over reliance on a single market or client; ensuring the Group is best placed to continue delivering a high standard of client service through evolving to the new way of working and increasing focus on minimising our environmental impact

Environmental actions statement

The Board believes good environmental practices, such as the recycling of paper waste and conservation of energy usage, will support its strategy by enhancing the reputation of the Group. The number one consumable in the legal and professional services sector is paper, which has traditionally been used heavily in law firms. COVID-19 lockdowns have significantly reduced paper consumption and accelerated habit changes and our focus as staff return to the office will be to sustain and expand these good habits and skills. However, due to the nature of its business generally, the Group does not have a significant environmental impact.

Social matters

We believe that running a profitable and growing business, which creates jobs and contributes to the economic success of the areas in which it operates, is a platform for good corporate social responsibility. We have a long-standing commitment to support our staff in engaging with their local communities and charities. This social awareness is present throughout the business, from our employees to our clients, our professional connections and the suppliers we use.

Sustainability

To deliver strong, sustainable shareholder returns over the long-term, the operation of a profitable business is a priority and that means investing for growth. To achieve this, the Group recognises that it needs to operate in a sustainable manner and therefore has adopted core principles to its business operations which provide a framework for both managing risk and maintaining its position as a good 'corporate citizen'.

Charities and communities

Our staff vote annually to choose charities to support throughout the year with fund raising activities engaging staff, clients and communities in a number of enjoyable events.

Developing our people

The Group continues to create opportunities for staff at all levels of the Group. We have a strong track record as an employer of choice in the provision of legal graduate traineeships and apprenticeship schemes highlighting the Group's motivation to 'grow our own'.

Trainees work alongside qualified professionals in completing a period of recognised training (often known as a training contract) giving individuals supervised experience in legal practice. This is the final stage of the process of qualification as a solicitor where they refine and develop their professional skills.

As a Group and an employer of non-lawyer professional staff and our trusted and valuable support staff we offer both internal and external routes to qualifications within their chosen sector and expertise.

Diversity and inclusion

We are an equal opportunities employer and it is our policy to ensure that all job applicants and employees are treated fairly and on merit regardless of race, sex, marital/civil partnership status, age, disability, religious belief, pregnancy, maternity, gender reassignment or sexual orientation. We have established a diversity and inclusion committee and having surveyed employees, the committee is developing a programme to address operational and training needs identified. During the year the committee delivered a number of events for staff including talks and training sessions covering areas such as Black History Month, International Women's Day, unconscious bias, and building resilience. During the year we also worked alongside Speaker 4 Schools, informing and encouraging those from less advantaged backgrounds to pursue varied careers in legal and professional services firms.

Modern slavery

We are committed to preventing acts of modern slavery and human trafficking from occurring within our business and supply chain, and expect our suppliers to adopt the same high standards. As part of our commitment to combating modern slavery, the Directors have approved the adoption and implementation of a specific modern slavery policy. We expect all of our suppliers to adhere to our Anti-Slavery Policy and will not tolerate slavery and human trafficking within our supply chains.

Our slavery and human trafficking statement, made in accordance with section 54(1) of the Modern Slavery Act 2015 can be found on our website, www.rbgholdings.co.uk.

Anti-bribery policy

We value our reputation for ethical behaviour and upholding the utmost integrity and we comply with the FCA's clients' best interests rule. We understand that in addition to the criminality of bribery and corruption, any such crime would also have an adverse effect on our reputation and integrity. The Group does not tolerate bribery and corruption and we ensure all our employees and suppliers are aware of our approach as to limit our exposure to bribery by:

- Setting out clear anti-bribery and corruption policies
- Providing mandatory training all employees
- Encouraging our employees to be vigilant and report any suspected cases of bribery in accordance with the specified procedures

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed regularly on matters directly affecting them and Group wide developments. This is achieved through webinars and video updates posted on the Group's Intranet, informal discussions between management and other employees at a local level after Board meetings, together with an active social events calendar, although this has been more difficult in the current year due to remote working. The Group further encourages employee involvement in the performance of the business through participation in share ownership.

Political donations

The Group made no political donations in the year (2020: £nil).

Approval

The strategic report contains certain forward-looking statements, which are made by the Directors in good faith based on the information available to them at the time of their approval of this annual report. Statements contained within the strategic report should be treated with some caution due to the inherent uncertainties (including but not limited to those arising from economic, regulatory and business risk factors) underlying any such forward-looking statements. The strategic report has been prepared by RBG Holdings plc to provide information to its shareholders and should not be relied upon for any other purpose.

Pages 14 to 22 constitute the strategic report, which has been approved by the Board of Directors and signed on its behalf by:

Robert Parker
Chief Financial Officer

31 March 2022

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.

Board of Directors
continued

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 CLA Limited and Finance Director at Junjheinrick UK Ltd, as well as permanent roles at Ubisense PLC and Immedia Broadcasting plc.

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.

Until July 2020, she was Pro Chancellor and Chair of the governing body of the University of Greenwich and is currently CEO of Microbira Ltd and a NED of Qatar Islamic Bank -UK, Town and Country Housing Group and Quilter Financial Planning.

David Wilkinson
Non-Executive Director

David Wilkinson is an experienced Non-Executive Chairman and Director, with a history of advising fast-growth, entrepreneurial businesses and professional practices. He is Senior Independent Director and Audit Committee Chair at Saietta Group plc, an electric motor business which floated on AIM in July last year and is Audit Committee Chair at Marks Electrical Group plc, an online domestic appliance retailer, which also floated on AIM last year. He chairs two private companies, CH Bailey, a formally AIM-listed business in overseas commercial and hospitality property, and Goal Group, a UK market leader in technology-based reclamation of withholding tax and legal class action proceeds. He is also a Non- Executive Director of Verso Biosense, a medical technology spinout from Southampton University.

Patsy Baker
Non-Executive Director

Patsy is the Chair of Citigate Dewe Rogerson, a leading global strategic financial communications consultancy, part of Huntsworth Communications which specialises in healthcare and public relations. Patsy was a Non-Executive Director of The Westminster Group plc, a security company listed on AIM, where she chaired the Nominations and Disclosure committees. From 1994 to 2017, Patsy was responsible for Group Client Relationships and Business Development at Bell Pottinger. There, Patsy used her extensive networks to advise boards on leadership and corporate reputation within the UK financial and business communities.

Corporate Governance statement

Chairman's Introduction

As Chairman, I am responsible for leading the Board to ensure that it has in place the strategy, people, structure and culture to deliver value to its stakeholders, and for ensuring that the governance arrangements that the Group has in place is proportionate. In this section of our report, we set out our Corporate Governance Framework. The Directors recognise the importance of sound corporate governance and comply with the Corporate Governance Guidelines, to the extent appropriate for a Company of its nature and size and for promoting long-term growth for the benefit of all of the Group's stakeholders. The Quoted companies Alliance Corporate Governance Code for small and mid-size Quoted Companies ("the QCA Code") was 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 six directors, two Executives and four 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 twelve times per annum and the matters discussed include:

- Financial and Operating performance review including presentations from senior staff
- 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 during the year and since appointment.

	Board Number	Audit Number	Remuneration Number
N Foulston	12/12	2/2	5/5
K Hamill	12/12	2/2	5/5
M Ismail	12/12	2/2	5/5
P Baker	5/6	1/1	3/3
R Parker	12/12	2/2	2/5
D Wilkinson	6/6	1/1	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 pages 19 to 20, 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.

Each Committee has unrestricted access to employees of the business or external advisors to meetings, to the extent that they consider it necessary in relation to any specific matter under consideration. Both Committees have sought to utilise external advice with the Remuneration Committee liaising with Smith & Williamson Remuneration Consultants for the purposes of advising on the terms of the performance share awards granted to certain PDMR's within the business and benchmarking executive pay, and the Audit Committee meeting with BDO Audit LLP, the Group's auditors, both with and without the presence of Executive Directors and members of the finance team.

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 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 external partners to support the delivery of its internal and client facing IT provision.

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 pages 23 to 24. 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. Patsy Baker and David Wilkinson joined the Board in June 2021 and have taken part in an induction process, during which they met with key employees and advisers and received presentations from the Executive Directors on strategy and finance.

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 for the year ended 31 December 2021 – Marianne Ismail

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, overseeing the relationship with the external auditors and reviewing and monitoring the extent of the non-audit services undertaken by them.

The Committee consists of four independent Non-Executive Directors: Marianne Ismail (Chair), Keith Hamill and David Wilkinson and Patsy Baker, replacing Victoria Hull. Keith Hamill replaced Stephen Davidson on the Audit Committee following his 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. Patsy provides different but relevant skills and experience which support the Committee in meeting its objectives. David is an ex-partner at EY and Patsy is an experienced PLC NED as well as holding positions as CEO in previous businesses. 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, the valuation of litigation assets 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 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.

Business combinations IFRS 3
IFRS 3 Business Combinations provides guidance on the accounting treatment on the acquisition of a business. The standard was published in January 2008 and is effective from 1 July 2009. 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 assets and fair value IFRS 9
Where RB enters Damages Based Agreements, 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 assets 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 a third party, 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 less an apportionment of the total expected cost over the life of the litigation are recognised as the profit on disposal.

Going concern
As described in the Strategic Report on pages 14 to 22 the Group expects to be able to operate within the Group's financing facilities and in accordance with the covenants set out in all available facility agreements. Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they have adopted the going concern basis of accounting in preparing the annual Group financial statements.

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 Chief Financial Officer'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 Committee is satisfied that there are no changes in accounting policies which have had a significant impact on 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 assets. 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 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 for the year ended 31 December 2021 – David Wilkinson

This report sets out:

- a description of how the Committee operates and
- a summary of the Directors' remuneration policy – setting out the parameters within which the remuneration arrangements for Directors operate

Details of the remuneration paid to the Directors for the year is set out in the Directors' report on pages 30 to 33.

The Committee
The Committee is appointed by the Board and is formed entirely of Non-Executive Directors. The Committee is chaired by David Wilkinson who replaced Victoria Hull who stepped down on 17 June 2021; other members of the Committee are Keith Hamill, Marianne Ismail and Patsy Baker. In exercising its role, the Committee has regard to the QCA Remuneration Committee Guide and associated guidance.

The Committee meets formally at least three times a year and more if needed, it has responsibility for setting the Group's general policy on remuneration and also specific packages for individual Directors, including Directors of subsidiary companies, and key employees earning more than £300,000 a year. The Committee is also responsible for structuring Non-Executive Director pay, which is subject to approval of all independent Directors and oversight from the plc Board including the Executive Directors. The Committee receives internal advice from Executive Directors and external advice from remuneration consultants where necessary. The Committee also makes recommendations to the Board concerning the allocation of long term incentive awards to senior management.

Other members of the Board of Directors are invited to attend meetings when appropriate, but no Director is present when his or her remuneration is discussed.

Activities during the year

The main activities undertaken by the Committee during the year included:

- discussing incentive plans, bonuses and pay rises across the Group
- determining salary increases and incentive outcomes for the Executive Directors
- reviewing the 2021 commission scheme for the Directors of Convex in light of the failure to achieve the deferred element of the acquisition due to COVID-19.

Remuneration policy

The remuneration policy is designed to support an effective pay-for-performance culture which enables the Group to attract, retain and motivate Executive Directors and senior management with the necessary experience and expertise to deliver the Group's objectives and strategy.

Policy for the remuneration of employees more generally

The key principles of the remuneration policy for Executive Directors also apply to employees more generally. In particular, senior employees participate in the performance bonus pool, depending on their role and responsibilities and contribution to the business.

Non-executive Directors' fees

The Chairman of the Board and the other Non-Executive Directors receive an annual fee for their services, reflective of their level of responsibility, relevant experience and specialist knowledge. Non-executive Directors are also reimbursed for appropriate travel expenses to and from board meetings.

Executive Directors' service agreements and Non-Executive Directors' letters of appointment

The Executive Directors entered into service agreements. The service agreements provide that their employment with the Company is on a rolling basis, subject to written notice being served by either party of not less than twelve months. The service agreements contain provisions for early termination in the event of a breach of a material term of the service agreement by the Executive Director or where the Executive Director ceases to be a Director of the Company for any reason. The service agreements also contain restrictive covenants for a period of 12 months following termination of employment. No bonus is payable to the Executive Director if their employment terminates for any reason or they are under notice of termination (whether given by the Company or the Executive Director) at or prior to the date when the bonus is paid. All bonuses are payable within six months of the financial year end. The Non-Executive Directors serve under letters of appointment and are typically expected to serve two-year terms but may be invited by the Board to serve for an additional period. Victoria Hull was originally appointed on 3 September 2018 and left 17 June 2021. Marianne Ismail was originally appointed on 23 January 2019. David Wilkinson and Patsy Baker were appointed in 17 June 2021. Keith Hamill was appointed on 23 January 2020 for an initial three-year term. The notice period required in the letters of appointment for either party to terminate the appointment is at least three months. Each agreement also contains provisions for early termination in the event of a serious or repeated breach of the agreement by the Non-Executive Director or where the Non-Executive Director ceases to be a Director of the Company for any reason.

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 of our team and will be dealt with promptly.

Directors' report

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 31 December 2021.

Principal activities and business review

The principal activities of the Group during the year were the provision of 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 45. An interim dividend of 2 pence per share was paid on 27 August 2021 and an interim dividend of 3 pence per share was declared on the 27th January 2022 and paid on the 25th February 2022.

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 2021:

	0.2p Ordinary Shares	
	Number	% of issued share capital
Ian Rosenblatt	16,911,214	17.7%
Premier Miton Investors	12,240,521	12.8%
Directors (as analysed below)	11,515,264	12.1%
Interactive Investor	4,900,365	5.1%
Hargreaves Lansdown Asset Mgmt.	4,704,189	4.9%
Schroder Investment	3,299,000	3.5%

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:

N Foulston
K Hamill
V Hull (resigned 17 June 2021)
M Ismail
P Baker (appointed 17 June 2021)
R Parker
D Wilkinson (appointed 17 June 2021)

The directors' interests in the shares of the Company are set out below:

	0.2p Ordinary Shares		0.2p Ordinary Shares	
	2021 Number	2021 % of issued share capital	2020 Number	2020 % of issued share capital
Cascades Ltd*	11,410,000	12.0%	11,410,000	13.3%
N Foulston	105,264	0.1%	105,264	0.2%
	11,515,264	**12.1%**	**11,515,264**	**13.5%**

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

Interim dividends of £575,763 were paid on these shares during the year (2020: £115,153).

Directors' remuneration

Directors' remuneration payable in the year is set out below:

	Basic Salary and/or Directors Fees £	Employer Pension Contributions £	Total £
31 December 2021			
N Foulston	797,213	3,000	800,213
K Hamill	90,000	-	90,000
V Hull (resigned 17 Jun 2021)	18,667	-	18,667
M Ismail	39,679	-	39,679
R Parker	568,667	12,000	580,667
P Baker (appointed 17 Jun 2021)	18,846	-	18,846
D Wilkinson (appointed 17 June 2021)	18,846	-	18,846
	1,551,918	**15,000**	**1,566,918**
31 December 2020			
S Davidson (resigned 23 Jan 2020)	5,231	-	5,231
N Foulston	421,533	11,596	433,129
K Hamill	75,487	-	75,487
V Hull	35,000	-	35,000
M Ismail	34,718	-	34,718
R Parker	240,000	12,000	252,000
	811,969	**23,596**	**835,565**

Directors who have an interest in the shares of the Company will benefit through dividend payments. During the year, R Parker and N Foulston received bonus payments totalling £290,000 and £360,000, respectively (2020: £2,500 and nil, respectively), included within Basic Salary and/or Directors' Fees. No directors have benefitted from share options, or other long term incentive arrangements during the year.

Victoria Hull resigned on 17 June 2021.

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 pages 19 to 20.

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

As described in the Strategic Report on pages 14 to 22 the Group expects to be able to operate within the Group's financing facilities and in accordance with the covenants set out in all available facility agreements. Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they have adopted the going concern basis of accounting in preparing the annual Group financial statements.

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

Material post balance sheet events are set out in Note 32 to the consolidated financial statements.

Annual General Meeting

The provisional date for the Company's AGM is 23 June 2022.

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 UK. 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 UK, 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, as 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.

Nicola Foulston
Chief Executive Officer

31 March 2022

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

Opinion on the financial statements

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 2021 and of the Group's profit for the year then ended;

— the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;

— the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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.

We have audited the financial statements of RBG Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the company statement of financial position, the company statement of cash flows, the company statement of changes in equity and notes to the consolidated and company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remain independent of the 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.

Conclusions relating to going concern

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

— We assessed the appropriateness of the approach and model used by the Directors when performing their going concern assessment, including the following:

  — Subjected the going concern model to checks of the mechanical accuracy of the underlying formulae including those used in the reverse stress test;

  — Challenged the completeness of the Directors cash flow adjustments to the model by comparing them to our expected movements (working capital, taxes, acquisition consideration and otherwise) based on the Directors future plans for the entity; and

  — Agreed the opening cash balance for 2022 per the forecasts to the audited consolidated statement of financial position to gain assurance over the starting position of the model

— We challenged the underlying data and key assumptions used to make the assessment. Challenge over assumptions included:

  — Assessing the reasonableness of key assumptions with reference to historic and current performance and agreeing key inputs such as repayment of loan, litigation funding investments and lease payments to supporting documentation;

- — Evaluating the accuracy of Director's historic forecasts by comparing to actual results for the year ended 31 December 2021
- — Evaluating the Directors' adherence to financial covenants with which the cash flows have been budgeted.

— Additionally, we reviewed and challenged the results of the Directors' stress testing, to assess the reasonableness of the headroom within the model with reference to available borrowing facilities and covenants.

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

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

Overview

Coverage	100% (2020: 100%*) of Group EBITDA 100% (2020: 93%) of Group revenue 100% (2020: 93%) of Group total assets *Note the only entity that was not subject to full scope procedures in the prior year generated a loss of approximately 8% of the EBITDA generated by the remainder of the group		
Key audit matters		2021	2020
	KAM 1	Revenue recognition, specifically valuation of accrued income	Revenue recognition, specifically valuation of accrued income
	KAM 2	Treatment of damages based agreements, including the provision of legal services	Treatment of damages based agreements, including the provision of legal services
	KAM 3	Treatment of litigation funding	Treatment of litigation funding
	KAM 4	Valuation of intangibles arising from the Memery Crystal acquisition	N/A
	KAM 4 is specific to the current year following the acquisition of Memery Crystal Limited on 28 May 2021. Refer to note 25 for further details. Judgement is required to identify and value previously unrecognised intangible assets and to adjust the book value of previously recognised assets to fair value.		
Materiality	*Group financial statements as a whole* £630,000 (2020: £350,000) based on 5% of EBITDA (2020: 5% of adjusted EBITDA).		

An overview of the scope of our audit

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

The Group is made up of the Parent Company, three trading subsidiaries, RBG Legal Services Limited, Convex Capital Limited and Lionfish Litigation Funding Limited and two non trading subsidiaries, Convex Group (Holdings) Limited and Islero Assignments Limited. We considered the Parent Company, RBG Legal Services Limited, Convex Capital Limited and Lionfish Litigation Funding Limited to represent the four significant components of the group which were subject to full scope audits by the group engagement team.

Key audit matters

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

Key audit matter		***How the scope of our audit addressed the key audit matter***

Revenue recognition, specifically valuation of accrued income (Note 2)	Revenue from legal and other professional services are based on hours charged at agreed rates (non-contingent revenue), or on contingent fee arrangements (contingent revenue).
	
	Non contingent revenue is recognised over time to the extent that it is recoverable. Recognising revenue over time results in the recording of unbilled revenue at year-end, the valuation of which we considered to present an audit risk as there is judgement applied in assessing its recoverability.
	
	Contingent revenue is only recognised when it is highly probable and where to do so would not 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, is a matter of judgement and has therefore been considered to be an audit risk and an area requiring significant auditor attention in the current year.
		— Our procedures included the following:
		
		— We tested, 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, in relation to which there was unbilled time at year end, we;
		  — Tested the existence of accrued income with reference to time worked by inspecting employee time cards.
		  — Tested the valuation of the items chosen by tracing to post year end billings and receipts.
		  — Where billings had not yet occurred, we challenged managers on expected recovery and obtained evidence to support the judgements taken.
		
		— For a sample of contingent matters, we discussed the status of the matter with the matter Partner and tested that revenue was recognised only to the extent that it was highly probable, such as when the contingency had been met as a result of a binding judgment or settlement agreement.
		
		Key observations:
		Based on the procedures performed we did not identify any matters to suggest that the judgements made my management in the recognition of revenue was not appropriate.

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

Key audit matter		*How the scope of our audit addressed the key audit matter*

Treatment of damages based agreements, including the provision of legal services (Note 3)	The Group enters into contracts under which it provides a combination of legal services and funding to its litigation clients. In return for these services the Group, receives a share in any damages awarded, a portion of which, it then sells to a third party.
	
	Judgement is required in the accounting for these transactions, specifically in relation to:
	
	— The categorisation and apportionment of interest in damages, between contingent revenue and a financial asset arising on funding.
	
	— The valuation of the damaged based asset which is a financial asset recognised and measured at fair value. The fair value is determined in reference to managements expectation about the total expected disbursements to be made which incorporates key assumptions such as total estimated damaged based awards, success rates and number of years remaining.
	
	— The treatment of onward sales of interests in damaged based awards, including the allocation of costs of assets disposed to the sales proceeds.
		— Our procedures included the following:
		
		— For each contract in this type of arrangement, we tested the categorisation and apportionment of damages between revenue and a financial asset by:
		
		  — Assessing the rights and obligations in the underlying contracts which provided a basis for the categorisation and apportionment
		
		  — Testing the accuracy of management's calculations to apportion the expected interest in damages between revenue and financial asset.
		
		— We tested the fair value calculation of the damaged based assets by:
		
		  — Testing actual disbursements to date to supporting documentation, such as invoices and bank statements.
		
		  — Assessed the reasonableness of key assumptions, such as total estimated damaged based awards, by corroborating the supporting documentation through discussion with the matter Partner and considering outcomes of similar historic cases.
		
		  — We challenged the assumptions used by management in assessing discounted cashflow for the disbursements such as timing, expected total disbursements and success rates by through discussions with the matter Partner and corroborating the success rate used against past success rates.
		
		— We tested that the calculation of costs attributable to assets disposed is consistent with the estimate of costs used for the purpose of fair valuing the asset.
		
		Key observations:
		Based on the procedures performed, we found the judgements made in accounting for the damage based agreements to be appropriate.

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Treatment of litigation funding (Note 3)</td><td>The Group enters into contracts under which it provides funding to litigants.

The Group receives a return that is contingent on success of the case, and which is a fixed amount, depending on the timing of settlement. It has also entered into contracts under which a share in any damages to which the group is entitled are disposed to a third party.

The calculation of the profits on disposal and the fair value of the remaining investments requires estimation and judgement as well as significant audit effort to carry out our procedures, specifically in relation to the following:

— Estimation of the likely date of settlement which impacts the expected returns to be receivable and the fair value of the remaining investments

— Estimation of the total funding that will be drawn down under each contract which impacts the cost of sales for the gain on sale of investments.

A prior period adjustment has been recognised in relation to the accounting treatment of certain financial assets within these arrangements – refer to note 2 for further details.</td><td>Our procedures included the following:

— We agreed the total committed funds and expected returns receivable based on estimated settlement date to the litigation funding agreements

— We agreed the funds already provided to the litigants to the cash paid per the bank statements and drawdown request form

— We agreed the sales price for the disposals to the contracts with the third parties and to the funds received in the bank statement

— We assessed management's assumptions around estimated settlement date by reviewing the latest information on the litigation cases and corroborating the information provided by management to supporting documentation.

— We assessed the reasonability of the total expected drawdown by reviewing the budget provided by the litigant solicitors

— We also tested the logic and arithmetical accuracy of the calculations through recalculation of the costs, fair value, and profit on disposal

— In relation to the prior period adjustment:

— We assessed the reasonableness of the fair value calculation by reviewing the key inputs such as total estimated drawdown, After The Event (ATE) insurance amounts and Purchase Price in the sale and purchase agreement.

— We assessed the appropriateness of the disclosures relating to prior period adjustment in reference to the requirements of the financial reporting framework

— We tested the logic and arithmetical accuracy of the fair value calculation.

Key observations:
We found the calculations of fair value and profit on disposal of litigation assets to be arithmetically correct and assessed them to be based on appropriate source data and assumptions.</td></tr>
</table>

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

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Valuation of intangibles arising from the Memery Crystal acquisition (Note 2)</td><td>The group has acquired the shares of Memery Crystal Limited in the year.

The fair value of acquired intangible assets, including goodwill, brand and customer contracts, is determined through the use of a discounted EBITDA model. The inputs into this model, such as growth rates, profitability, useful lives, and discount rates, are subject to estimation and judgement by management.

The determination of the purchase consideration, which impacts goodwill recognised, also requires judgment.

The significant level of judgement involved in these valuations represented a risk for our audit.</td><td>Our procedures included the following:

— 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 tested the calculations for fair value of purchase price by agreeing to the Sale and Purchase Agreement and share price as at the date of acquisition.

— With the assistance of our internal valuation specialists we:

— tested the logic and arithmetical accuracy of the model used to value the intangible assets

— challenged the reasonableness of key assumptions into the model, including the discount rate, useful lives, future profitability, and growth rates used by management

— We tested the fair value of the net assets acquired (eg. trade and other receivables, trade and other payables) by agreeing to supporting documentation.

— We recalculated the goodwill recognised with reference to the purchase consideration and the fair value of the assets and liabilities acquired

Key observations:
We found the calculations of fair value to be arithmetically correct and assessed the appropriateness of the key assumptions to be reasonable.</td></tr>
</table>

Our application of materiality

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

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

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

	Group financial statements		Parent company financial statements	
	2021 £m	2020 £m	2021 £m	2020 £m
Materiality	£630,000	£350,000	£600,000	£340,000
Basis for determining materiality	5% EBITDA	5% adjusted EBITDA	95% of Group Materiality	97% of Group Materiality
Rationale for the benchmark applied	A profit-based measure is appropriate, as quality and growth of profit are key metrics of the Group's performance used by stakeholders. In the current year, we did not consider non recurring acquisition costs to be sufficiently significant to make adjustment for them in our materiality calculation.	A profit-based measure is appropriate, as quality and growth of profit are key metrics of the Group's performance used by stakeholders. As an acquisitive business, amortisation costs will increasingly reduce comparability of profit before tax year on year, so we have considered it appropriate to move to an EBITDA benchmark. Adjustment has been made to exclude the exceptional profit arising on write back of deferred consideration on the acquisition of Convex Capital Limited.	Capped at 95% (2020:97%) of Group materiality given the assessment of the component's aggregation risk	
Performance materiality	£441,000	£250,000	£420,000	£240,000
Basis for determining performance materiality	70% of materiality based on our risk assessment and limited number of accounts being subject to judgement and estimation.			

Component materiality

We set materiality for each component of the Group based on a percentage of between 41% and 95% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £256,000 to £600,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £25,000 (2020: £14,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and 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.
Matters on which we are required to report by exception	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, 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.

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group. We determined that the most significant laws and regulations which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (UK adopted international accounting standards, AIM Regulations and the Companies Act 2006), those related to the provision of legal services (Solicitors' Regulation Authority), those related to security of data (GDPR), and labour and tax regulations in the United Kingdom.

- We understood how the Group is complying with those legal and regulatory frameworks by making enquiries of management, those charged with governance and those responsible for legal and compliance procedures. We corroborated our enquiries through review of board minutes, breaches logs and correspondence with regulators.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by discussing with management where it is considered there was a susceptibility of fraud. We also considered potential fraud drivers, including: financial or other pressures, opportunity, and personal or corporate motivations.

- We obtained an understanding of the processes and controls that the Group has established to address fraud risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those processes and controls.

- We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be management override of controls and revenue recognition. Our procedures included those set out in the key audit matters section above and agreeing a sample of journal entries which met a defined risk criteria to supporting documentation.

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

The engagement partner has assessed and confirmed that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

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.

Tim Neathercoat (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, UK
31 March 2022

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 2021

	Note	1 January to 31 December 2021 £	1 January to 31 December 2020 restated £
Revenue	5	**41,985,338**	**22,449,332**
Gains on litigation assets	5	**5,207,524**	**2,822,083**
Personnel costs	7	(27,353,777)	(14,780,204)
Depreciation and amortisation expense		(2,940,078)	(2,081,501)
Other expenses		(6,915,433)	(633,999)
Profit from operations	6	**9,983,574**	**7,775,711**
EBITDA		**12,923,652**	**9,857,212**
Non-underlying items			
Costs of acquiring subsidiary	25	863,435	–
Deferred consideration release		–	(2,640,000)
Adjusted EBITDA		**13,787,087**	**7,217,212**
Finance expense	8	(801,659)	(394,534)
Finance income	8	22,676	24,460
Share of post-tax profits of equity accounted associates		21,643	–
Profit before tax		**9,226,234**	**7,405,637**
Tax expense	9	(1,968,821)	(967,814)
Profit and total comprehensive income		**7,257,413**	**6,437,823**
Total profit and comprehensive income attributable to:			
Owners of the parent		6,972,873	6,235,568
Non-controlling interest		284,540	202,255
		7,257,413	**6,437,823**
Earnings per share attributable to the ordinary equity holders of the parent Profit	10		
Basic and diluted (pence)		7.63	7.29

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 2021

Company registered number: 11189598

	Note	31 December 2021 £	31 December 2020 restated £
Assets			
Current assets			
Trade and other receivables	20	18,571,628	7,696,925
Cash and cash equivalents		4,756,143	13,522,184
		23,327,771	**21,219,109**
Non-current assets			
Property, plant and equipment	12	2,589,390	475,229
Right-of-use assets	13	15,913,008	5,825,712
Intangible assets	14	55,859,230	35,378,065
Litigation assets	19	11,571,052	6,569,110
Investments in associates	17	101,643	–
		86,034,323	**48,248,116**
Total assets		**109,362,094**	**69,467,225**
Liabilities			
Current liabilities			
Trade and other payables	21	10,153,425	3,894,546
Leases	13	2,150,440	870,019
Current tax liabilities	21	1,490,495	600,316
Provisions	23	314,291	116,875
Loans and borrowings	22	2,129,592	–
		16,238,243	**5,481,756**
Non-current liabilities			
Loans and borrowings	22	17,000,000	10,000,000
Deferred tax liability	24	851,662	304,853
Trade and other payables	21	750,000	1,590,000
Leases	13	13,698,661	5,081,043
		32,300,353	**16,975,895**
Total liabilities		**48,538,566**	**22,457,651**
NET ASSETS		**60,823,528**	**47,009,574**
Issued capital and reserves attributable to owners of the parent			
Share capital	26	190,662	171,184
Share premium reserve	27	49,232,606	37,565,129
Retained earnings	27	11,113,365	9,070,906
		60,536,633	**46,807,219**
Non-controlling interest	18	**286,895**	**202,355**
TOTAL EQUITY		**60,823,528**	**47,009,574**

The financial statements on pages 45 to 80 were approved and authorised for issue by the Board of Directors on 31 March 2022 and were signed on its behalf by:

Nicola Foulston
Director

The attached notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2021

	Note	2021 £	2020 restated £
Cash flows from operating activities			
Profit for the year before tax		9,226,234	7,405,637
Adjustments for:			
Depreciation of property, plant and equipment		525,606	335,634
Amortisation of right-of-use assets		1,781,058	986,061
Amortisation of intangible fixed assets		633,414	759,806
Fair value movement of litigation assets net of realisations		(318,814)	163,917
Finance income		(22,676)	(24,460)
Finance expense		801,659	394,534
Share of post-tax profits of equity accounted associates		(21,643)	–
		12,604,838	**10,021,129**
Decrease/(increase) in trade and other receivables		(2,220,725)	3,391,887
Increase in trade and other payables		1,428,920	710,015
(Increase) in litigation assets		(4,683,128)	(4,523,141)
Increase in provisions		47,416	41,875
Cash generated from operations		**7,177,321**	**9,641,765**
Tax paid		(1,077,855)	(1,880,277)
Net cash flows from operating activities		**6,099,466**	**7,761,488**
Investing activities			
Purchase of property, plant and equipment		(130,179)	(172,482)
Acquisition of associate		(80,000)	–
Acquisition of subsidiary, net of cash	25	(12,000,000)	–
Payment of deferred consideration		(4,518,585)	(2,951,405)
Dividend paid to non-controlling interest		(200,000)	–
Purchase of other intangibles		–	(1,000,000)
Interest received		22,676	24,460
Net cash used in investing activities		**(16,906,088)**	**(4,099,427)**
Financing activities			
Issue of ordinary shares in subsidiaries		–	100
Dividends paid to holders of the parent		(4,430,414)	(823,283)
Proceeds from loans and borrowings		20,000,000	21,000,000
Repayment of loans and borrowings		(11,000,000)	(11,000,000)
Repayments of lease liabilities		(1,856,938)	(832,316)
Interest paid on loans and borrowings		(279,497)	(185,497)
Interest paid on lease liabilities		(392,570)	(209,037)
Net cash from financing activities		**2,040,581**	**7,949,967**
Net increase/(decrease) in cash and cash equivalents		**(8,766,041)**	**11,612,028**
Cash and cash equivalents at beginning of year		**13,522,184**	**1,910,156**
Cash and cash equivalents at end of year		**4,756,143**	**13,522,184**

The attached notes form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Share Capital £	Share Premium £	Retained Earnings £	Total attributable to equity holders of parent £	Non-controlling interest £	Total equity £
Balance at 1 January 2021 (restated)	**171,184**	**37,565,129**	**9,070,906**	**46,807,219**	**202,355**	**47,009,574**
Comprehensive income for the year						
Profit for the year	–	–	6,972,873	6,972,873	284,540	7,257,413
Total comprehensive Income for the year	**–**	**–**	**6,972,873**	**6,972,873**	**284,540**	**7,257,413**
Contributions by and distributions to owners						
Dividends	–	–	(4,430,414)	(4,430,414)	(200,000)	(4,630,414)
Issue of share capital	19,478	11,667,477	–	11,686,955	–	11,686,955
Grant of put option over shares in subsidiary	–	–	(500,000)	(500,000)	–	(500,000)
Total contributions by and distributions to owners	**19,478**	**11,667,477**	**(4,930,414)**	**6,756,541**	**(200,000)**	**6,556,541**
Balance at 31 December 2021	**190,662**	**49,232,606**	**11,113,365**	**60,536,633**	**286,895**	**60,823,528**

	Share Capital £	Share Premium £	Retained Earnings £	Total attributable to equity holders of parent £	Non-controlling interest £	Total equity £
Balance at 1 January 2020	**171,184**	**37,565,129**	**4,673,621**	**42,409,934**	**–**	**42,409,934**
Comprehensive income for the year						
Profit for the year (restated)	–	–	6,235,568	6,235,568	202,255	6,437,823
Total comprehensive Income for the year (restated)	**–**	**–**	**6,235,568**	**6,235,568**	**202,255**	**6,437,823**
Contributions by and distributions to owners						
Dividends	–	–	(823,283)	(823,283)	–	(823,283)
Issue of share capital	–	–	–	–	100	100
Grant of put option over shares in subsidiary	–	–	(1,015,000)	(1,015,000)	–	(1,015,000)
Total contributions by and distributions to owners	**–**	**–**	**(1,838,283)**	**(1,838,283)**	**100**	**(1,838,183)**
Balance at 31 December 2020 (restated)	**171,184**	**37,565,129**	**9,070,906**	**46,807,219**	**202,355**	**47,009,574**

The attached notes form part of these financial statements.

Company statement of financial position

As at 31 December 2021

Company registered number: 11189598

	Note	31 December 2021 £	31 December 2020 £
Assets			
Current assets			
Trade and other receivables	20	46,748,875	24,900,931
Cash and cash equivalents		2,460,489	12,313,385
		49,209,364	**37,214,316**
Non-current assets			
Property, plant and equipment	12	1,083	5,847
Investments in subsidiaries	16	27,501,278	15,814,321
Investments in associates	17	80,000	–
		27,582,361	**15,820,168**
Total assets		**76,791,725**	**53,034,484**
Liabilities			
Current liabilities			
Trade and other payables	21	2,143,456	2,035,431
Loans and borrowings	22	2,129,592	–
		4,273,048	**2,035,431**
Non-current liabilities			
Loans and borrowings	22	17,000,000	10,000,000
Deferred tax liability	24	660,270	502,711
		17,666,270	**10,502,711**
Total liabilities		**21,933,318**	**12,538,142**
NET ASSETS		**54,858,407**	**40,496,342**
Issued capital and reserves attributable to owners of the parent			
Share capital	26	190,662	171,184
Share premium reserve	27	49,232,606	37,565,129
Retained earnings	27	5,435,139	2,760,029
		54,858,407	**40,496,342**

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 after tax of £7,105,524 for the year ended 31 December 2021 (2020: £2,971,876).

The financial statements on pages 45 to 80 were approved and authorised for issue by the Board of Directors on 31 March 2022 and were signed on its behalf by:

Nicola Foulston
Director

The attached notes form part of these financial statements.

Company statement of cash flows

For the year ended 31 December 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Profit for the year before tax		6,550,348	3,110,117
Adjustments for:			
Depreciation of property, plant and equipment	12	4,764	6,205
Finance income		(11,386)	(4,754)
Finance expense		397,916	174,079
		6,941,642	**3,285,647**
Decrease in trade and other receivables		526,485	28,899
(Decrease) in trade and other payables		(412,658)	(2,832,370)
Cash generated from operations		**7,055,469**	**482,176**
Tax paid		–	–
Net cash flows from operating activities		**7,055,469**	**2,176**
Investing activities			
Purchase of property, plant and equipment		–	(1,625)
Acquisition of associate	17	(80,000)	–
Investment in subsidiary		–	(900)
Amounts (loaned to)/repaid by subsidiaries		(21,661,696)	1,925,825
Interest received		11,386	4,754
Net cash used in investing activities		**(21,730,310)**	**1,928,054**
Financing activities			
Issue of ordinary shares		–	–
Dividends paid to holders of the parent	11	(4,430,414)	(823,283)
Amounts borrowed from subsidiaries		520,683	540,833
Proceeds from loans and borrowings		20,000,000	21,000,000
Repayment of loans and borrowings		(11,000,000)	(11,000,000)
Interest paid on loans and borrowings		(268,324)	(174,079)
Net cash from financing activities		**4,821,945**	**9,543,471**
Net increase/(decrease) in cash and cash equivalents		**(9,852,896)**	**11,953,701**
Cash and cash equivalents at beginning of year		12,313,385	359,684
Cash and cash equivalents at end of year		**2,460,489**	**12,313,385**

The attached notes form part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2021

	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance at 1 January 2021	**171,184**	**37,565,129**	**2,760,029**	**40,496,342**
Comprehensive profit for the period				
Profit for the year	–	–	7,105,524	7,105,524
Total comprehensive profit for the year	**–**	**–**	**7,105,524**	**7,105,524**
Contributions by and distributions to owners				
Dividends	–	–	(4,430,414)	(4,430,414)
Issue of share capital	19,478	11,667,477	–	11,686,955
Total contributions by and distributions to owners	**19,478**	**11,667,477**	**(4,430,414)**	**7,256,541**
Balance at 31 December 2021	**190,662**	**49,232,606**	**5,435,139**	**54,858,407**

	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance at 1 January 2020	**171,184**	**37,565,129**	**611,436**	**38,347,749**
Comprehensive profit for the period				
Profit for the year	–	–	2,971,876	2,971,876
Total comprehensive profit for the year	**–**	**–**	**2,971,876**	**2,971,876**
Contributions by and distributions to owners				
Dividends	–	–	(823,283)	(823,283)
Issue of share capital	–	–	–	–
Total contributions by and distributions to owners	**–**	**–**	**(823,283)**	**(823,283)**
Balance at 31 December 2020	**171,184**	**37,565,129**	**2,760,029**	**40,496,342**

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 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 and Company financial statements have been prepared in accordance with UK adopted international accounting standards and those parts of the Companies Act 2006 applicable to companies reporting under UK adopted international accounting standards. These financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). 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 2021, with a comparative year to 31 December 2020, 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 UK adopted international accounting standards 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 judgements 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 assets – fair value through profit or loss

— Put and call options – fair value through profit or loss

Going concern

As described in the Strategic Report on pages 14 to 22 the Group expects to be able to operate within the Group's financing facilities and in accordance with the covenants set out in all available facility agreements. Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they have adopted the going concern basis of accounting in preparing the annual Group financial statements.

Changes in accounting policies

a) *New standards, interpretations and amendments effective from 1 January 2021*

New standards that have been adopted in the annual financial statements for the year ended 31 December 2021 but have not had a significant effect on the Group are:

— Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

— COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS16)

— Amendments to References to the Conceptual Framework in IFRS Standards (Conceptual Framework)

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 2022:

— Onerous Contract – Cost of fulfilling a Contract (Amendments to IAS 37)

— Property, plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

— Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS1, IFRS 9, IFRS 16 and IAS 41)

— References to Conceptual Framework (Amendments to IFRS 3)

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.

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

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 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.

Other professional services revenues

Other professional services revenue is contingent on the completion of a deal and is recognised when the deal has completed. Bills raised are payable on deal completion and are generally paid at that time.

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.

Non-Controlling interests

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

Where the Company has agreed a put option over the shares of a subsidiary held by a non-controlling interest, the liability for the estimated exercise value of the put option is recognised at fair value in the financial statements of the Company and is recognised at present value in the financial statements of the Group. Movements in the estimated liability after initial recognition are recognised in the statement of changes in equity.

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 assets relate to the provision of funding to litigation matters in return for a participation share in the settlement of that case. Investments are initially measured at the sum invested and are subsequently held at fair value through the profit or loss.

When the Group disposes of a proportion of its participation share in the settlement of the case to a third party under an uninsured ("naked") contract, where the percentage of the litigation asset being disposed of and the percentage return remain proportionate irrespective of the final outcome of the litigation, the difference between the disposal proceeds and the cost of investment disposed gives rise to a profit on disposal which is recognised 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. For uninsured cases, the Group uses the value of third party disposals to calculate the gross value of the proportion of the investment retained by the Group and deducts the expected cost of investment to be borne by the Group to give the fair value of the Group's investment. The proportion of each investment retained is calculated using the expected total return on the investment, the expected return payable to the onward investor and the expected total return retained by the Group.

For insured cases, when the Group disposes of a proportion of its participation share in the settlement of the case to a third party, where the third party return is calculated as a fixed percentage daily rate irrespective of the settlement value of a successful litigation outcome, the derecognition requirements under IFRS 9 para 3.2.2 are not met and no sale or profit on disposal arise. The Group retains the full litigation asset and the proceeds of disposal under the third party contract are included as litigation liabilities. The fair value of the litigation asset is calculated using the expected total return retained by the Group in the different possible outcomes factored by Management's expectation of the likelihood of each outcome.

Amortised cost
These assets arise principally from the provision of goods and services to customers (e.g. 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 in profit or loss. 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:

Bank borrowings are initially recognised at fair value net of any transactions costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

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 year 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 discounted using a revised discount rate. 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,

except the discount rate remains unchanged. 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	16-19 years	Straight line	Estimated discounted cash flow
Customer contracts	1-2 years	1-2 years	In line with contract revenues	Estimated discounted cash flow
Restrictive covenant extension	2 years	1-2 years	Straight line	Cost

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.

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income are recognised in the consolidated statement of comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

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:

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

Provisions
Professional indemnity provision
A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Where material, the impact of the time value of money is taken into account by discounting the expected future cash flow at a pre-tax rate, which reflects risks specific to the liability.

Insurance cover is maintained in respect of professional negligence claims. This cover is principally written through insurance companies. Premiums are expensed as they fall due with prepayments or accruals being recognised accordingly. Expected reimbursements are recognised once they become receivable. The liability and associated reimbursement asset are shown separately in the financial statements. Where outflow of resources is considered probable and reliable estimates can be made, provision is made for the cost (including related legal costs) of settling professional negligence claims brought against the Group by third parties and disciplinary proceedings brought by regulatory authorities. Amounts provided for are based on Management's assessment of the specific circumstances in each case. No separate disclosure is made of the detail of such claims and proceedings, as to do so could seriously prejudice the position of the Group. In the event the insurance companies cannot settle the full liability, the liability will revert to the Group.

Dilapidations provision
The Group recognises a provision for the future costs of dilapidations on leased office space. The provision is an estimate of the total cost to return applicable office space to its original condition at the end of the lease term.

Restatements
The 2020 comparative numbers have been restated for the following corrections which are described fully in Note 30:

— Reclassification of contracts for insured litigation assets, which were previously treated as sales, which do not meet the derecognition requirements of IFRS 9 para 3.2.2.

— Restatement of the fair value of the uninsured contracts to correct an error in the previous valuation.

The Consolidated statement of financial position adjustments increased litigation assets by £274,356, increased trade and other payables by £575,000, reduced current tax liabilities by £57,122 and reduced equity by £243,522. The Consolidated statement of comprehensive income adjustments decreased gains on litigation assets by £300,644 and reduced tax expenses by £57,122.

3 Critical accounting estimates and judgments

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.

Judgements, estimates and assumptions
Accounting for business combinations and fair value
Business combinations are accounted for at fair value. Valuation of acquired intangibles requires estimates of future growth rates, profitability, remaining useful lives and discount rates for input to the business combination valuation methodology. A difference in the estimated future growth rates, profitability, the use of a different discount rate, or the selection of a different valuation method may result in a different assessment of fair value of the asset or liability acquired as part of the business combination.

Estimated impairment of intangible assets including goodwill

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

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:

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

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

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

d) 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 ("DBAs") 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.

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.

Litigation assets and fair value

LionFish

For each of LionFish's uninsured ("naked") investments, a third party disposal has been made. To calculate the profit on disposal, the Group allocates the corresponding proportion of the total expected cost of the investment against the proportion of the investment sold. The total expected cost of each investment involves an assumption regarding the total expected drawdown on that investment, which may be less than the total value of funds committed. To calculate the proportion of each investment retained, the Group has estimated the expected total return on the investment and the expected return payable to the onward investor. As returns are dependent on the timing of the settlement, these estimates are driven by assumptions over the most likely timing of settlement. The sales prices of the part disposal are used to value the gross value of the proportion of the litigation asset retained by the Group and the estimated remaining capital to invest is deducted to give the fair value of the Group's investment. The estimates used in these calculations are based on semi-annual individual case by case reviews by Management.

The fair value of LionFish's insured investments is calculated using the expected total return retained by the Group in the different possible outcomes factored by Management's expectation of the likelihood of each outcome. As returns are dependent on the timing of the settlement, these estimates are driven by assumptions over the most likely timing of settlement. The total expected cost of each investment involves an assumption regarding the total expected drawdown on that investment, which may be less than the total value of funds committed. The expected total returns retained by the Group in the different possible outcomes are then factored by Management's expectation of the likelihood of each outcome. The estimates used in these calculations, are based on semi-annual individual case by case reviews by Management.

The recorded profits on disposal and carrying values are relatively insensitive to assumptions made, with the exception that matters for which capital invested is insured are sensitive to the estimated settlement date and the success likelihood factor applied. In general, the later the anticipated settlement date, the greater the carrying value of the investment. Management has exercised caution in its assessment of settlement dates. Management have used historic success rates on contingent contentious cases to factor the returns for the different possible outcomes.

Rosenblatt
Unlike LionFish's investments, the total return on Rosenblatt's litigation assets is a proportion of damages awarded, rather than being dependent on timing of settlement. As this figure is potentially large and uncertain, and has a strong impact on fair value calculations, where possible the Group avoids using it as an input to its fair value calculations.

Where a recent disposal of an interest in a damage based agreement has been made, the sales price of the disposal has been used to value the gross value of the interest in damages retained by the Group. The sales price is adjusted downwards for the cost of the Group's ongoing funding of the matter, which is not borne by the onward investor. This involves an estimate of the likely amount and timing of disbursements over the course of the matter, the minimum being funds already disbursed at the balance sheet date. As management believes the sales price of disposals to represent the floor level, having been used to create a market and de-risk the original investment, the minimum level of disbursements has also been used in valuing the investment. If the present value of the maximum level of disbursements were applied against the value of damages based on disposal price, this would reduce the fair value of the investment to zero. Conversely, if a discounted cash flow method of valuation were used, including an estimate of the likely amount of damages on settlement, the value of the investment would be significantly increased.

It is presumed that fair value and cost approximate to each other on initial recognition and where a damages based agreement is at an early stage, such that the level of time worked is de minimis, the financial asset has been valued at cost, subject to assessment for overstatement.

Where there has been minimal activity on a damages based agreement from period to period, the prior year valuation is taken as the initial indication of fair value, subject to assessment for overstatement.

Put options over shares held by non-controlling interest
The following key estimates and judgements have been used in determining the present value of put options over the shares held by the non-controlling interest in LionFish:

a) It has been assumed that the option holder will exercise at the earliest possible opportunity, being 12 August 2022

b) The value at the date of exercise, which is calculated as a multiple of average profit over the preceding two years, has been based on the actual profit after tax for the periods ended 31 December 2020 and 31 December 2021

In determining the fair value of the put options, it has been assumed that fair value of the put shares in LionFish is equal to the fair value of the shares in the Company for which they would be exchanged, and that the fair value of the option is zero.

Call option over shares held by non-controlling interest
On 1 February 2021, the Company agreed a call option over the shares of Adnitor Limited held by the majority shareholder. Under this agreement, the Company is required to purchase the remaining shares in Adnitor Limited by the fifth anniversary of the agreement. The following key estimates and judgements have been used in determining the present value of the option over the shares held by majority shareholder:

a) It has been assumed that the Company will exercise on earliest date that it can be required to exercise, that is the fifth anniversary of the agreement, being 1 February 2026.

b) The value at the date of exercise, which is calculated as a multiple of the average profits of Adnitor Limited over the preceding two years, as long as that exceeds the minimum of £1 million, has been based on £1 million.

In determining the fair value of the option, it has been assumed that fair value of the option shares in Adnitor Limited is equal to the fair value of the shares in the Company for which they would be exchanged, and that the fair value of the option is zero.

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.

The Company has been informed that HMRC has started an inquiry into the valuation of employee related securities issued by the Company in April 2018 prior to the IPO. For full details, refer to Note 31.

4 Financial instruments – Risk Management

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

— Credit risk

— Interest rate 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 assets and liabilities

— Trade and other payables

— Derivative financial liabilities

— Floating-rate bank loans

(ii) Financial instruments by category

Financial Assets

	Fair value through profit or loss		Amortised cost	
	31 December 2021	31 December 2020 restated	31 December 2021	31 December 2020
	£	£	£	£
Cash and cash equivalents	–	–	4,756,143	13,522,184
Trade and other receivables	–	–	16,606,983	7,074,425
Litigation assets	11,571,052	6,569,110	–	–
Total financial assets	**11,571,052**	**6,569,110**	**21,363,126**	**20,596,609**

Financial Liabilities

	Fair value through profit or loss		Amortised cost	
	31 December 2021 £	31 December 2020 £	31 December 2021 £	31 December 2020 restated £
Trade payables and accruals	–	–	4,618,755	1,618,264
Loans and borrowings	–	–	19,129,592	10,000,000
Litigation liabilities	–	–	750,000	575,000
Derivative financial liabilities	–	–	1,515,000	1,015,000
Other payables	–	–	2,308,328	1,118,595
Total financial liabilities	**–**	**–**	**28,321,675**	**14,326,859**

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, trade and other payables, loans and borrowings, litigation liabilities and derivative financial liabilities.

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

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

The methods and procedures to fair value litigation assets 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 19 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. The Group is mainly exposed to credit risk from credit sales. 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.

Interest rate risk
The Group is exposed to cash flow interest rate risk from borrowings under the Term Facility and Revolving Credit Facility at variable rate. The Board reviews the interest rate exposure on a regular basis.

During 2021 and 2020, the Group's borrowings at variable rate were denominated in sterling. At 31 December 2021, if interest rates on sterling denominated borrowings had been 150 basis points higher/lower with all other variables held constant, profit after tax for the year would have been £240,000 lower/higher, mainly as a result of higher/lower interest expense on floating-rate borrowings. The directors consider that 150 basis points is the maximum likely change in sterling interest rates over the next year, being the period up to the next point at which the Group expects to make these disclosures.

Liquidity risk
Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash (or agreed facilities) to allow it to meet its liabilities when they become due and to take advantage of business opportunities.

The Board reviews the projected financing requirements annually when agreeing the Group's budget and receives rolling 12-month cash flow projections for the Group on a regular basis as well as information regarding cash balances.

On 19th April 2021, the Group signed an amendment and restatement agreement for a £15,000,000 three-year Revolving Credit Facility and £10,000,000 three-year Term Facility Commitment with HSBC UK Bank plc. The Group may utilise any proportion of the facilities, paying an interest margin of 2.4 - 3.15% over SONIA 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. During 2021, the Group drew down the full £10 million of the Revolving Credit Facility and £10 million of the Term Facility Commitment of which £1 million has been repaid at year end. At the year end the Group had £4.8 million in cash, and so a net debt position of £14.2 million (2020: net cash £3.5 million).

At the end of the financial year, 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.

Capital Management
The Group monitors "adjusted capital" which comprises all components of equity (i.e. share capital, share premium, non-controlling interest 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 by pricing products and services commensurately with the level of risk

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.

Notes to the consolidated financial statements continued

5 Segment information

The Group's reportable segments are strategic business groups that offer different products and services. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, which has been identified as the Board of Directors of RBG Holdings plc.

The following summary describes the operations of each reportable segment:

— *Legal services* – Provision of legal advice, by RBGLS (trading under two brands, Rosenblatt and Memery Crystal)

— *Litigation finance* – Sale of litigation assets, by Rosenblatt and LionFish

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

2021	Legal services £	Litigation finance £	Other Professional services £	Total £
Segment revenue	32,570,661	–	9,414,677	**41,985,338**
Segment gains on litigation assets comprising:				
Proceeds on disposal of litigation assets	–	4,888,711	–	**4,888,711**
Realisation of litigation assets	–	(2,162,031)	–	**(2,162,031)**
Profit on disposal of litigation assets	–	2,726,680	–	**2,726,680**
Fair value movement on litigation assets	–	2,480,844	–	**2,480,844**
	–	5,207,524	–	**5,207,524**
Segment contribution	15,007,758	–	4,288,915	**19,296,673**
Segment gains on litigation assets	–	5,207,524	–	**5,207,524**
Costs not allocated to segments				
Personnel costs				(4,668,749)
Depreciation and amortisation				(2,940,078)
Other operating expense				(6,911,796)
Net financial expenses				(757,340)
Group profit for the year before tax				**9,226,234**

2020 (restated)	Legal services £	Litigation finance £	Other Professional services £	Total £
Segment revenue	20,864,341	–	1,584,991	**22,449,332**
Segment gains on litigation assets comprising:				
Proceeds on disposal of litigation assets	–	2,986,000	–	**3,561,000**
Realisation of litigation assets	–	(2,034,719)	–	**(2,034,719)**
Profit on disposal of litigation assets	–	951,281	–	**951,281**
Fair value movement on litigation assets	–	1,870,802	–	**1,870,802**
	–	2,822,083	–	**2,822,083**
Segment contribution	10,868,778	–	(605,593)	**10,263,185**
Segment gains on litigation assets	–	2,822,083	–	**2,822,083**
Costs not allocated to segments				
Personnel costs				(2,634,661)
Depreciation and amortisation				(2,081,501)
Other operating expense				(593,395)
Net financial expenses				(370,074)
Group profit for the year before tax				**7,405,637**

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	
	2021 £	2020 £
United Kingdom	36,893,981	20,680,948
Europe	549,860	387,829
North America	760,208	7,833
Other	3,781,289	1,372,722
	41,985,338	**22,449,332**

Revenues from Legal Services clients that account for more than 10% of Group revenue was £nil (2020: £12,829,816).

Contract assets

Group	2021 £	2020 £
At 1 January 2021	2,996,925	3,797,152
Acquired through business combinations	3,560,480	–
Transfers in the period from contract assets to trade receivables	(2,464,783)	(3,429,927)
Excess of revenue recognised over cash (or rights to cash) being recognised during the year	1,883,636	2,629,700
At 31 December 2021	**5,976,258**	**2,996,925**

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

	2021 £	2020 £
Profit from operations is stated after charging:		
Fees payable to the company’s auditors:		
– Audit fees	246,350	177,500
– Other services	41,150	12,500
Depreciation of property, plant and equipment	525,607	335,634
Amortisation of right-of-use assets	1,781,058	986,061
Amortisation/impairment of intangible assets	633,415	759,806
Lease expense:		
– Short-term	–	–
– Low value	3,874	3,335

The Alternative Performance Measures used by Management are shown below:

	2021 £	2020 restated £
Operating profit	9,983,574	7,775,711
Depreciation and amortisation expense	2,940,078	2,081,501
Non-underlying items	863,435	(2,640,000)
Adjusted EBITDA	13,787,087	7,217,212

	2021 £	2020 restated £
Profit before tax	9,226,234	7,405,637
Non-underlying items	863,435	(2,640,000)
Adjusted PBT	10,089,669	4,765,637

7 Employees

Group	2021 £	2020 restated £
Staff costs (including directors) consist of:		
Wages and salaries	20,868,566	9,902,596
Short-term non-monetary benefits	214,208	122,854
Cost of defined contribution scheme	673,817	262,518
Share-based payment expense	72,000	39,403
Social security costs	2,526,064	1,225,260
	24,354,655	**11,552,631**

Personnel costs stated in the consolidated statement of comprehensive income includes the costs of contractors of £2,999,122 (2020: £3,227,573).

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

	2021 Number	2020 Number
Legal and professional staff	113	55
Administrative staff	62	35
	175	**90**

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 £673,817 (2020: £262,518).

Contributions amounting to £127,296 (2020: £40,574) were payable to the funds at period end and are included in Trade and other payables.

Company
The average number of employees (excluding directors) during the period was six (2020: one); all other 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 30 to 33 and in Note 28. The directors are considered to be the key management personnel.

8 Finance income and expense

Recognised in profit or loss

Finance income	2021 £	2020 £
Interest received on bank deposits	22,676	24,460
Net finance income recognised in profit or loss	**22,676**	**24,460**

Finance expense	£	£
Interest expense on financial liabilities measured at amortised cost	(409,089)	(185,497)
Interest expense on lease liabilities	(392,570)	(209,037)
	(801,659)	**(394,534)**
Net finance (expense) recognised on profit or loss	**(778,983)**	**(370,074)**

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

	2021 £	2020 £
Total interest income on financial assets	22,676	24,460
Total interest expense on financial liabilities	(409,089)	(185,497)
	(386,413)	**(161,037)**

9 Tax expense

	2021 £	2020 restated £
Current tax expense		
Current tax on profits for the year	1,960,545	1,083,985
Adjustment for under provision in prior periods	7,487	1,120
Total current tax	**1,968,032**	**1,085,105**
Deferred tax expense		
Origination and reversal of temporary differences (Note 24)	789	(117,291)
Total tax expense	**1,968,821**	**967,814**

Tax expense excluding share of tax of equity accounted associate	1,968,821	967,814
Share of tax expense of equity accounted joint venture	5,175	–
	1,973,996	**967,814**

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:

	2021 £	2020 £
Profit for the year	7,257,413	6,437,823
Income tax expense (including income tax on associate)	1,973,996	967,814
Profit before income taxes	**9,231,409**	**7,405,637**

Tax using the Company's domestic tax rate of 19%	1,753,968	1,407,072
Expenses not deductible for tax purposes	117,317	5,293
Fixed asset differences	(3,276)	–
Income not taxable for tax purposes	–	(501,600)
Adjustments in respect of prior periods	7,487	1,120
Adjustments in respect of prior periods (deferred tax)	–	5,606
Remeasurement of deferred tax for changes in tax rates	98,500	50,324
Total tax expense	**1,973,996**	**967,814**

Changes in tax rates and factors affecting the future tax charge

Following the announcement made in the Chancellor's Spring Budget regarding an increase to the UK corporate tax rate from 19% to 25% from 1 April 2023, the Finance Bill 2021 was subsequently enacted on 24 May 2021. As IFRS requires deferred tax to be measured at tax rates that have been subsequently enacted at the reporting date, the Group's deferred tax balances have been re-measured accordingly and the impact has been reflected within the consolidated financial statements.

10 Earnings per share

Numerator	Total 2021 £	Total 2020 restated £
Profit for the period and earnings used in basic and diluted EPS	6,972,873	6,235,568
Non-Underlying items		
Costs of acquiring subsidiary	863,435	
Deferred consideration release	–	(2,640,000)
Less: tax effect of above items	(69,242)	–
Profit for the year adjusted for Non-Underlying items	**7,767,066**	**3,595,568**

Denominator	Number	Number
Weighted average number of shares used in basic and diluted EPS	**91,408,901**	**85,592,106**

	2021 Pence	2020 restated Pence
Basic and diluted earnings per ordinary share	7.63	7.29
Basic and diluted earnings per ordinary share adjusted for non-underlying items	8.50	4.20

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

	2021 £	2020 £
Interim dividend of 3p (2019: 0p) per ordinary share proposed and paid during the year relating to the previous year's results	2,541,412	–
Interim dividend of 2p (2020: 1p) per ordinary share paid during the year	1,889,002	823,283
	4,430,414	**823,283**

On 25 February 2022, an interim dividend was paid of 3 pence per share in respect of the 2021 financial year.

12 Property, plant and equipment

Group	Leasehold improvements £	Fixtures and fittings £	Computer Equipment £	Total £
Cost				
At 1 January 2021	335,501	149,136	628,684	1,113,321
Additions	4,804	9,660	115,715	130,179
Acquired through business combinations	2,369,974	92,498	47,117	2,509,589
At 31 December 2021	**2,710,279**	**251,294**	**791,516**	**3,753,089**
Accumulated depreciation and impairment				
At 1 January 2021	281,571	45,055	311,466	638,092
Charge for the year	205,577	71,934	248,096	525,607
At 31 December 2021	**487,148**	**116,989**	**559,562**	**1,163,699**
Net book value				
At 1 January 2021	53,930	104,081	317,218	475,229
At 31 December 2021	**2,223,131**	**134,305**	**231,954**	**2,589,390**

Company	Computer Equipment £	Total £
Cost		
At 1 January 2021	18,750	18,750
Additions	–	–
At 31 December 2021	**18,750**	**18,750**
Accumulated depreciation and impairment		
At 1 January 2021	12,903	12,903
Charge for the year	4,764	4,764
At 31 December 2021	**17,667**	**17,667**
Net book value		
At 1 January 2021	5,847	5,847
At 31 December 2021	**1,083**	**1,083**

Under a debenture signed and registered on 19 April 2021, HSBC UK Bank plc have a fixed charge over the property, plant and equipment of the Group.

13 Leases

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 2021	Lease Contract Number	Variable Payments %	Sensitivity £000
Property leases with payments linked to inflation	1	46.7%	+/– 253
Property leases with periodic uplifts to market rentals	2	53.3%	+/– 539
	3	**100.0%**	**+/– 792**

The percentages in the table below reflect the proportions of lease payments that are either fixed of variable for the comparative period.

At 31 December 2020	Lease Contract Number	Fixed Payments %	Variable Payments %	Sensitivity £000
Property leases with payments linked to inflation	1	–	88.0%	+/– 290
Property leases with periodic uplifts to market rentals	1	–	11.3%	+/– 10
Leases of plant and equipment	1	0.7%	–	–
	3	**0.7%**	**99.3%**	**+/– 300**

Right-of-use Assets

	Land and buildings £	Computer equipment £	Total £
At 1 January 2020	6,750,287	9,911	6,760,198
Amortisation	(979,454)	(6,607)	(986,061)
Variable lease payment adjustment	51,575	–	51,575
At 31 December 2020	**5,822,408**	**3,304**	**5,825,712**

	Land and buildings £	Computer equipment £	Total £
At 1 January 2021	5,822,408	3,304	5,825,712
Acquired through business combinations	11,798,710	–	11,798,710
Amortisation	(1,777,754)	(3,304)	(1,781,058)
Variable lease payment adjustment	69,644	–	69,644
At 31 December 2021	**15,913,008**	**–**	**15,913,008**

Lease liabilities

	Land and buildings £	Computer equipment £	Total £
At 1 January 2020	6,721,732	10,071	6,731,803
Interest expense	208,790	247	209,037
Variable lease payment adjustment	51,575	–	51,575
Lease payments	(1,034,442)	(6,911)	(1,041,353)
At 31 December 2020	**5,947,655**	**3,407**	**5,951,062**
At 1 January 2021	5,947,655	3,407	5,591,062
Acquired through business combinations	11,685,333	–	11,685,333
Interest expense	392,523	47	392,570
Variable lease payment adjustment	69,644	–	69,644
Lease payments	(2,246,054)	(3,454)	(2,249,508)
At 31 December 2021	**15,849,101**	**–**	**15,849,101**

At 31 December 2021, 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	535,786	1,614,654	2,153,633	5,591,359	5,953,669	15,849,101

The aggregate undiscounted commitments for low-value leases as at 31 December 2021 was £nil (2020: £5,460).

14 Intangible assets

Group	Goodwill £	Customer Contracts £	Brand £	Other £	Total £
Cost					
At 1 January 2020	33,035,260	1,367,784	1,411,596	–	**35,814,640**
Additions	–	–	–	1,000,000	**1,000,000**
At 31 December 2020	**33,035,260**	**1,367,784**	**1,411,596**	**1,000,000**	**36,814,640**
At 1 January 2021	33,035,260	1,367,784	1,411,596	1,000,000	**36,814,640**
Additions	18,826,908	338,794	1,948,878	–	**21,114,580**
At 31 December 2021	**51,862,168**	**1,706,578**	**3,360,474**	**1,000,000**	**57,929,220**
Accumulated amortisation and impairment					
At 1 January 2020	–	604,713	72,056	–	**676,769**
Amortisation charge	–	689,226	70,580	–	**759,806**
At 31 December 2020	**–**	**1,293,939**	**142,636**	**–**	**1,436,575**
At 1 January 2021	–	1,293,939	142,636	–	**1,436,575**
Amortisation charge	–	172,660	127,422	333,333	**633,415**
At 31 December 2021	**–**	**1,466,599**	**270,058**	**333,333**	**2,069,990**
Net book value					
At 31 December 2020	33,035,260	73,845	1,268,960	1,000,000	**35,378,065**
At 31 December 2021	**51,862,168**	**239,979**	**3,090,416**	**666,667**	**55,859,230**

Under a debenture signed and registered on 19 April 2021, 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 pre-tax discount rate of 18% was applied in determining the recoverable amount. The discount rate is based on the average weighted cost of capital

— Growth rates over the longer term of between 0-3% 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 sufficient 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		Non-controlling nterests' ownership	
			2021	2020	2021	2020
RBL Law Limited	Legal Services	09986118	100%	100%	–	–
RBG Legal Services Limited	Legal Services	13287062	100%	–	–	–
Convex Group (Holdings) Limited	Holding Company	11490871	100%	100%	–	–
Convex Capital Limited	Professional Services	11491052	100%	100%	–	–
LionFish Litigation Finance Limited	Litigation Finance	12165991	90%	90%	10%	10%
Islero Assignments Limited	Dormant	12754244	90%	90%	10%	10%
Memery Crystal Limited	Dormant	13600674	100%	–	–	–
Rosenblatt Limited	Dormant	13601148	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 and registered office of RBG Legal Services Limited is 165 Fleet Street, London, England, EC4A 2DY. The principal place of business of the other subsidiaries and the registered address of each subsidiary is 9-13 St. Andrew Street, London, England EC4A 3AF.

For the year ending 31 December 2021, 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 2021.

Company	2021 £	2020 £
Cost and net book value		
At 1 January	15,814,321	15,813,421
Investments in subsidiaries	11,686,957	900
Impairment	–	–
At 31 December	**27,501,278**	**15,814,321**

On 28 May 2021, RBG Holdings plc acquired Memery Crystal Limited (subsequently renamed RBG Legal Services Limited). Refer to Note 25 for full details.

17 Investment in associates

The following entities have been included in the consolidated financial statements using the equity method:

Name of entity	Place of incorporation	Proportion of ownership interest held	
		2021	2020
Adnitor Limited	United Kingdom	40%	–

On 1 February 2021 RBG Holdings plc purchased 40 ordinary shares of £1 each in Adnitor Limited for a consideration of £80,000. As part of the share purchase, the Company agreed a call option over the shares of Adnitor Limited held by the majority shareholder. Under this agreement, the Company is required to purchase the remaining shares in Adnitor Limited by the fifth anniversary of the agreement.

For the year ended 31 December 2021, Adnitor Limited's total revenue was £415,829 and profit after tax was £59,026. The investment in associates has been accounted using the equity method and an amount of £21,643 have been included in the Consolidated statement of comprehensive income.

18 Non-controlling interests

The NCI of LionFish Litigation Finance Limited, which is 90% owned by the Group, is considered to be immaterial.

19 Litigation assets

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

	2021 Level 3 £	2020 restated Level 3 £
At 1 January	6,569,110	2,209,886
Additions	4,683,128	4,523,141
Realisations	(2,162,031)	(2,034,718)
Fair value movement	2,480,845	1,870,801
At 31 December	**11,571,052**	**6,569,110**

Sensitivity of Level 3 valuations
Following investment, the Group engages in a semi-annual review of each investment's fair value. At 31 December 2021, 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 £1,157,105 (2020 restated: £656,911).

20 Trade and other receivables

	Group 2021 £	Company 2021 £	Group 2020 £	Company 2020 £
Trade receivables	10,183,246	–	3,592,075	–
Less: provision for impairment of trade receivables	(555,600)	–	(219,643)	–
Trade receivables – net	**9,627,646**	**–**	**3,372,432**	**–**
Contract assets	5,976,258	–	2,996,925	–
Amounts due from subsidiaries	–	45,731,735	–	24,143,299
Other receivables	1,003,079	775,085	705,068	673,073
Total financial assets other than cash and cash equivalents classified as amortised cost	**16,606,983**	**46,506,820**	**7,074,425**	**24,816,372**
Prepayments	1,964,645	242,055	622,500	84,559
Total trade and other receivables	**18,571,628**	**46,748,875**	**7,696,925**	**24,900,931**

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 2021	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total £
Expected loss rate	*1%*	*5%*	*12%*	*10%*	
Gross carrying amount	11,576,904	1,653,063	1,217,482	1,712,055	**16,159,504**
Loss provision	152,889	77,204	148,553	176,954	**555,600**

31 December 2020	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%*	*23%*	
Gross carrying amount	5,073,270	381,262	352,867	781,601	**6,589,000**
Loss provision	23,566	7,028	6,505	182,544	**219,643**

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:

	2021 £	2020 £
At 1 January	219,643	64,923
Increase during the year	524,647	186,763
Receivable written off during the year as uncollectible	(173,050)	(2,108)
Unused amounts reversed	(15,640)	(29,935)
At 31 December 2021	**555,600**	**219,643**

Included in other receivables is £518,944 (2020: £468,318) which is owed by the Employee Benefit Trust.

Company
The loans due from RBL Law, RBG Legal Services and LionFish Litigation Finance are on demand and interest free.

Management considers that there is no increase in credit risk on the related party loans. Given that the loans are 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 losses to be close to nil.

21 Trade and other payables

	Group 2021 £	Company 2021 £	Group 2020 restated £	Company 2020 £
Trade payables	1,928,294	–	465,300	–
Corporation tax payable	1,490,495	–	600,316	–
Other taxes and social security	1,711,342	–	1,157,687	–
Amounts due to group companies	–	1,105,837	–	662,213
Derivative financial liabilities	1,515,000	–	1,015,000	–
Litigation liability	750,000	–	575,000	–
Other payables	2,308,328	–	1,118,595	1,118,595
Accruals	2,690,461	1,037,619	1,152,964	254,623
At 31 December	**12,393,920**	**2,143,456**	**6,084,862**	**2,035,431**
Due within one year or less	11,643,920	2,143,456	4,494,862	2,035,431
Due after more than one year	750,000	–	1,590,000	–
	12,393,920	**2,143,456**	**6,084,862**	**2,035,431**

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

On 1 February 2021, the Company agreed a call option over the shares of Adnitor Limited held by the majority shareholder. Under this agreement, the Company is required to purchase the remaining shares in Adnitor Limited by the fifth anniversary of the agreement, with consideration based on a multiple of Adnitor's profits, settled by the issue of ordinary shares in the Company. The present value of the option, £500,000 (2020: £nil) is included within derivative financial liabilities.

During 2020, the Company agreed put and call options over the shares of LionFish held by the non-controlling interest. Under this agreement, the holder of the shares can require the Company to buy the shares in LionFish, with consideration based on a multiple of LionFish profits, settled by the issues of ordinary shares in the Company, at any point in the period from 12 August 2022 to 11 August 2030. The present value of the option, £1,015,000 (2020: £1,015,000) is included within derivative financial liabilities.

Included within other payables is £2,248,320 for deferred consideration of the acquisition of Memery Crystal, which is described in detail in Note 25.

22 Loans and borrowings

The book value and fair value of loans and borrowings which all denominated in sterling are as follows:

	Book value 31 Dec 21 £	Fair value 31 Dec 21 £	Book value 31 Dec 20 £	Fair value 31 Dec 20 £
Non-current				
Bank loans				
Secured	17,000,000	17,000,000	10,000,000	10,000,000
Current				
Bank loans				
Secured	2,129,592	2,129,592	–	–
At 31 December	**19,129,592**	**19,129,592**	**10,000,000**	**10,000,000**

The rate at which Sterling denominated loans and borrowings are payable is 2.40% above SONIA.

The bank loans are secured by fixed and floating charges over the assets of the Group. The bank loans are repayable over three years. The Group has £5,000,000 undrawn committed borrowing facilities available at 31 December 2021 (2020: £nil).

23 Provisions

Group	Leasehold dilapidations £	Legal disputes	Total £
At 1 January 2020	–	75,000	75,000
Charged to profit or loss	–	41,875	41,875
At 31 December 2020	–	**116,875**	**116,875**
At 1 January 2021	–	**116,875**	116,875
Charged to profit or loss	–	47,416	47,416
Acquired through business combinations	150,000	–	150,000
At 31 December 2021	**150,000**	**164,291**	**314,291**
Due within one year or less	–	164.291	164.291
Due after more than one year	150,000	–	150,000
	150,000	**164,291**	**314,291**

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

The Group is currently involved in a number of legal disputes. The amount provided represents the directors' best estimate of the Group's liability having taken legal advice. Uncertainties relate to whether claims will be settled out of court or if not whether the Group is successful in defending any action. Because of the nature of the disputes, the directors have not disclosed future information on the basis that they believe that this would be seriously prejudicial to the Group's position in defending the cases brought against it.

24 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2020: 19%).

Following the announcement made in the Chancellor's Spring Budget regarding an increase to the UK corporate tax rate from 19% to 25% from 1 April 2023, the Finance Bill 2021 was subsequently enacted on 24 May 2021. As IFRS requires deferred tax to be measured at tax rates that have been subsequently enacted at the reporting date, the Group's deferred tax balances have been re-measured accordingly and the impact has been reflected within the consolidated financial statements.

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

	Group 2021 £	Company 2021 £	Group 2020 £	Company 2020 £
At 1 January	304,853	502,711	422,144	1,773
Recognised in profit or loss				
Tax expense	789	157,559	(117,291)	500,938
	305,642	660,270	304,853	502,711
Arising on business combination	546,020	–	–	–
At 31 December	851,662	660,270	304,853	502,711

25 Business combinations during the period

On 28 May 2021, RBG Holdings plc acquired Memery Crystal Limited (subsequently renamed RBG Legal Services Limited). Memery Crystal is a specialist international law firm that offers legal services in a range of areas such as corporate (including a market-leading corporate finance offering), real estate, commercial, IP & technology (CIPT), banking & finance, tax & wealth structuring, employment and dispute resolution.

The acquisition was made in line with the business strategy to acquire complementary, high gross margin, professional services businesses and Memery Crystal is an established business in the Group's target market.

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

	Book value £	Adjustment £	Fair value £
Property, plant and equipment	2,509,589	–	2,509,589
Right-of-use assets	–	11,798,710	11,798,710
Trade receivables	4,327,167	–	4,327,167
Other receivables	4,440,189	(113,377)	4,326,812
Brand value	–	1,948,878	1,948,878
Client Contracts	–	338,794	338,794
Trade and other payables	(5,328,635)	2,818,396	(2,510,239)
Lease liabilities	–	(11,685,333)	(11,685,333)
Deferred tax liability	–	(546,020)	(546,020)
Net assets	**5,948,310**	**4,560,048**	**10,508,358**

The fair value of the trade receivables acquired as part of the business combination amounted to £4,327,167, with a gross contractual amount of £5,328,226. As of the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected amounted to £1,001,059.

Fair value of consideration paid	£
Cash	12,000,000
Shares	11,686,956
Deferred cash consideration	5,648,310
	29,335,266
Goodwill (Note 14)	**18,826,908**

Acquisition costs of £863,435 arose as a result of the transaction. These have been recognised as part of other expenses in the consolidated statement of comprehensive income.

Since the acquisition date, Memery Crystal has contributed £15,188,416 to group revenues and £2,565,812 to group profit.

26 Share capital

	Authorised			
	2021 Number	2021 £	2020 Number	2020 £
Ordinary shares of 0.2p each	95,331,236	190,662	85,592,106	171,184

	Allotted, issued and fully paid			
	2021 Number	2021 £	2020 Number	2020 £
Ordinary shares of 0.2p each				
At 1 January	85,592,106	171,184	85,592,106	171,184
Other issues for cash during the year	9,739,130	19,478	–	–
At 31 December	**95,331,236**	**190,662**	**85,592,106**	**171,184**

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

27 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.

28 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 2021 £	Purchase of services 2021 £	Supply of services 2020 £	Purchase of services 2020 £
Velocity Venture Capital Ltd*	–	387,245	14,250	209,786
Motorsport Circuit Management Ltd*	7,750	–	–	–
N Foulston	–	–	6,500	–
Winros**	–	848,999	–	1,128,051

Note: *A company controlled by Nicola Foulston, ** A partnership in which Ian Rosenblatt is a partner.

In addition, during the year, £26,842 of contingent work was performed by the Group in relation to a Conditional Fee Agreement with Winros (2020: £80,180). At 31 December 2021, there were no amounts due to any related party (2020: £nil). At 31 December 2021, £7,750 was due from Motorsport Circuit Management Ltd (2020: £nil).

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 2021 for related party transactions.

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.

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. He is a substantial shareholder, as disclosed in the Directors' Report on pages 30 to 33 and under the AIM Rules for Companies is classified as a related party.

Total remuneration of Key Management Personnel during the year was £1,566,918 (2020: £835,565). Further details of directors' remuneration are given in the Directors' Report on pages 30 to 33.

During 2021, the Group purchased goods and services from Adnitor Limited totalling £399,055. At 31 December 2021, there were no amounts owed to Adnitor Limited.

Company

In addition to the amounts disclosed in the Directors' Report on pages 30 to 33, the Company has entered into the following transactions with related parties.

During 2021, the Company reimbursed fees and expenses paid on its behalf by RBGLS totalling £935,335 (2020: £1,026,323, RBL Law). At 31 December 2021, the company was owed £42,970,594 by RBGLS (2020: nil) and was owed £2,001,060 by RBL Law (2020: £22,340,825).

During 2021, Convex Capital Limited reimbursed fees and expenses paid on its behalf by the Company totalling £9,089 (2020: nil). At 31 December 2021, the company owed £1,398,437 to Convex Capital Limited (2020: £1,802,474 owed by Convex Capital Limited).

During 2021, LionFish Litigation Finance Limited reimbursed fees and expenses paid on its behalf by the Company totalling £376,133 (2020: £143,602). At 31 December 2021, the company was owed £636,581 by LionFish Litigation Finance Limited (2020: £662,213 owed to LionFish Litigation Finance Limited).

29 Notes supporting statement of cash flows

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

	2021 £	2020 £
Equity consideration for business combination	11,686,956	(2,640,000)

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

	Non-current loans and borrowings £	Current loans and borrowings £	Total £
At 1 January 2021	10,000,000	–	10,000,000
Cash flows (net)	7,000,000	2,000,000	9,000,000
Non-cash flows			
Interest accruing in year	–	129,592	129,592
At 31 December 2021	**17,000,000**	**2,129,592**	**19,129,592**
At 1 January 2020	–	–	–
Cash flows (net)	10,000,000	–	10,000,000
At 31 December 2020	**10,000,000**	**–**	**10,000,000**

30 Restatement of prior year

The 2020 comparatives have been restated in these financial statements to include the effect of the adjustments as stated in Note 2. The following table presents the impact of the restatements:

	31 December 2020 As originally presented £	Adjustment (i) £	1 January 2021 Restated £
Non-current assets			
Litigation assets	6,294,754	274,356	6,569,110
Current liabilities			
Current tax liabilities	(657,437)	57,122	(600,315)
Non-current liabilities			
Trade and other payables	(1,015,000)	(575,000)	(1,590,000)
Equity			
Retained earnings	9,290,076	(219,170)	9,070,906
Non-controlling interest	226,707	(24,352)	202,355

(i) Reclassification of contracts for insured litigation assets which were previously treated as sales, which do not meet the derecognition requirements of IFRS 9 para 3.2.2. and a restatement of the fair value of the uninsured contracts to correct an error in the previous valuation. The Consolidated statement of financial position adjustments increased litigation assets by £274,356, increased trade and other payables by £575,000, reduced current tax liabilities by £57,122 and reduced equity by £243,522. The Consolidated statement of comprehensive income adjustments decreased gains on litigation assets by £300,644 and reduced tax expenses by £57,122.

31. Contingent liabilities

The Company has been informed that HMRC has started an inquiry into the valuation of employee related securities issued by the Company in April 2018 prior to the IPO. HMRC have queried the issue of shares between 4th April 2018 and 16th April 2018 at a par value. A valuation of the shares at above the issue price could result in a liability to the recipient of the issued shares which would be required to be collected by the Company and paid to HMRC. Any liability would be re-imbursed in full by the recipient. The directors' belief is that the investigation is without merit.

32 Events after reporting date

On 15 February 2022, the Group announced that LionFish had agreed a £20 million litigation investment arrangement (the "Arrangement") with a large alternative investment firm (the "Firm"). Under the terms of the Arrangement, the Firm will participate in all of LionFish's litigation investments, investing up to 75% in each of LionFish's investments across the portfolio over a two-year period. LionFish will be entitled to receive a significant share of the returns of the Arrangement after a high single-digit return hurdle has been met, therefore providing significant additional potential returns to LionFish beyond its own investment. It means that the Group will now look to generate income from LionFish's settlements and new investments, and we will not look to sell participation rights.

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