Manolete Partners PLC

Annual Report 2019

Manolete is the UK's leading insolvency litigation financing company. We are renowned for our unparalleled knowledge of the Insolvency and Recovery sector, working alongside Insolvency Practitioners from the Big Four through to smaller specialist practices in the regions.

Our recent Stock Market listing on AIM and credit facility with HSBC has enabled us to deliver strong progress against our strategy, and to create growing value for our stakeholders.

£7.2m
year-on-year Operating Profit before non-recurring items and tax and interest grew 77% to £7.2m

£28m
net assets grew 261% to £28m, following our successful IPO

44
case investments since IPO in December, compared to 20 in the comparable prior year period

FINANCIAL HIGHLIGHTS

We are delighted to have recorded a strong set of results in our first year as a listed company, and are confident that our growth trend will continue as we implement our strategy and operating model.

FINANCIAL

Revenue	
2019	**£13,772**
2018	£10,630

Gross profit	
2019	**£10,086**
2018	£6,791

Operating profit before non-recurring items	
2019	**£7,212**
2018	£4,071

Normalised profit after tax (adjusted for IPO costs)	
2019	**£5,527**
2018	£3,261

NON-FINANCIAL

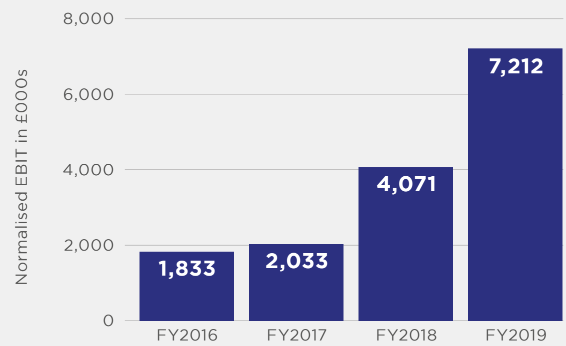
Number of signed litigation investments	
2019	**279**
2018	218

Live cases	
2019	**84**
2018	57

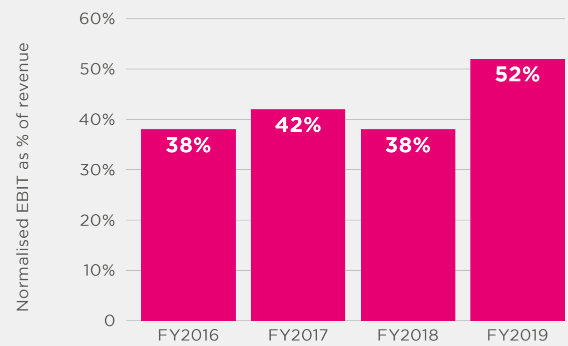
Purchased cases	
2019	**71**
2018	41

Funded cases	
2019	**13**
2018	16

Manolete normalised EBIT for last four financial years

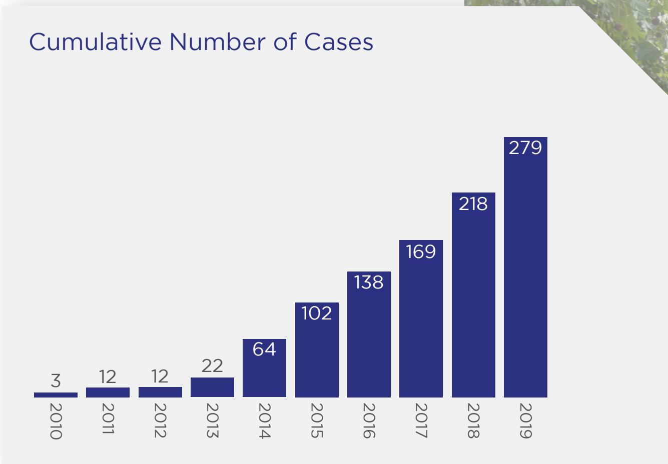


Normalised EBIT as % of revenue for the last four years



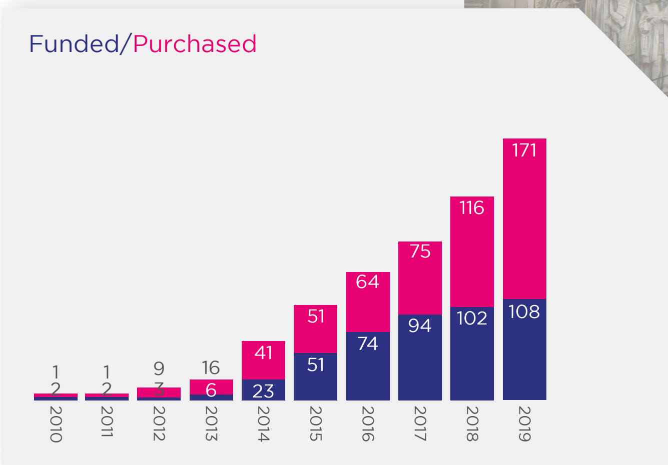
AT A GLANCE

As the leader in our market, we are proud of our differentiated approach and the quality of our leadership team which have combined to successfully take the business forward.



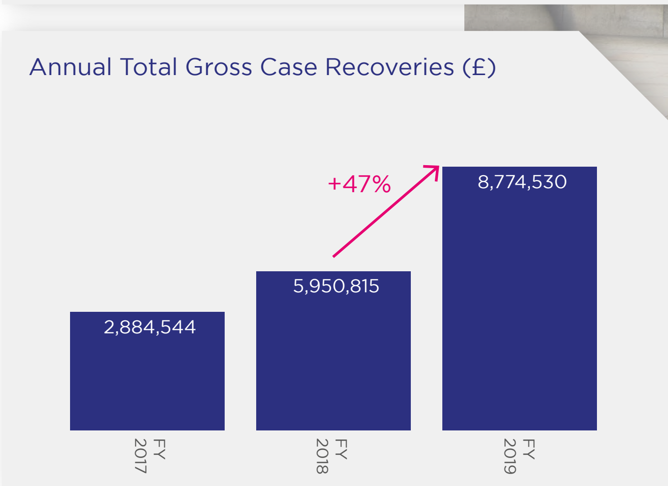
77%
increase in EBIT

279
cases as at 31/3/19



195
completed cases as at 31/3/19

87%
cases won; 13% aborted early; only one case lost



2.8x
average money multiple across all completed cases

<1YR
average duration across entire portfolio

MARKET LEADER IN INSOLVENCY FINANCE

NUMBER 1 IN THE UK INSOLVENCY LITIGATION MARKET	• 52% of respondents to the Walton Report survey, a key piece of academic research, use Manolete	• Multiple winners of Turnaround, Restructuring and Insolvency awards “Insolvency Litigation Funder of the Year”
PROVEN, DIFFERENTIATED BUSINESS MODEL	• 279 financed claims as at 31 March 2019. 195 cases completed, Total ROI of 180%	• Average case duration < 1 year. 71 out of 84 live cases are purchased
HIGH QUALITY LEADERSHIP TEAM	• Combination of specialist legal, accounting and commercial experience, with proven track record	• Capital discipline – total investment to date of £8.6m
ATTRACTIVE FINANCIAL PERFORMANCE	• Increasing profit since 2012 (3 year EBIT CAGR to 31 March 2019 of 88%)	• Case gross cash inflow of £8.8m, up 47%

MULTIPLE AWARD WINNER

INSOLVENCY LITIGATION FUNDER OF THE YEAR
WINNER 2016
tri AWARDS
Manolete Partners

INSOLVENCY LITIGATION FUNDER OF THE YEAR
WINNER 2017
tri AWARDS 2017
Manolete Partners

FT FINANCIAL TIMES
1000 Europe’s Fastest Growing Companies 2018
statista

FT FINANCIAL TIMES
1000 Europe’s Fastest Growing Companies 2019
statista

AT A GLANCE CONTINUED

We have a growing regional network, allowing us to develop and maintain strong relationships with Insolvency Practitioners (IPs) and their chosen lawyers across the UK.

RELATIONSHIPS WITH PROFESSIONAL REFERRERS ARE CRUCIAL

Manolete has built up a referral base of around 300 IP firms (many with multiple offices) and many law firms.

- Worked on cases for 107 separate IP firms
- 63% repeat business

IPs are unable to enter into exclusivity agreements with funders but Manolete is the main preferred partner and two-time industry winner.

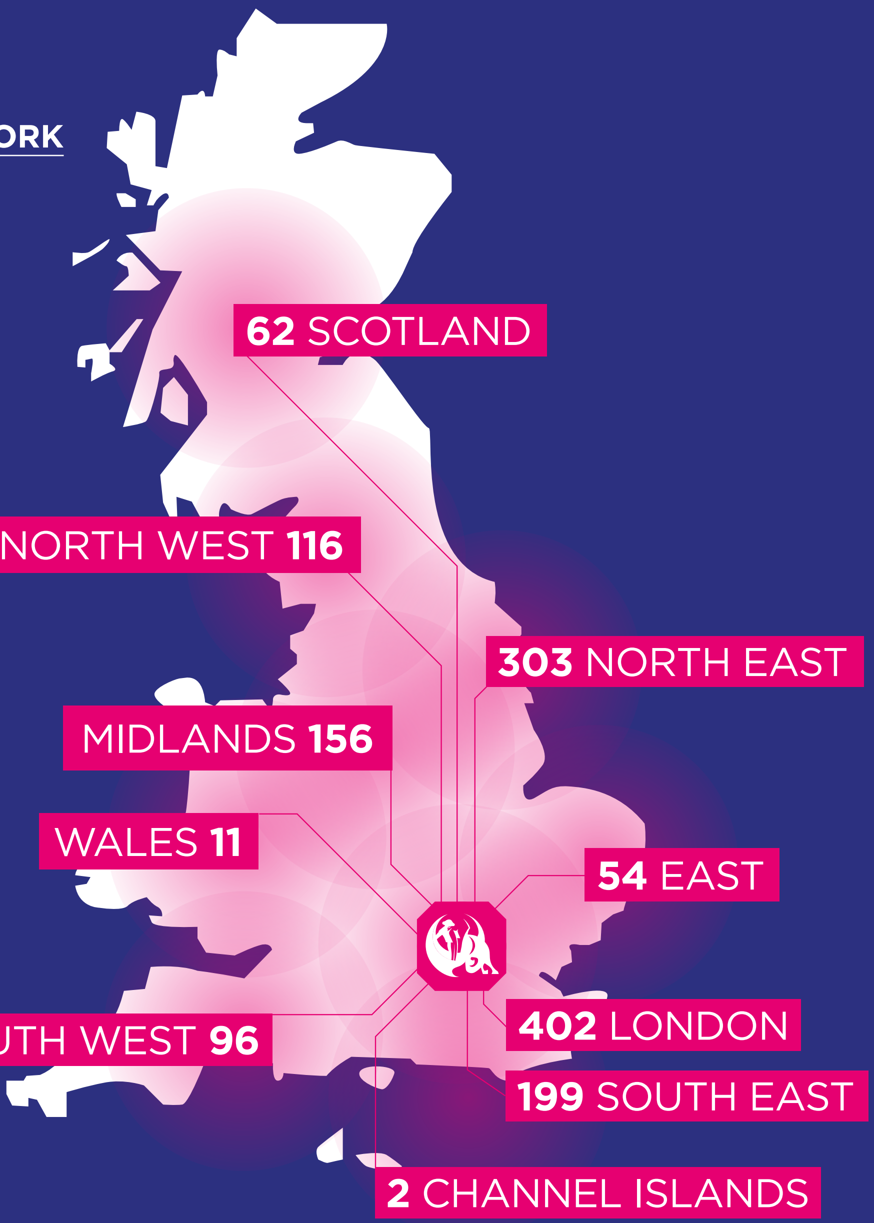
- High win ratio
- Strong company, fulfilling IP's DD requirements
- Good reputation built up over 10 year history maximising first mover advantage
- Trust has been earned through Manolete's track record
- Manolete model aligns interests of the IPs and their lawyers to maximise returns for creditors

VINTAGES TABLE MARCH 2019

FINANCIAL YEAR	NUMBER OF INVESTMENTS	NUMBER COMPLETED*	% COMPLETION	NUMBER OUTSTANDING	OPEN CASES INVESTMENTS £000	CLOSED CASE INVESTMENTS £000	TOTAL INVESTED £000	TOTAL RECOVERED £000
2010	3	3	100%	0	0	52	52	28
2011	0	0	100%	0	0	0	0	0
2012	8	8	100%	0	0	763	763	2,524
2013	10	10	100%	0	0	174	174	780
2014	42	42	100%	0	0	594	594	3,884
2015	39	39	100%	0	0	1,404	1,404	7,648
2016	36	36	100%	0	0	1,833	1,833	9,418
2017	31	27	87%	4	259	838	1,097	3,755
2018	49	19	39%	30	1,530	330	1,860	3,371
2019	61	17	28%	44	544	305	849	1,739
	279	**201**	**72%**	**78**	**2,333**	**6,293**	**8,626**	**33,147**

* Cases completed at time of writing.

OUR INSOLVENCY PRACTITIONER NETWORK



Number of IP firms who have referred cases to us by region

	TOTAL GAIN £000	IP SHARE £000	MANOLETE GAIN £000	DURATION IN MONTHS ON COMPLETED CASES	RETURN ON INVESTMENT %	MONEY MULTIPLE	IRR %	VALUATION OF LIVE CASES	AVERAGE VALUE PER CASE
	(24)	11	(35)	7	-67%	0.3	0%	0	0
	0	0	0	0	0%	0.0	0%	0	0
	1,761	580	1,181	18	156%	2.6	236%	1,027	171
	606	316	290	7	167%	2.7	281%	1,084	181
	3,290	2,427	863	10	147%	2.5	424%	1,685	60
	6,244	3,290	2,954	13	211%	3.1	526%	1,934	60
	7,585	4,638	3,217	15	176%	2.8	175%	2,707	73
	2,917	1,679	1,238	10	148%	2.5	652%	6,705	131
	3,041	2,090	951	8	288%	3.9	1,409%	10,555	185
	1,434	745	689	6	226%	3.3	236%	18,197	217
	26,854	**15,506**	**11,348**	**11**	**180%**	**2.8**	**394%**		

THE MARKET OPPORTUNITY

We operate in a market which is characterised by growth and opportunity. This gives us great confidence in our potential to continue creating value in the long term.

INSOLVENCY MARKET

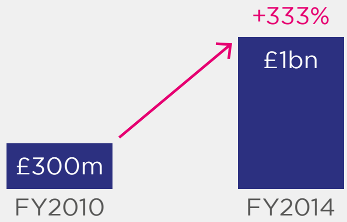
For 2008-2017, there were over 14,000 corporate insolvencies and 40,000 bankruptcies each year. The most recent estimate on the number of UK insolvency cases per annum was drawn up by Peter Walton (Professor of Law, Wolverhampton University) in April 2016. His report Insolvency Litigation and the Jackson Reforms – An Update estimated there were 2,300 UK insolvency litigation cases per annum and that 93% of cases were done on a 'No Win/No Fee' + After The Event Insurance model (the "CFA Model") with only 7% being financed.

> "There is a developing market in funders who specialise in the UK insolvency actions. The funder with the highest profile in the UK Market with a majority of the market share is Manolete Partners PLC"
>
> Peter Walton
> PROFESSOR OF INSOLVENCY LAW, WOLVERHAMPTON UNIVERSITY

MARKET GROWTH

£1bn

the UK insolvency litigation market grew from £300m in 2010 to £1bn in 2014



FUNDING GROWTH

7%

only 7% of cases historically funded or acquired

54%

54% of respondents to the survey expect to now seek third party funding

INSOLVENCY LITIGATION

2,300

2,300 insolvency cases per year in 2014

REALISATIONS

£500m

£500m of realisations from claims in 2014

OUR BUSINESS MODEL

OUR ASSETS

Our team of nine experienced in-house insolvency lawyers.

Our proprietary network relationships across the UK with Insolvency Practitioners and legal practices and barristers specialising in insolvency, which has generated 63% repeat business.

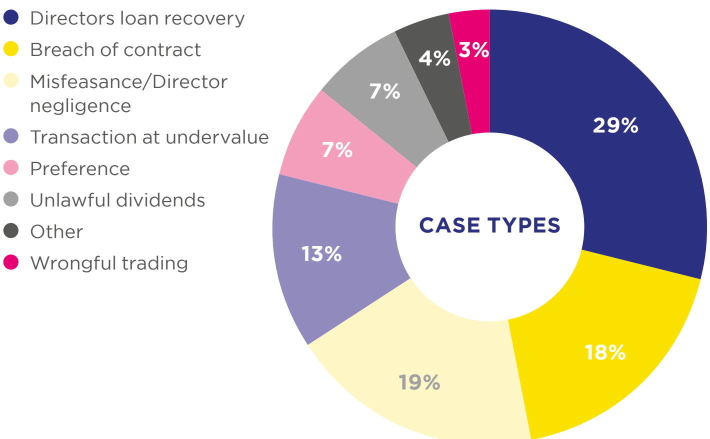
Our track record of financing 279 insolvency cases.

Our financial firepower of £30m, comprising £10m of cash balances and £20m of borrowing facilities.

WHAT WE DO

We finance the pursuit of claims through litigation and alternative dispute resolution to produce good returns for the creditors of insolvent companies and for our shareholders. We also benefit the community as HMRC is very often the biggest creditor who gain significant returns secured by Manolete.

INSOLVENCY AND THIRD PARTY FUNDING



- OVER 14,000 CORPORATE INSOLVENCIES AND 40,000 BANKRUPTCIES PER YEAR FROM 2008-2017
- CIRCA 1,735 LICENSED INSOLVENCY PRACTITIONERS (“IPS”) IN THE UK WHOSE STATUTORY DUTY IS TO INVESTIGATE CLAIMS TO MAXIMISE RETURNS TO CREDITORS
- MOST IPS ARE RISK AVERSE, THEY USUALLY ACT WITH PERSONAL LIABILITY
- THIRD PARTY LITIGATION FUNDING ALLOWS INSOLVENCY PRACTITIONERS TO DE-RISK THEIR POSITION YET DELIVER SUPERIOR RETURNS TO CREDITORS

Our bespoke insolvency litigation business model enables us to deliver scalable results and is the basis for our objective of building sustainable shareholder and stakeholder value.

OUR UNIQUE SELLING POINT

We offer Insolvency Practitioners a quick risk-free, cost-effective means of securing a good return for creditors.

HOW IS SUSTAINABLE VALUE CREATED?

By revolutionising the insolvency litigation industry and causing it to turn away from the old model of low and slow returns to creditors using the old conditional fee agreement model to quick wins and good returns for creditors using the Manolete financing model.

OUR OUTPUTS

We are focused on generating value for all our stakeholders, and are confident that our strategy and business model will enable us to continue delivering on a sustainable basis.

279
financed claims as at 31/3/19

195
cases completed as at 31/3/19

£32.4m
of total case income generated

£7.2m
of EBIT for FY19

<1YR
case duration

£8.8m
gross cash generated in FY19 from cases

OUR STRATEGY

We have a clear strategy for growth, and have made good progress during the year.

	STRATEGIC OBJECTIVES	PROGRESS IN 2018-19	ASSOCIATED RISKS	RISK MITIGATION
01	Grow the business; increase market share; facilitate market transition from old conditional fee agreement model to more efficient litigation funding model.	Strengthened our national network of Insolvency Practitioner and lawyer contacts. Revenue increased by 30% from £10.6m in FY18 to £13.8m in FY19; normalised EBIT increased by 77% from £4.1m to £7.2m; 157% growth in value of enquiries in 2018; 47% increase in live cases from FY18 to FY19. Record cash receipts on completed cases in FY19.	■ Risk of dilution of quality cases. Read more on p25	■ Continued stringent application of net worth and legal due diligence procedures on all new enquiries.
02	Grow regional presence in order to increase enquiries from IPs and their lawyers.	Recruitment of new, high quality in-house lawyers in different regions across the UK. Regional network is well advanced.	■ Risk of dilution of quality legal staff. Read more on p25	■ Robust recruitment and quality control procedures.
03	IPO on AIM Market, capital raising with HSBC and appointment of PLC Board.	Successful IPO on AIM, raising over £16m. £20m credit facility set up with HSBC. PLC Board established.	■ None	■ Not applicable
04	Raise Manolete profile in the marketplace.	Three year sponsorship deals agreed with: ICAEW, R3 and IPA. Successful IPO on AIM.	■ None	■ Not applicable

TYPICAL CASE STUDIES

The case studies below illustrate how Manolete is able to control cases towards a quick resolution – so keeping costs down to an average of 15% and maximising returns.

PROJECT CRYSTAL

- Large European Manufacturer with a UK sales company
- Misfeasance and Wrongful Trading Claim
- 2014: Co-funded with Burford Capital (Manolete £100k cost and £428k profit). Manolete sourced and executed case
- Settled at mediation

Duration	Costs	Settlement	Returns	Money multiple
14 months	£100k	£2,395k	£428k	4.3x

PROJECT GLADIATOR

- Directors of a flagship UK company
- Unlawful Dividend Claim
- Two years of refused engagement with IP
- Manolete then purchased claim and defendant immediately agreed to mediate

Duration	Costs	Settlement	Returns	Money multiple
14 months	£158k	£1,300k	£502k	3.2x

TAX AVOIDANCE CASE

- Company director extracted large sums tax free for his personal benefit via an Employment Financed Retirement Benefits scheme
- Triggered contingent liabilities to HMRC
- Settled at mediation

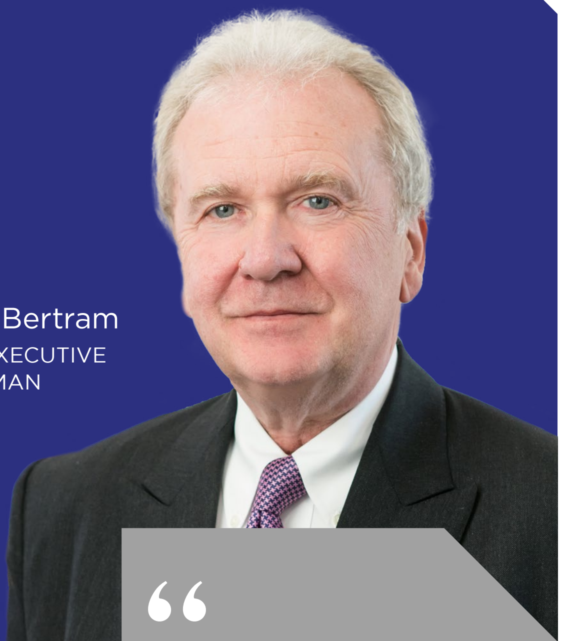
Duration	Costs	Settlement	Returns	Money multiple
7 months	£50k	£2,150k	£492k	10.0x

PERSONAL BANKRUPTCY CLAIM

- Individual Claim – fast completion, negligible legal costs
- Assets unlawfully removed from a bankrupt's estate prior to bankruptcy
- £50k recovery in two weeks generating profit of £23k

Duration	Costs	Settlement	Returns	Money multiple
2 weeks	£1k	£50k	£24k	24.5x

CHAIRMAN'S STATEMENT



Peter Bertram
NON-EXECUTIVE CHAIRMAN

> "We believe that the business is very well-positioned to consolidate its leadership position."

I am pleased to report that the Company has made excellent progress over the past year, both pre- and post-admission to AIM.

OVERVIEW

When I became Chairman at the time of the Initial Public Offering in late 2018, we set out plans to capitalise on our first mover advantage and established track record, in order to accelerate the Company's growth, primarily through investing in more cases and expanding our UK regional network.

The Company's results reflect the strength, resilience and capabilities of the business, as it continues to increase the number and average size of new case investments through its expanding network of Insolvency Practitioners and Insolvency Lawyers throughout the UK.

FINANCIAL RESULTS

The business achieved impressive growth in the year ended 31 March 2019, with revenues increasing by 30% to £13.8 million (FY18:£10.6m) and profit before tax growing by 61% to £5.9 million (FY18:£3.7m).

The Company has achieved this growth through: the recruitment of additional high quality in-house lawyers, the successful deployment of the funds raised through the HSBC credit facility and the IPO, and continued hard work of the team.

STRATEGY

We remain focused on strengthening the profile of Manolete, as we continue to increase the number and average size of cases within our insolvency litigation investment portfolio.

An important component to our strategy is to build upon our ever-growing network of established Insolvency Practitioner and Insolvency Lawyer contacts throughout the UK. Over the past year, we have made considerable advancements in strengthening the UK team, with the appointment of six high quality in-house lawyers in different regions across the UK. We believe that, with an enhanced status as one of the UK's leading specialist insolvency litigation finance companies, combined with an increased regional presence, we will be able to strengthen our relationships with Insolvency Practitioners and legal firms, which will lead to an increased volume of enquiries.

The Company's results reflect the strength, resilience and capabilities of the business.

Further powering our growth strategy, this year we signed an exclusive three-year sponsorship contract with the Institute of Chartered Accountants in England and Wales (Restructuring and Insolvency Community), became a Key Strategic Partner of R3 (the leading trade association for the UK's insolvency, restructuring, advisory, and turnaround professionals) and agreed a three year sponsorship deal with the Insolvency Practitioners Association.

These sponsorship deals are an integral part of our carefully planned marketing strategy. They give the Company a very high profile with the insolvency community in their technical conferences and networking events and ensure that the Manolete name and its business model are well recognised.

DIVIDEND

The Board has adopted a progressive dividend policy based on a pay-out ratio of 20% of profit after tax, with one third being paid as an interim dividend and two thirds as a final dividend. For the year to 31 March 2019, the Board is proposing a final dividend of 1.49p per share. Subject to the approval of Shareholders at the Annual General Meeting on 20 September 2019, the dividend to Ordinary Shareholders is payable on 30 September 2019 to those shareholders who are on the register of members at 13 September 2019. No interim dividend was paid for the part of the financial year before the IPO.

The Annual General Meeting will be held at 10.30am on 20 September 2019 and we look forward to meeting Shareholders, should they wish to attend.

CORPORATE GOVERNANCE

The Board of Directors is committed to good corporate governance. The Company has adopted the ten principles of the 2018 Version of the Corporate Governance Code as set out by the Quoted Companies Alliance. Our arrangements are further described in our Corporate Governance Statement in our Annual Report on pages 30 to 31.

The Audit Committee report on page 32 and the Remuneration Committee report on page 34 in our Annual Report describe the remits and approaches of those committees to fulfilling their governance responsibilities. A statement on corporate governance is also provided on our website **(https://investors.manolete-partners.com/company-information/corporate-governance)**.

PEOPLE

Manolete's committed and highly-skilled staff are fundamental to its success, and on behalf of the Board and the Shareholders, I would like to thank all of our staff for their continued dedication.

OUTLOOK

We are confident that we have invested in a portfolio of cases that will produce attractive returns for the Company. We are seeing a strong stream of new cases, which gives us confidence in our future prospects.

We believe that the business is very well-positioned to consolidate its leadership position in the insolvency litigation financing market. We raised £14.6m (after costs) at the IPO and we are successfully deploying these funds to grow our case-load of investments. We believe that the IPO has raised our profile significantly in our marketplace, and we are building an outstanding team of in-house lawyers to strengthen our regional network, as promised at the IPO.

The Company has made a strong start to 2019 and we look forward to a promising future.

Peter Bertram
Non-Executive Chairman

26 June 2019

> "The Company has made excellent progress over the past year."

CHIEF EXECUTIVE OFFICER'S REPORT

Steven Cooklin
CHIEF EXECUTIVE OFFICER

"Manolete has delivered another positive operating and financial performance this financial year."

I am pleased to report on a significant year of growth and delivery to shareholders for the financial year ended 31 March 2019.

IPO ON AIM

In December 2018, we completed a successful listing on the AIM market of the London Stock Exchange. The benefits of the IPO, in terms of public profile, strength of balance sheet and cash resources have emerged rapidly. In the final quarter of FY19, Manolete invested in 21 new cases, averaging seven new case investments per month. New case enquiries for the months of February to April 2019 were at record levels and 42% ahead of the comparable period in 2018. With free cash on the balance sheet at 31 March 2019 of £9.7m (FY18:£5.9m), no debt, and our unutilised £20m four-year Revolving Credit Facility with HSBC, Manolete is a highly credible financial partner to the Insolvency Practitioners (IPs), solicitor firms and barristers that provide us with case opportunities and a large proportion of repeat business.

Our status as a well-capitalised public company has also greatly assisted our ability to attract new legal talent to the Company. The plan announced at the time of the IPO to build out a regional network of locally-based, high-calibre, in-house insolvency lawyers has already been largely completed with only one of the seven regions across England, Scotland and Wales yet to be filled. The North West region was already active at the time of the IPO and since then we have added highly experienced insolvency litigators in Scotland, the North East, the East of England, South West & Wales and the South of England.

The significantly increased financial and human resources now available to the Company have just recently come on board and we look forward to the long-term benefits that these will bring to the Company and our Shareholders, as we grow the business and take advantage of the opportunities available.

The benefits of the IPO, in terms of public profile, strength of balance sheet and cash resources have emerged rapidly.

STRONG OPERATING AND FINANCIAL PERFORMANCE

Manolete has delivered another positive operating and financial performance this financial year. Operating profit increased by 77% to £7.2m (FY18: £4.1m), which was driven by several key factors.

Core new case investments increased by over 100% to 59 in FY19 (FY18: 29), excluding the group of 20 Competition Cartel cases ("Cartel Cases") that we purchased in FY18 (two further Cartel Cases were purchased in FY19).

The total number new case investments (including the Cartel Cases) increased by 24% to a record number of 61 in FY19. Manolete has invested in new cases at a rate of more than one new case per week throughout the year. At the time of writing, this rate has increased to 1.5 new cases invested in per week, taking us to a current total of 299 signed investments (201 of which have been completed – three of which are partially completed).

In FY19, completed cases recovered a total £8.8m in gross cash (FY18: £5.9m) before payments into Insolvent Estates, representing a 47% increase.

New case completions in FY19 were also at a high level, resulting in a 20% increase in gross profit from realised cases – 35 completed cases in FY19 generating £3.5m of gross profit (FY18: £2.9m from 33 completed cases). This means that Manolete was completing a case every 1.5 weeks throughout the year, which highlights the impressive speed of completion under our bespoke insolvency litigation finance model.

The average gross profit per completed case was £99k for FY19 (FY18: £82k). The 21% increase in gross profit per case reflects the continued rise in the average size per case.

The Cartel Cases continue to progress well. Our external legal team have completed their Phase One work and are now working to complete fully particularised claims over the next phase of work, with a view to issuing the claims within the next nine to 12 months. 20 of the 22 Cartel Cases were purchased for a nominal £5,000 per case together with a 50/50 profit share agreement. Two particularly large cases were purchased for £100,000 and £125,000 respectively, but in both of these cases, Manolete has a 90% profit share on the claims. Some of the smaller claims are likely to be uneconomic to take forward into the next phase and will be culled with low level costs on those cases provided against.

The overall Cartel Cases opportunity remains highly attractive. To reflect our increased confidence in the final outcome of the these cases as a group of claims, as at 31 March 2019 we have increased our carrying value of the cases to a combined £5m (FY18: £4m). The final outcome on the Cartel Cases is hoped to be a multiple of the carrying value, but there is still much work to do to bring these cases to final fruition.

> "I am pleased that we are delivering on the plans set out during our IPO."

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

INVESTMENT RETURNS

Our investment track record, by vintage, continues to deliver outstanding results. All vintages up to and including FY16 have been completed and FY17 is already at an 87% completion rate. FY18 contains most of the Cartel Cases and will therefore have a longer completion duration than usual. Manolete's model is characterised by short case durations, high

, exceptional money multiples and very high IRRs.

Financial year	Number of investments	Number completed	% completion	Number outstanding	Total invested to date £000's	Total recovered £000's**	Total gain £000's**
2010	3	3	100	0	52	28	(24)
2011	0	0	100	0	0	0	0
2012	8	8	100	0	763	2,524	1,761
2013	10	10	100	0	174	780	606
2014	42	42	100	0	594	3,884	3,290
2015	39	39	100	0	1,404	7,648	6,244
2016	36	36	100	0	1,833	9,418	7,585
2017	31	27	87	4	1,097	3,755	2,917
2018	49	19	39	30	1,860	3,371	3,041
2019	61	17*	28	44	849***	1,739*	1,434*
	279	**201**	**72**	**78**	**8,626**	**33,147**	**26,854**

Financial year	IP share**	Manolete gain £000's**	Duration in months on completed cases**	Return on investment %**	Money multiple**	IRR %**	Valuation of live cases £000s	Average value per case £000s
2010	11	(35)	7	(67)	0.3	0.3	0	0
2011	0	0	0	0	0	0	0	0
2012	580	1,181	18	156	2.6	236	1,027	171
2013	316	290	7	167	2.7	281	1,084	181
2014	2,427	863	10	147	2.5	424	1,685	60
2015	3,290	2,954	13	211	3.1	526	1,934	60
2016	4,368	3,217	15	176	2.8	175	2,707	73
2017	1,679	1,238	10	148	2.5	652	6,705	131
2018	2,090	951	8	288	3.9	1409	10,555	185
2019	745	689*	6	226*	3.3*	236*	18,197	217
	15,506	**11,348**	**11**	**180**	**2.8**	**394**		

* Includes cases completed since the year-end.
** Only refers to completed cases.
*** This vintage is still young and this is why the investment figures are comparatively low.

The number of completed cases in 2019 includes two partially completed cases.

Given the record level of new case investments, particularly since the IPO, the level of unrealised profit is naturally higher than usual for us this year. However, it is our expectation that the current cohort of live cases in our portfolio will perform equally well compared to recent past performance indicated in the table above.

The law changes in October 2015 (Small Business Enterprise and Employment Act 2015) and April 2016 (the date that the Jackson Reforms applied to insolvency litigation) radically opened up the insolvency litigation financing sector and significantly increased the appeal of Manolete's model. We believe the model is now increasingly perceived to be the most advantageous solution for helping IPs maximise returns to creditors. Consequently, in the last 18 months, we have seen a marked improvement in the number, size and quality of new case enquiries coming into the Company. This has been a continuing trend which underpins the increasingly high quality of our portfolio (84 live cases as at 31 March 2019).

PEOPLE AND STAKEHOLDERS

I am enormously grateful to our in-house legal team for their pivotal role in delivering another outstanding performance over the last 12 months. The IPO process, in the challenging market conditions that prevailed towards the end of 2018, was a significant distraction for management, including our Head of Legal, Mena Halton, who nonetheless, kept the business moving forward at a rapid pace. By the end of May 2019, we had doubled the size of the legal team with some exceptional new hires and I believe that the platform is well-positioned to manage the continuing growth of our business.

I would also like to record my thanks to the many IPs and solicitors who refer cases to us. Over 60% of invested cases are from the same IP firms, and it is this recurring referral network that is the core engine of the Manolete business that has been built over the last 10 years. Every IP who has ever worked on a live case with Manolete has always come back to us with further case opportunities, which is testament to the bespoke insolvency litigation financing model we have adopted, the quality of our people and our expertise in financing cases.

IPs carry a heavy responsibility in the UK economy; they are entrusted to recover funds (often in very challenging circumstances) for creditors of failed businesses. Particularly against the backdrop of the issues surrounding Brexit and various other significant global financial challenges, an effective recovery and insolvency industry plays a vital role in maintaining the UK as a premier business destination. We are honoured to play our role in supporting them.

I am pleased that we are delivering on the plans set out during our IPO, as we accelerate our growth through investing in more claims, accepting higher value cases and developing our UK regional network.

Steven Cooklin
Chief Executive Officer

26 June 2019

CHIEF FINANCIAL OFFICER'S REPORT

Patrick Lineen
CHIEF FINANCIAL OFFICER

"Our model has consistently delivered strong and accurate investment returns over many years."

I am pleased to give my review of the Company's audited results for the year to 31 March 2019.

REVENUE

The Company's total revenues have increased significantly by 30% to £13.8m (FY18: £10.6m). This revenue is split between realised and unrealised revenue, as follows:

	FY19 £000s	FY18 £000s
Realised revenue	**7,148**	6,725
Unrealised gains on investments in cases	**6,624**	3,905
Total	**13,772**	10,630

Realised revenue grew 6% year-on-year to £7.1m (FY18: £6.7m). We have seen a good level of realisations, with 35 cases completing (of which two partially closed) in the year.

With a record number of new case investments, particularly in the months since the IPO, unrealised gains on investments grew by 70% to £6.6m (FY18: £3.9m). This reflects both the development of existing case investments and the increase in new case investments in the year. The Company raised £14.6m (net of expenses) from its IPO in December 2018 and is successfully deploying this cash to acquire new cases, whilst not relaxing the rigour of our investment appraisal process.

New cases increased by 24% to 61 in FY19 (FY18: 49 new cases) and of those invested in during the year, 27 have been taken on since the IPO. Excluding the Cartel Cases, the increase in new case investments in FY19 was over 100%, this more accurately reflects the development of the Company's core UK insolvency litigation financing business. Investment in cases on the balance sheet increased by 72% to £18.2m in FY19. Only £1m of the increase is accounted for by the encouraging progress on the Cartel Cases. As at 31 March 2019, there were 84 live cases in progress, a 47% increase (FY18: 57 live cases in process). At the time of writing we currently have 98 live cases in progress.

With a record number of new case investments, particularly in the months since the IPO, unrealised gains on investments grew by 70% to £6.6m.

The majority of revenue was realised revenue. Realised revenue was 52% of total revenue (FY18: 63%). The weighting towards realised revenue reflects our strategy of securing early settlements on many of our cases. The proportion of realised revenue is lower this year due to the very high level of new investment activity, particularly since the IPO in December 2018 (27 new cases were taken on between the IPO and the FY19 year-end). We are delighted with the current portfolio of live cases and expect them to perform in line with our historic investment return levels. Although the normal caveat for litigation funding applies – it is naturally very difficult to predict when cases will reach a successful conclusion and accordingly the blend between realised and unrealised gains will change from year to year. However, our model has consistently delivered strong and accurate investment returns over many years and we have every expectation that this will remain to be the case. The one exception is the Cartel Cases. They are unique in our portfolio and will take longer to realise but the potential returns are highly attractive.

In the majority of cases (excluding Cartel Cases) this year's unrealised revenue becomes next year's realised revenue, as our average case duration is circa 12 months. When a case is fully completed, revenue is then recognised as realised and previously unrealised gains on that case are reversed.

It should be noted that the full recovery on a purchased case is recognised in revenue (the share going to the insolvent estate is a cost of sale). However, on funded cases, only the Company's share of the proceeds plus our cost recovery is counted as revenue. The insolvent estate's share of a recovery on a funded case does not feature in our accounts.

The following table illustrates the growth in cases being purchased by the Company, rather than funded:

	Totals	Purchased Number	Purchased %	Funded Number	Funded %
FY18	49	41	84	8	16
FY19	**61**	**55**	**90**	**6**	**10**

As can be seen above, the proportion of our new cases purchased has increased from 84% in FY18 to 90% in FY19.

COST OF SALES

Cost of sales comprises: legal costs on realised cases, the initial payments made to insolvent estates on our realised case investments (both purchased and funded) and payments to insolvent estates on successful realisations of purchased cases. Cost of sales excludes payments made directly to the insolvent estates on completed funded cases.

GROSS PROFIT

Gross profit grew by 49% to £10.1m (FY18: £6.8m). Our gross profit margin increased to 73% (FY18: 64%). The growth in gross profit reflects the movement towards larger cases, in both realised and unrealised gains. It also reflects the increased number of live cases in the Company's investment portfolio.

Movement in gross profit split between gross profit on realised cases and on unrealised cases is as follows:

	FY19 £000s	FY18 £000s
Gross profit on realised cases	**3,463**	2,886
Gross profit on unrealised cases	**6,623**	3,905
Total	**10,086**	6,791

The table above shows, realised gross profits grew by 20% from FY18 to FY19, whilst unrealised gross profits grew by 70%.

We analyse gross profit into the separate categories of funded and purchased cases. Our strategic preference is to purchase cases rather than fund them. Generally, our Insolvency Practitioner clients, where possible, prefer the Company to purchase cases as this gives them and the insolvent estate fuller protection from any potential adverse costs. It also provides the Company with full operational control of the case through the litigation process. The gross profit analysis in the year was skewed against this trend, principally due to the impact of seven large funded cases, four of which were realised and the other three were unrealised.

	FY19 £000s	%	FY18 £000s	%
Gross profit on funded cases	**3,606**	**36**	860	13
Gross profit on purchased cases	**6,480**	**64**	5,931	87
Total	**10,086**	**100**	6,791	100

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

ADMINISTRATIVE EXPENSES

Administrative expenses, including PLC costs, increased by 6% to £2.9m (FY18: £2.7m) and fell as a proportion of gross revenue from 26% to 21%. In FY18, the administrative expenses increased because the Company adopted a conservative provisioning approach to a few overdue debts. In FY19, the Company has decided that it has sufficient provisions against overdue debts and that no further material provisions are necessary and it hopes that a proportion of these provisions will ultimately be released, when recoveries are made.

The reduction in administrative expenses caused by the non-recurrence of significant bad debt provisions was offset by increases in staff costs, as the Company recruited more in-house lawyers to service increased activity. Staff numbers have increased from seven as at 31 March 2018 to twelve as at 31 March 2019, as the Company rolled out its promised regionalisation programme, which we believe will lead to a significant increase in enquiries and new cases. The Company is also incurring PLC-related costs following its admission to AIM in December 2018. Our marketing costs have increased as we have expanded our business development activities since the IPO, in order to increase our market share and secure a greater level of enquiries. As noted in the CEO's Report, we have acquired valuable sponsorship rights with the three key industry regulators and trade associations: the Institute of Chartered Accountants in England and Wales, R3 (the Insolvency Practitioners' professional association) and the Insolvency Practitioners Association.

STATUTORY OPERATING PROFIT BEFORE NON-RECURRING ITEMS (EARNINGS BEFORE INTEREST AND TAX)

Operating profit before non-recurring items (principally being only the costs of the IPO on AIM) grew by 77% to £7.2m (FY18: £4.1m) with the operating margin improving to 52% (FY18: 38%). Operating profit after non-recurring items was £6.3m, which was a 55% increase on FY18 operating profit. Operating profit margin after non-recurring items was 46% (FY18: 38%).

The Company incurred costs of £1.6m in connection with its IPO on AIM, where trading began on 14 December 2018 and £0.9m of these have been shown as non-recurring items; the balance of IPO costs of £0.7m were charged against the share premium account.

FINANCE COSTS

Following the receipt of net IPO proceeds of £14.6m in December 2018, all debt has been repaid, although the Company agreed a £20m debt facility with HSBC in December 2018 to facilitate the growth of its case load in the future. The Company pays a 0.7% commitment fee on any unused facility with HSBC. As at 31 March 2019, the £20m HSBC facility was completely undrawn.

During the year, the Company incurred £0.4m of finance costs (FY18: £0.4m). Loan interest amounted to £0.2m (FY18: £0.3m) and the remaining costs of £0.2m (FY18: £0.0) comprised the amortisation charges of the costs of setting up the facility. The unamortised costs of £0.6m in the balance sheet are being amortised over the four-year life of the facility

PROFIT BEFORE TAX

Profit before tax has increased by 61% to £5.9m (FY18: £3.7m). The Company's pre-tax profit margin has increased from 35% to 43%.

TAXATION

The Company's effective tax rate is 21.4%, as most of the IPO costs are not expected to be tax deductible. FY18's tax rate was quite low at 12%, because of the utilisation of tax losses brought forward and the release of deferred tax provisions. From FY20 onwards, the effective tax rate is likely to approximate to the current corporation tax rate, as the Company has relatively small amounts of disallowable expenses. The Company will discharge its corporation tax liabilities over the next few months.

PROFIT AFTER TAX

Profit after tax has increased by 43% to £4.7m (FY18: £3.3m). The post-tax margin has increased from 31% to 34%.

EARNINGS PER SHARE

The earnings per share figures in the Statement of Comprehensive Income are not directly comparable to the prior year because the Company's number of shares in issue increased from 1,015,000 to 43,571,425 after the IPO. The earnings figures are also impacted by the non-recurring costs of the IPO of £0.9m. After adjusting for these two factors, proforma earnings per share increased by 70% from 7.5 pence to 12.7 pence.

The Company has made a strong start to 2019 and we look forward to a promising future.

INVESTMENT IN CASES

The Company was managing 84 live case investments as at 31 March 2019, compared to 57 live cases as at 31 March 2018. The split between Purchased and Funded cases at these dates was as follows:

	As at 31 March 2019		As at 31 March 2018	
Funded	**13**	**15%**	16	28%
Purchased	**71**	**85%**	41	72%
Total	**84**	**100%**	57	100%

The total investment in cases amounted to £18.2m in FY19, an increase of 72% (FY18: £10.6m). Investment in cases are shown at fair value, based on the Company's estimate of the likely future realised gross profit, plus costs incurred. Case valuations are reviewed on a monthly basis but are only updated when there are developments in the case. Case valuations can be reviewed downwards, as well as upwards. Any material valuations (greater than £0.1m per individual case) are corroborated with the external lawyers working on the case, who provide updated legal opinions as at the year-end and the half year-end. The Company does not capitalise any of its internal costs, these are fully expensed to the Statement of Comprehensive Income as incurred.

TRADE RECEIVABLES, STOCK AND CASH CONVERSION

Trade and other receivables have risen to £3.8m (FY18: £3.0m). However, the majority (£0.6m) of this increase arises from the re-classification of the costs of setting up the HSBC facility. In FY18, these costs (£0.6m) were set off the £9.5m debt owed to HSBC. As at 31 March 2019, the Company was debt-free and so has transferred the unamortised portion of these costs into trade and other receivables.

Turning to trade receivables, many of the realisations achieved are paid by the debtor promptly, especially where the debtor is a large company, an insurance company or a wealthy individual. However, in some cases, the debtor is dependent on selling assets to realise cash or pay the award or settlement and hence cash realisation can be delayed for some months. Where appropriate, the Company will secure its position by obtaining charging orders over the relevant assets. In smaller cases, the Company sometimes accepts payments on an instalment arrangement. However, the Company monitors outstanding debtors very closely. Based on realised revenue and receivables as at 31 March 2019, the Company is converting debtors into cash in 152 days, compared to 159 days as at 31 March 2018.

In addition, the Company estimates that, out of the larger, non-current debts, 82% of the debtor balance is covered by charges over property, related liabilities to the insolvent estates or bad debt provisions

On one funded case, we successfully supported a Trustee in Bankruptcy in obtaining a Court order that resulted in a valuable London property being returned into the bankrupt's estate. As the Trustee in Bankruptcy was under pressure to distribute this value to the creditors, Manolete obtained an independent, third-party valuation of the property and acquired it for cash at that value. Once remedial work has been completed, we will seek to sell the property during the current financial year. This property is currently shown on the balance sheet as stock, whilst the refurbishment work is being undertaken.

The Company also monitors case cash realisations very closely; this includes cash received directly by the insolvent estate of funded cases. Annual case cash realisations have grown significantly over the last five years from £1.2m in FY15 to £6m in FY18 and up to £8.8m in FY19. In the month of March 2019 alone for example, the Company received £935,000 in cash mainly from two case realisations (after deducting all payments due to insolvent estates).

BORROWINGS AND LOANS

The Company has been financed in the past by debt and retained profits. However, the Company is now debt free. The net proceeds from the IPO of £14.6m were received in December. The Company used £5m of these proceeds to pay off the debt owed to HSBC. The Company now has cash reserves of £9.7m as at 31 March 2019. It also has an unused facility of £20m with HSBC (all of the facility is currently undrawn) and this facility and the cash reserves will be used to finance the growth of the case portfolio over the next few years.

Patrick Lineen
Chief Financial Officer

26 June 2019

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 March 2019.

STRATEGY AND BUSINESS MODEL

The Company's strategy for growth and its business model are described in detail on pages 8 to 10. On page 25 we have set out the principal risks which may present challenges in executing the business model and delivering the strategy,

The financial statements for the year ended 31 March 2019 represent a very satisfactory out-turn for the business. Year-on-year Operating Profit before non-recurring items and tax and interest grew 77% to £7.2m and net assets grew 261% to £28m, following our successful IPO.

The number of employees was 12 at the end of the financial year.

The business continues to grow apace, at the financial year-end the cumulative number of signed litigation investments has grown to 279 cases. Out of 84 live cases at the financial year-end, 71 of these are purchased cases. In the month following the year ended 31 March 2019, the Company experienced a period of very high activity with case completions resulting in over £0.6m of case settlements.

KEY PERFORMANCE INDICATORS

	Year ended 31 March 2019	Year ended 31 March 2018	% change
Revenue	**13,772**	10,630	30%
Gross profit	**10,087**	6,791	49%
Operating profit before non-recurring items	**7,212**	4,071	77%
Profit after tax	**4,664**	3,261	43%
Value of investments	**18,197**	10,555	72%

	Year ended 31 March 2019 No.	Year ended 31 March 2018 No.	% change
Number of signed litigation investments	**279**	218	28%
Live cases	**84**	57	47%
Purchased cases	**71**	41	73%
Funded cases	**13**	16	(19%)

The improvement in key performance indicators is analysed in the Report of the Chief Executive Officer on pages 16 to 19 and the Report of the Chief Financial Officer on pages 20 to 23.

OUTLOOK AND CURRENT TRADING

We are confident that we have invested in a portfolio of cases that will produce attractive returns for the Company. We are seeing strong growth in new case enquiries, which give us confidence in our future prospects. Four cases have been completed since the year end and the current number of live cases is 98 compared to 84 at the FY 19 year-end. Furthermore, the average size per case continues to rise.

We believe that the business is very well-positioned to consolidate its leadership position in the insolvency litigation financing market. We raised £14.6m (net of expenses) at the IPO and we are successfully deploying these funds to grow our case-load of investments. We believe that the IPO has raised our profile significantly in our marketplace, and we are building an outstanding team of in-house lawyers to strengthen our regional network, as promised at the IPO.

The Company has made a strong start to 2019 and we look forward to a promising future.

On behalf of the Board:

Steven Cooklin
Chief Executive Officer

26 June 2019

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for developing a comprehensive risk framework and a system of internal controls. We have identified the following as the principal risks and uncertainties the Company faces.

Principal Activity	Principal Risk	Impact	Mitigation
Market Risk	Inability to continually and successfully attract, select and pursue investments in the UK insolvency litigation market.	The Company may be exposed to adverse cost liabilities if investments underperform against expectations.	The Company focuses on well-established case selection screening procedures, rigorous internal and external cost controls, and close attention to the adequacy of liquidity in the business to comfortably support our case cost profile at all times.
Staff Risk	Over-reliance on key staff and inability to recruit new high-quality staff.	If key staff become unavailable, poor operational decisions could be made. If the right calibre of new staff cannot be recruited, expansion could be limited.	Key man life insurance on the CEO. More delegation to key staff. Comprehensive and vigorous recruitment procedures.
Litigation Risk	Unexpected Court decisions in cases proceeding to full trial.	Cases could be lost or recoveries could be worse than anticipated. Adverse legal costs (the defendant's costs) would become payable by the Company if the case was lost.	Press for early settlement through mediation and without prejudice settlement negotiations. Early abort of cases where unexpected, adverse evidence emerges. On purchased cases (the large majority of the Company's cases) we can abort the case if prospects deteriorate. On funded cases we can terminate funding.
Legal Costs Risk	Legal costs can turn out to be more expensive than anticipated.	Case recoveries are poorer than expected.	Press for early settlement through mediation and without prejudice settlement negotiations. Agree fixed fees with external lawyers for each stage of litigation.
Recovery Risk	It may be difficult to collect agreed settlements or judgments.	The Company will suffer from bad debts.	Rigorous net worth checks on defendants before cases are accepted. Securing charging orders over defendants' properties.
Case Risk	Case defects emerge during the litigation process.	The Company will suffer abortive legal and investment costs and adverse costs (paying the defendant's legal costs).	Rigorous legal review before cases are accepted and close supervision of live cases by experienced and competent in-house lawyers. On purchased cases (the large majority of the Company's cases) we can abort the case if prospects deteriorate. On funded cases we can terminate funding.
Relationship Risk	Relationships with key sources of enquiries may not be maintained (including important creditors such as banks and HMRC).	The rate of enquiries referred to the Company may slow down.	Active marketing and engaging with Insolvency Practitioners and solicitors and creditor groups including HMRC.
Funding Risk	The growth of our business out-strips the capital we have available to fund cases.	The ability of the Company to accept new cases is limited.	Building a strong capital position with the raise from IPO and keeping additional capacity through our HSBC facility.

BOARD OF DIRECTORS

Peter Bertram, FCA

INDEPENDENT
NON-EXECUTIVE CHAIRMAN
AGED 65

Peter joined the Company in November 2018 as Non-Executive Chairman. He is Chairman of Zinc Media plc (until 1 July 2019) and Non-Executive Director of Low & Bonar plc. From 2004 to 2015, he was Chairman of Phoenix IT Group plc. He has held a variety of senior non-executive positions in public companies in the security, IT and media sectors including AttentiV Systems Group plc, office2office plc, Anite Group plc, Timeweave plc and Psion plc. Peter was senior Non-Executive Director and chair of the audit committee at Microgen plc between 2006 and 2017. Peter is a Fellow of the Institute of Chartered Accountants and a Companion of the Chartered Management Institute.

Peter is a member of both the audit committee and remuneration committee.

Steven Cooklin, ACA

CHIEF EXECUTIVE OFFICER
AGED 53

Steven founded the Company in 2009 and is Chief Executive. Steven is a Chartered Accountant having qualified at Coopers and Lybrand in 1991. Steven has over 20 years' experience in corporate finance with National Westminster Bank, Calder Corporate Advisory Ltd and Hill Samuel Investment Bank and is a former director of HSBC Investment Bank (Corporate Finance Division). Steven is an Associate Member of The Association of Business Recovery Professionals.

Patrick Lineen, FCA

CHIEF FINANCIAL OFFICER
AGED 63

Patrick is a Fellow of the Institute of Chartered Accountants. He joined the Company in June 2018 and became a Director in November 2018. Patrick has been the Chief Financial Officer of two listed UK companies (James R Knowles (Holdings) plc and Baqus Group plc) both in the professional services sector. He trained as an accountant and auditor at PricewaterhouseCoopers and has over 30 years' experience as a financial officer across a variety of businesses.

The Manolete Board is very experienced, comprising four qualified chartered accountants and one retired senior insolvency judge.

Lee Manning, FCA

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
AGED 61

Lee joined the Company in November 2018 as a Non-Executive Director. Lee is a qualified accountant and a specialist in restructuring and insolvency. He is a licensed UK Insolvency Practitioner. Between 2004 and 2018 he was a partner at Deloitte LLP in Restructuring Services. From 1989 to 2004, he was a Partner at Kroll Buchler Phillips, practitioners in corporate recovery and restructuring. He is a Fellow of the Institute of Chartered Accountants and the Association of Business Recovery Professionals. In October 2018, Mr Manning became a consultant for Resolve Group UK, a restructuring and advisory firm based in London.

Lee, who has recent and relevant accounting experience, chairs the audit committee. He is also a member of the remuneration committee.

Dr Stephen Baister

INDEPENDENT NON-EXECUTIVE DIRECTOR
AGED 67

Stephen joined the Company in September 2017 as a senior adviser and was appointed as a Non-Executive Director in November 2018. Stephen was appointed as a bankruptcy registrar (Judge) of the High Court in 1996 and as chief bankruptcy registrar in 2004. He retired in 2017. Stephen has also been consultant for Moon Beever LLP since November 2017. He has a PhD in Law and was admitted as a solicitor in 1981 and as a licensed Insolvency Practitioner in 1985. Stephen is a member of the Chartered Institute of Linguists, an honorary member of the Insolvency Lawyers Association and honorary Fellow of the Chartered Institute of Credit Management.

Stephen chairs the remuneration committee and is also a member of the audit committee.

DIRECTORS' REPORT

The Directors present their report with the financial statements of the Company for the year ended 31 March 2019.

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 have been considered within the Strategic Report.

RESULTS AND DIVIDENDS

An analysis of the Company' s performance is contained within the Strategic Report. The Company's income statement is set out on page 36 and shows the results for the year.

In respect of the financial year ended 31 March 2019 a maiden final dividend of 1.49p (2018: £nil) per ordinary share has been recommended by the Directors. Subject to approval at the Company's annual general meeting, the dividend will be paid on 30 September 2019 to shareholders on the register on 13 September 2019. No interim dividend has been paid during the year.

DIRECTORS

The Directors of the Company during the year were:

Peter Bertram	(appointed 19 November 2018)
Steven Cooklin	
Patrick Lineen	(appointed 19 November 2018)
Stephen Baister	(appointed 19 November 2018)
Lee Manning	(appointed 19 November 2018)
Michael Faulkner	(resigned 19 November 2018)
John Jarvis	(resigned 19 November 2018)

Further details about each of the current Directors, their experience and qualifications can be found on pages 26 to 27.

POLITICAL AND CHARITABLE DONATIONS

The Company made no charitable donations during the year ended 31 March 2019 (2018: £nil).

DIRECTOR'S EMOLUMENTS

Details of the Directors' emoluments, other reward arrangements and contractual terms are provided in the Remuneration Report on pages 34 to 35.

GOING CONCERN

The Directors have considered the going concern basis in the preparation of the financial statements, and have made an assessment of the Company's ability to pay its debts as they fall due and have also assessed the prospects and the principal risks facing the Company. Based on this assessment, the Directors are of the opinion that the Company has adequate financial resources to continue in operation and meet its liabilities as they fall due, for the foreseeable future. Hence, the Directors believe it is appropriate to adopt the going concern basis in preparing the financial statements.

FINANCIAL INSTRUMENTS

Disclosures in respect of the Company policy regarding financial instruments and risk management are contained in notes 25-27 to the financial statements.

DIRECTORS' THIRD-PARTY INDEMNITY PROVISIONS

Pursuant to the Company's Articles of Association, the Directors and Officers of the Company benefit from an indemnity which is a qualifying third-party indemnity for the purposes of s. 236 of the Companies Act 2006. The indemnity was in force throughout the financial period and at the date of approval of the financial statements. The Company has also taken the opportunity to purchase Directors' & Officers' Liability Insurance.

STATEMENT OF DISCLOSURE TO 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 continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

The report of the Directors was approved by the Board on 26 June 2019 and signed on its behalf by:

Steven Cooklin
Chief Executive Officer

26 June 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, 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. The financial statements are required by law and IFRS as adopted by the EU to present fairly, the financial position and performance of the Company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Manolete Partners Plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CORPORATE GOVERNANCE STATEMENT

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

As the Company's Independent Non-Executive Chairman, I am delighted to introduce this section of our report which describes how Manolete and its operations are governed and led by the Board of Directors.

The Board is responsible for governance, oversight and leadership of the business. It has delegated certain matters to certain committees and management but has also established a schedule of matters which, because of their importance to the Company, it will not delegate. These include determination of strategy, various financial issues and controls including changes to share capital, dividends, major contracts and investments, approval of financial statements, risk assessment and management and internal controls.

Our Board is entirely committed to applying high standards of governance. As Chairman, I recognise that I have a particular responsibility for ensuring that our governance arrangements are thoughtfully designed, carefully implemented and transparently communicated. As a new entrant to the AIM market and as a new Board, we are very aware that our ways of working are likely to need to continue to develop over time. Nevertheless, we are satisfied that our existing ways of working, as described below, are effective and appropriate to the current size, nature, resources and prospects of the Company.

We are particularly protective of the excellent reputation for fair-dealing which Manolete has developed within the Insolvency Practitioner community. We understand that our reputation is a valuable asset in a competitive market and the Board both supports and promotes high standards of conduct in order to safeguard and continually build on this positive culture. We believe the long-term interests of our investors and other stakeholders will be best served by behaving responsibly and gaining the trust of those we deal with on a day-to-day basis, in particular those we represent in pursuing their claims.

The Board has adopted the Quoted Companies Alliance Corporate Governance Code (the QCA Code or the Code) and is actively applying the ten principles of the Code, as described below and on our website.

Peter Bertram
Independent Non-Executive Chairman

QCA Code Principle	How we apply the principle
Establish a strategy and business model which promote long term value for shareholders	Our strategy and business model are described on pages 8 to 10. Through the regular management reports provided to the Board, we closely monitor delivery of the strategy and challenge management to ensure that a disciplined approach is maintained to case selection and management, both of which are key to ensuring that our investments deliver good returns. We also monitor the actions management are taking to establish and cement the strong relationships within the insolvency sector which will ensure the business is well-placed to benefit from high quality case opportunities.
Seek to understand and meet shareholder expectations	Our regular meetings with institutional investors and our Annual General Meeting provide important opportunities for dialogue with our shareholders and feedback from those conversations is shared with the Board to ensure all Directors are properly informed of shareholder views.
Take into account wider stakeholder and social responsibilities and their implications for long-term success	Manolete performs an important role by providing an alternative option for Insolvency Practitioners to pursue claims on behalf, and for the benefit, of creditors. We nurture positive relationships with insolvency industry partners as these will, over the long-term, deliver benefits for the business. These values of good conduct and fairness also extend to our employees and suppliers, all of whom are important resources for the business and its long-term success.

QCA Code Principle	How we apply the principle
Embed effective risk management, considering both opportunities and threats, throughout the Company	The principal risks facing the Company are shown on page 25. The Board actively monitors risks including case selection and management and the procedures which underpin these vital elements of the business. It has approved considerable strengthening of the in-house team and regional network of lawyers since the IPO, in order to reduce reliance on key individuals and has been pleased to note good progress in enhancing the rigour of internal processes and controls.
Maintain the Board as a well-functioning balanced team led by the Chairman	The Board is working effectively as a team. Meetings are well-structured, with appropriate and timely information provided to enable adequate preparation. Discussions are conducted in an open and transparent manner and all Directors feel free to express their views and challenge management, both in formal meetings and on other occasions.
Ensure that, between them, the Directors have the necessary up-to-date experience, skills and capabilities	Three Independent Non-Executive Directors were appointed at the IPO, each having a range of skills and experience which, collectively with the Executive Directors, enable strong oversight and leadership of the business. On pages 26 to 27, the attributes of each Director are outlined more fully.
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	The Board is newly formed but has already reviewed the governance arrangements adopted at the IPO to ensure that they are considered appropriate. During 2019, the Board will undertake its first formal evaluation exercise and will report on the outcome of that process in the next Annual Report.
Promote a culture that is based on ethical values and behaviours	Manolete's business is founded on principles of fairness and high standards of conduct which support our relationships with Insolvency Practitioners for the long-term benefit of the business.
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Our corporate governance practices are compliant with the QCA Code and have been designed to be appropriate to the business, its size, challenges and resources. They will be kept under review and are likely to evolve as the business develops.
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Board maintains regular communication with shareholders through information released to the market, its investor meetings and AGM. It also provides investor relations contact details on its website, together with other governance information. The Company also fosters other key relationships, for example with the Insolvency Practitioner community. It regularly supports industry events such as conferences in order to inform practitioners about Manolete as a potential provider of support in pursuing claims on behalf of creditors and to improve understanding of the model which Manolete operates.

DIRECTORS' TIME COMMITMENTS

The time commitment of our Non-Executive Directors is clearly set out in their Letters of Appointment. Non-Executive Directors are required to devote as much time as needed to carry out their duties effectively but, as a guide, their Letters of Appointment state that this is expected to be three days per month.

With the exception of Steven Cooklin, all the Directors were appointed during November 2018 just prior to the Company's listing on the AIM market. In the period from IPO to 31 March 2019, the Directors' attendance at Board and Committee meetings was as shown below.

	Board Meetings	Audit Committee	Remuneration Committee
Peter Bertram	4/4	1/1	1/1
Steven Cooklin	4/4	1/1*	1/1*
Lee Manning	4/4	1/1	1/1
Stephen Baister	3/4	1/1	1/1
Patrick Lineen	4/4	1/1*	

* Attendance by invitation.

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REMIT AND MEMBERSHIP

To assist it in its review of financial statements, financial controls and risk management arrangements, the Board has established terms of reference constituting the Audit Committee which are available on the Manolete website.

The Committee is chaired by an Independent Non-Executive Director, Lee Manning. Lee is a Fellow of the Institute of Chartered Accountants and has recent, relevant financial experience. Peter Bertram and Stephen Baister, who are both also Independent Non-Executive Directors, are the other members of the Committee.

In the period from the IPO in December 2018 to the end of the financial year, the Committee met once in order to review and approve a recommendation to the Board on the interim results. The Committee met with the Auditors in the absence of management.

REVIEW OF FINANCIAL STATEMENTS

During the year the Committee reviewed the interim statements and, since the year end, it has reviewed the full year financial statements. The purpose of these reviews is, amongst other things, to provide assurance to the Board on the integrity of the financial statements, the appropriateness of the accounting policies adopted and judgements made, and the adequacy of the financial and other controls in place within the business.

In particular, in arriving at its recommendations to the Board, the Committee took account of the views of the Auditor, as set out in a formal report to the Committee discussed with the Auditors, including discussions held in the absence of management. The Committee considered the accounting policies adopted and sought assurance from the Auditors and management that those policies were appropriate.

The Audit Committee noted that the Auditors had identified one key audit matter, namely investment valuation and revenue recognition.

The Committee noted that, notwithstanding management judgement was carefully exercised in agreeing current case valuations, a degree of uncertainty necessarily exists in such valuations as the outcome of cases cannot be guaranteed. The Committee was assured of the rigorous processes which are used by management to arrive at individual case valuations to ensure that valuations are adjusted as and whenever management's understanding of the likely outcome of a case changes. Accordingly, the Committee was satisfied that the judgements used were reasonable and the risk of either over- or under-statement of investment valuations and the associated revenue recognition was minimised as far as possible.

The Committee also considered the recoverability of receivables. Assurance was provided by management about the processes used to understand the risk of sums due to the Company, following settlement of cases, being irrecoverable. Careful assessments are made of the assets available for recovery from the earliest stages of case consideration and steps are taken, as appropriate, to secure such assets so that they are available as expected for payment to the Company.

Through discussion of the audit plan, audit findings, financial controls and management responses, the Audit Committee satisfied itself that the risks identified through the audit, including the key audit matters, had been properly addressed.

RISK MANAGEMENT

The Committee has responsibility for reviewing the risk register and for satisfying itself that risk identification and management processes, including the Company's financial and other controls, are robust and sufficient to keep the risks faced by the business within the level which can be tolerated by the business and which fit with the Board's appetite for risk.

The Committee also reviewed, and agreed to recommend to the Board for approval, the summary of principal risks set out on page 25.

AUDITOR APPOINTMENT, INDEPENDENCE AND FEES

The Committee is cognisant of the need to ensure the Auditors remain independent and objective in auditing the Company's financial statements as independent audit is an important source of assurance for investors and other stakeholders.

Following a pre-IPO tender process, RSM UK Audit LLP were selected and appointed as the Company's auditors. Fees for non-audit services have considerably outweighed those related to audit during the financial year ended 31 March 2019 due to the additional work, including acting as reporting accountants and work to establish employee share schemes. This work was one-off in nature and it is not expected that significant non-audit fees will be incurred again.

The Committee considered the assurances provided by the Auditors with regards to independence, including processes to ensure that the Audit partner, manager and other team members are independent as well as the firm as a whole. The Committee was satisfied that there were no factors likely to impair the Auditors' objectivity.

ETHICAL POLICIES

High standards of conduct are a central part of the Company's ethos. In particular, the Board is committed to setting and leading a culture based on fairness to all those with whom the Company engages.

The Board has adopted a number of ethical policies, including an anti-bribery and corruption policy and a whistleblowing policy. The Audit Committee will review these arrangements annually and will also require management to report to it, at least once a year, on the implementation of those policies and on any incidents arising under them which may occur from time to time.

REMUNERATION COMMITTEE REPORT

As an AIM listed company, Manolete Partners Plc is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. However, consistent with the Board's commitment to transparent reporting, the disclosures below are provided on a voluntary basis in order to provide a clear and comprehensive summary of the Company's senior remuneration policies and practices.

This report and its contents have not been audited other than where indicated.

REMUNERATION COMMITTEE COMPOSITION AND ROLE

The Remuneration Committee comprises the Company's Independent Non-Executive Directors, Stephen Baister, who also chairs the Committee, Peter Bertram and Lee Manning.

The Committee's role is to ensure that the Company's senior remuneration practices are appropriate to the business and delivery of its strategic objectives. The Committee oversees the various elements of the Executive Directors' pay and benefits, as well as the other terms to which Directors are subject. The Remuneration Committee's terms of reference are available on the Company's investor website.

Due to the small nature of the existing team, the Committee is able to make a detailed review of pay and conditions of staff across the business to ensure that full account can be taken of changes made to the remuneration arrangements elsewhere in the Company when considering and determining executive pay matters.

In the year ended 31 March 2019, the Committee met once to review its terms of reference, consider increases in basic pay effective from the start of the new financial year and to plan its approach to performance-related benefits.

The Committee shall consider seeking support from external advisers as necessary. During the year and in preparation for its initial public offering, the Company engaged RSM Tax and Accounting Limited to establish the Manolete Partners plc Company Share Option Plan (CSOP) and to advise on the CSOP initial awards. It is not anticipated that RSM will continue to provide these or similar services in the current financial year.

REMUNERATION POLICY

The success of the business and delivery of long-term value to our shareholders rely on the services and expertise of our high calibre team. The remuneration policy is an important element of the Company's ability to attract and retain individuals who can contribute to Manolete's success.

The purpose and aim of the Company's remuneration policy is to ensure that senior executives are appropriately rewarded for the contributions they make to the business, whilst aligning their interests with delivery of the Company's strategic objectives and performance targets in a way which does not expose the business to unacceptable risk. This policy applies to the reward of both existing Directors and any Directors who may be recruited in the future.

As well as basic salary, Executive Directors benefit from pension contributions, an annual performance-related bonus and long-term performance share awards. The Chief Executive Officer, Steven Cooklin, also benefits from private health insurance. Executive Directors are invited to participate in a performance-related CSOP. To enable the whole team to share in the success of the business and to align their interests with those of shareholders, the Company, at the discretion of the Remuneration Committee, intends to invite all staff, who are eligible, to participate in the CSOP.

With effect from 1 April 2019, recognising Steven Cooklin's significant importance to the business and its growing success, the Remuneration Committee awarded him a 14% pay increase. Overall across the business, the average increase in pay for those employees who received an uplift was 14%.

ANNUAL BONUS

Details of the annual bonus payments made during the year ended 31 March 2019 are provided on page 35. Steven Cooklin's bonus was performance-related and Patrick Lineen's bonus was paid in relation to the Company's successful IPO.

When reviewing the basis for annual bonus awards for the year ending 31 March 2020, the Committee has determined that payment of any bonus will be dependent on achievement of performance targets based on EBIT, realised profits and strategic measures. No Executive Director's bonus will exceed 100% of basic salary. Payment of maximum potential bonuses will require achievement of stretch targets. Threshold targets will need to be achieved for any bonus to be paid.

Cash bonuses may also payable to other team members, dependent upon performance.

COMPANY SHARE OPTION PLAN

The Board has adopted the Manolete Partners Company Share Option Plan (CSOP) to enable conditional share awards to be granted, which may be subject to achievement of performance criteria. Typically, such targets are measured over a three-year performance period.

Prior to the Company's listing on the AIM market, options were granted to the Executive Directors as set out in the table below. These options vest on a one-third per annum basis but may not be exercised, in normal circumstances, until the third anniversary of grant. More information on the CSOP can be found in note 22 to the financial statements.

Executive Director	Number of shares under option	Exercise price
Steven Cooklin	–	–
Patrick Lineen	290,671	£1.12

In subsequent financial years it is anticipated that the Remuneration Committee will make further CSOP awards, details of which will be disclosed at the time of grant.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

The Executive Directors have service contracts setting out the terms of their employment. Steven Cooklin's contract may be terminated on twelve months' notice and Patrick Lineen's contract may be terminated on three months' notice. In each case, notice can be given by either party.

NON-EXECUTIVE DIRECTORS

Remuneration of the Non-Executive Directors is determined by the Board as a whole, with the relevant Non-Executive Director taking no part in the discussions or decision in relation to his own fees. The Non-Executive Directors are not entitled to annual bonuses or employee benefits. Each of the Non-Executive Directors has a letter of appointment stating, amongst other things, annual fees, the time commitment expected for the role and that the appointment may be terminated by either party giving three months' prior written notice.

DIRECTORS' REMUNERATION (AUDITED)

The table below summarises the remuneration for each Director.

Year ended 31 March 2019	Basic salary £	Pension contribution £	Bonuses £	Termination payments £	Other benefits £	Total £
Non-Executive Chairman						
Peter Bertram[1]	25,000	—	—	—	—	25,000
Executive Directors						
Steven Cooklin	250,000	7,500	100,000	—	2,597	360,097
Patrick Lineen[1]	103,000	3,090	70,000	—	—	176,090
Non-Executive Directors						
Stephen Baister[1]	16,667	—	—	—	33,333	50,000
Lee Manning[1]	16,667	—	—	—	—	16,667
Total Directors' remuneration for the year ended 31 March 2019	411,334	10,590	170,000	—	35,930	627,854

1 The remuneration for Stephen Baister, Peter Bertram, Patrick Lineen and Lee Manning represents the amounts paid to them in respect of the part year from their date of appointment to 31 March 2019.

Year ended 31 March 2018	Basic salary £	Pension contribution £	Bonuses £	Termination payments £	Other benefits £	Total £
Executive Directors						
Steven Cooklin	225,000	2,250	248,000	—	2,314	477,564
Total Directors' remuneration for the year ended 31 March 2018	225,000	2,250	248,000	—	2,314	477,564

The annual remuneration for the new Directors is as follows:

	£
Peter Bertram	75,000
Lee Manning	50,000
Stephen Baister	50,000
Patrick Lineen	130,000

Prior to joining the Board, Stephen Baister received £33,333 in the financial year to 31 March 2019, in respect of consultancy services which he performed.

DIRECTORS' INTERESTS (AS AT 31 MARCH 2019)

As at 31 March 2019, the interests of the Directors in ordinary shares, pursuant to options granted under the CSOP were as disclosed above. The interests of the Directors in ordinary shares held in their own name or in which they have a beneficial interest are disclosed below. Although the Non-Executive Directors hold shares, their holdings are at a level which does not impinge upon their independence.

	Ordinary shares	% of issued share capital
Stephen Baister	14,285	0.03
Peter Bertram	14,285	0.03
Steven Cooklin	7,842,199	18.00
Lee Manning	14,285	0.03

INDEPENDENT AUDITOR'S 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 2019 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Company financial statements 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 2019 and of the Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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) 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.

VALUATION OF INVESTMENTS

RISK OF MATERIAL MISSTATEMENT

This is detailed in the Audit Committee report on pages 32 to 33; the significant accounting judgements and estimates on pages 46 to 47; significant accounting policies on pages 42 to 45 and the investment note 12 to the Financial Statements on page 49.

Investments is the most significant component of the financial statements and there is a risk that this could be materially misstated. The valuations are subject to judgements and estimation by management to determine the valuations for which the fair value movement is reflected in the income statement. The Company has recognised an unrealised fair value uplift on the investments for the year ended 31 March 2019 of £6.6m and an overall investment valuation of £18.2m as at 31 March 2019.

The Directors' assessment of the value of these Investments at the year end date, is considered a key audit matter due to the magnitude of the total amount, the potential impact of the investment value on the reported results, and the subjectivity and complexity of the valuation process.

AUDIT APPROACH ADOPTED

Our audit procedures included assessing the reasonableness of the case valuations through performing both an analytical review of cases and reviewing the control practices in place within the business to value the cases during the completion of both month end and year end processes ensuring that the system is consistent and robust.

We have performed detailed testing of the inputs, judgements and estimations made by management when arriving at the case valuations and reviewed external counsel reports on the 20 key cases as detailed in the significant judgements and estimates section on page 47, making up £16.6 million (92%) of the total investment value, to ensure a congruent and reasonable approach. We discussed and challenged the valuation of these larger cases and significant valuation movements with management and the case officer who demonstrated detailed knowledge of each legal case, any specific complexities and the stage of the completion reached at the balance sheet date. Additional reviews have been undertaken on the valuation movements through the period and around the financial reporting period end, corroborating any changes appropriately to key events or milestones in the cases to ensure that the valuation recorded as at 31 March 2019 is appropriate. We have also completed analysis of the cases which have settled in the post year end period, undertaking an review of any difference from the year end valuation and whether the movement in value should be reflected in the year end valuation.

OUR APPLICATION OF MATERIALITY

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £458,000, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £10,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit was scoped by obtaining an understanding of the Company, its control environment and assessing the risks of material misstatement. The financial statements were audited to the materiality levels set out above. The scope of our audit covered 100% of profit and net assets.

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF MANOLETE PARTNERS PLC

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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.

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Note	**31 March 2019 £000s**	31 March 2018 £000s
Revenue	4	**13,772**	10,630
Cost of sales		**(3,686)**	(3,839)
Gross profit		**10,086**	6,791
Administrative expenses	8	**(2,874)**	(2,720)
Operating profit	6	**7,212**	4,071
Exceptional costs-IPO		**(882)**	–
Operating profit post-exceptionals		**6,330**	4,071
Finance income	9	**1**	2
Finance expense	9	**(393)**	(380)
Profit before tax		**5,938**	3,693
Taxation	10	**(1,274)**	(432)
Profit and total comprehensive income for the year attributable to the equity owners of the company		**4,664**	3,261
Earnings per share			
Basic (pence per share)	11	**£0.32**	£35.25
Diluted (pence per share)	11	**£0.31**	£35.25

The above results were derived from continuing operations.

The notes on pages 43 to 54 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Note	**31 March 2019 £000s**	31 March 2018 £000s
Non-current assets			
Intangible assets	13	**6**	–
Deferred tax asset	18	**46**	–
Total non-current assets		**52**	–
Current assets			
Investments	12	**18,197**	10,555
Stock	14	**447**	–
Trade and other receivables	15	**3,777**	2,973
Cash and cash equivalents	16	**9,692**	5,934
Total current assets		**32,113**	19,462
Total assets		**32,165**	19,462
EQUITY AND LIABILITIES			
Equity			
Share capital	20	**174**	100
Share premium	21	**4**	1,015
Share based payment reserve	21	**67**	–
Special reserve	21	**3,157**	
Retained earnings	21	**24,613**	6,642
Total equity attributable to the equity owners of the company		**28,015**	7,757
Non-current liabilities			
Borrowings	19	**–**	8,870
Total non-current liabilities		**–**	8.870
Current liabilities			
Trade and other payables	17	**4,150**	2,830
Borrowings	19	**–**	–
Deferred tax liability	18	**–**	5
Total current liabilities		**4,150**	2,835
Total liabilities		**4,150**	11,705
Total equity and liabilities		**32,165**	19,462

The financial statements were approved by the Board of Directors and authorised for issue on 26 June 2019.

Steven Cooklin
Chief Executive Officer

The notes on pages 43 to 54 form part of these financial statements.

Company Number: 07660874

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Note	Share Capital £000s	Share premium £000s	Share based payment reserve £000s	Special non-distributable reserve £000s	Retained earnings attributable to the equity owners of the company £000s	Total equity £000s
As at 1 April 2017		**99**	**1,015**	**–**	**–**	**3,381**	**4,495**
Comprehensive income							
Profit for the year		–	–	–	–	3,261	3,261
Transactions with owners							
Issue of ordinary shares		1	–	–	–	–	1
As at 31 March 2018		**100**	**1,015**	**–**	**–**	**6,642**	**7,757**
Profit for the year		–	–	–	–	4,664	4,664
Transactions with owners							
Issue of ordinary shares	20	74	16,213	–	–	(37)	16,250
Transaction costs of share issue		–	(723)	–	–	–	(723)
Reduction of share premium account	21	–	(16,501)	–	3,157	13,344	–
Share based payment expense	21	–	–	21	–	–	21
Deferred tax on share-based payments	21	–	–	46	–	–	46
As at 31 March 2019		**174**	**4**	**67**	**3,157**	**24,613**	**28,015**

The notes on pages 43 to 54 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	31 March 2019 £000s	31 March 2018 £000s
Cash flows from operating activities		
Profit before tax	**5,938**	3,693
Adjustments for non-cash/non-operating items:		
Fair value movements	**(6,624)**	(3,905)
Finance income	**(1)**	(2)
Legal costs on realised cases	**1,387**	1,375
Finance expense	**393**	380
Share option reserve	**(21)**	–
Interest paid	**–**	437
Operating cashflows before movements in working capital	**1,072**	1,978
Changes in working capital:		
(Increase) in trade and other receivables	**(157)**	(1,390)
Increase in trade and other payables	**40**	163
Cash generated from operations	**955**	751
Income taxes refunded	**–**	226
Net cash generated in operating activities	**955**	977
Cash flows from investing activities		
Investment in cases	**(2,405)**	(1,320)
Purchase of property	**(447)**	–
Purchase of intangible assets	**(6)**	
Finance income received	**1**	2
Net cash (used)/generated in/from investing activities	**(2,857)**	(1,318)
Cash flows from financing activities		
Proceeds from issue of ordinary shares(net of expenses)	**15,569**	1
Proceeds from borrowings	**–**	8,871
Repayment of borrowings	**(9,500)**	(3,050)
Payment of borrowing facility set up costs	**(189)**	–
Repayment of Directors' loans	**–**	(230)
Interest paid	**(220)**	(817)
Net cash generated from financing activities	**5,660**	4,775
Net increase in cash and cash equivalents	**3,758**	4,434
Cash and cash equivalents at the beginning of the year	**5,934**	1,500
Cash and cash equivalents at the end of the year	**9,692**	5,934

The notes on pages 43 to 54 form part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1. COMPANY INFORMATION

Manolete Partners PLC (the "Company") is a public company limited by shares incorporated in England and Wales. The Company is domiciled in England and its registered office is 2-4 Packhorse Road, Gerrards Cross, Buckinghamshire, SL9 7QE. The Company's ordinary shares are traded on the AIM Market.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

These financial statements of the Company have been prepared on a going concern basis 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.

Measurement bases

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of the financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates and management judgements in applying the accounting policies. The significant estimates and judgements that have been made and their effect is disclosed in note 3.

2.2 GOING CONCERN

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.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

The financial information is presented in the functional currency, pounds sterling ("£") except where otherwise indicated.

2.4 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

The Company early adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' on 1 April 2015 in the historical financial information presented in the Company's admission document on admission to AIM and these standards did not have a material effect on the financial statements of the Company in the period of initial application. Therefore, these standards have not been first time adopted in the current period.

The adoption of the following amendments in the current year have not had a material impact on the Company's financial statements:

EU effective date – periods beginning on or after

IFRS 2 Share-based Payment: Amendment in relation to the classification and measurement of share-based payment transactions1 January 2018

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's annual report and accounts.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

IFRS 16 'Leases'

The IASB has published IFRS 16 'Leases', completing its long-running project on lease accounting. The new Standard, which is effective for accounting periods beginning on or after 1 January 2019, requires lessees to account for leases 'on-balance sheet' by recognising a 'right-of-use' asset and a lease liability. The date of initial application of IFRS 16 for the Company will be 1 April 2019. It will affect most companies that report under IFRS and are involved in leasing and will have a substantial impact on the annual report and accounts of lessees of property and high value equipment. This standard has been endorsed by the European Union.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The Company's management has carried out an impact review of the implementation of IFRS 16 and has decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on the balance sheet as at 1 April 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date.

At 31 March 2019 operating lease commitments amounted to £483,000 (see note 23). Assuming the Company's lease commitments remain at this level, the effect of discounting those commitments is anticipated to result in right-of-use assets and lease liabilities of approximately £312,000 being recognised on 1 April 2019. However, further work still needs to be carried out to determine whether and when extension and termination options are likely to be exercised, which may result in the actual liability recognised being higher than this.

Instead of recognising an operating expense for its operating lease payments, the Company will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost, which for the year ended 31 March 2019 was approximately £194,000.

IFRIC 23 'Uncertainty over Income Tax Positions'

IFRIC 23, "Uncertainty over Income Tax Positions", clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments.

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

The following is a list of other new and amended standards which, at the time of writing, had been issued by the IASB but which are effective in future periods. The amount of quantitative and qualitative detail to be given about each of the standards will, much like the amount of detail to be given about IFRS 16, depend on each entity's own circumstances.

- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective 1 January 2019)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective 1 January 2019)
- Annual Improvements to IFRSs 2015-2017 Cycle (IFRS 3 Business Combinations and IFRS joint Arrangements, IAS 12 Income Taxes, and IAS 23 Borrowing Costs) (effective 1 January 2019)
- IFRS 17 Insurance Contracts (effective 1 January 2021)

2.5 REVENUE RECOGNITION

Revenue comprises 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.

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

2.6 NET FINANCE EXPENSE

Finance expense

Finance expense comprises interest on bank loans and other interest payable. Interest on bank loans and other interest is charged to the statement of comprehensive income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Finance income

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

2.7 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.8 INTANGIBLE ASSETS

Intangible assets are measured at cost and are amortised on a straight-line basis over their estimated useful lives. Amortisation is charged within administrative expenses in the statement of comprehensive income so as to write off the cost of assets over their estimated useful lives, on the following basis:

Website development costs:	33.3% of cost, once the website development is complete

2.9 STOCK

Stock is held at the lower of cost or net realisable value.

2.10 FINANCIAL ASSETS

Classification

The Company classifies its financial assets at amortised cost or fair value through profit or loss. Financial assets do not comprise prepayments. Management determines the classification of its financial assets at initial recognition.

Amortised costs

The Company's financial assets held at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. 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 method, less provision for impairment.

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.

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

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.

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 and solicitors. Valuations of each case, at the balance sheet date, are therefore arrived at by the Directors, considering counsel's, or external lawyer'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.

2.11 FINANCIAL LIABILITIES

The Company classifies its financial liabilities in the category of financial liabilities at amortised cost. All financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provision of the instrument. Trade and other payables and borrowings are included in this category.

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.

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.11 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.

2.12 SHARE CAPITAL

Ordinary shares are classified as equity. There is one class of ordinary share in issue, as detailed in note 20. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds, net of tax.

2.13 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 in order 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.

2.14 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 arising 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.

2.15 SHARE-BASED PAYMENTS

Where share options are awarded to Directors or employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are considered by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

2.16 EXCEPTIONAL ITEMS

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. They are items that are material, either because of their size or their nature, or that are non-recurring, and are presented within the line items to which they best relate.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements 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 and 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.

Case valuations are reviewed on a monthly basis. Valuations are changed when there have been significant developments in a case.

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.

At the year-end there were 84 open cases, of these 64 had a valuation of less than £100k and individually are not expected realise more than £95,000 each. These cases are not expected to have an individually material impact on the business when they are settled. The remaining 20 cases make up £16.6m of the Investments and are material to the business, the significant judgements and estimates in their valuations at the balance sheet date were as follows:

1. Judgements:

   1.1 The amount that cases are discounted to recognise cases being settled before they are taken to court ranges between 35-50%, based on the fact of each case and management's judgement of the likely outcome.

2. Estimates:

   2.1 The fair value of the case is based on the opinion of Counsel or the external solicitor dealing with the case, for all cases over £100k; these assessments include various assumptions including that could change over time and lead to different assessments over the next 12 months.

   2.2 Future legal costs have been estimated on the likely time the case will take to complete, ranging between 6 to 18 months (excluding Cartel Cases) and whether it will go to Court, ranging between zero and 10%. Future results could be materially impacted if these original estimates change either positively or negatively.

   2.3 Recovery of debts is based on the Company's ability to recover assets owned by the counterparty. Cases that are settled without going to Court almost always recover in full, whilst those that result in Court cases are less predictable in terms of full recovery but the Directors would expect to recover between 95% and 100%.

   2.4 The above valuations assume that there is no recovery for interest and costs. If cases go to Court and result in a judgment in the Company's favour, it is likely that the Company will be awarded interest and costs.

Sensitivity analysis has not been included, due to the vast amount of inputs and number of variables, making it impossible to provide meaningful data. Whilst the Board considers the methodologies and assumptions adopted in the valuation are supportable, reasonable and robust, because of the inherent uncertainty of valuation, it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions could require a material adjustment to the carrying amount of the £18.2m of investments disclosed in the balance sheet.

Recoverability of accrued income

Manolete's business model involves the provision of services on credit. The Company normally receives payment for 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2019

4. SEGMENTAL REPORTING

During the year ended 31 March 2019, the revenue was derived from cases funded on behalf of the insolvent estate and cases purchased from the insolvent estate, which are wholly undertaken within the UK. 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 derive from continuing operations and are not seasonal in nature.

	31 March 2019 £000s	31 March 2018 £000s
Net realised gains on investments in cases	**7,148**	6,725
Fair value movements (net of transfers to realisations)	**6,624**	3,905
	13,772	10,630

	31 March 2019 £000s	31 March 2018 £000s
Arising from:		
Funded cases	**4,612**	2,744
Purchased cases	**9,160**	7,886
	13,772	10,630

5. DIRECTORS AND EMPLOYEES

Staff costs for the Company during the year:

	31 March 2019 £000s	31 March 2018 £000s
Staff costs (including Directors):		
Wages and salaries	**1,537**	1,025
Social security costs	**169**	132
Other pension costs	**50**	19
	1,756	1,176

Average monthly number of people (including Executive and Non-Executive Directors) employed by activity:

	31 March 2019 No.	31 March 2018 No.
Directors	**3**	1
Management and administration	**9**	6
	12	7

Directors' emoluments:

	31 March 2019 No.	31 March 2018 No.
Directors' emoluments:		
Salaries and fees	**581**	654
Other pension costs and benefits	**13**	5
Share option costs	**7**	–
	601	659

	31 March 2019 £000s	31 March 2018 £000s
Highest paid director:		
Salaries and fees	**350**	473
Other pension costs and benefits	**10**	5
	360	478

Management consider the Directors to be the key management personnel.

6. OPERATING PROFIT

Is stated after charging:

	31 March 2019 £000s	31 March 2018 £000s
Operating lease costs	**194**	112

7. AUDITOR REMUNERATION

	31 March 2019 £000s	31 March 2018 £000s
Fee payable to Company's auditor and its associates for the audit of financial statements	**71**	28
Fees payable to Company's auditor and its associates for other services:		–
Corporate finance services	**168**	–
Other taxation services	**41**	–
Total	**209**	–

Details of the Company's use of the Auditors for non-audit services, the reasons why the Auditors were used rather than another supplier and how the Auditors' independence and objectivity was safeguarded are set out in the Audit Committee Report on pages 32 to 33.

8. ANALYSIS OF EXPENSES BY NATURE

The breakdown by nature of administrative expenses is as follows:

	31 March 2019 £000s	31 March 2018 £000s
Staff Costs	**1,756**	1,176
Office costs	**243**	184
Other costs, including marketing costs and expected credit losses	**875**	1,360
Total administrative expenses	**2,874**	2,720

9. FINANCE INCOME AND FINANCE EXPENSE

	31 March 2019 £000s	31 March 2018 £000s
Bank interest	**1**	1
Other loan interest	**–**	1
Total finance income	**1**	2

	31 March 2019 £000s	31 March 2018 £000s
Bank loan interest	**179**	15
Other loan interest	**–**	289
Bank loan charges	**172**	29
Other loan charges	**42**	47
Total finance expense	**393**	380

10. TAXATION

	31 March 2019 £000s	31 March 2018 £000s
Analysis of charge in year		
Current tax charge on profits for the year	**1,279**	557
Adjustments in respect of prior periods	**–**	(5)
Income tax credit	**1,279**	552
Deferred tax	**(5)**	(120)
Total tax charge	**1,274**	432

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. This has had a subsequent effect on the Company deferred tax asset being recognised.

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19%. (2018: 19%). The differences are explained below.

	31 March 2019 £000s	31 March 2018 £000s
Profit on ordinary activities before tax	**5,938**	3,693
Profit on ordinary activities multiplied by the rate of corporation tax in the UK as above	**1,128**	702
Effects of:		
Expenses not deductible	**151**	5
Adjustments to tax credit in respect of prior years	**–**	(4)
Utilisation of tax losses	**–**	(151)
Provision for deferred tax release	**(5)**	(120)
Total taxation charge	**1,274**	432

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2019

11. EARNINGS PER SHARE

The earnings per share has been calculated using the profit for the year and the weighted average number of ordinary shares entitled to dividend rights which were outstanding during the year, as follows:

	31 March 2019 £000s	31 March 2018 £000s
Profit for the period attributable to equity holders of the Company	**4,664**	3,261
Weighted average number of ordinary shares	**14,585,475**	92,500
Earnings per share	**0.32**	35.25

	31 March 2019 £000s	31 March 2018 £000s
Profit for the period attributable to equity holders of the Company	**4,664**	3,261
Diluted weighted average number of ordinary shares	**14,819,186**	92,500
Diluted earnings per share	**0.31**	35.25
Opening number of shares	**92,500**	92,500
Shares issued during the year	**43,478,925**	–
Closing number of shares	**43,571,425**	92,500

The earnings per share is diluted by options over ordinary shares, as detailed in note 22.

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 (see Note 3.2 on accounting estimates).

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

	2019 £000s	2018 £000s
As at 1 April 2018	**10,555**	6,705
Additions	**2,405**	1,337
Realisations	**(1,387)**	(1,392)
Fair value movement (net of transfers to realisations)	**6,624**	3,905
As at 31 March 2019	**18,197**	10,555

13. INTANGIBLE ASSETS

Intangible assets comprise the costs of developing the Company's website. The website developments costs, when complete, will be amortised over the useful life of the website, which is estimated to be three years.

	2019 £000s	2018 £000s
Website development costs		
As at 1 April 2018		
Additions	**6**	–
Amortisation charge	**–**	–
As at 31 March 2019	**6**	–

14. STOCK

The Company has purchased a house for re-sale in London, following the settlement of case in unusual circumstances. The house is being refurbished for a modest amount and will then be put up for sale.

	2019 £000s	2018 £000s
As at 1 April 2018	**–**	–
Additions	**447**	–
Realisations	**–**	–
As at 31 March 2019	**447**	–

15. TRADE AND OTHER RECEIVABLES

	31 March 2019 £000s	31 March 2018 £000s
Amounts falling due within one year:		
Other receivables	**–**	23
Prepayments	**799**	15
Trade debtors	**2,978**	2,935
	3,777	2,973

It is the Company's policy to assess receivables for recoverability based on historical data available to management in addition to forward looking information utilising management's knowledge. The Directors consider that the carrying amount of trade and other receivables is approximately equal to their value.

Included within prepayments are the costs of setting up the HSBC facility, which are being amortised over the remaining life of the facility, which terminates on 30 November 2022. As at 31 March 2018, these costs were set off the amounts owed to HSBC. The unamortised balance includes £217,000 of HSBC arrangement fees.

16. CASH AND CASH EQUIVALENTS

	31 March 2019 £000s	31 March 2018 £000s
Cash at bank and in hand	**9,692**	5,934
	9,692	5,934

All bank balances are denominated in pounds sterling.

17. TRADE AND OTHER PAYABLES

	31 March 2019 £000s	31 March 2018 £000s
Amounts falling due in one year:		
Other taxation and social security	**66**	32
Corporation tax payable	**2,557**	1,278
Accruals and other creditors	**1,527**	1,520
	4,150	2,830

18. DEFERRED TAX LIABILITIES/(ASSET)

	2019 £000s	2018 £000s
At 1 April 2018	**5**	125
Released during the year	**(5)**	(120)
Asset created	**(46)**	–
At 31 March 2019	**(46)**	5

The income from the deferred tax asset relates to share options and has been credited to an equity reserve.

19. BORROWINGS

	31 March 2019 £000s	31 March 2018 £000s
Non-current		
Bank loans	–	8,870
	–	8.870
Current		
Bank loans	–	–
Total borrowings	**–**	8,870

Reconciliation of liabilities arising from financing activities

	1 April 2017 £000s	Cash flows £000s	Non-cash changes £000s	31 March 2018 £000s
Bank borrowings	–	9,500	(630)	8,870
Other loans	3,050	(3,050)	–	–
Total liabilities from financing activities	**3,050**	**6,450**	**(630)**	**8,870**

	1 April 2018 £000s	Cash flows £000s	Non-cash changes £000s	31 March 2019 £000s
Bank borrowings	8,870	(9,500)	630	–
Other loans	–	–	–	–
Total liabilities from financing activities	**8,870**	**(9,500)**	**630**	**–**

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

The £20m credit facility was provided on the 30 November 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 arrangement fees for this facility are included within set up costs within prepayments.

20. SHARE CAPITAL

	31 March 2019 No.	31 March 2018 No.
Allotted and issued		
Ordinary shares of £0.004 each (FY18-£1)	**43,571,425**	92,500
Allotted, called up and fully paid		
'A' Ordinary shares of £0.004 each (FY18-£1)	**–**	7,100

During the year ended 31 March 2019, the Company sub-divided and then consolidated its existing £1 shares into shares of £0.004. It also converted the 'A' shares into Ordinary shares at a rate of 90%, in order to create one class of shares. It then issued 9,563,211 bonus shares of £0.004 to existing shareholders. It then issued 9,285,714 Ordinary shares for £0.004 per share in an Initial Public Offering (IPO). The Company received total cash proceeds of £16,250,000 for these IPO shares, before expenses.

Voting rights

The holders of ordinary shares are entitled to one voting right per share.

Dividends

The holders of ordinary shares are entitled to dividends out of the profits of the Company available for distribution.

21. RESERVES

Share premium

Includes all current and prior year premiums received on issue of share capital, as follows:

	2019 £000s	2018 £000s
As at 1 April 2018	**1,015**	1,015
Proceeds from share issues	**16,213**	–
Transaction costs of share issue	**(723)**	–
Conversion into distributable reserves	**(16,501)**	–
As at 31 March 2019	**4**	1,015

Following its IPO on the AIM Market in December, the Company applied to the Courts for most of its share premium account to be converted into distributable reserves. The Court approved this application in February. The Court stipulated that a special non-distributable reserve of £3,157,000 be created, equivalent to the unpaid creditors at the time of the application, and that the Company maintain this reserve as non-distributable until all these creditors are paid. The Company has complied with these directions.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2019

21. RESERVES CONTINUED

Special, non-distributable reserve

As mentioned above, a special, non-distributable reserve of £3,157,000 was created, in compliance with the directions of the Court, following the conversion of the share premium account into distributable reserves in February 2019. The amount of the reserve is equivalent to the unpaid creditors at the date of the Court application of 31 December 2018. This reserve will be reviewed on a regular basis and, as creditors are paid, equivalent amounts will be transferred to distributable reserves.

Share based payment reserve

Includes amounts recognised for the fair value of share options granted in accordance with IFRS 2.

Retained earnings

Includes all current and prior periods retained profits and losses.

22. SHARE OPTIONS

The Company adopted the Manolete Partners Plc Company Share Option Plan on the 21 November 2018, details of which are as follows.

The Company generally considers the Black-Scholes method to value share options when issued.

Details for the share options granted, exercised, lapsed and outstanding at the end of each year are as follows:

	Number of share options No.	Weighted average exercise price £
Outstanding at beginning of year	–	–
Granted during the year	701,133	1.12
Forfeited/lapsed during the year	–	–
Exercised during the year	–	–
Outstanding at end of the year	701,133	1.12
Exercisable at end of the year	–	–

The weighted average contractual life of the options outstanding at the reporting date is 2 years and 9 months.

Exercise prices of share options outstanding at the end of the period:

	Number of share options No.	Exercise price £
CSOP Options	105,696	1.12
Unapproved Options	595,437	1.12

The fair values of the options granted during the year were calculated using the Black Scholes model, with the following assumptions:

Risk free interest rate	1%
Expected volatility	33%
Expected dividend yield	1%
Life of the option	3 years
Weighted average share price	£2.20

23. COMMITMENTS AND CONTINGENCIES

Capital commitments

There were no capital commitments at 31 March 2019.

Operating lease commitments

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

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

	31 March 2019 £000s	31 March 2018 £000s
Within 1 year	**190**	167
Later than 1 year and less than 5 years	**293**	284
After 5 years	**–**	–
	483	451

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

24. RETIREMENT BENEFITS

The Company operates a defined contribution pension scheme for all qualifying employees. During the year, the Company charged £30,000 (FY18-£14,000) as employer's pension contributions. The outstanding pension creditor as at 31 March 2019 was £5,000 (FY18-£2,000).

25. FINANCIAL INSTRUMENTS – CLASSIFICATION AND MEASUREMENT

Financial assets

Financial assets measured at amortised cost comprise other receivables, trade debtors and cash, as follows:

	31 March 2019 £000s	31 March 2018 £000s
Other receivables	**-**	24
Trade debtors	**2,977**	2,935
Cash at bank	**9,692**	5,934
	12,669	8,893

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

	31 March 2019 £000s	31 March 2018 £000s
Investments	**18,197**	10,555
	18,197	10.555

Financial liabilities

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

	31 March 2019 £000s	31 March 2018 £000s
Accruals and other creditors	**1,527**	1,519
Bank loans	**-**	8,870
	1,527	10,389

The fair value of investments is determined as set out in the accounting policies in Note 2.

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

Fair value hierarchy

	31 March 2019		
	Level 1 £000s	Level 2 £000s	Level 3 £000s
Investments	–	–	18,197

	31 March 2018		
	Level 1 £000s	Level 2 £000s	Level 3 £000s
Investments	–	–	10,555
	-	**-**	**10,555**

26. FINANCIAL INSTRUMENTS – 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.

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 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 financial statements would not be significant.

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

	Debt £	**31 March 2019 Interest Rate**	Debt £000s	31 March 2018 Interest Rate
Floating rate borrowings				
Bank loans	**-**	**N/A**	8,870	LIBOR and Margin

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 enough 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:

	31 March 2019 £000s	31 March 2018 £000s
Less than one year	**-**	–
One to two years	**-**	8,870
Two to five years	**-**	–
	-	8,870

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2019

26. FINANCIAL INSTRUMENTS – RISK MANAGEMENT CONTINUED

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 earnings and is equal to the amount shown as 'Equity' in the balance sheet. Debt comprises bank loans which are set out in further detail above and in note 19. Since raising funds through an IPO in December 2018, the Company currently has no debt but does have a £20m revolving credit facility with HSBC.

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.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and adjusts 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 2019 the Company's strategy remained unchanged.

Credit risk and impairment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. 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 attempts to assess the probability of credit losses but seeks to minimise its credit risk by undertaking rigorous net worth checks before taking on a case. Credit defaults do not occur very often but occasionally counterparties may default on an agreed settlement, which involves payment by instalments.

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.

27. RELATED PARTY TRANSACTIONS

None.

28. ULTIMATE CONTROLLING PARTY

The Company has no ultimate controlling party.

29. POST BALANCE SHEET EVENTS

None.

COMPANY INFORMATION

DIRECTORS & ADVISERS

Directors	Peter Bertram	Non-Executive Chairman
	Steven Cooklin	Chief Executive Officer
	Patrick Lineen	Chief Financial Officer
	Stephen Baister	Non-Executive Director
	Lee Manning	Non-Executive Director
Company Secretary	Bernadette Barber	
Registered Office	2-4 Packhorse Road Gerrards Cross Buckinghamshire SL9 7QE	
Company number	07660874 (England and Wales)	
Nominated adviser and broker	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET	
Independent Auditors	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB	
Solicitors	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH	
Registrars	Computershare Investor Services PLC The Pavilions Bridgewater Road Bristol BS99 6ZY	
Public relations	Instinctif Partners Limited 65 Gresham Street London EC2V 7NQ	
Bankers	HSBC 8 Canada Square Canary Wharf London E14 5HQ	
Company Website	www.manolete-partners.com	

NOTES

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