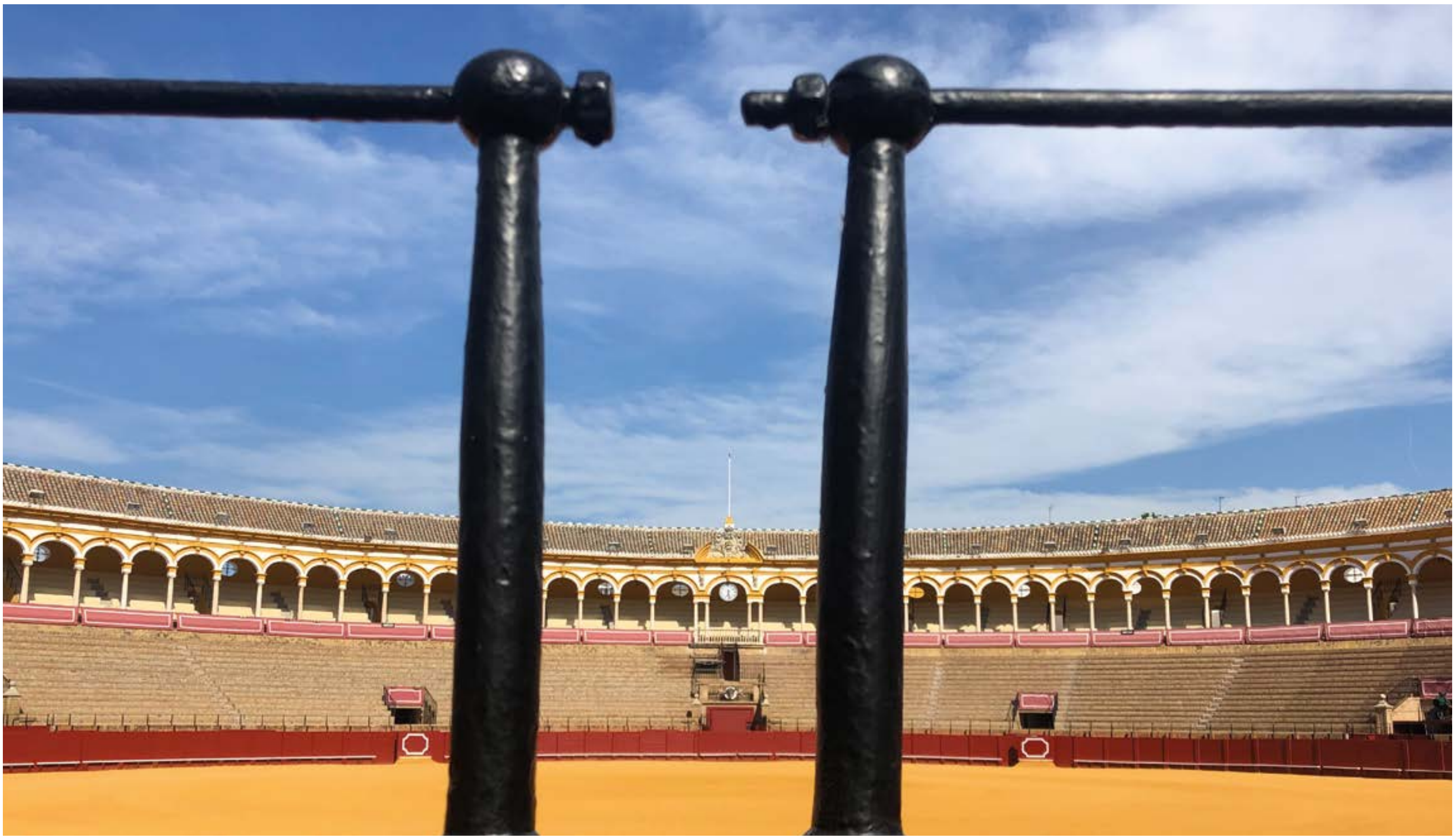
Manolete
PARTNERS PLC

Delivering on our strategy

ANNUAL REPORT
2020



WHO WE ARE

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 throughout the country.

Our mission

To transition the market to the Manolete way

See how we are growing our UK market share
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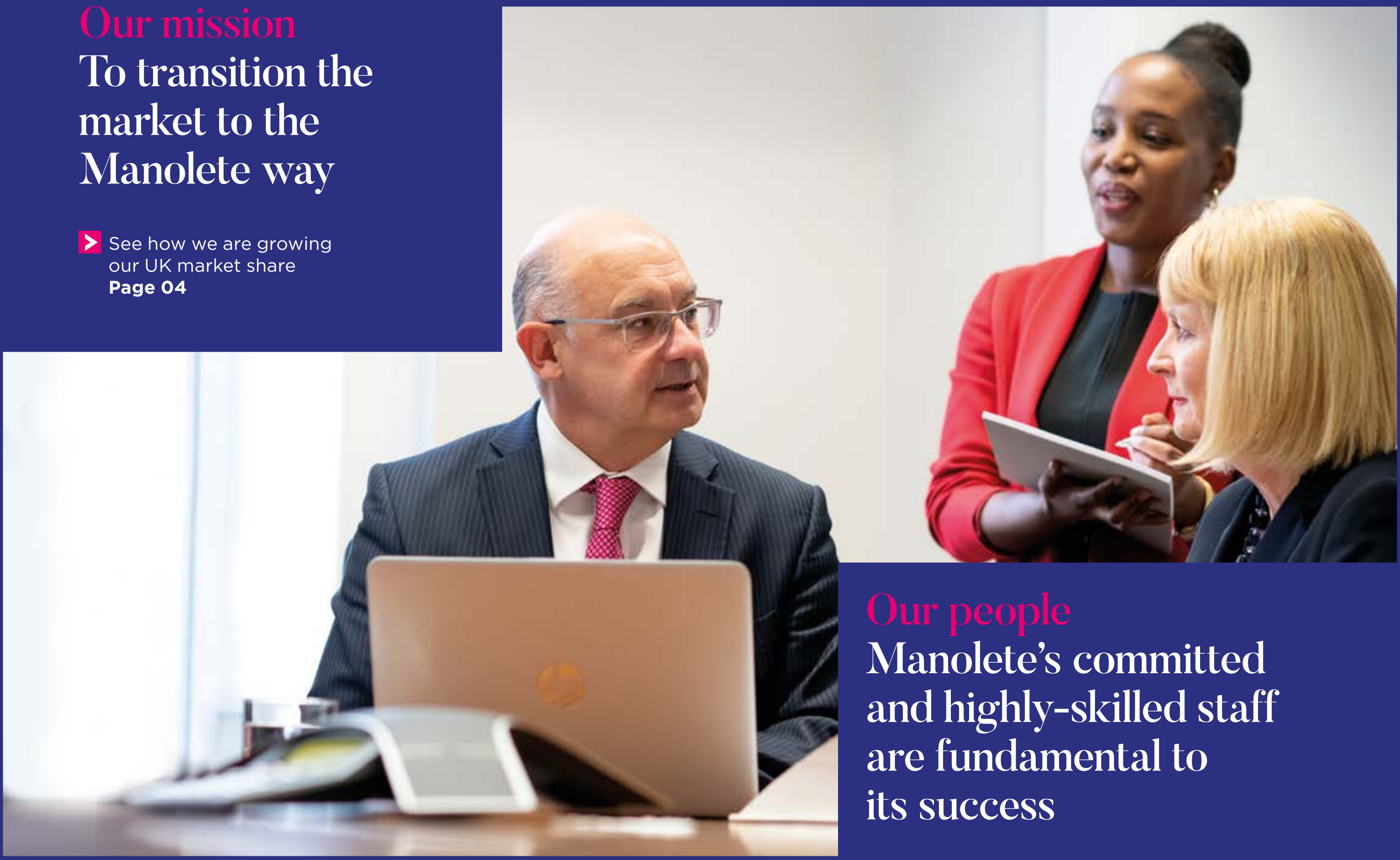

Our people

Manolete's committed and highly-skilled staff are fundamental to its success

See how we are continuing to deliver on our strategy
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Get the latest investor news online
investors.manolete-partners.com

FINANCIAL HIGHLIGHTS

Revenue	Gross profit
£18.7m +36%	**£14.4m** +43%

Operating profit before non-recurring items	Diluted earnings per share
£9.8m +36%	**17p** +70%

Total assets	Dividend per share
£47.1m +46%	**3.00p** +101%

OPERATIONAL HIGHLIGHTS

Live cases in progress (as at 31 March 2020)	Cases completed in FY20
152 +81%	**54** +54%

New case investments during FY20	New case enquiries during FY20
141 +139%	**493** +85%

MULTIPLE AWARD WINNER

- 'Growth Company of the Year' award winner at the 2019 Shares Awards
- Three-time winner of 'Insolvency Litigation Funder of the Year' at the Turnaround, Restructuring and Insolvency Industry Awards.
- Ranked in the Financial Times' Europe's Fastest Growing Companies in 2018 and once again in 2019

SHARES AWARDS 2019 WINNER Growth Company of the Year

THREE TIME WINNER INSOLVENCY LITIGATION FUNDER OF THE YEAR

FT 1000 Europe's Fastest Growing Companies 2019

A year of strong growth and consistent delivery

We continue to strengthen our leading position in the market and further expand our regional team to build a truly UK wide business.

420
lifetime invested cases to 31 March 2020

133%
lifetime IRR

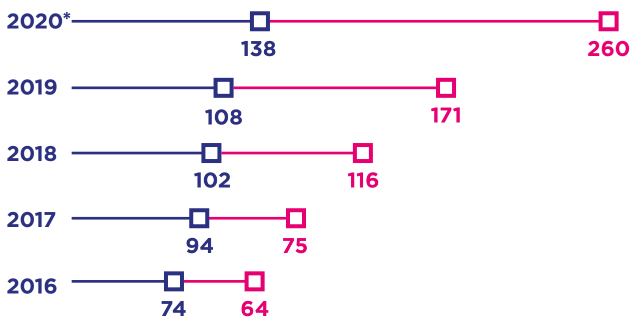
£10.2m
gross proceeds generated in FY20

4.6x
money multiple in FY20 vintage

12 months
lifetime average duration of completed cases

174%
lifetime ROI

Cumulative cases funded/purchased



* Does not include 22 cartel cases.

More on our performance in the Chief Financial Officer's Report
Page 18

We now purchase and own c.80% of our claims – this gives us CONTROL of: when we win, minimising any losses and controlling costs

Law changes in 2015 & 2016 were highly favourable to the Manolete model. Manolete is the UK's market leader.

OUR RECENT JOURNEY

2016
Manolete wins inaugural TRI award 'Insolvency Litigation Funder of the Year'
Manolete's 150th case signed

2017
Manolete's 200th case signed
Former Chief Registrar Stephen Baister joins Manolete Partners

2018
Manolete is listed on the London Stock Exchange (AIM)
Manolete opens first regional centre in Manchester

2019
Financial Times report ranks Manolete as the 55th Highest Growth Company in Europe
Manolete's 400th case signed

2020
Mena Halton, Manolete's Head of Legal, named in The Lawyer Hot 100 for 2020

OUR REGIONAL NETWORK

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.

Mena Halton
Head of Legal
London and the regions

Rachel Grant
Associate Director
Scotland

Dominic Vincent
Associate Director
North West

Andrew Cawkwell
Associate Director
North East

Roger Dugan
Associate Director
Midlands

Alison Kirby
Associate Director
East

Neil Stewart
Associate Director
South

Charlotte May
Associate Director and Head of Key Strategic Partnerships
South West

James Martin
Consultant
Midlands

Nick O'Reilly
Associate Director
London

OUR NET WORTH REVIEW TEAM



A crucial feature of the case review and diligence process is the work done by our own in-house dedicated Net Worth Review team. Once the enquiry has been logged on our databases, the Net Worth Team are the first to analyse all new case enquiries. The team is led by Tracy Halson, who joined Manolete in November 2014 and also includes Amanda Twohey and Jerusha Samy.

Their job is to provide an in depth insight into the financial worth of the potential defendants of the claims we are looking to buy or fund. They utilise various public databases and social media to build a profile of the defendants and on larger cases will use outside professional investigation services.

No matter how large or meritorious a potential claim might be, if the Net Worth assessment is failed, the case is politely rejected. Failure of the Net Worth assessment is the primary reason for Manolete rejecting around 70% of referrals.

We have strong potential for market share growth

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.

WALTON SUMMARY – THE MARKET OPPORTUNITY

In April 2020, Professor Peter Walton (University of Wolverhampton) published a report: Insolvency Litigation Funding – in the best interests of creditors?

The report was commissioned by Manolete Partners Plc and was supported by the leading professional organisations, the Institute of Chartered Accountants in England and Wales (ICAEW) and the Insolvency Practitioners Association (IPA). The report examined the impact of the 'Jackson Reforms' on the insolvency litigation funding market. It included survey data from 173 UK Insolvency Practitioners and other industry professionals.

The main findings were:

- A 50% increase in the value of insolvency claims since 2015 to £1.5bn per annum.
- Third-party financing of insolvency cases has increased significantly with a substantial shift to financing cases by third parties from 'no-win no-fee' methods ('Conditional Fee Arrangement' or 'CFAs').
- The total value of claims being pursued in the third-party financing market was estimated to be in the region of £50m.
- Manolete Partners Plc was recognised as the clear market leader of the third-party insolvency litigation market with a 67% share.
- Since the insolvency exemption to the Jackson Reforms ended in April 2016, the report found 58% of Insolvency Practitioners (IPs) have started to use third-party funders or increased the use of third-party funders.

In the report, Professor Walton said funding was now an integral and important part of the insolvency litigation market and that a proportion of the profession used third party funders or assignees as their default position for certain types of claim which would previously (before the Jackson Reforms) have been actioned using a CFA.

VINTAGES TABLE AS AT 9 JUNE 2020

Financial year	Number of investments	Number completed*	% Completion	Number outstanding	Open cases investments £000	Closed case investments £000	Total invested £000
2010	3	3	100%	–	–	52	52
2011	–	–	100%	–	–	–	–
2012	8	8	100%	–	–	763	763
2013	10	10	100%	–	–	174	174
2014	42	42	100%	–	–	594	594
2015	39	39	100%	–	–	1,476	1,476
2016	36	36	100%	–	–	1,907	1,907
2017	31	30	97%	1	246	1,086	1,332
2018	29	23	79%	6	1,335	560	1,895
2019	59	33	56%	26	804	681	1,485
2020	141	33	23%	108	1,657	727	2,384
	398	**257**	**65%**	**141**	**4,042**	**8,020**	**12,062**

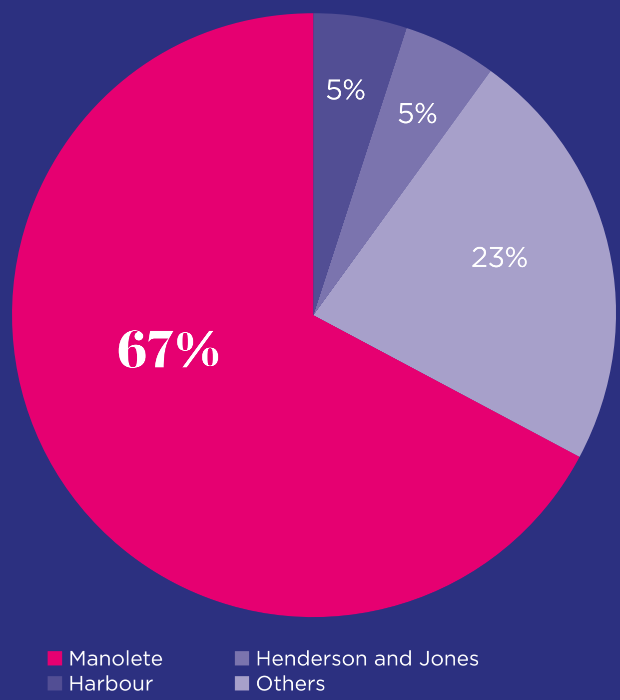
Note: The Vintages table excludes 22 Cartel Cases and is net of deductions for bad debt provisions. Excludes impact of Bright Futures as not reported until Friday 26 June in vintage FY18.

> The insolvency litigation market is now turned upon its head. Far more cases are offered to funders as a first step... the use of funding is fast catching up the use of CFAs.
>
> **Professor Peter Walton**
> Professor of Insolvency Law, Wolverhampton University

GROWTH IN THE INSOLVENCY LITIGATION MARKET

Source: Reports by Professor Peter Walton 2014-19.

FUNDERS



Total recovered £000	Total gain £000	IP share £000	Manolete gain £000	Duration completed cases (months)	Return on investment %	Money multiple	IRR %
28	(24)	–	(24)	7	-46%	0.5	-%
–	–	–	–	–	-%	–	-%
2,524	1,761	580	1,181	18	155%	2.5	236%
780	606	316	290	7	167%	2.7	281%
3,884	3,290	2,427	863	10	145%	2.5	424%
7,029	5,553	3,290	2,263	13	153%	2.5	526%
9,009	7,102	4,123	2,979	15	156%	2.6	176%
4,555	3,469	2,037	1,432	12	132%	2.3	609%
4,276	3,716	2,423	1,293	11	231%	3.3	1149%
3,116	2,435	1,310	1,125	9	165%	2.7	165%
6,194	5,467	2,875	2,592	6	357%	4.6	1010%
41,395	**33,375**	**19,381**	**13,994**	**12**	**174%**	**2.7**	**133%**

OUR BUSINESS MODEL

Building sustainable value

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 ASSETS

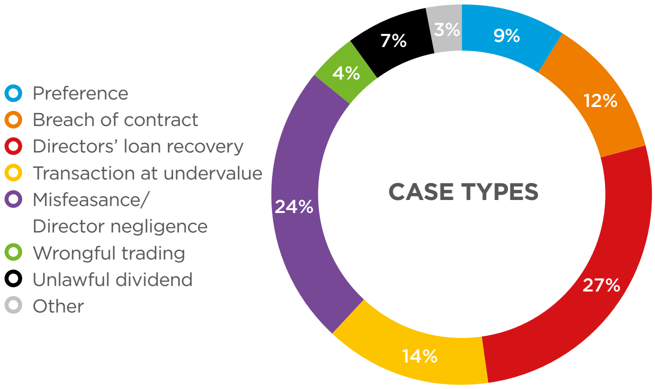
Our team of 11 experienced in-house insolvency lawyers.

Our proprietary network of relationships across the UK with Insolvency Practitioners and legal practices and barristers specialising in insolvency, which generates a high level of repeat business.

Our track record of financing 420 insolvency cases and completing 257 of those in an average duration of 12 months.

WHAT WE DO

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



Most IPs are understandably risk averse, they usually act with personal liability

Third party litigation finance allows Insolvency Practitioners to de-risk their position yet deliver superior returns to creditors

>14,000

corporate insolvencies and 40,000 bankruptcies per year from 2008-2019

c.1,735

licensed Insolvency Practitioners ('IPs') in the UK whose statutory duty is to investigate claims to maximise returns to creditors

OUR UNIQUE SELLING POINT

We offer Insolvency Practitioners a fast, risk-free and cost-effective means of securing optimal returns 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 Conditional Fee Agreement model to fast wins and optimal returns for creditors using the Manolete financing model.

398
lifetime cases excluding cartel cases

246
lifetime cases completed as at 31 March 2020

£9.8m
EBIT for FY20

12 months
average case duration

£40.6m
total case income generated as at 31 March 2020

£47.1m
total assets as at 31 March 2020

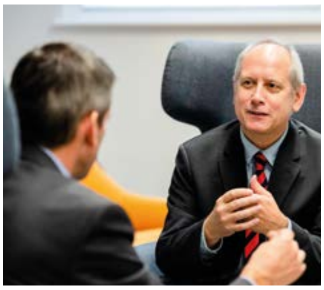
OUR OUTPUTS

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.

A clear and robust strategy...

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

OUR FOUR STRATEGIC OBJECTIVES TO DRIVE GROWTH

			
GROW THE BUSINESS Increase market share; facilitate market transition from old Conditional Fee Agreement model to more efficient litigation funding model.	**GROW REGIONAL PRESENCE** Grow regional presence in order to increase enquiries from IPs and their lawyers.	**GROW CAPITAL DEPLOYMENT** Raise Manolete profile in Insolvency marketplace.	**GROW EXPERT PEOPLE** Raise Manolete profile in the Investment Community.
Progress in 2019-20 Revenue increased by 36% from £13.8m to £18.7m and EBIT increased by 36% from £7.2m to £9.8m. Walton Report (see page 04) states (a) Manolete market share of funders now 67% (up from 52% in 2016); (b) strong shift towards funding model being adopted by IPs.	Recruitment of full regional network of high quality in-house legal team now complete. All regions of England, Scotland and Wales covered by seven highly experienced in-house insolvency litigators. London and Midlands supported by additional Business Development staff. Leeds to follow in FY21. No team member churn during year.	Full utilisation of three-year strategic marketing agreements with R3, IPA and ICAEW including relevant Annual and Regional Conferences. Manolete voted 'Insolvency Litigation Funder of the Year' at industry awards. Sponsorship and presentations at other leading industry conferences. Any industry events cancelled due to COVID-19 are being rolled over into a further year of the contracts.	Attendance and presentation at numerous Shares and Proactive Investor events plus Investment Bank 'Legal Sector' investor days. Overriding aim is to educate investor community in Manolete's specialist insolvency litigation finance model and how it is distinct to the broader litigation funding industry. Manolete voted 'Growth Company of the Year' at Shares Awards 2019.
Associated risks Risk of dilution of quality cases. Read more on page 23.	Risk of dilution in quality of staff and risk of high-quality staff leaving.	Potential competition.	Investor lack of appreciation of key differences between various funder models.
Risk mitigation Continued stringent application of net worth and legal due diligence procedures on all new enquiries.	Robust recruitment and quality control procedures plus Remuneration Committee focus on staff incentivisation: salary, bonus and share schemes.	All key strategic marketing agreements are based on contractual three-year agreements. Most events give Manolete exclusive rights as Litigation Funder.	CEO and CFO present at all meetings to ensure consistency and clarity of messaging.

...to sustain profitable growth

We are committed to developing our investment case to maintain our growth potential.

TRACK RECORD OF HIGH GROWTH AT HIGH ROI

- Manolete is the leading player in the UK insolvency litigation financing sector
- Headline claim value of £1.5bn a year of which approximately £750m is recovered
- Number of cases invested in FY20 up by 82 cases (139%) to 141 new case investments in FY20 from 59 new case investments in FY19
- FY20 vintage has ROI of 357% and MoM of 4.6x

ESTABLISHED LEADING POSITION WITH KEY BUSINESS INTRODUCERS

- During FY20 Manolete won the Turnaround Restructuring and Insolvency UK industry award for ‘Litigation Funder of the Year’ for the third time in four years
- Professor Peter Walton Report in April 2020 states that Manolete has a 67% market share of the funded segment of the insolvency litigation funding market
- The market is still dominated by the old CFA/ATE model but this presents the growth opportunity for Manolete

STRUCTURAL CHANGE IN MARKET PROVIDING GROWTH OPPORTUNITIES

- The Jackson Reforms (April 2016) made the old CFA/ATE model much less attractive to Insolvency Practitioners
- The Small Business Enterprise and Employment Act (2015) enabled third party funders to purchase most Insolvency Act claims – since 1986 third parties have been able to purchase insolvent company claims
- In 2016, Insolvency Regulators changed SIPP 2 to direct Office Holders to seek third party funding for claims

NEW FUNDS TO INCREASE VOLUME AND SIZE OF INVESTMENTS

- The IPO has significantly increased Manolete’s profile in the UK insolvency market
- The IPO funds have enabled Manolete to rapidly build out its UK regional in-house network that covers all leading commercial areas from Edinburgh to Southampton
- HSBC provides Manolete with a £20m RCF, £12m of the facility remains currently unutilised
- As at 31 March 2020, Manolete also had gross cash balances of £8.4m available for investment and working capital

ENTREPRENEURIAL AND PROFESSIONAL MANAGEMENT TEAM WITH PROVEN HISTORY

- Proven management team where the key executives have operated in the UK Insolvency market since 2009
- Long track record of delivering market leading returns on invested cases with the shortest durations per case
- There are currently 200 live cases giving the Company a well-diversified and granular case portfolio

Expanding our reach

With our strong London and regional legal teams, we believe that the business is very well-positioned to consolidate its leadership position in the insolvency litigation financing market.

GROW THE BUSINESS

Manolete has recruited a strong team of UK's leading insolvency litigators. Most of our in-house lawyers were formerly Head of Insolvency and/or Partners in private solicitor practices. By March 2020 the number of in-house lawyers has increased from 4 rising to 11 at the start of FY20.

GROW REGIONAL PRESENCE

The current in-house legal team has the capacity to manage around 275 cases. As and when required, capacity will be increased by adding junior lawyers to support the senior infrastructure that has already been put in place.

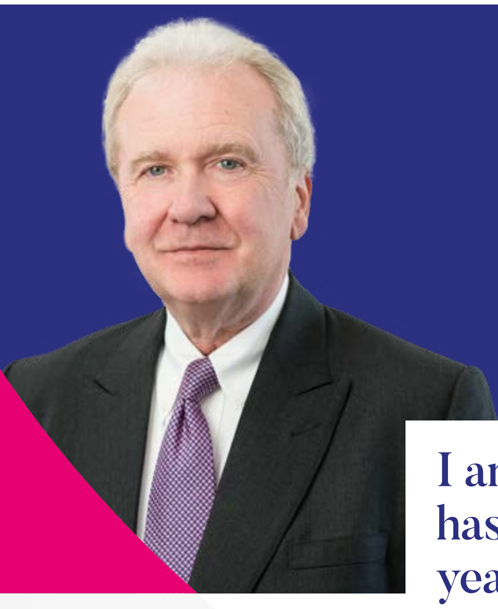
GROW CAPITAL DEPLOYMENT

The increased profile of Manolete from the IPO, the funds from the IPO and the increased HSBC £20m RCF have all enabled us to greatly scale the number and size of insolvency cases taken on throughout FY20. The establishment of our UK network has helped us grow average monthly case enquiries by around 100% since the start of FY20.

GROW OUR PEOPLE

All Manolete in-house lawyers were well-known to the Company before joining us. Many had worked on a number of Manolete cases as external lawyers. They have all worked in the UK insolvency industry for many years and bring with them excellent technical knowledge and a deep pool of trusted relationships with IPs and insolvency lawyers.

Accelerating our growth



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

Peter Bertram
Non-Executive Chairman

I am pleased to report that the Company has seen excellent growth over the past year with 141 new case investments in the year to 31 March 2020.

OVERVIEW

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 2020, with revenues increasing by 36% to £18.7 million (FY19: £13.8m) and Profit before Tax growing by 61% to £9.5 million (FY19: £5.9m).

The Company has achieved this growth through its regional network of in-house lawyers, the successful deployment of the funds raised through the HSBC credit facility and the IPO, the Company's increased public profile following the IPO and the 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. We have been strengthening the team, and now have 11 high quality in-house lawyers in different regions across the UK. As a result, we have seen a significant increase in the volume of enquires.

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 2020 the Board is proposing a final dividend of 3.00p per share. Subject to the approval of shareholders at the Annual General Meeting on 22 September 2020, the dividend to Ordinary Shareholders will be payable on 30 September to those shareholders who are on the register of members at 11 September 2020.

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

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 on pages 28 to 30. During the year the Board undertook its first formal board evaluation exercise.

The Audit Committee report on page 31 and the Remuneration Committee report on pages 32 to 33 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

On behalf of the Board and shareholders I would like to thank our staff for their commitment and hard work during the year.

BOARD

On 1 October 2019 we announced that Patrick Lineen decided to retire on 27 November 2019 and the Board are grateful to Patrick for assisting us through the IPO process. We are delighted to welcome Mark Tavener to the Manolete Board as Chief Financial Officer, who joined the Company and the Board on 7 October 2019.

OUTLOOK

Despite COVID-19, activity levels in April, May and June 2020 have remained strong with new case referrals of 186 compared to last year's total of 98. The team are currently running a record 200 live cases. We are confident that our portfolio of cases will provide attractive returns for shareholders. Overall, the business is very well-positioned in the insolvency litigation financing market for long-term profitable growth.

Peter Bertram
Non-Executive Chairman

CORPORATE GOVERNANCE

Our Board is entirely committed to applying high standards of governance.

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.

More on our governance principles
Pages 29 to 30

Delivering on our strategy

The Company already has the infrastructure in place for its next stage of growth.

Steven Cooklin
Chief Executive Officer

I am pleased to report on a significant year of growth and delivery to shareholders for the financial year ended 31 March 2020.

OPERATIONAL PROGRESS SINCE IPO ON AIM

FY20 represents the Company's first full year of trading as a publicly listed company on AIM. The proceeds from the successful IPO in December 2018 and the increased HSBC £20m Revolving Credit Facility have enabled us to rapidly expand the business.

Manolete has completed the first phase in the establishment of its proprietary UK network of in-house lawyers. We now have our own expert in-house insolvency litigators based in all key regions of the UK: North East, North West, Midlands, East of England, South and South East, South West and Wales, London and Scotland. We have an additional part-time consultant in the important Midlands market and have signed contracts for an additional part-time consultant to cover the Leeds market. Despite the network being established in a relatively short period, we are delighted to report we have recorded a 100% retention rate for these employees. Many of the new joiners were already well known to us, having acted for us on cases prior to joining the Company.

The solicitors we have hired are all highly experienced insolvency lawyers, most were at Partner level within their respective legal practices. In time, the next stage of the regional expansion will be primarily aimed at hiring more junior lawyers to support the regional heads.

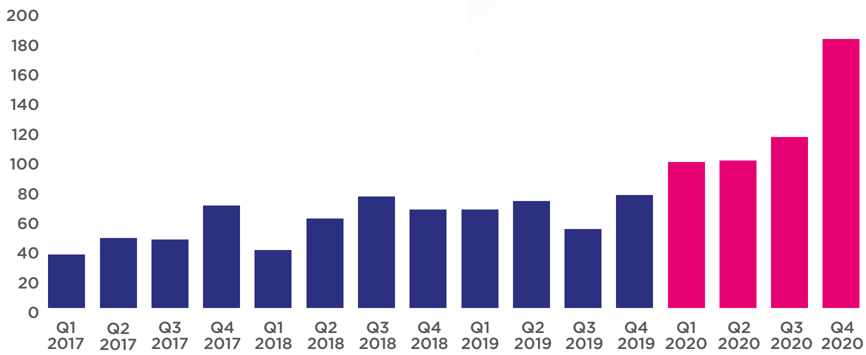
We currently have 11 in-house lawyers. We estimate each in-house lawyer can supervise around 25 live cases at any one time (as the large majority of the legal work on our cases is undertaken by external solicitors and barristers). This gives the Company capacity to manage around 275 live cases at any one time. At the time of writing we have 200 live cases, so the Company already has the infrastructure in place for its next stage of growth before any step change in the overhead is likely to be required.

We are witnessing a dramatic shift in the way Insolvency Litigation is financed in the UK. Over an 11 year period, the Manolete model has proven to deliver exceptional returns to creditors of insolvent companies, as well as our own shareholders.

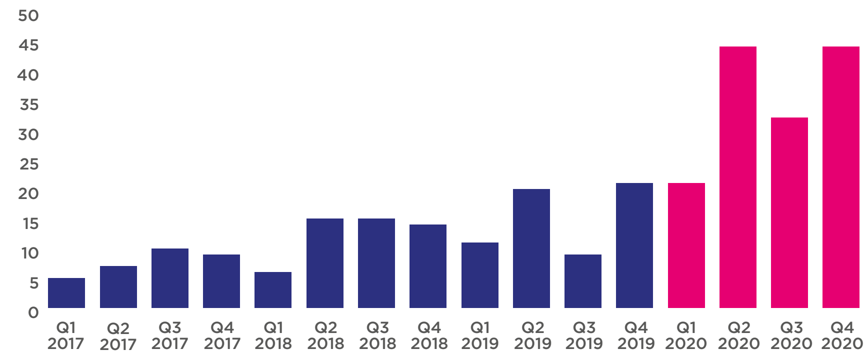
The IPO proceeds, together with our draw down of £8m of our £20m HSBC Revolving Credit Facility, has given us the financial firepower to take on a higher number of cases and larger cases, without fear of portfolio concentration risk. Our publicly listed status has also raised our profile, stature and credibility in the professional networks we operate in. As evidenced in Professor Walton's recent report on the Insolvency Litigation Funding Sector that we commissioned, Manolete is by far the dominant player in the Third Party Finance ('TPF') sector of the market, commanding a 67% market share of that segment (up from 52% in April 2016). The market as a whole, with an aggregate annual headline claim value of around £1.5bn, is still majority funded using the old 'Conditional Fee Agreement/After The Event Insurance' policy model. However, as Professor Walton stated, this situation is being "turned on its head" with the rapid increase in the TPF share. Further progress there is the core growth opportunity for the Company.

STRONG OPERATING AND FINANCIAL PERFORMANCE

Quarterly number of new enquiries



Quarterly number of signed cases



The business is scaling up very well...

Manolete has delivered another positive operating and financial performance this financial year. Operating profit increased by 36% to £9.8m (FY19: £7.2m), which was driven by the following factors.

New case investments increased by over 139% to 141 in FY20 (FY19: 59, excluding the two Cartel Cases which were purchased in FY19).

To date, we have invested in a total of 462 case investments over the lifetime of the Company (262 of which have been completed – three of which are partially completed).

New case completions in FY20 were also at a high level, resulting in a 10% increase in gross proceeds from completed cases – 54 completed cases in FY20 generating £10.2m of gross proceeds (FY19: £9.3m from 35 completed cases).

This means that Manolete was completing, on average, a case every week throughout the year, which highlights the impressive speed of completion under our bespoke insolvency litigation finance model. Our strategic preference is to purchase rather than fund cases, which gives our Insolvency Practitioner clients and the insolvent estate full effective protection from any potential adverse costs, as well as providing the Company with full operational control of the case through the litigation process. However, whether funding or buying the claims, we are always working in a team with the IP and the lawyers.

Before investments in new cases, the cash receipts from older cases (predominantly from the FY18 and FY19 vintages) in FY20 exceeded all Company overhead costs as well as all payments to Insolvency Practitioners and lawyers on those closed cases. With a far greater number of cases (and generally larger cases) either recently completed or in progress, the outlook for further increased material cash generation from the portfolio appears very encouraging. In FY20 there was a step-change in overheads from £2.8m to £4.6m mainly due to the increased in-house lawyer headcount, but that now gives us the capacity to manage up to around 275 live cases (currently 200 live cases) therefore we do not foresee any need for a material increase in overheads in the immediate future.

The Cartel Cases continue to progress well. Our external legal team has completed their Phase Two work and is now working to complete fully particularised claims supported by an expert economic valuation and evidence report over the next phase of work, with a view to issuing the claims in due course. The focus remains on the two particularly large Cartel Cases (CityLink and Comet) which were purchased for £100,000 and £125,000 respectively, and in both of these cases, Manolete has a 90% profit share on the claims. The other cases are much smaller and therefore our valuation of the Cartel Cases as a group is solely based on the two much larger cases at this stage. By focussing on just two cases, an additional benefit is that the legal and expert work on the lower volume of claims is considerably reduced.

The overall Cartel Cases opportunity remains highly attractive. To reflect our increased confidence in the final outcome of these cases as a group of claims, as at 31 March 2020 we have increased our carrying value of the cases to a combined £7.1m (FY19: £5m). 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.

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 has only one case remaining to resolve. FY18 cases are 79% complete, as are well over half of the FY19 cases. Manolete's model is characterised by short case durations, high ROIs (Return On Investment), exceptional money multiples and very high IRRs. We calculate case duration from the date we sign the investment agreement to the date the case is legally concluded.

The number of completed cases in 2020 includes three partially completed cases (a case is partially complete when we have achieved a material resolution with some but not all potential defendants).

Given the record level of new case investments, the level of unrealised profit is naturally higher than usual this year. However, the FY20 vintage (all invested since the IPO) already shows excellent returns. The 33 cases already completed have delivered £6.2m in gross proceeds which is higher than the gross recoveries of 2019, 2018 and 2017 vintages. This FY20 vintage also shows a much higher Money Multiple at 4.6x and record Return of Investment at 357%. Durations of cases remain pleasingly low. All of which highlight the tremendous performance of the Company since the IPO.

The 33 case completions of the FY20 vintage have generated average total recoveries of £188k per case compared to £94k per case for the FY19 vintage of 33 completed cases. This represents a 94% increase in average recovery per case, evidencing the increase in average size per case as the business continues to gain further traction and maturity in the UK insolvency litigation finance market.

During our 11 year history more than 95% of our 263 completed cases have resolved pre-trial, so it was unusual to have three trials completed on older cases (two from FY18 and one from FY19) within the last few weeks, after the year end. This was the reason we moved our annual results reporting date. In two cases we won on all heads of claim and the awards were at or in excess of that assumed within our Fair Value calculations as at 31 March 2020. The trials of these two cases took place in May hence there is no adjustment to the year end valuation. The third case (Bright Futures) trial took place and competed during March but only 'handed down' its verdict on 26 June. It involved heads of claim totalling c. £7m but held at only £395k Fair Value in our balance sheet. We were only successful on one of the smaller three heads of claim. The FY20 audited accounts therefore reflect a write-down of the Fair Value and the costs associated with this case. The total adverse effect to pre-tax profits from this case are £709k. An appeal on this case is now being considered. Going forward, we expect the percentage of cases that settle pre-trial to remain at around the same historic 95% level.

WALTON REPORT 2020

Professor Peter Walton's (University of Wolverhampton) report: Insolvency Litigation Funding – in the best interests of creditors? examined the impact of the 'Jackson Reforms' on the insolvency litigation market including survey data from 173 Insolvency Practitioners.

In the report, Professor Walton said funding was now an integral and important part of the insolvency litigation market which had increased by 50% since 2015 to £1.5bn per annum. He detected a substantial shift to financing cases by third parties from 'no-win no-fee' methods. The total claims being pursued in the third-party financing market was estimated to be in the region of £50m and Manolete held a 67% share of it.

COVID-19 IMPACT AND CURRENT TRADING

As we have reported to the market, since the COVID-19 crisis emerged, the business has transitioned very well to the rapidly changing UK business operating environment. The Board took the decision to request all staff to work from home a week before the UK Government announced the national lockdown on 23 March 2020. Our regional team have always largely worked from home and the London team transitioned seamlessly. Our work lends itself particularly well to the new environment: almost all cases come to us in electronic format; our settlement meetings (Mediations and With Prejudice Settlement Meetings) easily transitioned to online video conference format and the Courts worked very hard to keep trials and hearings on track using online technologies. In common with many other UK companies, as an initial response to the crisis, to ensure that the Company had adequate liquidity to continue purchasing and funding cases at the current high rate of investment, we decided to draw down £8m of our £20m Revolving Credit Facility.

After a brief pause in mid-March, the case referrals and new case signings bounced back strongly. In the three month period ending 30 June 2020, we received 186 new case referrals, which was 90% higher than the number of referrals for the same period in 2019 (98 case referrals). During the three month period ending 30 June 2020 we signed 47 new case investments, compared to 21 for the same period in 2019, representing a 124% increase.

In the first three months of the current FY21, we completed 23 cases (four cases completed in the first three months of FY19) at an average premium of 17% over Fair Values as at 31 March 2020 (excluding Bright Futures). This represents an average of almost two case completions per week which underscores the fast duration and granular composition of the portfolio we are building. At the time of writing, we have 200 live cases in process, that compares to 84 at the end of FY19.

As many have predicted, the COVID-19 crisis is likely to lead to widespread global economic disruption. As we have said previously, we expect there will be an unavoidable knock-on effect for the UK economy and we would expect this will lead to an increase in case referrals to Manolete in the months to come.

PEOPLE AND STAKEHOLDERS

I am enormously grateful to our in-house legal team and the finance and Net Worth Review teams. It has been a very busy year, ending with the challenges of COVID-19. All have performed admirably and are a great credit to the Company. My special thanks go to our Head of Legal, Mena Halton, who has onboarded and supervised a much larger UK-wide in-house legal team, on top of her day-to-day case work. The Company's excellent results are a great reflection of that work.

I would also like to record my thanks to the many Insolvency Practitioners and solicitors who refer cases to us. The majority of invested cases are from the same Insolvency Practitioner firms and it is this recurring referral network that is the core engine of the Manolete business which has been built over the last 11 years.

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

Steven Cooklin
Chief Executive Officer

2 July 2020

Monitoring our performance

We have generated exceptional growth in FY20 building on the solid platform from previous years.

Mark Tavener
Chief Financial Officer

I am pleased to give my review of the Company's audited results for the year to 31 March 2020.

FINANCIAL HIGHLIGHTS

- Revenue up 36% to £18.7m (FY19 £13.8m);
- EBIT up 36% to £9.8m (FY19 £10.1m);
- Investment in cases up 78% to £32.4m (FY19: £18.2m);
- Total assets up 46% to £47.1m (FY19: £32.2m);
- 141 new case investments in FY20; and
- 54 case completions.

REVENUE

The Company's total revenues have increased significantly by 36% to £18.7m (FY19: £13.8m). This revenue is split between realised and unrealised revenue, as follows:

	FY20 £000s	FY19 £000s
Realised revenue	**7,782**	7,148
Unrealised gains on investments in cases	**10,900**	6,624
Total	**18,682**	13,772

Realised revenue grew 9% year-on-year to £7.8m (FY19: £7.1m). We have seen a good level of realisations, with 54 cases completing (of which two partially closed) in the year.

As we have executed our regional growth strategy, we have made a record number of new case investments, therefore as expected unrealised gains on investments grew by 65% to £10.9m (FY19: £6.6m). This reflects the progress of existing case investments and new case investments made during the year. New cases increased by 131% to 141 in FY20 (FY19: 61 new cases). Investment in cases on the balance sheet increased by 78% to £32.4m in FY20. Only £2.0m of the increase is accounted for by the encouraging progress on the Cartel Cases. As at 31 March 2020, there were 152 live cases in progress, an 81% increase (FY19: 84 live cases in process). At the time of writing we currently have 200 live cases in progress.

Realised revenue was 42% of total revenue (FY19: 52%). The proportion of realised revenue is lower this year due to the very high level of new investment activity, following the roll out of the regional in-house legal team. We are delighted with the current portfolio of live cases and, as noted in the CEO Report, the current FY20 vintage is delivering even stronger MoM and ROI returns than we have achieved in earlier vintages. However, 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. To date, our model has consistently delivered strong and fast investment returns over many years and spread over many granular cases. We have every expectation that this will remain 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.

Our number of new case investments, 141 in FY20 (61 FY19), demonstrates a step change in the scale of the business.

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 %
FY19	61	55	90	6	10
FY20	**141**	**113**	**80**	**28**	**20**

As can be seen below, the proportion of our new cases purchased has remained high at 80% of new cases signed (from 90% in FY19). Whilst there will be year on year fluctuations, we expect the proportion of purchased cases to remain the strongly dominant category.

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 43% to £14.4m (FY19: £10.1m). Our gross profit margin increased to 79% (FY19: 73%). 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:

	FY20 £000s	FY19 £000s
Gross profit on realised cases	**3,750**	3,463
Gross profit on unrealised cases	**10,640**	6,623
Total	**14,390**	10,086

The table above shows that realised gross profits grew by 8.3% from FY19 to FY20, whilst unrealised gross profits grew by 61%.

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.

	FY20 £000s	%	FY19 £000s	%
Gross profit on funded cases	4,689	32	3,606	36
Gross profit on purchased cases	9,701	68	6,480	64
Total	**14,390**	**100**	10,086	100

ADMINISTRATIVE EXPENSES

Administrative expenses including PLC costs, increased by 59% to £4.6m (FY19: £2.9m) and increased marginally as a proportion of gross revenue from 21% to 25%.

The increase in Administration expenses was primarily a result of increases in staff costs, as the Company recruited a regional network of in-house lawyers to drive and service the increased business activity witnessed this year. Staff numbers have increased from twelve as at 31 March 2019 to 19 as at 31 March 2020, as the Company rolled out its promised regionalisation programme, which has led to a significant increase in enquiries and new cases. The Company continues to incur PLC-related costs following its admission to AIM in December 2018. Our marketing costs have increased as we have undertaken business development activities, both in London and across the regions, in order to increase our market share and secure a greater level of enquiries. We have continued with our valuable three year 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. As COVID-19 has led to the curtailment of all conferences at present, our agreements will roll forward for a further year to compensate for this.

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

Operating profit before non-recurring items grew by 36% to £9.8m (FY19: £7.2m) with the operating margin improving to 55% (FY19: 52%). There were no exceptional items in FY20. In FY19, the business incurred exceptional IPO costs of £882k.

FINANCE COSTS

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 2020, £8.0m of the £20m HSBC facility had been drawn down in the month of March.

During the year, the Company incurred £0.4m of finance costs (FY19: £0.4m). Loan interest amounted to £0.2m (FY19: £0.2m) and the remaining costs of £0.2m (FY19: £0.2m) comprised the amortisation charges of the costs of setting up the facility. The unamortised costs of £0.5m in the balance sheet are being amortised over the four-year life of the facility.

PROFIT BEFORE TAX

Profit before tax has increased by 59% to £9.5m (FY19: £5.9m). The Company's pre-tax profit margin has increased from 43% to 51%.

TAXATION

The Company's effective tax rate is 19%. The Company will discharge its corporation tax liabilities over the next few months.

PROFIT AFTER TAX

Profit after tax has increased by 63% to £7.6m (FY19: £4.7m). The post-tax margin has increased from 34% to 41%.

EARNINGS PER SHARE

As disclosed in Note 12, the restated earnings per share increased by 42% from 12 pence to 17 pence.

INVESTMENT IN CASES

The Company was managing 152 live case investments as at 31 March 2020, compared to 84 live cases as at 31 March 2019. The split between Purchased and Funded cases at these dates is as follows:

	As at 31 March 2020		As at 31 March 2019	
Funded	29	19%	13	15%
Purchased	123	81%	71	85%
Total	**152**	**100%**	84	100%

The total investment in cases amounted to £32.4m in FY20, an increase of 78% (FY19: £18.2m). 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.

Management, following discussion on a case by case basis with the in-house legal team, amend valuations of cases each month end to accurately reflect management's view of fair value. In addition, at the interim and final reporting periods, a sample of material valuations are corroborated with the external lawyers working on the case, who provide updated legal opinions as to the current status of the case. 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 £5.9m (FY19: £3.8m). As at 31 March 2020, the Company has lent £0.5m as a loan secured on property to an Insolvency Practitioner, this receivable loan generates interest of 10% in Year 1 and 12% in Year 2 and is included within the £5.9m receivables balance.

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. Given the significant increase in number of case completions in FY20, an increase in trade receivables was expected. However, the Company monitors outstanding debtors very closely. Based on realised revenue and receivables as at 31 March 2020, the Company is converting debtors into cash in 244 days, compared to 152 days as at 31 March 2019.

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. This property was sold during FY20 for a profit of £7k and the full cash proceeds were received in FY20.

Management assess the bad debt requirement based on a case by case review of outstanding debtors. A bad debt provision of £420k is held as at 31 March 2020 against specific debtors where there is concern over recoverability and a further 2% general provision has been raised against net debtor balances in total, excluding those with specific provisions.

CASHFLOW

A summary of our cash flows for the year is presented below:

	FY20 £000	FY20 £000	Restated FY19 £000	Restated FY19 £000
Net opening cash		**9,692**		5,938
Operating cashflow for the year	**1,201**		667	
Investment in new cases	**(4,098)**		(2,447)	
Net cash flow after operating and investments		**(2,897)**		(1,780)
Working capital		**(1,447)**		(117)
Dividends and interest payments		**(1,031)**		(409)
Corporation tax – current year	**(2,231)**			
Corporation tax – prior year	**(1,200)**			
Corporation tax total		**(3,431)**		–
Other cash items		**(41)**		(9)
Net inflow of IPO proceeds		**–**		6,069
Net closing cash balance		**845**		9,692

I would like to make a number of observations in relation to our annual cash flow: operating cash flow for the year is positive £1.2m with cash inflows generated from completed cases exceeding payments to IPs and legal costs incurred on those cases and overheads payments.

In addition, the business invested £(4.1)m in open cases, comprising legal costs on both new and existing cases. As our trade debtors increased our working capital represents a negative cash movement. Whilst corporate cash flows, comprising dividends, interest and corporation tax together represented a £(4.4)m cash out flow.

In relation to corporation tax payments, in FY20 we incurred higher than usual cash outflows as a result of payment of prior year corporation tax on unrealised revenue (previously the Company did not pay corporation tax on unrealised revenue) and this represents a catch-up payment.

Management monitors cash on a weekly basis, both in terms of receipt of debtors, payment of legal costs by case and overhead payments and also over an 18 month period for working capital purposes. The CFO reports monthly cash flows to the Board.

The timing of the cash inflow from settled cases differs from case to case, with some cases settling in full on the day of completion, some cases arranging payment terms as part of the settlement (usually monthly payments but can be quarterly) and in a small number of settled cases receipt of cash may be dependent on a sale of the defendant's property.

We pay corporation tax on a quarterly basis based on the previous quarter's profit before tax. Our corporation tax liability is based on both our realised and unrealised elements of profit.

BORROWINGS AND LOANS

The Company has drawn down £8.0m of its HSBC loan facility and is financed by this loan and retained profits. The net proceeds from the IPO of £14.6m were received in December 2018 and have been deployed in the business, investing in cases. The Company has cash reserves of £8.4m as at 31 March 2020 which are available to both respond to any uncertainty over the COVID-19 virus and to deploy on new case investment. It also has £12m available of the £20m facility with HSBC and this facility and the cash reserves will be used to finance the growth of the case portfolio over the next few years.

Mark Tavener
Chief Financial Officer

Progressing our strategy and business model

Despite our impressive traction, the market remains dominated by the old CFA/ATE model, but therein lies the growth opportunity.

Steven Cooklin
Chief Executive Officer

The directors present their strategic report for the year ended 31 March 2020.

FINANCIAL KPIs

	Year ended 31 March 2020 £000s	Year ended 31 March 2019 £000s	% change
Revenue	**18,682**	13,772	36%
Gross profit	**14,390**	10,087	43%
Operating profit before non-recurring items	**9,804**	7,212	36%
Profit after tax	**7,615**	4,664	63%
Value of investments	**32,415**	18,197	78%

NON-FINANCIAL KPIs

	Year ended 31 March 2020 No.	Year ended 31 March 2019 No.	% change
Number of signed litigation investments	**420**	279	51%
Live cases	**152**	84	81%
Purchased cases	**123**	71	73%
Funded cases	**29**	13	123%

The improvement in key performance indicators is analysed in the Report of the Chief Executive Officer on pages 14 to 17 and the Report of the Chief Financial Officer on pages 18 to 21.

STRATEGY AND BUSINESS MODEL

The Company's strategy for growth and its business model are described in detail on the Company's website, www.manolete-partners.com.

On page 23 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 2020 represent a very satisfactory out-turn for the business. Year-on-year Operating Profit before non-recurring items, tax and interest grew 36% to £9.8m and net assets grew 25% to £34.9m.

The number of employees was 19 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 420 cases. Out of 152 live cases at the financial year end, 123 of these are purchased cases.

OUTLOOK AND CURRENT TRADING

We are confident 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. 23 cases have been completed (including partial completions) since the year end and the current number of live cases is 200 compared to 152 at the FY20 year-end. Furthermore, the average size per case continues to rise.

As highlighted in the CEO Report, the business adjusted rapidly and successfully to the challenges presented by COVID-19. The Board believes that the inevitable economic dislocations caused by the crisis are likely to lead to further increases in case referrals to the Company.

The Board has considered the going concern status of the business both in relation to COVID-19 and in general and has concluded that it is appropriate for the accounts to be prepared on a going concern basis.

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 have successfully deployed these funds to grow our case-load of investments. We believe that the IPO has raised our profile significantly in our marketplace, and we have also recruited 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 FY21 and we look forward to a promising future.

On behalf of the Board.

Steven Cooklin
Chief Executive Officer

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.

Risk Activity	Principal Risk	Impact	Mitigation
Market Risk	Inability to continually and successfully attract, select and pursue investments in the UK insolvency litigation market.	Failure to attract enough cases to pay our overheads.	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. Recruitment of experienced in-house lawyers. 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.	We have a strong capital position through our HSBC facility of £20m, of which we have drawn down £8m as at 31 March 2020.
COVID-19	Impact of the outbreak of the COVID-19 virus	Inability to work from the office, potential closure of the courts.	The entire Company is effectively working from home with full access to the necessary tools and communication facilities to work effectively. The Courts system has largely adapted to video and telephone trials and we are successfully conducting mediations and Without Prejudice settlement meetings using video technology and telephone.

Our strong leadership team

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

Peter Bertram, FCA

Independent Non-Executive Chairman

Skills and experience

Peter joined the Company in November 2018 as Non-Executive Chairman. He is also Non-Executive Director of Science Group Plc. In 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

Skills and experience

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.

Mark Tavener, ACA

Executive Director

Skills and experience

Mark joined Manolete as Chief Financial Officer and Executive Board Director on 7 October 2019. Mark is a Chartered Accountant with over 20 years of experience. The core of Mark's career has been with Deloitte in London in Corporate Finance. He also served a secondment period within Government. Following his time with Deloitte, Mark was appointed Finance Director of a FinTech start-up company IPSX. Most recently, Mark has been a Director in the RSM due diligence team leading diligence on financial services businesses in the mid-market.

Lee Manning, FCA

Senior Independent Non-Executive Director

Skills and experience

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, Lee 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

Skills and experience

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.

DIRECTOR'S REPORT

The directors present their report with the financial statements of the Company for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

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

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 38 and shows the results for the year.

In respect of the financial year ended 31 March 2020 a final dividend of 3.00p (2019: 1.49p) 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 2020 to shareholders on the register on 11 September 2020. An interim dividend of 0.5p has been paid during the year.

DIRECTORS

The directors of the Company during the year were:

Peter Bertram

Steven Cooklin

Mark Tavener
(appointed 7 October 2019)

Stephen Baister

Lee Manning

Patrick Lineen
(resigned 27 November 2019)

Further details about each of the current directors, their experience and qualifications can be found on pages 24 to 25.

POLITICAL AND CHARITABLE DONATIONS

The Company made one charitable donation during the year ended 31 March 2020, £5,000 to Great Ormond Street Hospital Children's Charity (2019: £nil).

DIRECTORS' EMOLUMENTS

Details of the directors' emoluments, other reward arrangements and contractual terms are provided in the Remuneration Report on pages 32 to 33.

GOING CONCERN

Management provided the Board with a financial forecast of the business for an 18 month period from June 2020 which was discussed at January's Board meeting. 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.

Furthermore, the Board has discussed the impact of COVID-19 on the business and its market in both late March and May. It continues to keep this matter under review. As our business operates in the insolvency market, any economic downturn is likely to lead to further insolvencies and related litigation cases. On an operational basis, the business has been able to fully function remotely with our in-house lawyers meeting online with IPs and external lawyers and continuing to progress cases. The Courts continue to function at first remotely but increasingly in person.

As evidence of this market view there has been an increase in the number of new case referrals in April and May 2020 and we continue to complete on cases in April, May and June. 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 27 to 28 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 2 July 2020 and signed on its behalf by:

Steven Cooklin
Chief Executive Officer

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 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, which 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.

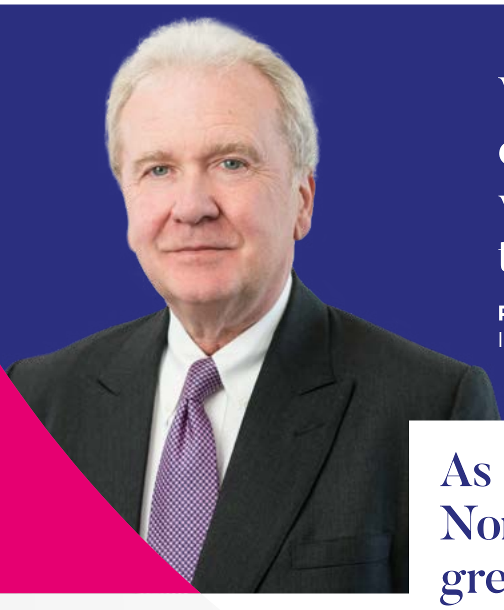
In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records which 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 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.

Setting a high standard of governance



We are particularly protective of the excellent reputation for fair-dealing which Manolete has developed within the Insolvency Practitioner community.

Peter Bertram
Independent Non-Executive Chairman

As the Company's Independent Non-Executive Chairman, it gives me great pleasure to set out this section of our report which describes how Manolete and its operations are governed and led by its Board of Directors.

The Board is responsible for governance, oversight and leadership of the business. It has delegated certain matters to 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 the 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 I have a particular responsibility for ensuring our governance arrangements are thoughtfully designed, carefully implemented and transparently communicated.

Since the publication of the last set of accounts in 2019, the Company has further expanded its regional reach across the country with the appointment of senior lawyers. We are satisfied our existing methods of working, as described below, are effective and appropriate to the current size, nature, resources and prospects of the Company.

We have endeavoured to ensure our governance is held to the highest standards. During 2019 the Board undertook its first formal annual evaluation exercise. In addition the Company has also drawn up its own Environmental, Social and Governance (ESG) policy which demands the Company, its directors and its employees operate in an honest, professional and ethical manner. The ESG policy is published on the website and is essential for our reputation as well as building trust and respect with our key stakeholders including customers, business associates, employees, communities and shareholders.

A critical relationship for the Company is with the Insolvency Practitioner community. We take particular care that all staff clearly understand our reputation with IPs is a vital asset in a competitive market. 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.

Since the Company's successful IPO in December 2018, 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 in the remainder of this statement 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 promotes long-term value for shareholders	Our strategy and business model are described on pages 06 to 08 of the 2020 Annual Report and Accounts. Through the regular management reports provided to the Board, delivery of the strategy is closely monitored and management is challenged to ensure a disciplined approach is maintained to case selection and oversight, both of which are key to ensuring our investments deliver good returns. The Board also monitors the actions management is 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 needs and 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. The executive directors of the Board, Steven Cooklin and Mark Tavener, are primarily responsible for shareholder liaison but the Chairman and other non-executive directors may also be contacted by investors where appropriate. Contact details are provided on our investor website.
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. Through our dealings with Insolvency Practitioners and advisers, we are able to understand the extent to which our business model is favoured by many of them over more traditional options available to them to recover funds.
Embed effective risk management, considering both opportunities and threats, throughout the organisation	The principal risks facing the Company are shown on page 23 of the 2020 Annual Report and Accounts. 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 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. The time commitment required of directors, the number of meetings held and meeting attendance are described on page 30 of the 2020 Annual Report and Accounts.
Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	The three independent non-executive directors each have a range of skills and experience which, collectively with the executive directors, enable strong oversight and leadership of the business. On pages 24 to 25 of the 2020 Annual Report and Accounts the attributes of each director are outlined more fully. Mark Tavener was appointed Chief Financial Officer and Executive Board Director in October 2019. He is a fully qualified Chartered Accountant and brings considerable experience to the role. Since appointment, each non-executive director has taken steps to develop their understanding of the business and its processes. This has included detailed questioning at Board and committee meetings, time spent with individual members of staff and attendance at investment committee meetings. These and other development activities will continue. The Board and its Committees are supported by an experienced independent Company Secretary who provides advice and guidance on corporate governance best practice, board processes and regulatory compliance. Lee Manning is the Senior Independent Director.
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	The Board has reviewed the governance arrangements adopted at IPO to ensure they are considered appropriate. During 2019 the Board undertook its first formal annual evaluation exercise which was conducted by a series of questionnaires analysing individual and board effectiveness. The exercise comprised a detailed questionnaire completed by each director, with the results compiled into a formal report which was then discussed by the Board. Actions arising from the evaluation have been addressed and a further evaluation will be carried out in 2020. The Chairman evaluates the performance of the other directors, individually and as a whole, with the Senior Independent Director evaluating the Chairman's performance. The Board is conscious of the need for appropriate succession planning and keeps such matters under review.

Promote a corporate 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. The Board has adopted a number of policies, including anti-bribery and corruption and whistleblowing policies, which ensure the team understands the ethical expectations placed upon them. By promoting a business model which values and encourages the establishment and maintenance of strong relationships with partners based on our culture of fair dealing, the Board makes clear the behavioural standards required by everyone in the Company. The Company has also drawn up its own Environmental, Social and Governance (ESG) policy which includes a Code of Conduct. This Code contains the fundamental business principles that set these standards and guides our conduct across the Company and in our business dealings. The Company expects all business associates to follow the principles set out in the Code. In turn this demands that the Company, its directors and its employees operate in an honest, professional and ethical manner which is essential for our reputation as well as building trust and respect with our key stakeholders including customers, business associates, employees, communities and shareholders.
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. The roles of the Chairman, who is responsible for leading the Board and governance arrangements, and the Chief Executive Officer, who is responsible for implementing strategy and managing the business on a day-to-day basis, are also well understood.
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. The business also fosters other key relationships, for example with the insolvency practice community. It regularly supports industry events such as conferences in order to inform Insolvency Practitioners and other industry professionals 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.

DIRECTOR'S DUTIES

The directors set out their statement of compliance with s172 (1) of the Companies Act 2006 which should be read in conjunction with the rest of the annual report.

The directors of the company have a duty to promote the success of the company. A director of the company must act in the way they consider, in good faith, to promote the success of the company for the benefit of its members, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company to maintain a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

The directors are committed to developing and maintaining a governance framework that is appropriate to the business and supports effective decision making coupled with robust oversight of risks and internal controls.

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 this is expected to be three days per month.

Mark Tavener was appointed Chief Financial Officer and Executive Board Director on 7 October 2019. Patrick Lineen stepped down from the Board on 27 November 2019.

In the period from 1 April 2019 to 31 March 2020, the directors' attendance at Board and Committee meetings was as shown below.

	Board Meetings	Audit Committee	Remuneration Committee
Peter Bertram	7/7	4/4	6/6
Steven Cooklin	7/7	4/4*	5/6*
Lee Manning	7/7	4/4	6/6
Stephen Baister	7/7	4/4	6/6
Mark Tavener	3/3	2/2*	
Patrick Lineen	5/5	3/3*	1/1 *

* By invitation

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REMIT AND MEMBERSHIP

To assist 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 this financial year, the Committee met on four occasions, including to review and approve a recommendation to the Board on the final results for the previous year, FY19; and to review and approve the interim results in respect of FY20. The Committee met with the Auditors in the absence of management.

REVIEW OF FINANCIAL STATEMENTS

During FY20 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, judgements made and also 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 Company's accounting policies and sought assurance from the Auditors and management that those policies were appropriate. In particular, in relation to the introduction of the new accounting standard IFRS16.

The Audit Committee noted that the Auditors had identified two key audit matter, namely investment valuation and recovery of trade receivables.

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 drew comfort from a comparison of past case valuations with actual recoverability levels which demonstrated that management have a strong track record of valuing cases within a sensible margin of actual outturns, notwithstanding the uncertainties which inherently exist within case outcomes.

The Committee also considered the issue of the recoverability of receivables, noting that case recoveries can be impacted by a number of factors and can also change over time. A constant check is maintained on the assets believed to be available to settle awards made. Although security over assets is not universally sought, charges over property and injunctions over disposal are used to limit risk on a case-by-case basis. In addition, it is recognised that a full assessment of all respondents' assets is not possible but that recoverability is calculated on the basis of known assets only, thereby providing some degree of mitigation. The Committee considered whether recoverability of receivables was likely to be significantly impacted by the COVID-19 crisis but was reassured by management's experience to date in this regard. The Committee examined the basis on which the Company's bad debt provision had been calculated and considered it in the light of work carried out by the Auditors to compare it to historical averages. Having considered the audit testing carried out and management's explanations on processes and controls, the Committee were satisfied that the judgments and estimates used to assess the recoverability of receivables were reasonable.

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

RISK MANAGEMENT

The Committee has responsibility for reviewing the risk register and for satisfying itself risk identification and management processes, including the Company's financial and other controls, are robust and sufficient to minimise the risks faced by the business.

The Committee also reviewed, and agreed to recommend to the Board for approval, the summary of principal risks set out on page 23.

AUDITOR APPOINTMENT, INDEPENDENCE AND FEES

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

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

ETHICAL POLICIES

High standards of conduct are central to the Company's ethos. In particular, the Board is committed to 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. The Audit Committee review these arrangements annually and 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.
No such incidents were reported to the Committee during the year ended 31 March 2020 or since.

REMUNERATION COMMITTEE

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 the Company's senior remuneration practices are appropriate to the business and to the 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 website.

The Committee is able to review the 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 2020, the Committee met on six occasions 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 considers seeking support from external advisers as necessary.

REMUNERATION POLICY

The success of the business and the delivery of long-term value to our shareholders rely on the acumen, energy 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 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 and senior staff are invited to participate in a performance-related CSOP and in addition, the Company is currently looking to develop other long-term share based incentives for senior management to align their interests with those of shareholders, the Company, at the discretion of the Remuneration Committee, invites all staff, who are eligible, to participate in the CSOP.

ANNUAL BONUS

When reviewing the basis for annual bonus awards for the year ending 31 March 2020, the Committee has determined 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 bonuses will require achievement of stretch targets. Threshold targets will need to be achieved for any bonus to be paid.

Cash bonuses may also be 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.

During the year to 31 March 2020, 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 24 to the financial statements.

Executive Director	Number of shares under option	Exercise price £s
Steven Cooklin	6,741	4.45
Mark Tavener	6,471	4.65
	64,593	4.30

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 Mark Tavener's contract may be terminated on 6 months' notice. In each case, notice can be given by either party. During the year, Patrick Lineen retired from the business, there were no exit costs. Patrick left the business on 31 December 2019.

NON-EXECUTIVE DIRECTORS

Remuneration of the non-executive directors is determined by the Board as a whole, with the relevant 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 stipulating annual fees, the time commitment expected for the role and 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 in the financial year.

Year ended 31 March 2020	Basic salary £	Employer Pension contribution £	Bonuses £	Termination payments £	Other benefits £	Total £
Non-Executive Chairman						
Peter Bertram	75,000	0	0	0	0	75,000
Executive Directors						
Steven Cooklin	285,000	11,400	49,750	0	2,882	349,032
Mark Tavener[1]	73,461	1,500	20,000	0	290	95,251
Patrick Lineen[1]	97,000	3,880	0	0	0	100,880
Non-Executive Directors						
Stephen Baister	50,000	0	0	0	0	50,000
Lee Manning	50,000	0	0	0	0	50,000
Total Directors' remuneration for the year ended 31 March 2020	**630,461**	**16,880**	**69,750**	**0**	**3,172**	**720,163**

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. In FY20, the remuneration for Patrick Lineen and Mark Tavener represent part years due to Patrick Lineen retiring from the business and Mark Tavener's recruitment.

The annual remuneration for the new Director is as follows:

- Mark Tavener £150,000

DIRECTORS' INTERESTS (AS AT 31 MARCH 2020)

As at 31 March 2020, 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	21,667	0.06
Peter Bertram	14,285	0.03
Steven Cooklin	7,842,199	18.00
Lee Manning	14,285	0.03

OPINION

We have audited the financial statements of Manolete Partners Plc (the 'company') for the year ended 31 March 2020 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 2020 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 judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INVESTMENTS

Key audit matter description	This is detailed in the Audit Committee report on page 31; the significant accounting judgements and estimates on pages 46 to 47; significant accounting policies on pages 42 to 45 and the investment note 13 to the Financial Statements on page 50. The valuation of investments in cases is subject to judgements and estimation by management which impact the revenue and profit recognised in the income statement. The company has recognised an unrealised fair value uplift on investments for the year ended 31 March 2020 of £10,900 and an overall investment valuation of £32,145 as at 31 March 2020. The directors' assessment of the value of these investments in cases 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, the subjectivity and complexity of the valuation process and the significant amount of resources allocated to this area during the audit.
How the matter was addressed in the audit	Our audit procedures included: • Assessing the reasonableness of the case valuations through performing 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. • Performing detailed testing of the inputs, judgements and estimations made by management when arriving at the case valuations and reviewing external legal/counsel reports on a sample of 19 cases making up £21.5 million of the total investment value (excluding legal costs). • Discussing and challenging the valuation of a sample of these larger cases and significant valuation movements with management and the respective case officer, in order to obtain a detailed knowledge of each legal case, any specific complexities and the stage of the completion reached at the balance sheet date and the judgements made. • Reviewing the significant valuation movements through the period and around the balance sheet date, corroborating any changes appropriately to key events or milestones in the cases to assess whether the valuation recorded as at 31 March 2020 is reasonable. • Analysis of the cases which have settled in the post year end period, to ascertain that the amount realised was not materially different to the year end valuation. • Auditing the adequacy of the disclosures in the Financial Statements of the basis of valuation and the judgements made.

RECOVERABILITY OF TRADE RECEIVABLES

Key audit matter description	This is detailed in the Audit Committee report on page 31; the significant accounting judgements and estimates on pages 46 to 47; significant accounting policies on pages 42 to 45 and the trade and other receivables note 17 to the Financial Statements on page 50. The recoverability of trade receivables is subject to judgements by management to assess the likelihood of recovery. At the 31st March 2020 trade receivables totalled £5,217k, an increase of £2,239k from the previous year. The Directors' assessment of the value of these trade receivables at the year end, is considered a key audit matter due to the magnitude of the total amount, the significant increase in the year resulting in increased debtor days, the judgements involved in assessing the recoverability of a debt and the impact that COVID-19 may have on overall debt recoverability.
How the matter was addressed in the audit	Our audit procedures included: • Testing £4.8m (86%) of the gross trade receivables to confirm they have been recognised in line with settlement agreements. • Completing detailed testing on the above sample to audit management's assessment of the overall recoverability of each debtor. • Considering Net Worth Reports and challenging management's assessment of recoverability where debts were unsecured. • Considering and challenging the level of bad debt provisioning including management assessment of expected credit losses.

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. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

Overall materiality	£472,800 (2019: £458,000).
Basis for determining overall materiality	5% of Profit before tax (PBT). (2019: blended rate of PBT; Turnover and Gross Assets).
Rationale for benchmark applied	PBT is the main measure by which the users of the financial statements assess financial performance and health of the Company.
Performance materiality	£354,600 (2019: £229,000).
Basis for determining performance materiality	75% of overall materiality. (2019: 50% of overall materiality).
Reporting of misstatements to the Audit Committee	Misstatements in excess of £23,640 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The company has been subject to a full scope audit.

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 its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 27 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

2 July 2020

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Note	31 March 2020 £000s	31 March 2019 £000s
Revenue	4	**18,682**	13,772
Cost of sales		**(4,292)**	(3,686)
Gross profit		**14,390**	10,086
Administrative expenses	8	**(4,586)**	(2,874)
Operating profit	6	**9,804**	7,212
Exceptional costs-IPO		**–**	(882)
Operating profit post-exceptionals		**9,804**	6,330
Finance income	9	**89**	1
Finance expense	9	**(437)**	(393)
Profit before tax		**9,456**	5,938
Taxation	11	**(1,841)**	(1,274)
Profit and total comprehensive income for the year attributable to the equity owners of the company		**7,615**	4,664
Earnings per share			
Basic (pence per share)	12	**£0.17**	£0.12
Diluted (pence per share)	12	**£0.17**	£0.10

The above results were derived from continuing operations.

The notes on pages 42 to 54 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

Company Number: 07660874

	Note	31 March 2020 £000s	Restated 31 March 2019 £000s
Non-current assets			
Investments	13	**7,136**	5,100
Intangible assets	14	**56**	6
Trade receivables	17	**443**	–
Deferred tax asset	20	**157**	46
Total non-current assets		**7,792**	5,152
Current assets			
Investments	13	**25,279**	13,097
Stock	15	**–**	447
IFRS16 Lease asset	16	**221**	–
Trade and other receivables	17	**5,454**	3,777
Cash and cash equivalents	18	**8,371**	9,692
Total current assets		**39,325**	27,013
Total assets		**47,117**	32,165
EQUITY AND LIABILITIES			
Equity			
Share capital	22	**174**	174
Share premium	23	**4**	4
Share based payment reserve	23	**226**	67
Special reserve	23	**905**	3,157
Retained earnings	23	**33,613**	24,613
Total equity attributable to the equity owners of the company		**34,922**	28,015
Non-current liabilities			
Trade payables	19	**213**	–
Borrowings	21	**7,526**	–
Total non-current liabilities		**7,739**	–
Current liabilities			
Trade and other payables	19	**4,235**	4,150
Lease liabilities	16	**221**	–
Total current liabilities		**4,456**	4,150
Total liabilities		**12,195**	4,150
Total equity and liabilities		**47,117**	32,165

The financial statements were approved by the Board of Directors and authorised for issue on 2 July 2020.

Steven Cooklin
Chief Executive Officer

The notes on pages 42 to 54 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020

	Note	Share Capital £000s	Share Premium £000s	Share based payment £000s	Special reserve £000s	Retained Earnings £000s	Total Equity* £000s
As at 1 April 2018		**100**	**1,015**	**–**	**–**	**6,642**	**7,757**
Comprehensive income							
Profit for the year		–	–	–	–	4,664	4,664
Transactions with owners							
Issue of ordinary shares	22	74	16,213	–	–	(37)	16,250
Transaction costs of share issue		–	(723)	–	–	–	(723)
Reduction of share premium account	23	–	(16,501)	–	3,157	13,344	–
Share based payment expense	23	–	–	21	–	–	21
Deferred tax on share-based payments	23	–	–	46	–	–	46
As at 31 March 2019		**174**	**4**	**67**	**3,157**	**24,613**	**28,015**
Comprehensive income							
Profit for the year		–	–	–	–	7,615	7,615
Transactions with owners							
Dividends	10	–	–	–	–	(867)	(867)
Transfer in relation to historic corporation tax		–	–	–	(2,009)	2,009	–
Transfer in relation to creditors paid		–	–	–	(243)	243	–
Share based payment expense		–	–	48	–	–	48
Deferred tax on share-based payments		–	–	111	–	–	111
As at 31 March 2020		**174**	**4**	**226**	**905**	**33,613**	**34,922**

* Attributable to the equity owners of the Company.

The notes on pages 42 to 54 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 March 2020

	31 March 2020 £000s	Restated 31 March 2019 £000s
Cash flows from operating activities		
Profit before tax	**9,456**	5,938
Adjustments for other operating items:		
Sale/(Purchase) of property	**493**	(447)
Investment in cases	**(4,098)**	(2,447)
Issue of borrowings	**(500)**	–
Adjustments for non-cash/non-operating items:		
Fair value movements	**(10,900)**	(6,624)
Finance income	**(89)**	(1)
Legal costs on realised cases	**1,599**	1,387
Finance expense	**445**	393
Share based payments	**(63)**	21
Operating cashflows before movements in working capital	**(3,657)**	(1,780)
Changes in working capital:		
(Increase) in trade and other receivables	**(1,620)**	(157)
Increase in trade and other payables	**433**	40
Cash used in operations	**(4,844)**	(1,897)
Corporation tax paid	**(3,431)**	–
Net cash used in operating activities	**(8,275)**	(1,897)
Cash flows from investing activities		
Purchase of intangible assets	**(50)**	(6)
Finance income received	**35**	1
Net cash (used) in investing activities	**(15)**	(5)
Cash flows from financing activities		
Proceeds from issue of ordinary shares (net of expenses)	**-**	15,569
Proceeds from borrowings	**8,000**	–
Repayment of borrowings	**-**	(9,500)
Payment of borrowing facility set up costs	**-**	(189)
Dividends paid	**(867)**	–
Interest paid	**(164)**	(220)
Net cash generated from financing activities	**6,969**	5,660
Net (decrease)/increase in cash and cash equivalents	**(1,321)**	3,758
Cash and cash equivalents at the beginning of the year	**9,692**	5,934
Cash and cash equivalents at the end of the year	**8,371**	9,692

The notes on pages 42 to 54 form part of these financial statements.

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 cases.

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.

Cash flow presentation and restatement of 2019 Statement of Financial Position

Following discussion with our auditors and with the FRC, we have presented both our Investment in cases and a purchase for resale of a property as operating cash flows rather than cashflows from investing activities as disclosed in 2019. This adjustment is a re-classification between the operating and investing cash flow categories within the cash flow statement in both the current and prior year to better reflect the nature of the cashflows and has no impact on the (decrease)/increase in cash and cash equivalents during the year or the amount held at the year end. Furthermore, we have restated the 2019 Statement of Financial Position to reflect the long-term nature of the cartel case investments.

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..

Furthermore, the Board has discussed the impact of COVID-19 on the business and its market in both late March and May. It continues to keep this matter under review. As the business operates in the insolvency market, any economic downturn is likely to lead to further insolvencies and related litigation cases. On an operational basis, the business has been able to fully function remotely with our in-house lawyers meeting online with IPs and external lawyers and continuing to progress cases. The Courts continue to function at first remotely but increasingly in person.

As evidence of this market view there has been an increase in the number of new case referrals in April and May 2020 and the company continued to complete on cases in April, May and June. 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.

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

New IFRS 16 'Leases' implementation

Manolete has adopted IFRS 16 – Leases for the financial year ending 31 March 2020 and it has chosen to use the modified retrospective approach to adoption which means there are no restatements to the prior year figures.

IFRS 16 introduces a single lease accounting model, whereby the Company will recognise a lease liability and a right to use asset at 1 April 2019 for leases previously classified as operating and finance leases. Within the income statement rent expense is replaced by depreciation and interest expense.

The adoption of IFRS16 has resulted in a right to use asset of £221k with a corresponding lease liability of £221k, being recognised at 31 March 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Instead of recognising an operating expense for its operating lease payments, the Company has instead recognised interest on its lease liabilities of £64k and amortisation on its right-of-use assets of £124k in FY20. As these expenses are deducted below EBITDA, this has increased reported EBITDA by the amount of its current operating lease cost, which for the year ended 31 March 2020 was approximately £189,000. Hence the adoption of IFRS 16 has increased the EBITDA growth in the current period but not the comparator which is not restated.

In order to allow users of the accounts to see how the impact of IFRS16 has affected adjusted EBITDA, we present a reconciliation below:

Reconciliation of lease costs

	2020 £000s	2019 £000s	Increase
Consistent with 2019 presentation and accounting policy	**10,324**	7,212	43%
Changes due to IFRS16 adoption	**189**	–	
Consistent with 2020 presentation and accounting policy	**10,513**	7,212	46%

The adoption of IFRS16 has increased the percentage growth in EBITDA from 43% to 46% in FY20.

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. There is no impact on the accounts.

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 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 two elements: the movement of fair value of investments and realised consideration. Realised consideration occurs when a case is settled, or a Court judgement received. This is an agreed upon and documented figure. The movement in the fair value of investments is recognised as Unrealised gains within Revenue. This is management's assessment of the increase or decrease in valuation of an open case. These valuations are estimated following the progress of a case towards completion and also reflect the judgement of the legal team working on the case (see Note 3. Significant Judgements and Estimates). Hence, unrealised revenue is the movement in the fair value of the investments in open cases over a period of time.

When a case is completed the carrying value is a deduction to Unrealised income and the actual settlement value is recorded as Realised revenue.

Revenue recognition differs between a purchased case, where full recognition of the settlement is recognised as revenue (including the insolvent estate's share) and a funded case where only the company's share of a settlement is recognised as revenue. This differing treatment arises because the Company owns the rights to the purchased case.

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

2.6 FINANCE EXPENSE AND INCOME

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.

Financial assets at amortised cost

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. Management identifies and selects a number of material case valuations for external opinion. As such this year the valuation of a sample of material investments was 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 each reporting 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

2.12 HSBC LOAN FACILITIES

Arrangement fees in relation to a £10m loan facility originally set up with HSBC in January 2018 that was subsequently extended to a £20m facility with a term of four years from date of extension, in November 2018, are capitalised and amortised over the length of the loan facility, four years.

These capitalised costs of £473,939 as at 31 March 2020 have been netted off against borrowings in the Statement of Financial Position.

2.13 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.

2.14 SHARE CAPITAL

Ordinary shares are classified as equity. There is one class of ordinary share in issue, as detailed in note 22. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds, net of tax.

2.15 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.

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.

2.16 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.

2.17 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.

The key stages that an individual case passes through typically includes: initial review on whether to make a purchase or funding offer, correspondence from the Company in-house lawyer, usually via externally retained solicitors, to the opposing party notifying them of the Company's assignment or funding of the claim, a fully particularised Letter Before Action and an invitation to without prejudice settlement meetings or mediation, if the opposing party does not respond then legal proceedings are issued. Further evidence may be gathered to support the claim. Eventually a court process may be entered into. The progress of a case feeds into the Director's valuation of that case each month, as set out opposite.

In accordance with IFRS 9 and IFRS 13, the Company is required to Fair Value open cases at the half year and year end reporting periods, at 30 September and 31 March each year. The Company undertakes the following steps:

- On a weekly basis, the internal legal team report developments into the Investment Committee on a case by case basis in writing. Full team meetings then take place on a fortnightly basis to review progress on all live cases, on a case-by-case basis over several hours.
- On a monthly basis, the directors adjust case fair values depending upon objective case developments, for instance: an offer to settle, mediation agreed, positive or negative legal advice. These adjustments to fair value may be an increase or decrease in value or no change required;
- At reporting period ends, a sample of open case investments for which written assessments are obtained from external solicitors or primary counsel working on the case on behalf of Manolete.

In all cases, a headline valuation is the starting point of a valuation from which a discount is applied to reflect legal advice obtained, strength of defendant's case, the likely amount a defendant might be able to pay to settle the case, progress of the case through the legal process and settlement offers.

Movements in fair value on investments in cases are included within revenue 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 174 open cases, of these 145 had a valuation of less than £100k . These cases are not expected to have an individually material impact on the business when they are settled. The remaining 29 cases make up £24.5m 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, based on the fact of each case and management's judgement of the likely outcome

2. Estimates:
   2.1 All cases will be subject to the internal key stages and regular fair value review processes as described above. For the avoidance of doubt, the fair value review requires an estimate to be made by senior management based upon the facts and progress of the case and their experience. For a sample selected by the external auditors, an external opinion is requested from counsel or a solicitor who is working on the case which provides an independent description of the merits of the case. These assessments include various assumptions that could change over time and lead to different assessments over the next 12 months.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES CONTINUED

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 the Cartel cases) and whether it will go to Court. 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. Prior to taking on a case, a net worth review is undertaken of the defendant to ensure that they own sufficient assets. 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.

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

Litigation is inherently uncertain. The Company seeks to mitigate its risk by: rejecting the majority of cases referred to it because the merits of the claim are considered weak or the defendant is considered not to have sufficient net worth and seeking to settle cases as early as possible. It also adopts a conservative approach to valuing cases. Nevertheless, the risk and uncertainty can never be completely removed. The key inputs are: the headline claim value, the likely settlement value, the opposing party's ability to pay and the likely costs in achieving the judgement. These inputs are inter-related to an extent.

Sensitivity analysis has not been included, due to the vast amount of inputs and number of variables which are inherently specific to each case, 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 £32.9m of investments disclosed in the balance sheet.

However, as an indication we note that a 10% increase/(decrease) in the fair value of our top 20 cases would result in an increase/(decrease) in the fair value investment of +/- £1.6m.

Recoverability of trade receivables

Manolete's business model involves the provision of services for credit. The Company normally receives payment for services it has provided once a claim has been pursued and settled or decided in Court.

The average time from taking on a case to settlement is c.12 months although this can vary significantly case to case. As part of the settlement agreement, the timing of payment of the award by the defendant to Manolete is agreed, this is a legally binding document. Payments can be received in full on the day of settlement or in instalments over a period of time, as pre-agreed.

Recovery of these balances is closely reviewed by management and action, where appropriate, will be taken to pursue any late payments. A specific bad debt provision is raised over debtors where recoverability is a concern and a general provision of 2% of the remaining debtor balances has also been raised to reflect possibly other unknown recoverability events.

4. SEGMENTAL REPORTING

During the year ended 31 March 2020, 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.

Net realised gains on investments in cases represents realised revenue on completed cases.

Fair value movements includes the increase / (decrease) in fair value of open cases, the removal of the carrying fair value of realised cases (in the period when a case is completed and recognised as realised revenue) and the addition of the fair value of new cases.

	31 March 2020 £000s	31 March 2019 £000s
Net realised gains on investments in cases	**7,782**	7,148
Fair value movements (net of transfers to realisations)	**10,900**	6,624
	18,682	13,772

	31 March 2020	31 March 2019
	£000s	£000s
Arising from:		
Funded cases	**5,347**	4,612
Purchased cases	**13,335**	9,160
	18,682	13,772

5. DIRECTORS AND EMPLOYEES

Staff costs for the Company during the year:

	31 March 2020 £000s	31 March 2019 £000s
Staff costs (including directors):		
Wages and salaries	2,222	1,537
Social security costs	236	169
Other pension costs and benefits	115	50
	2,573	1,756

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

	31 March 2020 No.	31 March 2019 No.
Directors (executive and non-executive)	5	3
Management and administration	14	9
	19	12

Directors' emoluments:

	31 March 2020 £000s	31 March 2019 £000s
Directors' emoluments:		
Salaries and fees	745	608
Other pension costs and benefits	20	20
	765	628

	31 March 2020 £000s	31 March 2019 £000s
Highest paid director:		
Salaries and fees	335	350
Other pension costs and benefits	14	10
	349	360

Management consider the directors to be the key management personnel.

6. OPERATING PROFIT

Is stated after charging:

	31 March 2020 £000s	31 March 2019 £000s
Bad debt expenses	535	49
Share based payments	48	21

Following the implementation of IFRS16, lease costs are no longer charged to operating profit but are recognised as an interest charge and a depreciation charge. Costs of £189,000 in 2020 would previously have been charged to operating profit, see accounting policies for IFRS16 Leases.

Operating profit also includes profit on sale of a residential property of £7,090 in 2020.

7. AUDITOR REMUNERATION

	31 March 2020 £000s	31 March 2019 £000s
Fee payable to Company's auditor and its associates for the audit of financial statements	62	61
Fees payable to Company's auditor and its associates for other services:		
Interim Agreed Upon Procedures	10	10
Corporate finance services	–	168
Other taxation services	15	41
Total	87	280

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 page 31.

8. ANALYSIS OF EXPENSES BY NATURE

Internal legal costs are included within administrative expense whereas external legal costs are either capitalised as Investments for open cases or recognised as cost of sales on completed cases.

The breakdown by nature of administrative expenses is as follows:

	31 March 2020 £000s	31 March 2019 £000s
Staff Costs, including pension and healthcare costs	2,573	1,756
Office costs	201	243
Other costs, including marketing costs and expected credit losses	1,812	875
Total administrative expenses	4,586	2,874

9. FINANCE INCOME AND FINANCE EXPENSE

	31 March 2020 £000s	31 March 2019 £000s
Bank interest	**39**	1
Other loan interest	**50**	–
Total finance income	**89**	1

	31 March 2020 £000s	31 March 2019 £000s
Bank loan interest	**57**	179
Other loan interest (including interest on lease liabilities)	**229**	–
Bank loan charges	**151**	172
Other loan charges	**–**	42
Total finance expense	**437**	393

10. DIVIDENDS

Dividends paid during the financial year were as follows. No dividend was paid in FY19. There was no interim dividend in FY19.

	31 March 2020 £000s	31 March 2019 £000s
Final dividend for the year ended 31 March 2019 of 1.49p per share, paid in September 2019	**649**	–
Interim dividend for the year ended 31 March 2020, of 0.50p per share, paid in December 2019	**218**	–
Total dividends paid during FY20	**867**	–

11. TAXATION

	31 March 2020 £000s	31 March 2019 £000s
Analysis of charge in year		
Current tax charge on profits for the year	**1,841**	1,279
Adjustments in respect of prior periods	**–**	–
Income tax credit	**1,841**	1,279
Deferred tax	**–**	(5)
Total tax charge	**1,841**	1,274

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19%. (2019: 19%). The differences are explained below.

	31 March 2020 £000s	31 March 2019 £000s
Profit on ordinary activities before tax	**9,456**	5,938
Profit on ordinary activities multiplied by the rate of corporation tax in the UK as above	**1,797**	1,128
Effects of:		
Expenses not deductible	**44**	151
Provision for deferred tax release	**–**	(5)
Total taxation charge	**1,841**	1,274

12. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the profit after tax by the weighted average number of shares in issue during the year, adjusted for potentially dilutive share options.

The following reflects the income and share data used in the earnings per share calculation:

	31 March 2020 £000s	Restated 31 March 2019 £000s	Restated 31 March 2018 £000s
Profit for the period attributable to equity holders of the Company	**7,615**	4,664	3,261
Weighted average number of ordinary shares	**43,571,925**	37,380,949	37,380,949
Earnings per share	**0.17**	0.12	0.09

	31 March 2020 £000s	Restated 31 March 2019 £000s	Restated 31 March 2018 £000s
Profit for the period attributable to equity holders of the Company	**7,615**	4,664	3,261
Diluted weighted average number of ordinary shares	**44,318,539**	37,614,660	37,614,660
Diluted earnings per share	**0.17**	0.12	0.09

12. EARNINGS PER SHARE CONTINUED

Reconciliation of number of shares and diluted shares at year end:

	Number of shares, 31 March 2019	Net new share options issued	**Number of shares, 31 March 2020**
Base	43,571,425	–	**43,571,425**
Diluted	44,272,558	66,684	**44,339,242**

The earnings per share is diluted by options over ordinary shares, as detailed in note 24.

The earnings per share figures for 2019 and 2018 have been amended following a review of the Company's 2019 Financial Statements by the Financial Reporting Council. The figure presented for basic earnings per share of £0.32 in 2019 and £35.25 in 2018 should have been £0.12 and £0.09 respectively, as shown above. The figure presented for diluted earnings per share of £0.31 in 2019 and £35.25 in 2018 should have been £0.12 and £0.09 respectively. The difference arises to reflect a sub-division and subsequent consolidation of existing £1 shares, conversion of A shares into ordinary shares and a bonus issue which to ensure compliance with IAS 33 should have been adjusted retrospectively. .

13. INVESTMENTS

Non-current investments and 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).

	2020 £000s	2019 £000s
As at 1 April 2019	**18,197**	10,555
Additions	**4,917**	2,405
Realisations	**(1,599)**	(1,387)
Fair value movement (net of transfers to realisations)	**10,900**	6,624
As at 31 March 2020	**32,415**	18,197

14. INTANGIBLE ASSETS

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

	2020 £000s	2019 £000s
Website development costs		
As at 1 April 2019	**6**	–
Additions	**50**	6
Amortisation charge	**–**	–
As at 31 March 2020	**56**	6

15. STOCK

The Company purchased a house for re-sale in London in FY19, following the settlement of a case in unusual circumstances. The house was refurbished for a modest amount and was subsequently sold in November 2019 for a £7k profit. Hence, no stock is now held as at 31 March 2020.

	2020 £000s	2019 £000s
As at 1 April 2019	**447**	–
Additions	**–**	447
Realisations	**(447)**	–
As at 31 March 2020	**–**	447

16. RIGHT OF USE ASSET

The Company holds one lease, an office property lease for 21 Gloucester Place, London which expires in September 2021.

Consistent with IFRS16, the net present value of future lease rental payments is recognised as a liability and asset in the Statement of Financial Position, this has been calculated as £221k as at 31 March 2020. Future minimum commitments are £192k within one year with the remainder later than one year and not later than five years.

Under IFRS16, lease costs are charged to the income statement as interest and depreciation rather than as an administration cost. The depreciation charge for the year was £125k and the interest charge was £64k.

17. TRADE AND OTHER RECEIVABLES

	31 March 2020 £000s	31 March 2019 £000s
Amounts falling due in excess of one year:		
Trade receivables	**443**	–
Amounts falling due in excess of one year:		
Other receivables	**500**	–
Prepayments	**180**	799
Trade receivables	**4,774**	2,978
	5,454	3,777

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 fair value.

Included within prepayments for 2019 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. For 2020, these set-up costs have been offset against the drawn down loan as disclosed in note 19.

18. CASH AND CASH EQUIVALENTS

	31 March 2020 £000s	31 March 2019 £000s
Cash at bank and in hand	**8,371**	9,692
	8,371	9,692

All bank balances are denominated in pounds sterling.

19. TRADE AND OTHER PAYABLES

	31 March 2020 £000s	31 March 2019 £000s
Amounts falling due in excess of one year:		
Trade receivables	**213**	–
Amounts falling due in one year:		
Other taxation and social security	**80**	66
Corporation tax payable	**1,006**	2,557
Accruals and other creditors	**3,149**	1,527
	4,235	4,150

20. DEFERRED TAX LIABILITIES/(ASSET)

	2020 £000s	2019 £000s
At 1 April 2019	**(46)**	5
Released during the year	**–**	(5)
Asset created	**(111)**	(46)
At 31 March 2020	**(157)**	(46)

Deferred tax has been credited to equity reserve because these movements in deferred tax assets relate to releases and creation of share options.

21. BORROWINGS

	31 March 2020 £000s	31 March 2019 £000s
Non-current		
Bank loans	**7,526**	–
	7,526	–
Current		
Bank loans	**–**	–
Total borrowings	**–**	–

Borrowings are shown net of HSBC set-up amortised costs of £474k. Hence, the gross borrowings are £8,000k as at 31 March 2020.

Reconciliation of liabilities arising from financing activities

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

	1 April 2019 £000s	Cash flows £000s	Non-cash changes £000s	31 March 2020 £000s
Bank borrowings	–	8,000	(474)	7,526
Total liabilities from financing activities	–	8,000	(474)	(7,526)

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

A £20,000,000 credit facility was provided on 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 were included within prepayments in 2019 and have been offset against gross borrowings for 2020 following the drawdown of a portion of the facility.

22. SHARE CAPITAL

	31 March 2020 No.	31 March 2019 No.
Allotted and issued		
Ordinary shares of £0.004 each	**43,571,425**	43,571,425

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.

23. RESERVES

Share premium

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

	2020 £000s	2019 £000s
As at 1 April	4	1,015
Proceeds from share issues	–	16,213
Transaction costs of share issue	–	(723)
Conversion into distributable reserves	–	(16,501)
As at 31 March	4	4

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.

24. SHARE OPTIONS

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

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

Details of 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	701,133	1.12
Granted during the year	260,465	4.35
Forfeited/lapsed during the year	(193,781)	1.12
Exercised during the year	–	–
Outstanding at end of the year	767,817	2.22
Exercisable at end of the year	–	–

The weighted average contractual life of the options outstanding at the reporting date is 1 year and 11 months.

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

	Number of share options No.	Exercise price £
CSOP Options	154,764	2.58
Unapproved Options	613,053	2.13

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	0.5%
Expected volatility	33%
Expected dividend yield	1%
Life of the option	3 years
Weighted average share price	£4.00

25. COMMITMENTS AND CONTINGENCIES

Capital commitments

There were no capital commitments at 31 March 2020.

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 2020 £000s	31 March 2019 £000s
Within 1 year	193	190
Later than 1 year and less than 5 years	100	293
After 5 years	–	–
	293	483

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

26. RETIREMENT BENEFITS

The Company operates a defined contribution pension scheme for all qualifying employees. During the year, the Company charged £63,317 (FY19-£30,000) as employer's pension contributions. The outstanding pension creditor as at 31 March 2020 was £6,265 (FY19-£5,000).

27. FINANCIAL INSTRUMENTS – CLASSIFICATION AND MEASUREMENT

Financial assets

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

	31 March 2020 £000s	31 March 2019 £000s
Other receivables	**500**	–
Trade debtors	**5,216**	2,977
Cash at bank	**8,371**	9,692
	14,087	12,669

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

	31 March 2020 £000s	31 March 2019 £000s
Investments	**32,415**	18,197
	32,415	18,197

Financial liabilities

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

	31 March 2020 £000s	31 March 2019 £000s
Accruals and other creditors	**3,149**	1,527
Bank loans	**7,526**	–
	10,675	1,527

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 2020		
	Level 1 £000s	Level 2 £000s	Level 3 £000s
Investments	–	–	32,415
			32,415

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

28. 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, bank debt, 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:

	31 March 2020 Debt £	**Interest Rate**	**Debt £000s**	**31 March 2019 Interest Rate**
Floating rate borrowings				
Bank loans	8,000	LIBOR and Margin of 1.75%	–	n/a

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 2020 £000s	31 March 2019 £000s
Less than one year	**–**	–
One to two years	**–**	–
Two to five years	**8,000**	–
	8,000	–

28. 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. The Company initially raised funds through an IPO in December 2018 and has drawn down £8m of a HSBC loan facility in 2020, the total facility is 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 2020 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 any concentration of risk within either trade or other receivables to be significant. 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.

29. RELATED PARTY TRANSACTIONS

Director and key management remuneration is disclosed in Note 5. There are no other related party transactions.

30. ULTIMATE CONTROLLING PARTY

The Company has no ultimate controlling party.

31. POST BALANCE SHEET EVENTS

On Friday 26 June 2020, the judgment in relation to a purchased case was 'handed down' following a trial held and completed in March 2020. The judgment found in favour of the defendant on the two main aspects of the case and as such, an adjustment was posted to the accounts to write off the full fair value holding value as at 31 March 2020 of £395k and capitalised costs of £54k, further legal costs were accrued of £260k, amounting to an adverse impact on the Statement of Comprehensive Income of £709k in FY20.

COMPANY INFORMATION

DIRECTORS & ADVISERS

Directors	Peter Bertram Non-Executive Chairman Steven Cooklin Chief Executive Officer Mark Tavener Chief Financial Officer Stephen Baister Non-Executive Director Lee Manning Non-Executive Director
Company Secretary	Bernadette Young
Registered Office	2-4 Packhorse Road Gerrards Cross Buckinghamshire SL9 7QE
Company number	07660874 (England and Wales)
Nominated adviser and joint broker	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET
Joint broker	Liberum Ropemaker Place 25 Ropemaker Street London EC2Y 9LY
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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