Manolete Partners Plc

Report and financial statements

Year ended

31 March 2018

Company Number: 07660874

Manolete Partners Plc
Contents

Company Information

Directors

S Cooklin ACA ACSI CF
M J Faulkner
J M Jarvis FCA

Company Secretary

S Cooklin ACA, ACSI, CF

Registered Office

PO Box 1295
20 Station Road
Gerrards Cross
Buckinghamshire
SL9 8EL

Registered Number

07660874 (England and Wales)

Independent Auditor

RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

Manolete Partners Plc

Strategic Report

For the year ended 31 March 2018

The Directors present their strategic report for the year ended 31 March 2018.

Review of business

The financial statements for the year ended 31 March 2018 represent a very satisfactory outturn for the business. Year-on-year Operating Profit grew 100% to £4.1m and equity grew 70% to £7.8m.

The number of full-time employees remained at 7 during the year.

The business continues to grow apace, at the time of writing the cumulative number of signed litigation investments has grown to 248 cases. Out of 78 current live cases(51 live cases as at 31 March 2017), 61 of these are purchased cases. In the four months following the 31 March 2018 year end, the Company experienced a period of very high activity with case completions resulting in over £4m of case settlements.

The Company negotiated a £10m revolving credit facility with HSBC with a four-year term and a standard interest rate of LIBOR plus a maximum margin of 2.75%. This was signed on 29 January 2018. This will give the Company greater financial resources to finance an increased volume and value of cases in the future.

Principal risks and uncertainties

The management of the business and the execution of company strategies are subject to a number of risks. In the opinion of the Board, the key business risk affecting the business of the company is its continued ability to successfully attract, select and successfully pursue investments in the UK insolvency litigation market. The Board mitigates this risk through its focus on well-established case selection screening procedures, rigorous internal and external case cost controls, skilled and sophisticated use of the Adverse Cost Insurance market to negate adverse cost risk at the appropriate stage on all relevant cases and close attention to the adequacy of liquidity in the business to comfortably support our case cost profile at all times.

Future developments

The current financial year has started very strongly. We have a record number of cases currently in progress and the average size per case continues to rise.

On behalf of the Board:

S Cooklin ACA ACSI CF
Director

Date: 9th October 2018

The Directors present their report with the financial statements of the company for the year ended 31 March 2018.

Principal Activities

The principal activity of the company during the period under review was the acquisition and funding of insolvency litigation.

The requirements of the business review and analysis of future developments have been considered within the Strategic Report.

Dividends

The company has not proposed a dividend in respect of the financial year ended 31 March 2018 (2017: £624,999).

Directors

The Directors of the Company during the year were:

S Cooklin ACA ACSI CF
M J Faulkner
J M Jarvis FCA
P M Halton (Resigned 21 February 2018)

Financial Instruments

Disclosures in respect of the company policy regarding financial instruments and risk management are contained in note 22 to the financial statements.

Directors and Officers Insurance

The company has taken the opportunity to purchase Director's & Officers Liability Insurance.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the strategic report, directors report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Independent Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant information of which the auditors are unaware.

RSM UK Audit LLP has expressed their willingness to act as the Company's auditors and a resolution to re-appoint them will be proposed at the annual general meeting. The Board wish to thank Nunn Hayward, the retiring auditors, for their service.

The report of the Directors was approved by the Board on 9th October 2018 and signed on its behalf by:

S Cooklin ACA ACSI CF
Director

Manolete Partners Plc

Independent Auditors Report to the members of Manolete Partners Plc

Opinion

We have audited the financial statements of Manolete Partners plc (the 'company') for the year ended 31 March 2018 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the 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 company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

EUAN BANKS, FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
United Kingdom

9th October 2018

Manolete Partners Plc
Statement of Comprehensive Income
For the year ended 31 March 2018

	Note	Year Ended 31 March 2018 £	Year Ended 31 March 2017 (Restated) £
Revenue		10,630,264	4,842,639
Cost of sales		(3,839,282)	(1,021,488)
Gross profit		**6,790,982**	**3,821,151**
Administrative expenses		(2,719,769)	(1,788,052)
Operating profit	7	**4,071,213**	**2,033,099**
Finance income	9	1,515	2,127
Finance charges	9	(379,542)	(222,559)
Profit before tax		**3,693,186**	**1,812,667**
Taxation	11	(432,392)	(424,949)
Profit and total comprehensive income for the year attributable to the equity owners of the company		**3,260,794**	**1,387,718**

The results reflected above relate to continuing activities.

The prior year tax charge has been restated- see note 5.

The notes on pages 12 to 29 form part of these financial statements.

Manolete Partners Plc

Statement of Financial Position
As at 31 March 2018

Company Number: 07660874	Note	Year Ended 31 March 2018 £	Year Ended 31 March 2017 (Restated) £	Year Ended 31 March 2016 (Restated) £
Assets				
Current assets				
Investments	12	10,554,544	6,704,967	2,707,158
Trade and other receivables	13	2,973,274	1,583,008	1,761,106
Current tax receivable	14	-	221,405	-
Cash and cash equivalents	15	5,934,418	1,500,339	2,724,156
Total current assets		19,462,236	10,009,719	7,192,420
Total assets		**19,462,236**	**10,009,719**	**7,192,420**
Equity and liabilities				
Equity				
Share capital	19	99,600	98,300	92,500
Share premium	20	1,015,000	1,015,000	1,015,000
Retained earnings	20	6,641,828	3,381,034	2,618,315
Total equity attributable to the equity owners of the company		7,756,428	4,494,334	3,725,815
Non-current liabilities				
Borrowings and loans	17	8,870,588	2,250,000	2,250,000
Total non-current liabilities		8,870,588	2,250,000	2,250,000
Current liabilities				
Trade and other payables	16	2,830,220	2,340,385	1,089,605
Borrowings and loans	17	-	800,000	-
Deferred tax liability	18	5,000	125,000	127,000
Total current liabilities		2,835,220	3,265,385	1,216,605
Total liabilities		11,705,808	5,515,385	3,466,605
Total equity and liabilities		**19,462,236**	**10,009,719**	**7,192,420**

Trade and other payables and deferred tax liability have been restated for further detail see note 5.

The financial statements were approved by the Board of Directors and authorised for issue on 9.. October 2018.

S Cooklin ACA ACSI CF
Director

The notes on pages 12 to 29 form part of these financial statements.

Manolete Partners Plc
Statement of Changes in Equity
For the year ended 31 March 2018

	Share Capital £	Share Premium £	Retained Earnings £	Total Equity £
As at 1 Apr 2016 *(previously reported)*	**92,500**	**1,015,000**	**2,389,761**	**3,497,261**
Restatement	-	-	228,554	228,554
As at April 2016 *(Restated)*	**92,500**	**1,015,000**	**2,618,315**	**3,725,815**
Profit for the year	-	-	1,387,718	1,387,718
Transactions with owners				
Issue of ordinary shares	5,800	-	-	5,800
Dividends paid	-	-	(624,999)	(624,999)
As at 31 March 2017	**98,300**	**1,015,000**	**3,381,034**	**4,494,334**

As at April 2017	**98,300**	**1,015,000**	**3,381,034**	**4,494,334**
Comprehensive Income				
Profit for the year	-	-	3,260,794	3,260,794
Transactions with owners				
Issue of ordinary shares	1,300	-	-	1,300
As at 31 March 2018	**99,600**	**1,015,000**	**6,641,828**	**7,756,428**

Prior year tax charges have been restated please see note 5 for further information.

The notes on pages 12 to 29 form part of these financial statements.

Manolete Partners Plc
Statement of Cash Flows
For the year ended 31 March 2018

	Year Ended 31 Mar 2018 £	Year Ended 31 Mar 2017 (Restated) £
Cash flows from operating activities		
Profit before tax	3,693,186	1,812,667
Adjustments for non-cash/non-operating items:		
Fair value movements	(3,905,000)	(3,185,000)
Finance income	(1,515)	(2,127)
Finance expense	379,542	222,559
Interest paid/(accrued not paid)	437,387	(222,559)
	603,600	(1,374,460)
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(1,390,266)	178,098
Increase in trade and other payables	163,262	609,331
Cash flow used in operations	(623,404)	(587,031)
Taxation received/(paid)	225,586	(236,905)
Net cash used in operating activities	(397,818)	(823,936)
Cash flows from investing activities		
Investment in cases	55,423	(812,809)
Interest received	1,515	2,127
Net cash generated from/(used in) investing activities	56,938	(810,682)
Cash flows from financing activities		
Issue of ordinary share capital	1,300	5,800
Interest paid	(816,929)	-
Loans repaid	(3,050,000)	-
Loans received	8,870,588	1,030,000
Dividends paid	-	(624,999)
Repayment of directors loans	(230,000)	-
Net cash generated from financing activities	4,774,959	410,801
Net increase/(decrease) in cash and cash equivalents	4,434,079	(1,223,817)
Cash and cash equivalents at the beginning of the year	1,500,339	2,724,156
Cash and cash equivalents at the end of the year	5,934,418	1,500,339

The notes on pages 12 to 29 form part of these financial statements.

1 Company information

Manolete Partners PLC (the "Company") is a public company incorporated in England and Wales. The Company is domiciled in England and its registered office is PO Box 1295, 20 Station Road, Gerrards Cross, Buckinghamshire, SL9 8EL.

The principal activity of the Company is that of acquiring and funding insolvency litigation.

2 Accounting policies

(a) Basis of preparation

These financial statements of the Company have been prepared on a going concern basis, under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union, in accordance with the Companies Act 2006. The financial information is presented in the functional currency, pounds sterling ("£") except where otherwise indicated.

This is the first year in which the financial statements have been prepared under IFRS. The policies applied under the entities previous accounting framework are not materially different to FRS 102 (under which the financial statements where prepared previously) and have not impacted on equity or profit or loss, at the date of transition (1 April 2016) and last period end (31 March 2017).

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(b) Going concern

The financial statements relating to the Company have been prepared on the going concern basis.

After making appropriate enquires, the Directors of the Company have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date of the signed financial statements. For these reasons, they continue to adopt the going concern basis in preparing the Company's financial statements.

(c) New standards, amendments and interpretations

None of the standards, interpretations and amendments effective for the first time from 1 January 2018, including IFRS 9 and IFRS 15, which have been adopted from the conversion date of 1 April 2016, have had a material effect on the historical financial information.

IFRS 9 financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company has retrospectively applied IFRS 9, but the provision of comparative information is not compulsory.

Classification and measurement
There are no changes in the classification and measurement requirements of IFRS 9 as the Company early adopted these requirements in prior periods, when adopting FRS 102 in the Company's 31 March 2016 financial statements.

2 Accounting policies *(continued)*

Impairment
IFRS 9 requires the Company to record expected credit losses (ECLs) on its debt securities, loans, amounts due from settlement of both investments and new initiatives investments and trade receivables, either on a 12-month or lifetime basis. The Company has determined there is no material impact of ECLs on the financial statements.

Hedge accounting
The Company has not applied hedge accounting.

IFRS 15 Revenue from Contracts with Customers

The adoption of this standard had no effect on the Company, as the Company's revenue recognition falls under the classification and measurement provisions of IFRS 9.

The following standards have not been applied in preparing the financial statements:

IFRS 16 Leases

This is effective for year ended 31 March 2020. The Company is assessing the impact of IFRS 16 which, based upon leases presently held by the Company, is likely to increase Company EBITDA and Company net interest charges by similar amounts with an immaterial effect on profit before taxation. The amounts to be included under the standard into fixed assets and net debt respectively will be more definitively assessed nearer the time and are dependent upon lease agreements that will be in existence at that point.

(d) Segmental reporting

The Company has one single business segment which is wholly undertaken within the UK, as set out in note 4. This is consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance, has been identified as the management team comprising the Executive Directors who make strategic decisions.

(e) Revenue recognition

Revenue comprises of fair value of investments and realised consideration. Realised consideration occurs when a case is settled or a Court judgement received. Unrealised gains are recognised as cases appreciate in value and settlement draws near.

As revenue relates entirely to financing arrangements, revenue is recognised under the classification and measurement provisions of IFRS 9.

(f) Net finance costs

Finance costs

Finance costs comprise interest payable on borrowings, direct issue costs, dividends on preference shares and foreign exchange losses, and are expensed in the period in which they are incurred.

Finance income

Finance income comprises interest receivable on funds invested, and foreign exchange gains. Interest income is recognised in profit or loss as it accrues using the effective interest method.

2 Accounting policies *(continued)*

(g) Employee benefits: Pension obligations

The Company operates a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(h) Financial assets

Classification

The Company classifies all of its financial assets as loans, receivables and investments. Management determines the classification of its financial assets at initial recognition.

Investments

Investments in cases are categorised at fair value through profit or loss. Fair values are determined on the specifics of each investment and will typically change upon an investment progressing through a key stage in the litigation or arbitration process in a manner that, in the Directors' opinion, would result in a third party being prepared to pay an amount different to the original sum invested for the company's rights in connection with the investment. Positive material progression of an investment will give rise to an increase in fair value and an adverse progression a decrease. The valuation of all investments over £100,000 each is underpinned by an external legal opinion, which confirms the Directors' valuation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method.

Impairment of financial assets

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired asset.

Valuation of investments

Determining the value of purchased and funded litigation requires an estimation of the value of such assets upon acquisition and at the balance sheet date. The future income generation of such litigation is estimated from known information and the opinion of external senior specialist counsel. Valuations of each case, at the balance sheet date, are therefore arrived at by the Directors, considering counsel's assessment of the chances of a successful outcome, the state of progress of the matter through the legal system and the Directors' assessment of all other risks specific to the case.

2 Accounting policies *(continued)*

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are de-recognised from the balance sheet when the obligation specified in the contract is discharged, is cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other operating income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(j) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(k) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised in finance costs.

(l) Share capital

Ordinary shares are classified as equity. There are two classes of ordinary share in issue, as detailed in note 19. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

2 Accounting policies *(continued)*

(m) Leases

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

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The costs associated with operating leases are taken to the income statement on an accruals basis over the period of the lease.

(n) Income tax

Income tax for the years presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred income tax is recognised on temporary differences arsing between the tax bases of assets and liabilities and their carrying amounts.

The following temporary differences are not recognised if they arise from a) the initial recognition of goodwill, and b) for the initial recognition of other assets or liabilities in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Company changed its auditors during the year. The new auditors have advised the Company that the previous tax treatment of providing for deferred taxation on unrealised gains was, in their opinion, incorrect and that corporation tax should be provided for on such unrealised gains. The Company has therefore shown a prior year adjustment in its accounts to reflect this new advice-see note 5.

3 Significant judgments and estimates

The preparation of the Company's historical financial information under IFRS as endorsed by the EU requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the statement of financial position date, amounts reported for revenues and expenses during the year, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liability affected in the future.

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 year are detailed below.

Valuation of investments

Investments in cases are categorised as fair value through profit or loss. Fair values are determined on the specifics of each investment and will typically change upon an investment progressing through a key stage in the litigation or arbitration process in a manner that, in the Directors' opinion, would result in a third party being prepared to pay an amount different to the original sum invested for the company's rights in connection with the investment. Positive material progression of an investment will give rise to an increase in fair value and an adverse progression a decrease.

Movements in fair value on investments in cases are included within income in the Statement of Comprehensive Income. Fair value gains or losses are unrealised until a final outcome or stage is reached.

Recoverability of accrued income

Manolete's business model involves the provision of goods and service on credit. The Company normally receives payment for goods and services it has provided once a claim has been pursued and settled or decided in court. This normal course of business can lead to a lengthy period before payment is received. Whilst the Company provides for irrecoverable receivables and undertakes measures to limit the length of time for payment to be received, if the settlement timing increases in the industry it will add to the pressure on the Company's working capital. With working capital tied up in unpaid cases, the Company may find itself limited to the extent it can pursue its growth strategy. Further, an increased length in settlement terms is likely to increase the risk of irrecoverable debts.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

4 Segmental reporting

During the year ended 31 March 2018, the revenue was derived from cases funded on behalf of the insolvent estate and cases purchased from the insolvent estate. Where cases are funded, upon conclusion, the Company has the right to its share of revenue whereas for purchased cases, it has the right to receive all revenue from which a payment to the insolvent estate is made. Revenues arising from funded cases and purchased cases are considered one business segment and are considered to be the one principal activity of the Company. All revenues are from continuing operations and are not seasonal in nature.

	Year Ended 31 March 2018 £	**Year Ended 31 March 2017 £**
Net realised gains on investments in cases	6,725,264	1,657,639
Fair value movements (net of transfers to realisations)	3,905,000	3,185,000
	10,630,264	4,842,639

	Year Ended 31 March 2018 £	**Year Ended 31 March 2017 £**
Arising from:		
Funded cases	2,744,403	2,723,998
Purchased cases	7,885,861	2,118,641
	10,630,264	4,842,639

5 Prior year adjustment

The Company has received tax advice that unrealised gains on investments in cases recognised at fair value through the profit and loss may be taxable income. Accordingly, it has decided to release the deferred taxation provision and accrue corporation tax liabilities on unrealised gains, pending the outcome of an application to HMRC to determine the correct taxation treatment of unrealised gains. The Company has therefore shown a prior year adjustment in its accounts to reflect this new advice, as follows:

Retained Earnings as at 1 April 2016, increased by £228,554 see note on page 10 on Statement of Changes in Equity.

Changes to the Statement of Financial Position:

	31 March 2017 As previously reported £	Adjustment £	As re-stated £
Deferred tax provision	1,066,000	(941,000)	125,000
Corporation tax liability	-	721,800	721,800
Retained Earnings	3,161,834	219,200	3,381,034

5 Prior year adjustment *(Continued)*

Changes to the Statement of Comprehensive Income:

	31 March 2017 As previously reported £	Adjustment £	As re-stated £
Tax Charge	415,595	9,354	424,949

6 Directors and employees

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 £
Staff costs (including directors):		
Wages and salaries	1,024,651	1,144,491
Social security costs	131,554	148,202
Other pension costs	19,034	1,839
	1,175,239	1,294,532

Average monthly number of people (including executive directors) employed by activity:

	Year Ended 31 March 2018 No.	Year Ended 31 March 2017 No.
Directors	1	2
Management and administration	6	5
	7	7

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 £
Directors' emoluments:		
Salaries and fees	654,250	766,667
Other pension costs	-	317
	654,250	766,984

6 **Directors and employees** *(continued)*

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 £
Highest paid director:		
Salaries and fees	473,000	616,667
Other pension costs	-	217
	473,000	616,884

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 £
Key management compensation:		
Salaries and fees	654,250	961,667
Other pension costs	-	642
	654,250	962,309

Key management personnel include all directors who have authority and responsibility for planning, directing, and controlling the activities of the Company.

7 **Operating profit**

Is stated after charging:

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 £
Operating lease costs	112,164	46,419
Auditor remuneration (note 10)	27,500	13,200

8 **Analysis of expenses by nature**

The breakdown by nature of administrative expenses is as follows:

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 £
Staff Costs	1,175,239	1,294,532
Office costs	184,532	117,256
Other costs, incl marketing costs and doubtful debt charges	1,359,798	376,264
Total administrative expenses	2,719,569	1,788,052

9 Net finance costs

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 £
Bank interest	554	2,127
Other loan interest	961	-
Total finance income	1,515	2,127
Bank loan interest	14,724	-
Other loan interest	288,596	222,559
Bank loan charges	28,722	-
Other loan charges	47,500	-
	379,542	222,559

10 Auditor remuneration

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 £
Fee payable to Company's auditor and its associates for the audit of financial statements	27,500	13,200
Fees payable to Company's auditor and its associates for other services	91,944	9,486
	119,444	22,686

11 Taxation

Analysis of charge in year	Year Ended 31 March 2018 £	Year Ended 31 March 2017 (Restated) £
Current tax charge on profits for the year	556,573	411,449
Adjustments in respect of prior periods	(4,181)	15,500
Income tax credit	552,392	426,949
Deferred tax	(120,000)	(2,000)
	432,392	424,949

The standard rate of corporation tax in the UK changed from 20 per cent to 19 per cent with effect from 1 April 2017.

In September 2016, the UK Government passed legislation that resulted in the substantively enacted tax rates in the UK being 17 per cent from 1 April 2020.

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19.00 per cent (2017: 20.00 per cet). The differences are explained below.

***11 Taxation** (continued)*

The Company has received tax advice that unrealised gains may be taxable income. Accordingly, it has decided to release the deferred taxation provision and accrue corporation tax liabilities on unrealised gains, pending the outcome of an application to HMRC to determine the correct taxation treatment of unrealised gains. The Company has accounted for this as a prior year adjustment-see note 5.

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 (Restated) £
Profit on ordinary activities before tax	3,693,186	1,812,667
Profit on ordinary activities multiplied by the rate of corporation tax in the UK as above	701,705	362,533
Effects of:		
Expenses not deductible	6,274	64,416
Adjustments to tax credit in respect of prior years	(4,181)	-
Utilisation of tax losses	(151,406)	-
Provision for deferred tax release	(120,000)	(2,000)
Total taxation charge	432,392	424,949

12 Investments

Current asset investments comprise the costs incurred in bringing funded and purchased cases to the position that they have reached at the balance sheet date. In addition, where an event has occurred that causes the Directors to revalue the amount invested, a fair value adjustment is made by the Directors based on Counsel's and the Directors' opinion, which can either be positive or negative.

Any change in value is taken to other reserves as an unrealised gain or loss.

	Year Ended 31 Mar 2018 £	Year Ended 31 Mar 2017 £
As at 1 Apr	6,704,967	2,707,158
Additions	1,336,628	1,035,307
Realisations	(1,392,051)	(222,498)
Fair value movement (net of transfers to realisations)	3,905,000	3,185,000
As at 31 Mar	10,554,544	6,704,967

13 Trade and other receivables

	Year Ended 31 Mar 2018 £	Year Ended 31 Mar 2017 £
Amounts falling due within one year:		
Other receivables	23,800	13,400
Prepayments	14,931	9,717
Accrued income	2,934,543	1,559,891
	2,973,274	1,583,008

It is the Company's policy to assess receivables for recoverability on an individual basis and to make provision where it is considered necessary. In assessing recoverability, the Company considers any indicators of impairment up to the reporting date. All trade and other receivables are denominated in Sterling.

14 Corporation tax receivable

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 £
Corporation tax receivable	-	221,405
	-	221,405

15 Cash and cash equivalents

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 £
Cash at bank and in hand	5,934,418	1,500,339
	5,934,418	1,500,339

All bank balances are denominated in Sterling.

16 Trade and other payables

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 (Restated) £
Other taxation and social security	32,396	34,028
Accruals and other creditors	1,519,451	1,354,557
Accounts due to related parties	-	230,000
Corporation tax liability	1,278,373	721,800
	2,830,220	2,340,385

Trade and other payables comprise amounts outstanding for trade purchases and on-going costs. All trade and other payables are due in less than one year. All balances are denominated in Sterling.

The Company has received tax advice that unrealised gains may be taxable income. Accordingly, it has decided to release the deferred taxation provision and accrue corporation tax liabilities on unrealised gains, pending the outcome of an application to HMRC to determine the correct taxation treatment of unrealised gains. The Company has accounted for this as a prior year adjustment-see note 5.

17 Borrowings and loans

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 £
Non-current		
Bank loans	8,870,588	-
Other loans	-	2,250,000
	8,870,588	2,250,000
Current		
Other loans	-	800,000
Total borrowings and loans	8,870,588	3,050,000

The Directors consider the carrying value of all financial liabilities to be equivalent to their fair value.

The loan of £2,500,000 was provided by a shareholder in the year ended 31 March 2016, with an interest rate of 12 per cent. £250,000 was repaid on the 26 October 2015. The interest rate was then reduced to 11 per cent. The balance of the loan (£2,250,000) was repaid on the 31 January 2018.

The £10,000,000 credit facility was provided on the 28 January 2018 by HSBC Bank plc. The Company granted a fixed and floating charge over all of its assets in favour of HSBC Bank plc. The facility term is four years. The interest rate is LIBOR plus a maximum margin of 2.75%, depending on the Company's financial performance against agreed covenants.

The other loans include an additional shareholder loan of £800,000 advanced on the 29 March 2017, with an interest rate of 12 per cent. and an arrangement fee of 5 per cent. £400,000 was repaid on the 26 April 2017, and the balance was repaid on the 13 June 2017.

Steven Cooklin (a Director), loaned £175,000 and Mena Halton (key management), loaned £55,000 on the 29 March 2017. Interest was charged at 12 per cent. together with arrangement fees of 5 per cent. The loans were repaid on the 13 June 2017.

18 Provision for deferred tax

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 (Restated) £
At beginning of period	125,000	127,000
Released during the year	(120,000)	(2,000)
At end of period	5,000	125,000

The Company has received tax advice that unrealised gains may be taxable income. Accordingly, it has decided to release the deferred taxation provision and accrue corporation tax liabilities on unrealised gains, pending the outcome of an application to HMRC to determine the correct taxation treatment of unrealised gains. The Company has accounted for this as a prior year adjustment-see note 5.

19 Share capital

	Year Ended 31 March 2018 No.	Year Ended 31 March 2017 No.
Allotted and issued		
Ordinary shares of £1.00 each	92,500	92,500
Allotted, called up and fully paid		
'A' Ordinary shares of £1.00 each	7,100	5,800

During the year ended 31 March 2017, the Company issued 5,800 A ordinary shares for £1 per share. The Company received total cash proceeds of £5,800.

During the year ended 31 March 2018, the Company issued 1,300 A ordinary shares for £1 per share. The Company received total cash proceeds of £1,300.

Voting rights

The holders of ordinary shares are entitled to one voting right per share. The holders of A ordinary shares do not carry any voting rights, or entitlement to attend general meetings.

Dividends

The holders of ordinary shares are entitled to dividends out of the profits of the Company available for distribution. The holders of A ordinary shares carry no dividend rights, except if declared upon disposal of the Company.

20 Reserves

Share premium

Includes all current and prior year premiums received on issue of share capital.

Retained earnings

Includes all current and prior periods retained profits and losses.

21 Operating lease commitments

Operating lease commitments

The Company has one leased property and one leased piece of equipment under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 £
Within 1 year	166,800	80,400
Later than 1 year and less than 5 years	284,160	634
After 5 years	-	-
	450,960	81,034

The operating lease commitment for the rental of the property is calculated on a straight-line basis over the length of the lease.

22 Financial instruments – classification and measurement

Financial assets

Financial assets measured at amortised cost comprise other receivables, accrued income and cash, as follows:

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 £
Other receivables	23,800	13,400
Accrued income	2,934,543	3,006,621
Cash at bank	5,934,418	1,500,339
	8,892,761	4,520,360

Financial assets measured at fair value through profit or loss comprise of investments;

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 £
Investments	10,554,544	6,704,967
	10,554,544	6,704,967

22 Financial instruments – classification and measurement *(continued)*

Financial liabilities

Financial liabilities measured at amortised cost comprise other creditors and accruals, as follows:

	Year Ended 31 March 2018 £	Year Ended 31 March 2017 £
Other creditors	48,309	47,572
Bank loans	8,870,588	-
Other loans	-	3,050,000
Directors' current accounts	-	230,000
Accruals	1,471,142	1,306,985
	10,390,039	4,634,557

The fair value of investments is determined using the valuation techniques set out in the accounting policies in Note 2. Level 3 investments are illiquid and hard to value.

The fair value hierarchy of financial instruments measured at fair value is provided below:

Fair value hierarchy

		31 March 2018	
	Level 1 £	*Level 2* £	*Level 3* £
Investments	-	-	10,554,544
	-	-	10,554,544

		31 March 2017	
	Level 1 £	*Level 2* £	*Level 3* £
Investments	-	-	6,704,967
	-	-	6,704,967

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk), investment risk, liquidity risk and credit risk. Risk management is carried out by the Board of Directors. The Company uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed.

The Company finances its operations through a mixture of equity finance, cash and liquid resources and various items such as trade debtors and trade creditors which arise directly from the Company's operations.

The Company is a sophisticated user of the Adverse Cost Insurance market and is usually able to procure cost insurance at the appropriate juncture on its cases. This provides the Company with very significant downside protection where considered necessary on a case-by-case basis.

22 Financial instruments – risk management *(continued)*

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest bearing assets including cash and cash equivalents are considered to be short-term liquid assets. It is the Company's policy to settle trade payables within the credit terms allowed and the Company does therefore not incur interest on overdue balances. No sensitivity analysis has been prepared as the impact on the historical financial information would not be significant.

The interest rate profile of the Company's borrowings is shown below:

Interest rate profile of interest bearing borrowings

	Year Ended 31 Mar 2018		**Year Ended 31 Mar 2017**	
	Debt £	**Interest Rate**	**Debt £**	**Interest Rate**
Floating rate borrowings				
Bank loans	8,870,588	LIBOR and Margin	-	-
Fixed rate borrowings				
Other loans	-	-	2,250	11%
Short term loan	-	-	800,000	12%
Directors' current accounts	-	-	230,000	12%
Weighted average cost of fixed rate borrowings		11%		11%

Liquidity risk

The Company seeks to maintain sufficient cash balances. Management reviews cash flow forecasts on a regular basis to determine whether the Company has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

A maturity analysis of the Company's borrowings is shown below:

	Year Ended 31 Mar 2018 £	**Year Ended 31 Mar 2017 £**
Less than one year	-	800,000
One to two years	8,870,588	-
Two to five years	-	2,250,000
	8,870,588	3,050,000

Capital risk management

The Company is both equity and debt funded and these two elements combine to make up the capital structure of the business. Equity comprises share capital, share premium and retained losses and is equal to the amount shown as 'Equity' in the balance sheet. Debt comprises various items which are set out in further detail above and in note 17.

The Company's current objectives when maintaining capital are to:

- Safeguard the Company's ability as a going concern so that it can continue to pursue its growth plans.
- Provide a reasonable expectation of future returns to shareholders.
- Maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term.

22 Financial instruments – risk management *(continued)*

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt.

During the year ended 31 March 2018 the Company's strategy remained unchanged.

Credit risk and impairment

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. In order to minimise the risk, the Company endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the carrying value of its financial receivables, trade and other receivables and cash and cash equivalents as disclosed in the notes.

The Company does not consider that there is any concentration of risk within either trade or other receivables. The Company seeks to obtain charging orders over the property of trade receivables. The receivables' age analysis is also evaluated on a regular basis for potential doubtful debts. It is the Directors' opinion that no further provision for doubtful debts is required.

Credit risk on cash and cash equivalents is considered to be very low as the counterparties are all substantial banks with high credit ratings.

Currency risk

The Company is not exposed to any currency risk at present.

23 Related party transactions

During the year ended 31 March 2018, interest totalling £736,772 and fees totalling £40,000 were paid to a shareholder upon redemption of two loans provided to the Company, and interest of £3,936, and fees of £7,500 were paid to two Directors upon redemption of short term loans made to the Company-see note 17.

24 Ultimate controlling party

The Company has no ultimate controlling party.