Manolete
PARTNERS PLC

Annual Report 2023

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 insolvency litigation market to the Manolete way: delivering equally for our shareholders, Creditor Estates and business partners.

OUR PEOPLE

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

MULTIPLE AWARD WINNERS

Five-time winner of 'Insolvency Litigation Funder of the year' at the Turnaround, Restructuring and Insolvency industry awards.

Manolete is twice recognised as the only Band 1 Insolvency Litigation Funder by the Chambers guide for 2021 and 2022.

FINANCIAL HIGHLIGHTS

REVENUE	GROSS PROFIT
£20.8m +2%	£3.7m -65%
GROSS CASH RECEIPTS FROM COMPLETED CASES	**REALISED REVENUE**
£26.7m +72%	£26.8m +76%
TOTAL ASSETS	
£62.5m -9%	

OPERATIONAL HIGHLIGHTS

LIVE CASES IN PROGRESS (AS AT 31 MARCH 2023)	CASES COMPLETED IN FY23
351 +29%	193 +39%
NEW CASE INVESTMENTS DURING FY23	**NEW CASE ENQUIRIES DURING FY23**
263 +65%	798 +48%

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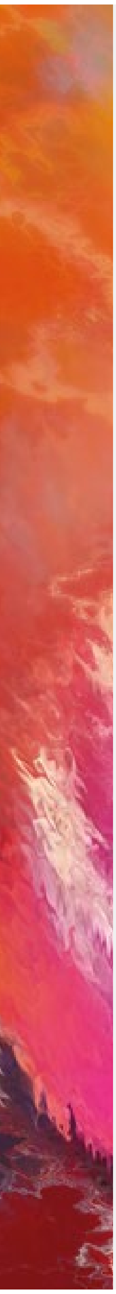
Record cash generation with strong second half recovery

Our team has delivered a substantial increase in new cases and record completions resulting in a strong H2 and to position the business for growth in FY24.



1040
LIFETIME INVESTED CASES

193
CASES COMPLETED IN FY23

£26.7m
GROSS SETTLEMENT CASH RECEIPTS

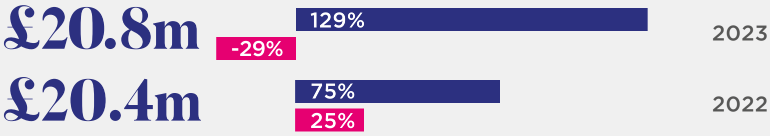
2.5X
MONEY MULTIPLE ON COMPLETED CASES

12.8
MONTHS AVERAGE DURATION OF COMPLETED CASES

125%
LIFETIME ROI

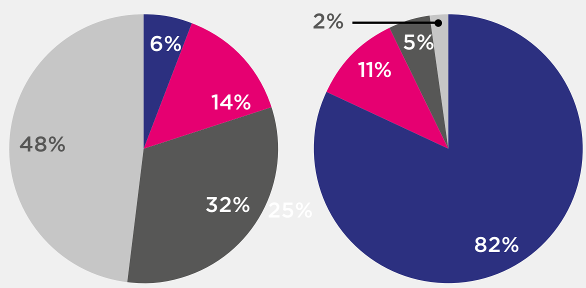
REVENUE COMPOSITION

Realised revenue   Unrealised revenue



FY23 GROSS CASH RECEIPTS

2023
2022
2021
2014–2020



By vintage year   By completion year

REALISED CASH CONVERSION

Cash received   Trade receivables

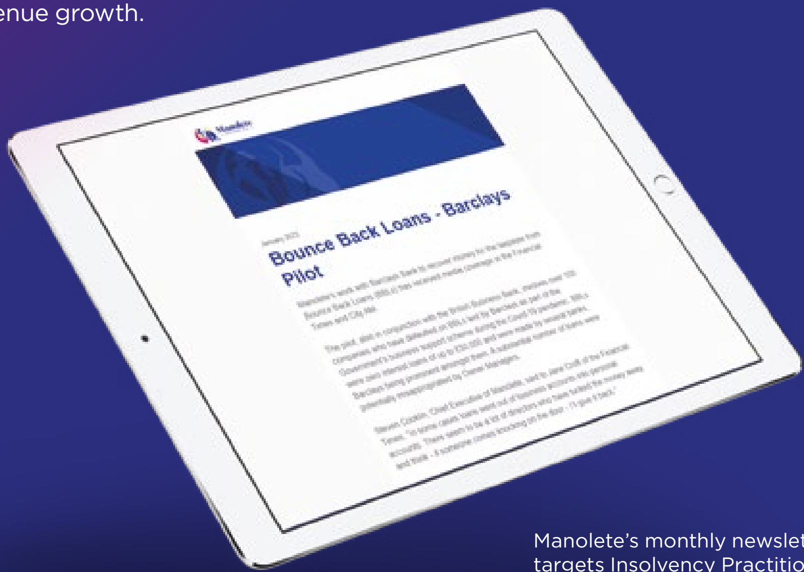
Business Development

Since May 2022, the business development team at Manolete Partners has experienced significant growth and development. Led by Andrew Cawkwell, Head of Business Development, alongside Kelly Jordan and Jeremy Sare, it has expanded its capabilities, strengthened its market presence and achieved significant results.

There has been a strategically co-ordinated approach to developing the business of each of our Associate Directors in the in-house legal team allowing them to fully leverage opportunities within their respective regions. The team has overseen the renewal of our strategic business relationships with ICAEW and IPA and our expanded social media presence has played a crucial role in increasing our visibility and attracting a greater number of case enquiries and investments.

Recognising the importance of effective marketing, the business development team has prioritised enhancing our outbound communications and strengthening our overall marketing function. This focus has contributed significantly to positioning Manolete Partners as a trusted market leader in Insolvency Litigation Finance.

Through a series of targeted initiatives, the team has successfully identified and pursued new business opportunities, forged key partnerships and driven revenue growth.



Manolete's monthly newsletter targets Insolvency Practitioners and insolvency lawyers with informative articles, legal judgments, case studies and profiles.

"The business development team has played a crucial role in increasing our visibility and attracting a greater number of case enquiries and investments."

ANDREW CAWKWELL
HEAD OF BUSINESS DEVELOPMENT

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 has 15 experienced in-house insolvency lawyers and a consultant Head of Business Development.

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

Our track record shows the financing of 1040 insolvency cases and completing 689 of those in an average duration of 12.8 months over the lifetime of the Company.

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 good returns for our shareholders. We also benefit the wider economic community as HMRC is very often the largest creditor and they gain significant returns secured by Manolete's work and Manolete's risk capital.

Most Insolvency Practitioners are understandably risk adverse and they usually act with personal liability. Third party litigation finance allows Insolvency Practitioners to de-risk their position yet deliver superior returns to creditors.

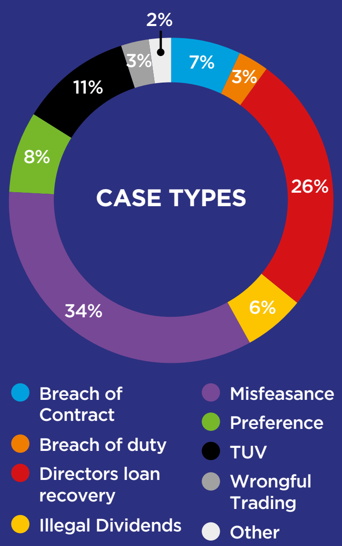
VINTAGES TABLE AS AT 31 MARCH 2023

Case Vintage	No. of investments	No. completed	% completion	No outstanding	Open case investments £'000	Closed case investments £'000	Total invested £'000
2010	3	3	100%	0	0	52	52
2011	0	0	–	0	0	0	0
2012	8	8	100%	0	0	763	763
2013	10	10	100%	0	0	174	174
2014	42	42	100%	0	0	594	594
2015	39	39	100%	0	0	1,404	1,404
2016	36	36	100%	0	0	1,936	1,936
2017	31	31	100%	0	0	1,446	1,446
2018	29	29	100%	0	0	3,960	3,960
2019	59	59	100%	0	0	2,737	2,737
2020	141	129	91%	12	1,010	6,279	7,289
2021	198	158	80%	40	1,470	6,900	8,370
2022	159	101	64%	58	1,523	1,793	3,316
2023	263	44	17%	219	1,556	555	2,111
Total (exc. Cartel cases)	**1,018**	**689**	**67.7%**	**329**	**5,560**	**28,593**	**34,151**

(i) The vintages table excludes 22 cartel cases and is net of deductions for bad debt provisions (excluding ECL provisions).

(ii) Ongoing cases includes partial realisations.

(iii) The large case completion in FY21 is presented net of discounting.



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 towards fast wins and optimal returns for creditors using the Manolete financing model.

Our outputs

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

Total recovered £'000	Total gain £'000	IP share £'000	Manolete gain £'000	Duration completed cases (months)	Return on investment %	Money multiple %	IRR %
28	(24)	10	(34)	7.0m	(65%)	.3x	0%
0	0	0	0	0.0m	0%	.0x	0%
2,524	1,761	580	1,181	18.0m	155%	2.5x	258%
780	606	316	290	7.1m	166%	2.7x	147%
3,884	3,290	2,427	863	10.0m	145%	2.5x	455%
7,029	5,625	3,290	2,335	12.8m	166%	2.7x	502%
9,393	7,457	4,164	3,293	15.0m	170%	2.7x	180%
4,469	3,023	1,905	1,118	14.1m	77%	1.8x	462%
23,714	19,754	12,972	6,782	16.9m	171%	2.7x	70%
14,855	12,118	7,530	4,588	17.4m	168%	2.7x	99%
16,737	10,458	6,599	3,859	16.1m	61%	1.6x	98%
22,540	15,640	8,367	7,273	12.9m	105%	2.1x	142%
6,788	4,995	2,356	2,639	9.0m	147%	2.5x	321%
3,366	2,810	1,397	1,413	4.1m	254%	3.5x	6288%
116,106	**87,513**	**51,913**	**35,600**	**12.8m**	**125%**	**2.2x**	**131%**

(iv) IRRs are presented for vintages where there are 12 or more months of historical cashflow information.

Note:
Vintage table above is unaudited.

A changing and challenging economy brings opportunities

We have a clear strategy for growth and have significantly expanded the number of our new cases signed in the second half of the year.

Our strategic objectives to drive growth

1	2	3	4
GROW THE BUSINESS Increase market share; facilitate market transition from old Conditional Fee Agreements to a more efficient Manolete litigation funding model. Unlike most other third party funders, Manolete's products are specifically aligned with the Creditor Estate – Manolete takes all of the risk, and only makes a return once the Creditor Estate makes a return.	**GROW REGIONAL PRESENCE** Grow regional presence in order to increase enquiries from Insolvency Practitioners and their lawyers.	**RAISE COMPANY PROFILE** Raise Manolete's profile in the insolvency marketplace.	**BUILD INVESTOR UNDERSTANDING** Raise Manolete's profile in the investment community.
PROGRESS IN THE YEAR ENDED 31 MARCH 2023			
Realised revenue increased to £26.8m FY23 from £15.2m FY22, an increase of 76%. Newly signed case numbers also increased from 159 new cases in FY22 to 263 new cases in FY23. The Company is now adding in-house legal resources to particularly active UK regions.	Recruitment of full regional network of high quality in-house legal team complete, including adding three new members during the year. All regions of England, Scotland and Wales covered by 15 highly experienced in-house insolvency litigators.	Sponsorship and presentations at leading industry conferences. Full utilisation of strategic marketing agreements with R3, IPA and ICAEW including relevant Annual and Regional conferences.	We have engaged with an online investment marketing company to promote Manolete to retail investors, professional investors and other investment professionals through regular videos via social media. Our overriding aim is to educate the investor community in Manolete's specialist insolvency litigation finance model and how it is distinct from the broader litigation funding industry.
ASSOCIATED RISKS			
Risk of dilution of quality cases.	Risk of dilution in quality staff and risk of high-quality staff leaving.	Potential competition.	Lack of appreciation from investors on the key differences between various funder models.
RISK MITIGATION			
Continued stringent application of net worth and 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 a Litigation Funder.	CEO and CFO present at all meetings to ensure consistency and clarity of messaging.

The Manolete model is well understood in our target market

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

TRACK RECORD OF HIGH GROWTH AT HIGH RETURN ON INVESTMENT	• Manolete is the leading player in the UK insolvency litigation financing sector. • Number of new cases invested in FY23 263 compared to 159 new case investments in FY22. • Lifetime ROI of 125% and MoM of 2.5x achieved across 689 completed cases.
ESTABLISHED LEADING POSITION WITH KEY BUSINESS INTRODUCERS	• Manolete is undertaking a pilot scheme with Barclays Bank plc in respect of the recovery of Bounce Back Loans (BBLs). This is an industry leading programme. • The market is still dominated by the old CFA/ATE (Conditional fee arrangement/After the event insurance) model but this presents growth opportunities for Manolete. • Manolete has won the Turnaround Restructuring and Insolvency UK industry award for 'Litigation Funder of the Year' five times. • The most recent assessment of Manolete's market share was a report in April 2021 by Professor Peter Walton which stated that Manolete had a 67% market share of the funded segment of the insolvency litigation funding market, however the larger opportunity remains in converting the CFA/ATE model to utilise insolvency market funders.
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 and HSBC funds have enabled Manolete to rapidly build out its UK regional in-house network that covers all leading commercial areas from Edinburgh to Southampton. • As at 31 March 2023 Manolete had gross cash balances of £0.6m available for investment and working capital. • HSBC provides Manolete with a £25m RCF, £14.5m of the facility remains currently unutilised as at 31 March 2023. The current agreement runs until 1 July 2025.
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. • As at 31 March 2023 there were 351 live cases (including cartel cases) giving the Company a well-diversified case portfolio.

Clear leadership through a difficult period

LORD LEIGH
NON-EXECUTIVE CHAIRMAN

"Once again the Company has delivered in a difficult trading period and now looks forward to a period of growth."

I am delighted to present my second report as your Chairman.

Overview

I am pleased to report the Company has delivered a performance that generated growth in the second half of the year, following a first half of the year which remained subdued. Despite this second half performance, the business recorded a loss for the year as a whole.

In terms of new business generated, 263 new case investments were signed in the year to 31 March 2023 which represents a new record number (FY22:159).

Financial results

Revenues for the year to 31 March 2023 increased by 2% to £20.8m (FY22: £20.4m) and Loss before Tax was (£4.0m) compared to a Profit before Tax of £4.5m in the prior year. The loss was largely the result of fair value write downs in H1 FY23 including a large case loss at trial.

There were 193 case completions (FY22: 139) which is a record for the company. Completed cases generated gross cash receipts of £26.7m (FY22: £15.5m) and contributed to a growth in receivables balances to £24.4m (FY22: £20.3m). Gross profit of £3.7m (FY22: £10.4m) was generated by profits on realised cases of £9.7m (FY22: £5.2m) and unrealised gross loss of (£6.0m) (FY22: gross profit of £5.2m).

We have drawn down a total of £10.5m (FY22: £13.5m) of our £25m Banking Facility with HSBC to support the growth of the business. This Revolving Credit Facility is until 1 July 2025 with a £10m accordion. Details are set out in the CFO's report.

Strategy

We remain focused on strengthening the profile of Manolete, and an important component to our strategy is to continue to build upon our network of established Insolvency Practitioner and insolvency lawyer contacts throughout the UK.

The Covid pandemic resulted in the UK Government enacting the Corporate Insolvency and Governance Act 2020 ("temporary measures") to protect employment and businesses which led to a fall in corporate insolvencies. Whilst the pandemic is now behind us, the tail of these measures continued to impact the business in H1 FY23. In H2 FY23, we have expanded the business to take advantage of the increasing number of corporate insolvencies, now that the pandemic-era Government support measures have come to an end.

Dividend

The Board has reviewed the dividend policy and no final dividend is recommended.

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 29 to 31.

The Audit Committee report on page 33 and the Remuneration Committee report on pages 34 and 35 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 team, which is comprised of highly dedicated, extremely knowledgeable and focused staff for their commitment and hard work during a very demanding year. My particular thanks to Steven Cooklin for providing strong leadership to the team.

Board

The Board represents a balanced mix of individuals who have now had a year together in the current Board structure and are working effectively for the benefit of the Company. I was pleased to welcome Mena Halton onto the Board earlier in the year, as Managing Director, to provide greater legal expertise from the executive team.

I note that following the disappointing trial result of a single large case in H1 FY23, the Board now reviews all cases that could potentially go forward to trial, in order to provide guidance in this area.

Outlook

Following a strong H2 FY23, we look forward to a period of growth in FY24 reflecting the increasing number of corporate insolvencies in the UK. The Company is preparing for growth with the recruitment of additional legal staff and support staff to allow this opportunity to be seized.

I also note the exciting opportunity with respect to the Bounce Back Loans (BBLs) pilot with Barclays Bank plc which will evolve during the coming year.

Lord Leigh
Non-Executive Chairman

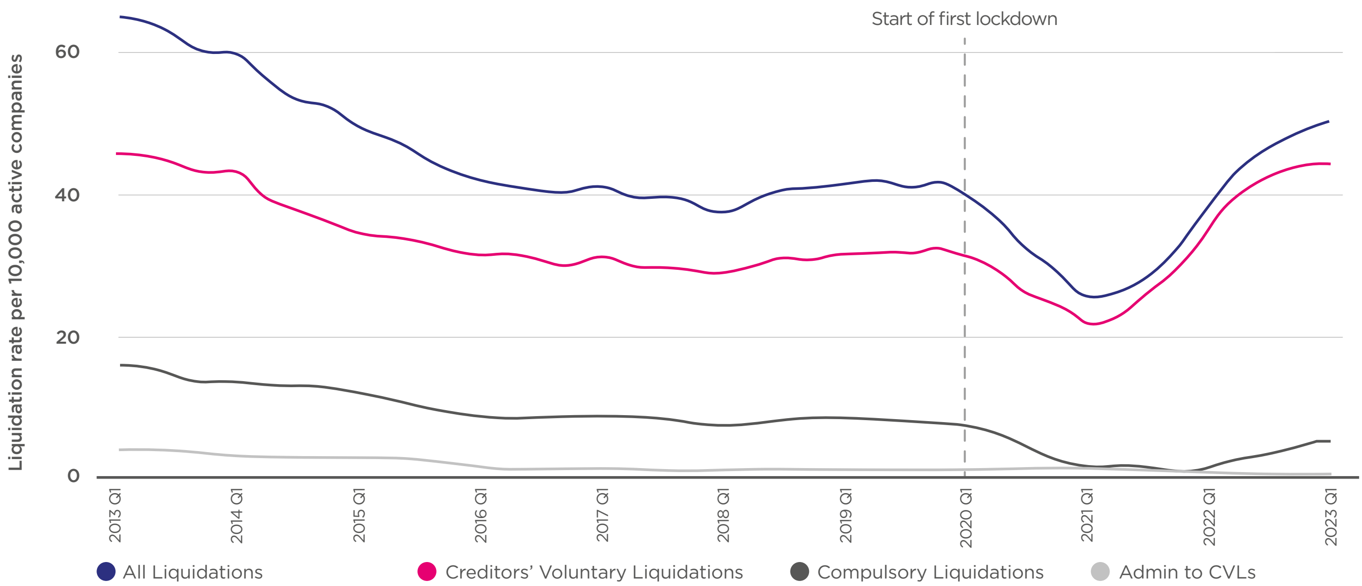
21 June 2023

Strong rebound into the new normal

STEVEN COOKLIN
CHIEF EXECUTIVE OFFICER

"Insolvency activity rose in anticipation of a return to normal insolvency laws and then increased above pre-pandemic levels."

QUARTERLY INSOLVENCY NUMBERS – ENGLAND AND WALES – Q1 2013 TO Q1 2023



FY23 painted a picture of two highly contrasting half years. The first half of the trading year was, as expected, subdued. Following a temporary material suppression of UK insolvency laws during the Covid-19 pandemic, the UK Government returned the laws substantially back to their pre-pandemic status on 1 April 2023 (coincidentally, the start of the Company's FY23 trading year). As can be seen from the graph above, insolvency activity rose in anticipation of a return to normal insolvency laws and then increased above pre-pandemic levels. However, as the Board has explained, there is always a time-lag (of approximately seven months) between insolvency numbers and cases being referred to the Company: this is because Liquidators and Administrators require this period to properly investigate claims, before being able to present claims to the Company.

The above graph issued by the Insolvency Service on 28 April 2023, clearly illustrates the impact of these measures on the UK insolvency industry.

This time lag can be seen clearly feeding into the Company's Key Performance Indicators:

(i) Manolete New Case Enquiries
The graph on page 12 shows a slowly recovering level of new case enquiries in H1 FY23 as UK insolvency numbers rose. Then, having got past the seven-month time lag for claim investigations to occur, H2 showed a strong increase in the level of new enquiries, giving the Company a record level of new case enquiries for that latter six-month period.

(ii) New Case Investments
The time lag between new case enquiries coming into the Company and those qualifying cases being signed up as new case investments is very much shorter. Our Net Worth Reporting team are able to analyse the financial assessment of the proposed defendants on a claim within a few days. If the Net Worth Report is positive, our in-house legal team are then usually able to report to the Company's Investment Committee within 7–10 days, with offers being sent to office holders (Liquidators or Administrators) the next day. Office holders are usually in a position to decide on our offer within a week or so.

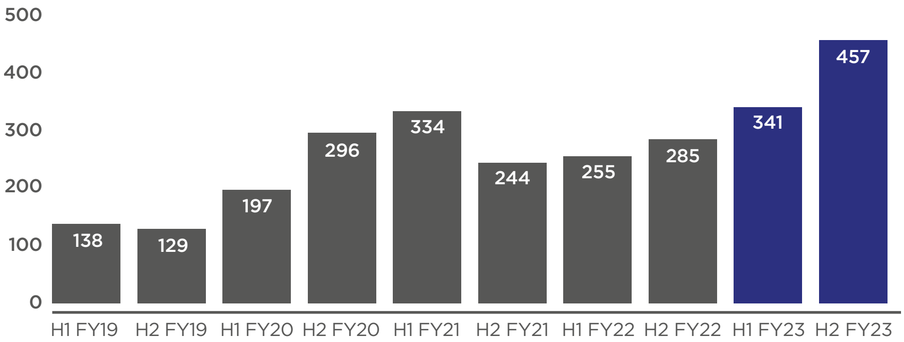
Therefore, the new case investments graph on page 12, quickly starts to mirror the shape of the new case enquiries.

This shows the stark contrast in trading between H1 FY23 and H2 FY23. As all cases have to be given a value the impact on the financial performance of the Company is clear: a challenging first half, followed by a sharply improved second half of FY23.

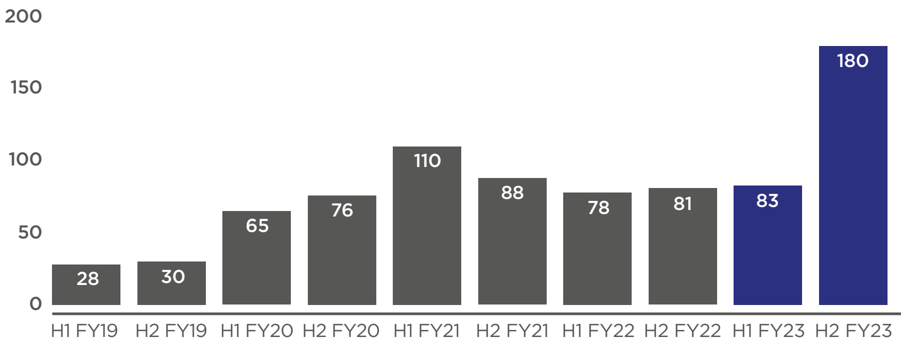
Despite the Company operating under subdued trading conditions for the first half and the loss for the full year, the Company performed well over the year as a whole in many key areas compared to FY22. Thanks to the strong second half trading:

- Invested in record number of 263 new UK insolvency claims, an increase of 65% (FY22: 159).
- A record number of 193 cases were completed, an increase of 39% (FY22: 139).
- Realised revenues on completed cases were £26.8m, an increase of 76% (FY22: £15.2m) although FY23 contained an exceptionally large funded case completion of which £4.9m was recorded in realised revenue (total settlement £9.5m) – our second largest ever completed case and one where all the cash was received within just a few weeks of completing the case.

NEW CASE ENQUIRIES PER HALF YEAR



NEW CASES SIGNED PER HALF YEAR



- Gross cash receipts from completed cases were £26.7m, an increase of 72% (FY22: £15.5m).
- The Company's retained share of gross cash receipts from completed cases (after all legal costs and payments to Insolvent Estates) was £13.1m, an increase of 47% (FY22: £8.9m).
- Cash generated from operations (after all completed case costs and all overheads but before new case investments and taxation) was £8.0m (FY22: £4.4m).
- EBIT reduced by 159% to a loss of (£3.1m) (FY22: profit of £5.3m) a result of the H1 loss caused by the subdued H1 trading environment, a review of case valuations on existing cases precipitated by the worsening UK economic environment and a rare adverse opinion on a large case.
- Increase in the valuation of the cartel cases contributed £1.2m to gross profit in FY23 (FY2.2: £5.1m).

The Company had net debt of £9.7m as at 31 March 2023 in comparison to £11.1m in FY22. The Company has a £35m funding package with HSBC on attractive terms: a Revolving Credit Facility ("RCF") of £25m over an initial three-year period to 1 July 2024, which was extended by 1 year to 1 July 2025 in July 2022. The RCF also offers the Company an additional approved but uncommitted £10m accordion, if ever required. Management would require approval from HSBC before gaining access to these additional funds. The interest rate is a maximum 3.7% over SONIA. During the period, management has amended the existing loan facility with HSBC to provide more lenient covenants.

Overall, for FY23, 129% of total revenues (FY22: 75%) of £20.8m (FY22: £20.4m) and 264% of total gross profit (FY22: 50%) of £3.7m (FY22: £10.4m) were from realised completed cases. 74% of total revenues derived from purchased cases (FY22: 93%) and 26% from funded Cases (FY22: 7%) – the large £9.5m case (£4.9m of which was Manolete's share) referred to earlier was a rare funded case. It is the Company's ability to purchase (and therefore fully control) its legal claims that fundamentally distinguishes it from almost all other litigation funding companies. Of the 263 new cases signed in FY23, 93% were purchased cases and 7% were funded cases. This is in line with the Company's expectations of a continuing greater acceptance of the Company's core business model in the insolvency industry.

Cash Generation

Cash generation was very strong throughout FY23. Overall gross cash receipts rose 72% to a record £26.7m for FY23. It should be noted that 83% of those cash receipts came from cases completed in FY23 whereas 11% derived from cases that completed in FY22 and the balance of 6% coming from earlier case investment vintages. The £26.7m of cash generated derived from 235 separate cases (FY22: £15.5m from 183 historic cases), which highlights the wide diversity and granularity of the Company's cash income.

For the first time in our history the Company generated positive net cash income after all operating, investment, taxation and interest costs but excluding net borrowing movements: FY23: £1.4m (FY22 net cash outflow (£3.2m)).

Cartel Cases

There have been material developments relating to the Company's cartel cases in recent months. Early in this calendar year 2023, the judgments for the large truck cartel cases relating to British Telecom Plc and Royal Mail Plc (the "first wave") were handed down with significant damages and interest being awarded to the Claimants. The two key important aspects of the judgments were that the overcharge was assessed at 5% and the discount for pass on was rejected. Interest was awarded on a simple basis at base rate plus 2%. Our external expert cartel case valuation advisers, Fideres, accordingly updated their valuations of the Company's 22 similar truck cartel claims and this supported the net book carrying value of those cases as at 31 March 2023.

The "second wave" of truck cartel cases settled soon after the judgments on the first wave. Terms were not made public but the fact that the defendants are clearly willing to engage in settlement discussions on some significant claims is a further encouragement. The third wave of trials is awaited, and we are currently reviewing the litigation strategy on our group of 22 truck cartel cases, which are currently stayed, with our expert legal advisers.

UK Bounce Back Loans ("BBLs")

As previously reported, we have been working closely with Barclays Bank plc and also assisted in the reporting to the British Business Bank, in designing an effective way to recover loans made under the UK Government's Bounce Back Loan initiative. This initiative provided around £47bn of Government guaranteed loans to c. 1.6 million UK businesses in the early months of the Covid-19 pandemic in 2020. Most loans were for £50k to UK SMEs. While the majority of these loans were used for proper business purposes, a significant minority of loans were misappropriated by the owner-managers of those businesses ("misappropriated BBLs"). Those misappropriated BBLs have not been repaid, at a potentially significant cost to the UK taxpayer.

Having recovered minimal amounts using other traditional debt recovery methods, towards the end of 2022, Barclays initiated a pilot scheme of 119 misappropriated BBLs, putting those companies into a Compulsory Liquidation process. Some Directors of those target companies did settle directly with Barclays at the start of this process but the large majority were put into compulsory liquidation. In FY23, 48 of these cases were assigned to Manolete (starting in January 2023) and a further 20 have been assigned to the Company in FY24 as at 31 May 2023. The returns from the Manolete cases have been outstanding and often achieved within a matter of a few weeks, with almost all settlements (8 cases have closed at 31 May 2023) with Directors at the full value of the BBL.

The Company has commenced discussions with a number of other financial institutions with the possibility that they may follow with their own pilot schemes. Others are likely to wait until the full, or a larger number of, outcomes can be seen from the Barclays pilot. Manolete has retained the services of Lord Agnew, Minister of State at the Cabinet Office and Her Majesty's Treasury from 2020 to 2022 with responsibility for counter fraud, to advise the Company on its strategy in this area.

Investment Returns

Our investment track record, by vintage, continues to demonstrate outstanding results. All vintages, up to and including FY19, have been completed. FY20 cases are now 91% complete, FY21 80% complete and well over half of the FY22 cases are legally completed. Manolete's model is characterised by short case durations, high ROIs (Return on Investment), exceptional Money Multiples and IRRs. The Company calculates case duration from the date we sign the investment agreement to the date the case is legally concluded. On average, cash collection takes around 12.8 months after legal completion.

The more mature vintages of FY18, FY19, FY20 and FY21 all have total case recoveries of well over £10m per year and IRRs ranging from 70% to 142%. Recoveries for cases that commenced in FY22 total £6.8m with an IRR of 321%.

Industry Recognition

During the year, the Company was named, for the second time, as the only company in the insolvency litigation funding section to be ranked in Band 1 of the legal industry's prestigious Chambers Guide. The Band 1 ranking is a great testament to the tremendous work of all the Company's employees.

Current Trading

FY24 has started very well, in the same vein as H2 FY23. It is noticeable that the headline claim values of new case enquiries coming into the Company are starting to increase, as the challenges in the UK economy spread from SMEs to larger enterprises. We have recently added to both our in-house legal team and our Net Worth Report team, to address the increased demand we are seeing across all regions.

People and Stakeholders

I am hugely indebted to our outstanding staff. The multiple awards we have received in the Insolvency, Legal and Financial sectors are a direct reflection of their excellence. The in-house Legal and Net Worth teams have been skilfully built-out by Mena Halton. Reflecting her important role in running these teams day-to-day, which constitute the core engine of the Company, Mena was appointed to the Board as Managing Director in June 2022.

Our professional relationships, built over the last 13 years, with hundreds of Insolvency Practitioners, expert external insolvency solicitors and barristers, R3, the Insolvency Practitioners Association, the ICAEW, the Insolvency Service and HMRC are fundamental to the success and growth of the Company. These were pivotal to us achieving the tremendous milestone of 1,000 lifetime signed UK insolvency cases in February of this year. Although there is still much to do.

Steven Cooklin
Chief Executive Officer

21 June 2023

Diligent financial oversight

MARK TAVENER
CHIEF FINANCIAL OFFICER

"A strong financial performance in the second half of the year provides an encouraging outlook for FY24."

I am pleased to give my review of the Company's audited results for the year to 31 March 2023.

Financial overview

	31 March 2023 £000s	31 March 2022 £000s	YoY %
Financial KPIs			
Revenue	20,753	20,443	2%
Gross profit	3,672	10,381	(65%)
Gross margin %	17.7%	50.8%	
EBIT	(3,121)	5,304	(159%)
EBIT %	(15%)	26%	
(Loss)/Profit after tax	(3,124)	3,678	(185%)
Investment valuation	36,462	45,718	(20%)
Non-financial KPIs			
New cases	263	159	
Completed cases[1]	193	139	
Live cases at year end[2]	351	272	

1 including 9 partially completed cases (7 partial completions FY22).
2 including 22 cartel cases and 42 BBL cases in FY23 (22 cartel cases and zero BBL cases in FY22).

Revenue

	31 March 2023 £000s	%	31 March 2022 £000s	%
Realised revenue	26,790	129	15,243	75
Unrealised revenue	(6,037)	(29)	5,200	25
Revenue	20,753		20,443	

	31 March 2023 £000s	31 March 2022 £000s	YOY %
Realised Gross Profit	9,798	5,182	89
Realised Gross Margin	36.2%	34.0%	

Revenues can be classified into realised revenue (actual completions) of £26.8m in FY23 (FY22: £15.2m) and unrealised revenue (valuations of new and live cases) (£6.0m) FY23 (FY22: £5.2m).

Realised revenue increased by 76% to £26.8m (FY22: £15.2m) mainly driven by the significant increase in the number of case completions in FY23 which included a single significant case completion contributing revenue of £4.9m itself. The Company recorded a record number of case completions in FY23 of 193 (FY22: 139).

Unrealised revenue of (£6.0m) FY23 (FY22: £5.2m) was partly a result of write down of fair values of live cases during the first half of the year, as reported at our Interim Results for September 2022 as well as the high level of completions which are removed from unrealised and recorded as realised revenue. The write down in fair value of cases was a one-off exercise that reflected the harsher economic climate and resulting likely outcomes of cases.

For comparison purposes, it should be noted that the prior year, unrealised revenue included a £5.1m uplift in the cartel valuation whilst in FY23 there was only an uplift of £1.2m.

Gross profit H1 v H2

	30 September 2022 – H1 £000s	31 March 2023 – H2 £000s	Total FY23 £000s
Realised revenue	13,596	13,194	26,790
Unrealised revenue	(8,082)	2,045	(6,037)
Total revenue	5,514	15,239	20,753
Other costs, including office costs	(7,701)	(9,380)	(17,081)
Gross profit	(2,187)	5,859	3.672
Non-financial KPIs			
New cases	83	180	263
Completed cases[1]	95	98	193
Live cases at end of period[2]	264	351	351

1 including partially 9 completed cases (7 partial completions FY22)
2 including 22 cartel cases and 42 BBL cases in FY23 (22 cartel cases and zero BBL cases in FY22)

Revenue of £20.8m FY23 represented growth of 2% year on year whilst gross profit decreased by 65% to £3.7m (FY22 £10.4m). To understand the FY23 results it is necessary both to review the difference in H2 v H1 performance, as growth in case numbers increased in H2 FY23 and to acknowledge the impact of a single large case, which was lost at trial.

There was a significant upturn in volumes and financial performance in H2 FY23 as compared to H1 FY23. A gross profit of £5.9m was recorded in H2 FY23 compared to a loss of (£2.2m) in H1 FY23.

In H1 FY23 lower volumes of new cases as a result of the drag effect of the covid restrictions continued to impact the business. However this was no longer the case in H2 FY23 when higher insolvencies across the economy resulted in higher new case numbers reaching the business.

Impact of single large case lost at trial

Very few cases proceed to trial each year and in FY23, a large case was found against us and our appeal was dismissed. This result had the following impact on our trading results in FY23 (of which £2.3m was taken to the Statement of comprehensive income in H1 and £0.5m in H2).

	£000s
Initial consideration	(75)
Legal costs	(915)
Fair value write down	(1,800)
Total	**(2,790)**

Whilst from time to time, we will lose cases at trial, we do not expect such a large case loss to be repeated. If we add back the large case lost at trial, see below for proforma results.

Impact on financials

	31 March 2023 Reported £000s	31 March 2023 Adjusted £000s
Revenue	20,753	22,553
Gross profit	3,672	6,462
Gross Margin	17.7%	28.7%
EBIT	(3,121)	(331)

Administrative expenses

	31 March 2023 £000s	31 March 2022 £000s	YoY growth %
Wages and salaries	3,737	3,519	6%
Bad debt expense	1,534	321	378%
Professional fees	512	479	7%
Marketing	344	222	55%
Other costs, including office costs	666	536	24%
Administrative costs	6,793	5,077	34%

Administrative expenses increased by 34% to £6.8m in FY23 (FY22: £5.0m). The increase in administration expenses was primarily a result of an increase in bad debt expense to £1.5m (FY22: £0.3m) following a thorough review of receivables given the current economic environment. The bad debt expense primarily relates to a small number of debtors who have either entered into bankruptcy or whose assets have been hidden overseas as well as an increase in the ECL provisions.

Salaries increased by 6% per annum consistent with annual salary reviews. Professional fee expenses of £0.5m (FY22: £0.5m) have been well managed and consist of mostly recurring items such as audit, tax and PR services.

Marketing costs of £0.3m (FY22: £0.2m) have increased since FY22 as expected following an increase in business development activities as Covid-19 restrictions have been removed. Other costs have increased due to a short-term lease on our London offices which had previously been accounted for as a Right of Use asset under IFRS 16.

Operating loss (Earnings Before Interest and Tax)

The Company reported an operating loss of (£3.1m) in comparison to an operating profit of £5.3m in FY22, a decrease of 159%.

Finance costs

The Company extended the length of its debt facility with HSBC in July 2022 from 1 July 2024 to 1 July 2025 to facilitate the expected 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 2023, £10.5m of the £25m HSBC facility has been drawn down (FY22: £13.5m).

The Company also entered into an amended loan agreement in March 2023 with more lenient covenant tests for the following three quarter ends which would allow the period of losses in H1 FY23 to be excluded from the leverage covenant calculation (which includes a 12 months look-back in its EBTIDA figure).

BBL pilot

As at 31 March 2023, the Company has signed 48 Bounce back loan cases (BBLs), of which 6 have already completed. The 42 live BBL cases have had a positive impact on the Profit and loss account via valuation of £495k and the six completed BBL cases have contributed a realised gross profit to the Company of £108k in FY23 (after deduction of initial purchase cost and external cost and profit share) i.e. an average profit per BBL case for Manolete of £18k.

Loss after tax

Loss after tax of (£3.1m) was recorded in FY23 (FY22: £3.7m profit). The post-tax margin has decreased from 18% to (15)%.

Earnings per share

As disclosed in Note 12, earnings per share decreased by 188% from 8.0 pence to (7.0) pence.

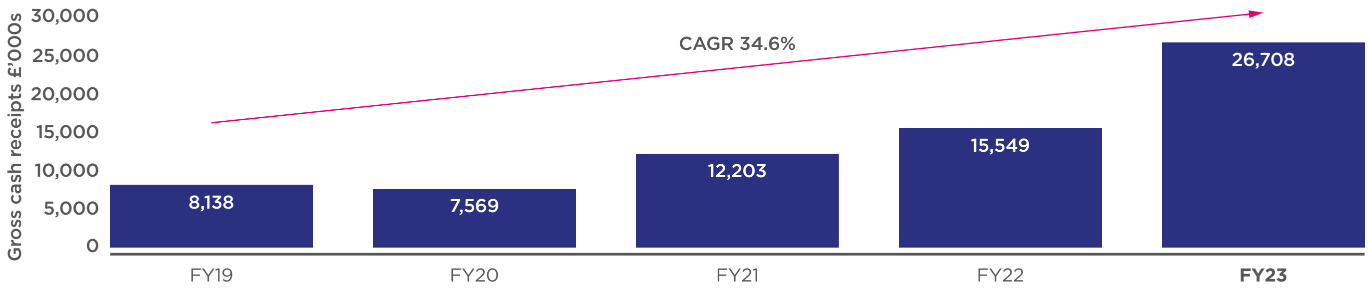
Balance sheet restatement

During the year we restated the contract asset/liability that related to the large case settlement that completed in FY21. Following a review of the contractual terms of the contract asset and liability, the directors concluded that these balances should have been presented as long term. The adjustments to the Statement of Financial Position as at 31 March 2021 and 31 March 2022 are shown in Note 30.

Balance sheet – Investment in Cases

The Company was managing 351 live case investments as at 31 March 2023, compared to 272 live cases as at 31 March 2022, a net increase of 79 cases, or 29%. The total investment in cases amounted to £36.5m as at 31 March 2023 a decrease of 20% (FY22: £45.7m). This reduction in Investment value of cases was due to a one-off exercise in H1 FY23 to reduce the valuation of open cases to reflect the economic realities of settlements being reached as well as a number of larger cases settling during the year. The valuation includes the investment in the cartel cases as at 31 March 2023 of £13.4m, an increase of £1.2m from £12.2m in FY22. Investment in cases is shown at fair value, based on the Company's estimate of the likely future realised gross profit, plus costs incurred.

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, such as salaries, these are fully expensed to the Statement of Comprehensive Income as incurred.



Cashflow	31 March 2023 £000s	31 March 2022 £000s
Gross cash receipts	26,708	15,549
IP share & legal costs on completed cases	(13,608)	(6,632)
Cashflows from completed cases	**13,100**	**8,917**
Overheads	(5,092)	(4,499)
Net cash generated from operations before investment in cases and corporation tax	**8,008**	**4,418**
Corporation tax	(354)	(833)
Net cash generated from operations after corporation tax and before investment in new cases	**7,654**	**3,585**
Investment in cases	(5,806)	(6,470)
Net cash used in operations	**1,848**	**(2,885)**
% growth in case cash investments	(13%)	10%

Gross cash receipts

Gross cash receipts increased strongly year on year, to £26.7m in FY23 (FY22: £15.5m) by 72% and importantly, cash generated from operations before investment in cases and corporation tax has increased from a cash inflow of £4.4m in FY22 to a cash inflow of £8.0m in FY23 which has been partly reinvested in the portfolio and partly utilised for repayment of debt balances. Furthermore, net cash generated prior to investment in cases (new and existing) was £7.7m FY23 compared to £3.6m FY22. The increase in cash generation at this level demonstrates the business has become self-funding in case investments. Cash receipts are being generated both from payment schedules of prior year completions as well as from current year case completions.

The graph above shows the growth in gross cash generation (including both IP share and Manolete share of cash receipts) year on year. As the business matures, its ability to generate cash and ultimately be self-funding is a key characteristic.

Overheads & Corporation Tax

Excluding non-cash items (including bad debt expense), spending incurred on overheads has increased from £4.5m FY22 to £5.1m FY23 principally as result of an increase in headcount, annual salary increases and bonuses.

As corporation tax is paid on unrealised as well as realised profits, the Company effectively pre-pays an element of its corporation tax liability. In FY23, the Company generated unrealised losses of (£6.0m) (FY22: £5.2m) which has helped contribute to the year end tax receivable position.

Investment in cases

We have continued to invest in existing and new cases with total capital of £5.8m deployed during FY23 compared with £6.5m in FY22 which has been funded through cash receipts from completed cases.

Working Capital

Absorption of £5.9m into working capital during FY23 is primarily due to increased trade receivables, itself a factor of increased realised revenues. This increase in net trade receivables will generate cash in FY24 and beyond. Debtor days on a countback basis stayed static at 335 in FY23 (FY22: 335).

Net working capital	31 March 2023 £000s	31 March 2022 £000s
Net working capital	16,115	10,158
Change in net working capital	(5,957)	(1,950)
DSO (Days sales outstanding) basic	365	507
DSO countback	335	335

Debt Financing

The Company has drawn down £10.5m (FY22: £13.5m) of its £25m HSBC loan facility and has continued to deploy loan capital during the year to finance investment in cases. Hence a repayment of £3.0m in the HSBC loan compared to 31 March 2022. The Company held cash reserves of £0.6m as at 31 March 2023 which are available to deploy on new case investment.

The Company agreed a waiver with HSBC in respect of the leverage covenant for the quarters ending 30 June 2022, 30 September 2022 and 31 December 2022 as losses incurred in H1 FY23 were resulting in a breach of the leverage covenant. Following this event, the Company has agreed an amendment to the loan agreement with a revised leverage covenant for the three quarters ending 31 March 2023, 30 June 2023 and 30 September 2023 to avoid any short-term breach of the leverage covenant due to the count back nature of the calculation (calculation amended to exclude the period of EBIT losses in H1).

Mark Tavener
Chief Financial Officer

21 June 2023

The team are fully focused on maximising these optimal market conditions for our stakeholders

STEVEN COOKLIN
CHIEF EXECUTIVE OFFICER

The Directors present their strategic report for the year ended 31 March 2023.

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 and at the start of this report.

On pages 29 and 30, we have set out the principal risks which may present challenges in executing the business model and delivering the strategy.

As the UK Government's extraordinary temporary measures to materially reduce the number of insolvencies and bankruptcies during the Covid-19 pandemic were concluded at the end of the prior financial year, elements of the financial statements for the year ended 31 March 2023 represent a satisfactory out-turn for the business. Year-on-year revenues increased by 2%, driven by an increase in realised revenues offset by a decrease in unrealised revenue (see table below). Operating profits declined by 159% to an operating loss of (£3.1m) and net assets decreased 8% to £39.2m. The loss is largely attributable to the first half of FY23 (EBIT loss of £5,3m for H1 FY23), whereas the business rebounded strongly in H2 FY23 with a positive EBIT contribution of £2.2m.

The number of employees was 25 (FY22: 22) at the end of the financial year. As demand has increased significantly for our UK insolvency litigation financing products over the last six months and is likely to remain so, we are selectively adding to our expert in-house legal and Net Worth Report teams. Despite recruitment challenges in some areas of the UK, the Company is not experiencing any problems attracting new recruits.

The business has grown significantly following the difficult trading conditions of the previous two years. At the financial year-end the cumulative number of signed litigation investments has grown to 1,040 cases, with a record 351 live, in-progress cases at as 31 March 2023.

Financial KPIs	Year Ended 31 March 2023 £000s	Year Ended 31 March 2022 £000s	% change
Realised revenue	26,790	15,243	76%
Unrealised revenue	(6,037)	5,200	(216%)
Total revenue	**20,753**	**20,443**	**2%**
Gross profit	3,672	10,381	(65%)
Operating (loss)/profit	(3,121)	5,304	(159%)
(Loss)/profit after tax	(3,124)	3,678	(185%)
Value of investments	36,462	45,718	(20%)
Non-financial KPIs			
Number of lifetime signed litigation investments	1,040	777	34%
Live cases at end of reporting period	351	272	29%
New cases	263	159	65%
Completed cases	193	139	39%

The movements in key performance indicators is analysed in the Report of the Chief Executive Officer on pages 10 to 13 and the Report of the Chief Financial Officer on pages 14 to 17.

Outlook and Current Trading

We are confident we have invested in a portfolio of cases that will produce attractive returns for the Company. The Government measures to suppress UK insolvencies have now ended as have the wider UK economic support measures, which give us confidence in our future prospects. Many respected market commentators are predicting a sustained period of elevated insolvency figures in the UK.

The Board has considered the Going Concern status of the business both in relation to Covid-19 and the general wider economic environment and has concluded that it is appropriate for the accounts to be prepared on a going concern basis. The £25m RCF plus £10m accordion on attractive terms with HSBC provides the Company with substantial finance going forward. Further detail on the board's consideration of going concern is included on page 46.

We believe the business is very well-positioned to consolidate its leading position in the insolvency litigation financing market. Since the start of the 2023 calendar year, the Company has added additional members to its in-house legal team, in anticipation of continuing increase in the level of new case enquiries.

The Company has made a good start to FY24 and we look forward to a promising future.

On behalf of the Board:

Steven Cooklin
Chief Executive Officer

21 June 2023

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.	Recruitment of experienced in-house lawyers. Widening delegation across a larger number of personnel. Comprehensive and vigorous recruitment procedures. Drive our business culture to continue to be rooted in collaboration and inclusion, striving for team rather than individual success.
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. The Board now reviews all cases that could potentially go forward to trial, in order to provide guidance in this area.
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 incur a P&L write down. This may include 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. The culture of the Company is such that the legal team would bring forward any lower valuations as they became apparent.

Risk Activity	Principal Risk	Impact	Mitigation
Cartel Case Risk	Defects emerge in the cartel cases during the litigation process	The Company would suffer abortive legal and investment costs and potentially a P&L write down.	External experts have been employed to review data and advise on the most appropriate legal case throughout.
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 online 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 £25m, of which we have drawn down £10.5m as at 31 March 2023.
Interest Rate Risk	Interest rates increase significantly over next 2 years.	Cost of finance to the company is significantly increased.	Our returns on case completions are much higher than our cost of finance. We can repay loan finance as large case cash completions are received. We could raise additional equity finance as an alternative source of finance.
IT Systems Risk	With increased working from home, there is an increased risk of dependence on our IT systems.	There is an increased risk of loss of information that could cause disruption to the business.	Key data is backed up overnight such as accounting data on Sage. The business has a multi-factor identification and cyber insurance in place. Individual case data is held individually lawyer by lawyer and externally by the third party solicitor who is appointed to the case.

Directors' 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.

Having regard to the likely consequences of any decision in the long term:

The directors of the Company have sought to balance the needs of its members with the s172 matters throughout the year and 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.

The directors provide regular management reports to the Board, and the 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.

Engagement with the Company's employees:

The Company engages with its employees on a regular basis, as a relatively smaller employer of 25 employees with a flat organisational structure, communication is essential. A monthly team meeting is held, there are also separate legal team meetings and less formal meetings. In May 2022, the Company appointed a new Head of Business Development supporting the regional Associate Directors to maximise the referral of new cases to the business.

Diversity & inclusion

We believe our employees are central to the success of our business, are committed to their development and providing recognition based on success and achievement. We are an equal opportunities employer, and it is our policy to ensure all job applicants and employees are treated fairly and on merit regardless of their race, gender, marital status, age, disability, religious belief or sexual orientation. We recognise the importance of being a diverse and inclusive place to work where everyone has an equal opportunity to build their career and succeed.

We are committed to creating a safe and healthy environment for all employees and contractors. We promote diversity, fairness and respect in our working environment and do not tolerate any improper behaviour or harassment. The Board's remuneration committee reviews all pay levels to ensure all awards and bonuses are given fairly and on merit. We believe in achieving a gender balance across the company and 50% of our senior legal team is female including our Managing Director. We have created strong lines of management accountability and we invest in the development of our employees in taking training courses to enhance their skills and widen their experience.

The need to foster the Company's business relationships with suppliers, customers, and others:

The Company's strategy relies to a significant extent on maintaining strong and active relationships with its key stakeholders, which the Board has identified in particular as; Insolvency Practitioners and legal professionals to provide the Company with investment opportunities, financial lenders, regulators, and our shareholders.

Insolvency Practitioners

We are committed to treating our customers in an open, honest and fair manner (including selling products and services that fulfil their needs and meet the appropriate quality criteria in accordance with regulatory and legal requirements) as well as operating an effective complaints process to address any issues that may arise.

We also ensure the monetary returns are paid to the insolvent estate very promptly once the case is settled. We have built a very strong rapport with hundreds of Insolvency Practitioners who approve of our ethos, our conduct and promise to deliver efficient returns to the estate. Every Insolvency Practitioner we have worked with has returned with additional cases.

Invariably the most substantial creditor is HMRC. We are very mindful of the significance of delivering value to HMRC and have done so in a great many cases, returning millions of pounds to the public finances through HM Treasury. Consequently, we have fostered a strong working relationship with HMRC who see we can achieve much greater and quicker returns.

The Company regularly supports industry events such as conferences 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.

Legal professionals

The Company's in house legal team work closely alongside 3rd party legal professionals to develop our claims from initial assignment or funding through to settlement. The Board seeks to balance the benefits of maintaining strong partnerships with legal professionals alongside the need to obtain value for money for our shareholders.

Financial lenders

The directors are responsible for managing the relationship with HSBC which provides the Company with the £25m RCF facility. The Chief Financial Officer provides regular reports to the Board on these activities to ensure the Company's continued access to debt capital including, monitoring financial covenants and headroom, and during the year the renewal of the RCF facility.

The Board carefully considers the Company's cash position and forecasts when making decisions on the Company's dividend policy.

Regulators

The Audit Committee acts independently in overseeing the Company's financial reporting processes.

The impact of the Company's operations on the community and the environment:

We recognise our business has an impact on the environment. The depletion of natural resources and the threat of climate change have raised concerns about the environment and the potential financial impact on businesses. Sustainable options are increasingly being considered as part of investment choices.

We comply with environmental protection laws, including recycling and waste disposal requirements and seek to minimise any detrimental effects our activities may have on the environment. Wherever possible, employees are strongly encouraged to use the lowest form of carbon-emission transport for the many meetings they attend and to maximise the use of video-conferencing rather than travel. Many of our mediations are now carried out via Zoom or Teams. We are a very low user of paper and advocate the reduction of paper use by all personnel. Our marketing materials (for example, our sector wide monthly newsletter) are online resources wherever possible. If reducing consumption is not a viable option, we use materials derived from renewable or sustainable sources.

The desirability of the Company maintaining a reputation for high standards of business conduct:

The Board is highly committed to applying high standards of corporate governance and have endeavoured to ensure it is held to the highest standard. Our Corporate Governance report sets out how we comply with the UK Corporate Governance Code and our approach to governance on pages 29 and 30.

The need to act fairly between members of the Company:

The Board receives feedback on investor views from the following:

- Our 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, Mark Tavener and Mena Halton, are primarily responsible for shareholder liaison but the Chairman and other non-executive directors may also be contacted by investors where appropriate.
- The Company's broker Peel Hunt provides feedback on the market and investor views following release of the interim and full year results and the opinions of shareholders is closely monitored through analyst and broker reports. All shareholders have an opportunity to ask questions to the Board throughout the year and the AGM allows shareholders to ask questions and share their views in more depth.

On behalf of the Board,

Steven Cooklin
Chief Executive Officer

BOARD OF DIRECTORS

Our Leadership team

Lord Leigh of Hurley, FCA

Independent Non-Executive Chairman

Skills and experience

Howard Leigh is a qualified Chartered Accountant. In 1988 he set up Cavendish Corporate Finance LLP where he remains Senior Partner. In 2000, Howard was appointed as the Chairman of the Faculty of Corporate Finance of the Institute of Chartered Accountants in England and Wales (ICAEW). In 2008 he was awarded the Faculty's Outstanding Achievement in Corporate Finance Award. In 2018, Cavendish merged with finnCap and the new group – finnCap Group plc- was listed on the London AIM market. He is the Senior Treasurer of the Conservative party and chairs four charities. In 2013, Howard was elevated to the Peerage as Lord Leigh of Hurley. He joined the Manolete Board in June 2021. Howard is Chair of the Finance Bill select committee of the Economic Affairs Committee. Howard is a member of the 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

Chief Financial Officer

Skills and experience

Mark joined Manolete as Chief Financial Officer and Executive Board Director in 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.

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

Mena Halton

Managing Director

Skills and experience

Mena joined Manolete in 2014 and joined the Manolete Board as Managing Director in June 2022. Mena qualified as a solicitor in 1985 and has specialised in contentious insolvency throughout her career. Mena also acts as Manolete's Head of Legal as well as being on the Board. Mena is recognised for litigation funding in the Chambers and Partners Litigation Support Guide, 2019, 2020, 2021 and 2022. Mena was recently included in The Lawyer Hot 100 and in Who's Who Legal: Thought Leaders – Third Party Funding for 2020 and 2021. Mena is a member of the Insolvency and Companies Court Users' Committee.

Annie Devoy, ACA

Independent Non-Executive Director

Skills and experience

Annie Devoy was appointed to the Manolete Board in January 2022 as an Independent Non-Executive Director. Annie is a qualified Chartered Accountant. She was a Partner at PwC from 2002 to 2020 and a member of the executive leadership team for PwC's Tax, Legal and People Advisory services business. Previously Annie led PwC's UK Transfer Pricing Network and was part of the firm's Global Transfer Pricing management team. Annie retired from PwC in 2020 and remains a trustee for PwC's legacy Defined Benefit pension funds. Annie chairs the Audit Committee and 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 an independent 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.

The Directors present their report with the financial statements of the Company for the year ended 31 March 2023.

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 42 and shows the results for the year.

In respect of the financial year ended 31 March 2023 a final dividend of nil (FY22: 0.5p) per ordinary share has been recommended by the Directors. No interim dividend was paid during the year.

Directors

The Directors of the Company during the year were:

Lord Leigh of Hurley

Steven Cooklin

Mark Tavener

Stephen Baister

Annie Devoy

Mena Halton
(appointed 24 June 2022)

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

Political and charitable donations

The Company made a charitable donation of £5k to Glass Door, a charity for the homeless in London, during the year ended 31 March 2023 (FY22: £nil).

Director's emoluments

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

Going Concern

Management provided the Board with a financial forecast of the business for an 18-month period from June 2023 which was discussed at June'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.

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. As part of this exercise the Directors reviewed forecast covenant compliance. Hence, the Directors believe it is appropriate to adopt the Going Concern basis in preparing the financial statements.

Financial Instruments

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

Directors' third-party indemnity provisions

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

Statement of disclosure to auditors

All of the current Directors have taken all necessary steps 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 21 June 2023 and signed on its behalf by:

Steven Cooklin
Chief Executive Officer

The Directors are responsible for preparing the Annual Report in accordance with applicable laws and regulations.

The Directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare the financial statements in accordance with UK-adopted International Accounting Standards.

The financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position and performance of the company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted International Accounting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy, at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

A focus on corporate governance

Manolete Partners aims to provide value for Insolvency Practitioners, creditors and shareholders alike

LORD LEIGH
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 2022, the Company has further expanded its regional reach across the country with the appointment of additional 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 FY23 the Board undertook its fourth formal 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.

Lord Leigh of Hurley, Howard Leigh
Independent Non-Executive Chairman

21 June 2023

QCA Code Principles	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 4 to 6 of the 2023 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, Mark Tavener and Mena Halton, 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 pages 20 and 21 of the 2023 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 31 of the 2023 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 page pages 24 and 25 of the 2023 Annual Report and Accounts the attributes of each Director are outlined more fully. 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 appointment of Mena Halton to the Board, as Managing Director, took place during the year to further enhance the legal expertise and discussion at the Board. 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.

QCA Code Principles	How we apply the principle
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 2023 the Board undertook its fourth formal 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 2024. 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.

Directors' 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:

Section 172 matters	Board Considerations
The likely consequences of any decision in the long term	All Board decisions are thoroughly considered and taken with a long-term view.
The interests of the Company's employees	The Remuneration Committee sits on a regular basis to consider if employee remunerations acts as an incentivisation and in line with market conditions. All Directors are able to raise employee related issues.
The need to foster the Company's business relationships with suppliers, customers and others	Since the lifting of Covid-19 restrictions the Board has sanctioned a significant increase in marketing and business development activity in respect to fostering relationships with Insolvency Practitioners and external solicitors.
The impact of the Company's operations on the community and the environment	The Board regularly reviews the Company's impact on the environment, although the nature of the business does not have a high environmental impact. The Company supports the community through recovering creditor balances from insolvent companies often for the benefit of HMRC. Also, the Company is undertaking a trial with Barclays Bank plc in the recovery of BBLs ultimately on behalf of the tax payer.
The desirability of the Company to maintain a reputation for high standards of business conduct	The Board is regularly sent feedback from Insolvency Practitioners and external solicitors following the completion of cases which feed into setting high standards.
The need to act fairly between members of the Company	The Board maintains an open approach for any employee or shareholder to report any unfair treatment and maintains the highest standards in its professional dealings.

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.

In the period from 1 April 2022 to 31 March 2023, the Directors' attendance at Board and Committee meetings was as shown below.

	Board Meetings (11)	Audit Committee (3)	Remuneration Committee (6)
Lord Leigh of Hurley	8/11	0/3[1]	4/6
Steven Cooklin	11/11	3/3[1]	4/6[1]
Annie Devoy	9/11	3/3	6/6
Stephen Baister	9/11	3/3	6/6
Mark Tavener	10/11	3/3[1]	4/6[1]
Mena Halton[2]	7/9	0/2[1]	3/5[1]

1 Not a committee member.
2 Mena Halton was appointed as a director on 24 June 2022.

Where a director has been appointed or resigned during the year, the number of meetings they could have attended has been adjusted to reflect the number of meetings that were held whilst they have been a director.

Manolete Partners' primary business ethos is giving justice to creditors. It forms the cornerstone of our commitment to a fair and responsible Environmental, Social and Governance policy. Our ESG policy is set out fully on our Investor website, some of the key elements are included here.

Access to justice

Manolete has innovated a new business model and approach to insolvency litigation. Manolete settles cases, in the main, much more rapidly then other litigation funders in the insolvency sector, allowing for a higher proportion of returns to be given back to the creditors. We ensure the monetary returns are paid to the insolvent estate very promptly once the case is settled. We have built a very strong rapport with hundreds of Insolvency Practitioners who approve of our ethos, our conduct and promise to deliver efficient returns to the estate. Invariably the most substantial creditor is HMRC so Manolete helps in returning millions of pounds to the public finances through HM Treasury.

Governance

Details of Manolete's corporate governance code and how we apply it can be found at: investors.manolete-partners.com/company-information/corporate-governance.

Code of Conduct

The Manolete Board requires the highest standards of corporate governance, operational excellence and financial reporting throughout the Company and from all directors and employees. 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.

This code of conduct 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. We trade lawfully and properly at all times and as a minimum, comply with all laws and regulations. We do not tolerate any form of bribery in our business or in those we do business with and the Company has in place an anti-bribery and corruption policy reflecting the standards that we expect of our staff and those who perform services with us.

Diversity and inclusion

We believe our employees are central to the success of our business, The Company is committed to their development and providing recognition based on success and achievement. We are an equal opportunities employer and it is our policy to ensure all job applicants and employees are treated fairly and on merit regardless of their race, gender, marital status, age, disability, religious belief or sexual orientation. We have created strong lines of management accountability. The Boards remuneration committee reviews all pay levels to ensure all awards and bonuses are given fairly and on merit. We believe in achieving a gender balance across the Company and 50% of our senior legal team is female.

Environmental

We comply with environmental protection laws, including recycling and waste disposal requirements. Many of our mediations are now carried out via Zoom or Teams. Our marketing materials are online resources wherever possible.

Slavery and human trafficking

Manolete has a zero-tolerance approach to any form of slavery and human trafficking within our business and is committed to taking appropriate steps to ensure compliance with the legislation.

Information

We provide accurate and timely information to external stakeholders in compliance with relevant laws and regulations. We give regular presentations to investors and make every attempt to share as much relevant data with them as possible to ensure the company's financial position is clear to the market.

Crime prevention

We have measures in place for detecting, preventing, reporting, investigating and prosecuting suspected fraud and financial crime. We have effective anti-fraud and anti-money laundering systems and controls as well as an anti-bribery and corruption policy in place in addition to effective claims management and counter-fraud capabilities.

Audit Committee Remit and membership

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

The Committee is chaired by an Independent Non-Executive Director, Annie Devoy. Annie is a member of the Institute of Chartered Accountants in England and Wales and has recent, relevant financial experience. Stephen Baister, who is also an Independent Non-Executive Director, is the other member of the Committee.

In this financial year, the Committee met on three occasions, including to review and approve a recommendation to the Board on the final results for the prior year, FY22; and to review and approve the interim results in respect of FY23. The Committee met with the Auditors in the absence of management. The Committee also met with the auditors following the rotation of audit partner.

Review of Financial Statements

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

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

The Audit Committee noted that the Auditors had identified two key audit matters, namely assessment of the carrying value of investments in cases and related revenue recognition and secondly recoverability of trade receivables.

The Committee noted that, notwithstanding the fact that 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 drew comfort from the regular monitoring of case valuations that takes place in the business via communication with the legal team. While this process has worked well in the past, we are continuously looking to improve our processes in order to achieve the most accurate month to month valuations.

The Committee also considered 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 underlying assets believed to be available to settle awards made via the in-house Net Worth team. 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 examined the basis on which the Company's bad debt provision had been calculated and noted the application of IFRS 9 in respect of expected credit losses, it also 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 judgements 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 satisfied itself that the risks identified through the audit, including the key audit matters, had been properly addressed.

Risk Management

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

The Committee also reviewed, and agreed to recommend to the Board for approval, the summary of principal risks set out on pages 20 and 21.

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 that the Audit partner, manager and other team members are independent as well as the firm as a whole. The Committee was also satisfied that there were no other factors likely to impair the Auditors' objectivity.

Ethical Policies

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

The Board has adopted a number of ethical policies, including an anti-bribery and corruption policy and a whistleblowing policy. The Committee reviews 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 2023 or since.

The disclosures below are provided on a voluntary basis. They summarise 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 Function

The Remuneration Committee comprises the Company's independent non-executive directors, Stephen Baister, who also chairs the Committee, Lord Leigh of Hurley and Annie Devoy.

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

In the year ended 31 March 2023, 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 delivery of long-term value to our shareholders rely on the services and expertise of our high calibre team. An effective 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, while 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, private health insurance and long-term performance share awards. Executive directors are invited to participate in a performance related CSOP. To enable the whole team to share in the success of the business and to align their interests with those of shareholders, the Company, at the discretion of the Remuneration Committee, invites all staff who are eligible, to participate in the CSOP.

Annual Bonus

Cash bonuses are paid to Directors and other team members, dependent upon performance. The Remuneration Committee has decided to maintain the payment of cash bonuses in FY23.

Company Share Schemes

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. No CSOPs were granted to Executive Directors in FY23.

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. More information on the CSOP can be found in note 23 to the financial statements.

In FY23, long-term incentive plans (LTIP) were granted to all executive directors, the share options available under the LTIP scheme for the executive directors are detailed in the table below. This LTIP plan does not vest for the executive directors until after a three year period and is subject to challenging Company performance targets being met over this period. The scheme was designed with the advice of external advisers.

During the year to 31 March 2023, options were granted to the executive directors as set out in the table below.

Executive Director	Class	Number of shares under option	Exercise price
Steven Cooklin	LTIP	116,600	0.04
Mark Tavener	LTIP	116,600	0.04
Mena Halton	LTIP	116,600	0.04

In FY23 a deferred bonus share scheme was granted to the Company Chief Financial Officer, details of which are shown below. The deferred scheme vests in 1 year from grant and is subject to personal performance measures over this period. The scheme was designed with the advice of external advisers and approved by the Remuneration Committee.

Executive Director	Class	Number of shares under option	Exercise price
Mark Tavener	RSA	16,058	0.04

Non-Executive Directors

Remuneration of the non-executive directors is determined by the Board as a whole, with the relevant non-executive director taking no part in the discussions or decision in relation to their own fees. The non-executive directors are not entitled to annual bonuses or employee benefits. Each of the non-executive directors has a letter of appointment stating, among other things, 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 2023	Salary	Pension	Benefits	Total fixed pay	Bonus	Total variable pay	Total pay
Non-Executive Chairman							
Lord Leigh of Hurley	75,000	–	–	75,000	–	–	75,000
Executive Directors							
Steven Cooklin	453,605	2,000	4,008	459,613	75,000	75,000	534,613
Mark Tavener	177,474	7,099	1,216	185,789	40,000	40,000	225,789
Mena Halton[1]	251,213	–	2,067	253,280	70,000	70,000	323,280
Non-Executive Directors							
Stephen Baister	50,000	–	–	50,000	–	–	50,000
Annie Devoy	50,000	–	–	50,000	–	–	50,000
Total Directors' remuneration	**1,057,292**	**9,099**	**7,291**	**1,073,682**	**185,000**	**185,000**	**1,258,682**

1 In FY23, the remuneration for Mena Halton is represented from June 2022 when she was appointed to the Board.

Year ended 31 March 2022	Salary	Pension	Benefits	Total fixed pay	Bonus	Total variable pay	Total pay
Non-Executive Chairman							
Peter Bertram[1]	35,577	–	–	35,577	–	–	35,577
Lord Leigh of Hurley[1]	51,987	–	–	51,987	–	–	51,987
Executive Directors							
Steven Cooklin	438,958	2,867	3,650	445,475	65,500	65,500	510,975
Mark Tavener	168,229	6,729	3,035	177,993	40,000	40,000	217,993
Non-Executive Directors							
Stephen Baister	50,000	–	–	50,000	–	–	50,000
Annie Devoy[1]	11,987	–	–	11,987	–	–	11,987
Lee Manning[1]	50,000	–	–	50,000	–	–	50,000
Total Directors' remuneration	**806,738**	**9,596**	**6,685**	**823,019**	**105,500**	**105,500**	**928,519**

1 In FY22, the remuneration for Lord Leigh of Hurley, Peter Bertam, Annie Devoy and Lee Manning represented part years due to a change in Board.

Directors' Interests (as at 31 March 2023)

As at 31 March 2023, the interests of the directors in ordinary shares, excluding options granted under the Company share schemes, that have not yet been exercised which are disclosed above, 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 their independence.

	Ordinary shares	% of issued share capital
Non-Executive Directors		
Stephen Baister	26,667	0.06
Lord Leigh of Hurley	148,000	0.25
Executive Directors		
Steven Cooklin	6,842,199	15.64
Mark Tavener	500	0.00
Mena Halton	270,891	0.62

Opinion

We have audited the financial statements of Manolete Partners plc (the 'company') for the year ended 31 March 2023 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted International Accounting Standards; and
- 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 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.

Summary of our audit approach

Key audit matters	• Valuation of investments • Recoverability of trade receivables
Materiality	• Overall materiality: £197,000 (2022: £245,000) • Performance materiality: £148,000 (2022: £183,000)
Scope	• Our audit procedures covered 100% of revenue, 100% of total assets and 100% of profit before tax.

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	The valuation of investments is detailed in the Audit Committee report on pages 38 to 39; the significant accounting judgements and estimates on pages 57 to 59; significant accounting policies on pages 52 to 57 and the investment note 13 to the Financial Statements on page 64. The valuation of investments in cases is subject to judgements and estimation by management which impact the revenue and profit/loss recognised in the income statement. The company has recognised a fair value reduction net of the realisation of investments for the year ended 31 March 2023 of £6.0m. The overall investment valuation of £36.4m as at 31 March 2023 consists of £13.4m Cartel cases, £15.9m non-cartel cases and £7.1m prepaid legal costs. 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: • Reviewing the control practices in place within the business to value the cases during the completion of both month end and year end processes. • Undertaking an assessment of management's material 'Cartel cases' and the valuation at the year end, including challenging management and reviewing correspondence from management's experts, including King's Counsel. The assessment included an evaluation of key changes in assumptions, with a particular focus on the rationale and supporting evidence for management's valuation approach for the year ended 31 March 2023. • 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 cases. The sample of cases were based on high value scoping and risk assessment procedures and makes up £9.6m (60%) of the total investment value (excluding legal costs and Cartel cases). • Discussing and challenging the valuation of a sample of 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 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 2023 is reasonable. • Analysis of the cases which have settled in the post year end period, checking whether the amount realised was materially different to the year end valuation, including review of subsequent events. These procedures were also completed for Q1 of FY23 to assess the accuracy of management's valuations at the prior year end. • Auditing the adequacy of the disclosures in the Financial Statements of the basis of valuation and the judgements made, including the consistency within the annual report.

Recoverability of Trade Receivables

Key audit matter description	Recoverability of trade receivables is detailed in the Audit Committee report on page 33; the significant accounting judgements and estimates on pages 50 and 51; significant accounting policies on pages 46 to 49 and the trade and other receivables note 16. The recoverability of trade receivables is subject to judgements by management to assess the likelihood of recovery. At 31 March 2023 trade receivables totalled £24.1m, an increase of £4.0m from the previous year. Provision for specific bad debts and expected credit losses increased by £2.3m to £4.7m. 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 and the judgements involved in assessing the recoverability of a debt.
How the matter was addressed in the audit	Our audit procedures included: • Testing £11.6m (72%) of the gross trade receivables excluding the significant case completion from 2021 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, including management's assessment of debtor recoverability. • Assessing the receivable of £7.8m, relating to the significant case completion from 2021 and the discounting assumptions applied to expected future cashflows and challenging management on their estimates and judgements in relation to the significant case completion and its related disclosures, including its classification within the financial statements. • Considering and challenging the level of bad debt provisioning, including management's assessment of expected credit losses and the estimates used in arriving at this position.

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	£197,000 (2022: £245,000)
Basis for determining overall materiality	5% of result before tax
Rationale for benchmark applied	As a listed entity, result before taxation is considered the most appropriate benchmark for users of the financial statements
Performance materiality	£148,000 (2022: £183,000)
Basis for determining performance materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £9,880 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included corroborating the available facilities to agreements, checking the terms of the facility amendment agreed during the year, checking compliance with covenants and reviewing and evaluating management's cash flow forecasts for a minimum of twelve months from anticipated approval of the financial statements. We also reviewed the results of management's scenario on the forecasts provided.

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

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

Other information

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

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

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

Responsibilities of directors

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation/Regulation	Additional audit procedures performed by the audit engagement team included:
UK-adopted IAS and Companies Act 2006	• Review of the financial statement disclosures and testing to supporting documentation. • Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	• Inspection of correspondence with local tax authorities. • Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Management override of controls	• Testing the appropriateness of journal entries and other adjustments; • Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and • Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
Revenue recognition and valuation of investments	• Revenue recognition is linked to the valuation of investments and the audit procedures performed in relation to the valuation estimates and judgements relevant to the fraud risk in revenue recognition are documented in the key audit matter section in our audit report on valuation of investments.

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.

Alan Summerfield
Senior Statutory Auditor

For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London, EC4A 4AB, United Kingdom

21 June 2023

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Note	31 March 2023 £'000s	31 March 2022 £'000s
Revenue	4	**20,753**	**20,443**
Cost of sales		(17,081)	(10,062)
Gross profit		**3,672**	**10,381**
Administrative expenses	8	(6,793)	(5,077)
Operating (loss)/profit	6	**(3,121)**	**5,304**
Finance income	9	7	–
Finance expense	9	(839)	(796)
(Loss)/Profit before tax		**(3,953)**	**4,508**
Taxation	11	829	(830)
(Loss)/Profit and total comprehensive income for the year attributable to the equity owners of the company		**(3,124)**	**3,678**
Earnings per share			
Basic (pence per share)	12	(£0.07)	£0.08
Diluted (pence per share)	12	(£0.07)	£0.08

The above results were derived from continuing operations.

The notes on pages 46 to 63 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

Company Number: 07660874	Note	31 March 2023 £'000s	31 March 2022 restated £'000s
Non-current assets			
Investments	13	13,389	12,198
Intangible assets	14	–	13
Trade and other receivables	16	12,315	12,331
Deferred tax asset	19	267	95
Right-of-use asset	15	–	86
Total non-current assets		25,971	24,723
Current assets			
Investments	13	23,073	33,520
Trade and other receivables	16	12,063	7,944
Corporation tax receivable	11	735	–
Cash and cash equivalents	17	636	2,256
Total current assets		36,507	43,720
Total assets		**62,478**	**68,443**
EQUITY AND LIABILITIES			
Equity			
Share capital	21	175	175
Share premium	22	157	142
Share based payment reserve	22	699	429
Special reserve	22	–	5
Retained earnings	22	38,130	41,468
Total equity attributable to the equity owners of the company		39,161	42,219
Non-current liabilities			
Trade and other payables	18	7,393	7,699
Borrowings	20	10,381	13,285
Total non-current liabilities		17,774	20,984
Current liabilities			
Trade and other payables	18	5,543	4,748
Current tax liabilities	11	–	396
Lease liability	15/20	–	96
Total current liabilities		5,543	5,240
Total liabilities		23,317	26,224
Total equity and liabilities		**62,478**	**68,443**

The notes on pages 46 to 63 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 21 June 2023.

Steven Cooklin
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Share Capital £'000s	Share Premium £'000s	Share based reserve £'000s	Special reserve £'000s	Retained Earnings £'000s	Total Equity[1] £'000s
As at 1 April 2021	**174**	**4**	**349**	**178**	**38,223**	**38,928**
Comprehensive income						
Profit for the year	–	–	–	–	3,678	3,678
Transactions with owners						
Dividends	–	–	–	–	(606)	(606)
Transfer in relation to creditors paid	–	–	–	(173)	173	–
Share based payment expense	–	–	169	–	–	169
Share options exercised	1	138	(138)	–	–	1
Deferred tax on share-based payments	–	–	49	–	–	49
As at 31 March 2022	**175**	**142**	**429**	**5**	**41,468**	**42,219**
Comprehensive income						
Loss for the year	–	–	–	–	(3,124)	(3,124)
Transactions with owners						
Dividends	–	–	–	–	(219)	(219)
Transfer in relation to creditors paid	–	–	–	(5)	5	–
Share based payment expense	–	–	150	–	–	150
Share options exercised	–	15	–	–	–	15
Deferred tax on share-based payments	–	–	120	–	–	120
As at 31 March 2023	**175**	**157**	**699**	**–**	**38,130**	**39,161**

1 Attributable to the equity owners of the Company.

The notes on pages 46 to 63 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Note	31 March 2023 £'000s	31 March 2022 £'000s
(Loss)/profit before tax		(3,953)	4,508
Adjustments for other operating items:			
Adjustments for non-cash items:	26	15,554	(444)
Operating cashflows before movements in working capital		**11,601**	**4,064**
Changes in working capital:			
Net increase in trade and other receivables		(4,105)	(1.926)
Net increase in trade and other payables		512	2,280
Net cash generated from operations before corporation tax and investments		**8,008**	**4,418**
Corporation tax paid		(353)	(833)
Investment in cases	13	(5,806)	(6,470)
Net cash generated from/(used in) operating activities		**1,849**	**(2,885)**
Cash flows from investing activities			
Finance income received	9	7	–
Net cash generated from investing activities		7	–
Cash flows from financing activities			
(Repayments)/Proceeds from borrowings	20	(3,000)	5,500
Dividends paid	10	(219)	(606)
Interest paid		(160)	(703)
Repayment of lease liabilities	15	(97)	(194)
Net cash (used in)/generated from financing activities		**(3,476)**	**3,997**
Net (decrease)/increase in cash and cash equivalents		(1,620)	1,112
Cash and cash equivalents at the beginning of the year		2,256	1,144
Cash and cash equivalents at the end of the year		**636**	**2,256**

The notes on pages 46 to 63 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

The financial statements have been properly prepared in accordance with UK adopted International Accounting Standards and in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs the Company and of the profit or loss of the Company for that period.

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 UK adopted International Accounting Standards 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

Given current trading levels, in particular new cases volumes being signed with a steady flow of completions along with the general level of insolvencies in the economy as a whole, 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.

Management has updated its forecasts for the business with particular focus on the next 12 – 18 months and based on current trading levels and the existing HSBC debt financing, 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. In addition, more lenient covenants have been agreed with HSBC for the three quarters, 31 March 2023 30 June 2023 and 30 September 2023. 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 and amended IFRS Standards that are effective for the current year:

- Amendments to IFRS 3 Reference to the Conceptual Framework Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract Annual Improvements to IFRS Standards 2018–2020 Cycle
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

New and revised IFRS Standards in issue but not yet effective:

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

- Amendments to IAS 12 Clarification of accounting for deferred tax on transactions

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

2.5 Revenue recognition

Revenue comprises two elements: the movement in 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, the inclusion of value for a new case and the removal of the fair value of a completed 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.

2.8 Intangible assets

Intangible assets are measured at cost and are amortised on a straight-line basis over their estimated finite 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.

2.9 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 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 assets. 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 specifically against receivables where Management have identified default or delays to payment in addition to the simplified approach within IFRS 9 using lifetime expected credit losses. The Company applies the simplified approach in providing for expected credit losses under IFRS 9 which allows the use of the lifetime expected credit loss provision for all trade receivables. In measuring the expected credit losses, trade receivables have been stratified by settlement type and days past due. Expected lifetime credit loss rates are based on payment profiles of completed cases from January 2019 (post IPO). 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 receivables 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 at any year-end, the valuation of a sample of material investments was underpinned by an external legal opinion, which supports the Directors' valuation.

2. Summary of significant accounting policies continued

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.

Contract assets are initially recognised in respect of earned interest revenue earned on completed cases but where the settlement will be paid to the Company over a significant period of time (i.e there is a significant financing component implicit in the transaction).

2.10 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.

Whilst the original arrangement fees in relation to a £25m loan facility with HSBC set up in June 2021 were capitalised and amortised over the length of the agreement, initially 3 years. Fees in relation to an amendment of the loan agreement in March 2023 were expensed to the Statement of Comprehensive Income in FY23.

These capitalised costs of £119,426 as at 31 March 2023 (31 March 2022: £215,959) have been netted off against borrowings in the Statement of Financial Position. Amendment fees of £62,500 were expensed to the Statement of Comprehensive Income in March 2023.

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.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives received.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Contract liabilities

Contract liabilities represent the Company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

2.11 Provisions

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

2.12 Share capital

Ordinary shares are classified as equity. There is one class of ordinary share in issue, as detailed in note 21. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds, net of tax.

2.13 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.

2.14 Right-of-use-assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date, net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities. Depreciation is charged to administrative expenses in the Statement of Comprehensive Income.

2.15 Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

2.16 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

2.17 Dividends

Dividends are recognised when declared during the financial year.

3. Significant judgements and estimates

The preparation of the Company's financial statements under UK adopted International Accounting Standards 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 the Statement of Comprehensive Income. 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. Due to the nature of Manolete's business model, an unrealised fair value gain will be recognised on initial investment in a case. Thereafter 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 below.

In accordance with IFRS 9 and IFRS 13, the Company is required to recognise live case investments at fair value 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 reviews then take place on a monthly basis to review progress on all live cases, on a case-by-case basis.
- 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 the Company.

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 351 open cases, of these 300 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 51 cases make up £23.9m 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 facts of each case and management's judgement of the likely outcome.

1.2 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. 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 judgement. These inputs are inter-related to an extent.

1.3 Excluding the large case completion in FY21, the Company does not consider there to be any significant concentration risk within trade receivables.

1.4 The Company accrues for future legal costs on the basis that cases will be settled before trial which is how the vast majority of cases completed to date have been settled. When it becomes clear a case will progress all the way to trial then the additional costs are accrued at this point on a case-by-case basis.

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 Management and confirmed 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.

2.2 Future legal costs have been estimated on the estimated time the case will take to complete, ranging between 3 to 24 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 case acceptance, a net worth review of the defendant is undertaken to assess whether they own sufficient assets to support the claim value. Cases that are settled without going to Court typically 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.

Sensitivity analysis has not been included in the financial statements, 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 £36.5m of investments disclosed in the balance sheet (note 13). 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 +/- £1.9m.

Approach to cartel case valuation:

Following publication of the ruling in respect of an EU Competition test case (the "BT / Royal Mail" case) we requested that our independent expert valuation firm apply the assumptions contained within the test case ruling to the valuation of Manolete's 22 cartel cases. Following the ruling and the receipt of further case data, the directors consider that additional discounting, or the use of a "tier based" system is no longer required and the year-end valuation therefore represents Manolete's percentage ownership of the overall case valuation. The cartel case carrying valuation of £13.4m, an increase of £1.2m from the prior year, is set out in Note 13 to the accounts.

Recoverability of trade receivables

The Company'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.12.8 months although this can vary significantly from case to case. As part of the settlement agreement, the timing of payment of the award by the defendant to the Company is agreed and this is a legally binding document. Settlements can be received in full on the day of settlement or (at Management's discretion) paid in instalments over a defined settlement plan.

As such, Management applies a number of estimates and judgements in the recording of trade receivables, for example: in relation to default judgements Management assess the likely recoverability and do not necessarily recognise the full judgement.

The Company applies the simplified approach in providing for expected credit losses under IFRS 9 which allows the use of the lifetime expected credit loss provision for all trade receivables. In measuring the expected credit losses, trade receivables have been stratified by settlement type and days past due. Expected lifetime expected credit loss rates are based on the payment profiles of sales from January 2019 (post IPO). The Company attempts to assess the probability of credit losses but seeks to mitigate its credit risk by undertaking rigorous net worth checks before taking on a case. Occasionally credit defaults do occur when counterparties default on an agreed settlement payable by instalments.

There is a concentration risk in relation to the trade receivable of £7.8m which relates to a large case completion in FY21. Repayments to date have been made according to the agreed schedule. Based on Management's assessment of the receivable no provision has been recognised against this balance.

Recovery of receivables is closely monitored by Management and action, where appropriate, will be taken to pursue any overdue payments. The Company seeks to obtain charging orders over the property of trade receivables as security where possible. The receivables' ageing analysis is also evaluated on a regular basis for potential doubtful debts. Where potential doubtful debts are identified specific bad debt provisions are held against these. It is the Directors' opinion that no further provision for doubtful debts is required. Please see note 16 on the accounts.

4. Segmental reporting

During the year ended 31 March 2023, 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 include 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 2023 £000s	31 March 2022 £000s
Net realised gains on investments in cases	26,790	15,243
Fair value movements (net of transfers to realisations) – note 13	(6,037)	5,200
	20,753	20,443

	31 March 2023 £000s	31 March 2022 £000s
Arising from:		
Purchased cases	15,321	18,955
Funded cases	5,432	1,488
	20,753	20,443

5. Directors and employees

Staff costs for the Company during the year:

Staff costs (including directors):	31 March 2023 £000s	31 March 2022 £000s
Wages and salaries	3,031	2,814
Social security costs	429	390
Other pension costs and benefits	277	314
Total staff costs	3,737	3,518

The average monthly number of employees (including executive and non-executive directors) employed by activity was:

	31 March 2023 No.	31 March 2022 No.
Directors (executive and non-executive)	6	5
Management and administration	18	17
Average headcount	24	22

The aggregate amount charged in the accounts for key management personnel (including employer's National Insurance contributions), being the directors of the company, were as follows:

Directors' emoluments:	31 March 2023 £000s	31 March 2022 £000s
Salaries and fees	1,404	1,042
Other pension costs and benefits	16	16
	1,420	1,058

Director's remuneration is detailed in the Remuneration report.

	31 March 2023 £000s	31 March 2022 £000s
Highest paid director:		
Salaries and fees	529	514
Other pension costs and benefits	6	7
	535	521

Management consider the directors to be the key management personnel.

6. Operating profit

Is stated after charging/(crediting):

	31 March 2023 £000s	31 March 2022 £000s
Bad debt expenses	1,534	321
Share based payments	150	169
Depreciation of right of use asset	86	171
Amortisation of intangible assets	13	22

7. Auditor remuneration

Amounts payable to RSM UK Audit LLP and its related entities in respect of both audit and non-audit services are set out below.

	31 March 2023 £000s	31 March 2022 £000s
Fee payable to Company's auditor and its associates for the statutory audit of the Company's financial statements	110	80
Fees payable to Company's auditor and its associates for other services:		
Interim agreed upon procedures	11	10
Total	121	90

8. Analysis of expenses by nature

Internal legal costs are included within administrative expenses 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 2023 £000s	31 March 2022 £000s
Staff Costs, including pension and healthcare costs	3,737	3,519
Bad debts including expected credit losses	1,534	321
Professional fees	512	479
Marketing costs	344	222
Other costs, including office costs	666	536
Total administrative expenses	6,793	5,077

9. Finance income and finance expense

	31 March 2023 £000s	31 March 2022 £000s
Bank interest	7	–
Total finance income	7	–

	31 March 2023 £000s	31 March 2022 £000s
Lease liability interest	1	6
Other loan interest	251	142
Bank loan charges	587	648
Total finance expense	839	796

10. Dividends

Dividends paid during the financial year were as follows.

Declared during the year	31 March 2023 £000s	31 March 2022 £000s
Final dividend for the year ended 31 March 2022 of 0.5p per share, paid in October 2022 (October 2021: 1.00p)	219	436
Interim dividend for the year ended 31 March 2023, of 0.0p per share (December 2021: 0.39p)	–	170
Total dividends paid during FY23	219	606
Proposed after the end of year and not recognised as a liability		
Final dividend for the year ended 31 March 2023: 0.0p per share (31 March 2022: 0.5p per share)	–	219

11. Taxation

Analysis of (credit)/charge in year	31 March 2023 £000s	31 March 2022 £000s
Current tax (credit)/charge on losses/profits for the year	(735)	850
Adjustments in respect of prior periods	(42)	2
Income tax (credit)/charge	(777)	852
Deferred tax	(52)	(22)
Total tax (credit)/charge	(829)	830

The tax (credit)/charge for the year differs from the standard rate of corporation tax in the UK of 19%. (2022: 19%). The differences are explained below.

	31 March 2023 £000s	31 March 2022 £000s
(Loss)/Profit on ordinary activities before tax	(3,953)	4,508
(Loss)/Profit on ordinary activities multiplied by the rate of corporation tax in the UK as above	(751)	857
Effects of:		
Expenses not deductible	44	39
Other differences	(28)	(45)
Adjustments to current tax in respect of previous periods	(42)	2
Deferred tax charged directly to equity	120	(49)
Temporary differences not recognised in the computation	(108)	26
Remeasurement of deferred tax for change in tax rates	(64)	–
Total taxation (credit)/charge	(829)	830

12. Earnings per share

The basic earnings per share is calculated by dividing the profit/(loss) 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/(loss) 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 2023 £000s	31 March 2022 £000s
(Loss)/Profit for the period attributable to equity holders of the Company	(3,255)	3,678
Weighted average number of ordinary shares	43,756,351	43,601,037
Earnings per share	(0.07)	0.08

Basic Earnings Per Share is based on the profit for the year attributable to the equity holders of the Company dividend by the weighted average number of ordinary shares during the period.

	31 March 2023 £000s	31 March 2022 £000s
(Loss)/Profit for the period attributable to equity holders of the Company	(3,255)	3,678
Diluted weighted average number of ordinary shares	45,442,219	44,907,949
Diluted earnings per share	(0.07)	0.08

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

	31 March 2023 £000s	31 March 2022 £000s
Weighted average number of shares for Basic Earnings Per Share	43,756,351	43,601,037
Adjustments for calculation of Diluted Earnings Per Share:		
Options over ordinary shares	1,685,868	1,306,912
Weighted average number of shares for Diluted Earnings Per Share	45,442,219	44,907,949

The earnings per share is diluted by options over ordinary shares, as detailed in note 23.

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 on accounting estimates).

	31 March 2023 £000s	31 March 2022 £000s
As at 1 April 2022	45,718	37,508
Prepaid cost additions	5,806	6,470
Realised prepaid costs	(9,025)	(3,460)
Fair value movement (net of transfers to realisations)	(6,037)	5,200
As at 31 March 2023	36,462	45,718

	31 March 2023 £000s	31 March 2022 £000s
Current	23,073	33,520
Non-current	13,389	12,198
As at 31 March 2023	36,462	45,718

Analysis of fair value movements

	31 March 2023 £000s	31 March 2022 £000s
New case investments	9,659	7,370
Increase in existing case fair value (excl. cartel cases)	134	956
Decrease in existing case fair value (excl. cartel cases)	(2,519)	(3,693)
Case completions – transferred to realisations	(14,503)	(4,539)
Increase in fair value of cartel cases	1,192	5,106
Fair value movement (net of transfers to realisations)	(6,037)	5,200

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.

Website development costs	31 March 2023 £000s	31 March 2022 £000s
As at 1 April 2022	13	35
Amortisation charge	(13)	(22)
As at 31 March 2023	–	13

15. Right of use asset

The Company held one lease, an office property lease for 21 Gloucester Place, London which expired in September 2022. The new lease relating to this office is short term and therefore not covered under IFRS 16.

	31 March 2023 £000s	31 March 2022 £000s
As at 1 April 2022	86	257
Depreciation	(86)	(171)
As at 31 March 2023	–	86
Current	–	86
As at 31 March 2023	–	86

Lease liability	31 March 2023 £000s	31 March 2022 £000s
Current	–	96
Non-current	–	–
As at 31 March 2023	–	96

The incremental borrowing rate used in the calculation of the lease liability was 3% (FY22: 3%). The maturity analysis of the finance lease liability is included in note 27.

Amounts recognised in the Statement of Comprehensive Income	31 March 2023 £000s	31 March 2022 £000s
Total interest expense	1	6

Amounts recognised in the Statement of Cashflows	31 March 2023 £000s	31 March 2022 £000s
Total cash outflow	(97)	(194)

16. Trade and other receivables

	31 March 2023 £000s	31 March 2022 restated £000s
Amounts falling due in excess of one year:		
Trade receivables	10,270	11,086
Contract asset	2,045	1,245
Total trade and other receivables due in excess of one year	12,315	12,331
Amounts falling due within one year:		
Gross trade receivables	16,505	10,096
Less:		
Specific provisions	(2,881)	(1,464)
Allowance for expected credit losses	(1,794)	(865)
Trade receivables	11,830	7,767
Prepayments	233	177
Total trade and other receivables due within one year	12,063	7,944

Trade receivables are amounts due from settled cases in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Ageing of the expected credit loss allowance us included in note 27.

The contract asset relates to the unwinding of the discounting applied to the present value of the settlement of a large case in FY21. See note 30 for more information regarding the restatement of 31 March 2022.

No impairment provision has been recognised in respect of contract assets as there is no past history of impairment losses and future losses are not anticipated.

Movements in the allowance for expected credit losses (ECL) are as follows:

ECL Provision	31 March 2023 £000s	31 March 2022 £000s
At 1 April 2022	865	560
Increase in provisions for impairment	929	305
As at 31 March 2023	1,794	865

The Company applies the simplified approach in providing for expected credit losses under IFRS 9 which allows the use of the lifetime expected credit loss provision for all trade receivables. In measuring the expected credit losses, trade receivables have been stratified by settlement type and days past due. Expected lifetime credit loss rates are based on the payment profiles of completions from January 2019 (post IPO).

17. Cash and cash equivalents

	31 March 2023 £000s	31 March 2022 £000s
Cash at bank and in hand	636	2,256

All bank balances are denominated in pounds sterling.

18. Trade and other payables

	31 March 2023 £000s	31 March 2022 restated £000s
Amounts falling due in excess of one year:		
Accruals – direct costs	5,982	6,853
Contract liability	1,411	846
Total trade and other payables due in excess of one year	7,393	7,699
Amounts falling due in one year:		
Trade payables	802	734
Accruals – direct costs	3,984	3,273
Other creditors	645	622
Other taxation and social security	112	119
Total trade and other payables due within one year	5,543	4,748

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying value of trade and other payables approximates their fair value, as the impact of discounting is not significant.

18. Trade and other payables continued

Accruals – direct costs relate primarily to accrued amounts due to Insolvency Practitioners on the Company's completed cases and accrued legal costs of completed cases. Of the £6.6m shown as non-current, £5.6m relates to the amounts payable to the Insolvency Practitioner due in more than one year in respect of the large case completion in FY21.

The contract liability relates to the unwinding of the discounting applied to the present value of amounts payable to the insolvency practitioner following the settlement of a large case in FY21. See note 30 for more information regarding the restatement of 31 March 2022.

19. Deferred tax asset

	31 March 2023 £000s	31 March 2022 £000s
At 1 April 2022	95	121
Deferred tax charged in the income statement for the period	292	23
Deferred tax included directly in equity	(120)	(49)
At 31 March 2023	267	95

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

20. Borrowings

	31 March 2023 £000s	31 March 2022 £000s
Non-current		
Bank loans	10,381	13,285
Total non-current borrowings	10,381	13,285
Current		
Lease liability	–	96
Total current borrowings	–	96

Arrangement fees in relation to a £25m loan facility set up with HSBC in June 2021 are capitalised and amortised over the length of the loan facility, period of three years. There is an option to extend for a further year.

Gross borrowings are £10.5m as at 31 March 2023 (FY22: £13.5m) but are presented net of HSBC set-up amortised costs of £119k above which are being amortised over 3 years. Maturity analysis of bank loans is included in note 27.

The Company agreed on 22 June 2021, a new RCF for £25m over an initial three-year period to 1 July 2024, with an option to extend by a further year. In July 2022 the Company chose to take the extension to 1 July 2025. The new RCF also offers the Company an additional approved but uncommitted £10m accordion, if ever required. The interest rate is a maximum 3.7% over SONIA. Under terms of the agreement, Steven Cooklin is required to maintain a minimum shareholding of 5% of the issued share capital of the Company and is subject to a change in control clause such that no investor may hold more than 30 percent of the voting rights of the Company.

The Company agreed a waiver with HSBC in respect of the leverage covenant for the quarters ending 30th June 2022, 30th September 2022 and 31st December 2022. Following this event, the Company has agreed an amendment to the loan agreement with a revised leverage covenant for the three quarters (ending 31st March 2023, 30th June 2023 and 30th September 2023) to avoid any short-term breach of the leverage covenant due to the count back nature of the calculation (calculation amended to exclude the period of EBIT losses in H1).). A condition of this amendment is that no dividend should be paid in respect of FY23 year end. This restriction is lifted in FY24 if the Company is trading profitably.

Reconciliation of liabilities arising from financing activities:

	1 April 2022 £000s	Cash flows £000s	Non-cash changes £000s	31 March 2023 £000s
Bank borrowings	13,285	(3,000)	96	10,381
Lease liabilities	96	(97)	1	–
Total liabilities from financing activities	13,381	(3,097)	97	10,381

	1 April 2021 £000s	Cash flows £000s	Non-cash changes £000s	31 March 2022 £000s
Bank borrowings	7,698	5,500	87	13,285
Lease liabilities	285	(194)	5	96
Total liabilities from financing activities	7,983	5,306	92	13,381

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

Commitments in relation to leases are payable as follows:

	31 March 2023 £000s	31 March 2022 £000s
Within one year	–	97
Total	–	97
Future finance charges	–	(1)
Total lease liability	–	96

21. Share capital

Allotted and issued	31 March 2023 No.	31 March 2022 No.
Ordinary shares of £0.004 each	43,761,305	43,694,740

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.

22. Reserves

Share premium

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

Share based payment reserve

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

Special non-distributable reserve

A special non-distributable reserve was created in FY19 to ensure there was sufficient reserves held within the Company to satisfy creditors at the time of a conversion of share premium to distributable reserves to allow a dividend to be paid in FY19. The balance on this reserve was reduced to nil in FY23.

Retained earnings

Includes all current and prior periods retained profits and losses.

23. Share options

The Company operates a number of share-based payment schemes as follows:

CSOP Share Scheme

The Board has adopted the Manolete Partners Share Option Plan (CSOP) to enable conditional share awards to be granted, which may be subject to achievement of performance criteria and the awards are exercisable between three and ten years following their grant. There are no cash-settlement alternatives and the awards are therefore accounted for under IFRS 2 as equity settled share-base payments.

Year ended 31st March 2023

Grant date	**Vesting Date**	**Exercise price**	**Balance brought forward**	**Granted during the year**	**Exercised during the year**	**Lapsed/ forfeited**	**Balance carried forward**
21/11/2019	21/11/2021	1.12	384,038	–	(13,232)	–	370,806
08/07/2019	08/07/2022	4.45	50,557	–	–	–	50,557
29/11/2019	29/11/2022	4.65	16,127	–	–	–	16,127
09/12/2019	09/12/2022	4.30	193,781	–	–	–	193,781
27/07/2020	27/07/2023	4.15	21,684	–	–	(7,228)	14,456
16/11/2022	16/11/2025	2.58	–	34,950	–	–	34,950
			666,187	34,950	(13,232)	(7,228)	**680,677**
Exercisable at the end of the year			–	–	–	–	–
Weighted average exercise price			2.48	2.58	1.12	4.15	2.50

Year ended 31st March 2022

Grant date	**Vesting Date**	**Exercise price**	**Balance brought forward**	**Granted during the year**	**Exercised during the year**	**Lapsed/ forfeited**	**Balance carried forward**
21/11/2019	21/11/2021	1.12	507,352	-	(123,314)	-	384,038
08/07/2019	08/07/2022	4.45	50,557	-	-	-	50,557
29/11/2019	29/11/2022	4.65	16,127	-	-	-	16,127
09/12/2019	09/12/2022	4.30	193,781	-	-	-	193,781
27/07/2020	27/07/2023	4.15	21,684	-	-	-	21,684
15/03/2021	15/03/2024	2.70	11,111	-	-	(11,111)	-
			800,612	-	(123,314)	(11,111)	**666,187**
Exercisable at the end of the year			–	–	–	–	–
Weighted average exercise price			2.45	-	1.12	4.15	2.50

23. Share options continued

Options outstanding at 31 March 2023 are exercisable at prices ranging between £1.12 and £4.65 (FY22 £1.12 and £4.65) and the weighted average contractual life of the options outstanding at the reporting date is 17 months (FY22: 7.6 months) as analysed in the table below:

	Number of share options		Weighted average remaining contractual life (months)	
Exercise price range	**FY23**	**FY22**	**FY23**	**FY22**
£1.12 – £1.99	370,806	384,038	–	–
£2.00 – £3.99	34,950	–	31	–
£4.00 – £4.65	274,921	282,149	3	7.6
	680,677	**666,187**	**17**	**7.6**

	Number of share options		Average exercise price £	
	FY23	**FY22**	**FY23**	**FY22**
CSOP Options	168,938	141,216	3.01	3.18
Unapproved Options	511,739	524,971	2.32	2.29
Total	**680,677**	**666,187**	**2.50**	**2.48**

Fair value calculations

The fair value of the CSOP share options plans are calculated at the date of the grant using the Black-Scholes option pricing model. Expected volatility was determined by calculating the historical volatility of the Company's share price over an appropriate period. The following table presents the inputs used in the option pricing model for the share options granted in the year ended 31 March 2023 based on information at the date of grant.

Grant date of award	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
16/11/2022	2.52	2.58	32%	0%	1.87%	0.92

No performance conditions were included in the fair value calculations for CSOP awards granted during the year.

Long-term incentive plan

In FY21 the Company introduced an equity-settled long-term incentive plan (LTIP) scheme for the executive directors and other senior executives. Performance is measured at the end of the three-year performance period. If the required minimum Earnings Per Share (EPS) performance conditions have been satisfied, 25% of the shares will vest, increasing to 100% of shares if the maximum EPS target is achieved. Straight-line vesting will apply of performance falls between two points. FY23 LTIP scheme is split evenly over three performance conditions; EPS, Strategy performance and Share Price. Options awarded will expire ten years from the date of grant and are issued at the nominal value of the Company's share capital of £0.004p but the Company's remuneration committee may waive the requirement at their discretion.

The following table summarises the movements in LTIP options during the year:

Year ended 31st March 2023

Grant date	Expiry Date	Exercise price	Balance brought forward	Granted during the year	Exercised during the year	Lapsed/ forfeited	Balance carried forward
30/09/2020	30/03/2022	0.004	53,333	–	–	–	53,333
30/09/2020	30/09/2023	0.004	321,334	–	–	–	321,334
02/12/2021	02/12/2024	0.004	357,806	–	–	–	357,806
02/12/2021	30/03/2022	0.004	53,333	–	(53,333)	–	–
29/07/2022	29/07/2025	0.004	–	349,800*	–	–	349,800
29/07/2022	29/07/2023	0.004	–	16,054*	–	–	16,054
			785,806	365,854	(53,333)	–	**1,098,327**
Weighted average exercise price			0.004	0.004	0.004	–	0.004

Year ended 31st March 2022

Grant date	Expiry Date	Exercise price	Balance brought forward	Granted during the year	Exercised during the year	Lapsed/ forfeited	Balance carried forward
30/09/2020	30/03/2022	0.004	53,333	–	–	–	53,333
30/09/2020	30/09/2023	0.004	321,334	–	–	–	321,334
02/12/2021	02/12/2024	0.004	–	357,806[1]		–	357,806
02/12/2021	30/03/2022	0.004	–	53,333[1]	–	–	53,333
			374,667	**411,139**	–	–	**785,806**
Weighted average exercise price			0.004	0.004	–	–	0.004

1 The LTIP amounts above are the maximum potential conditional share awards that may vest subject to the performance measures.

53,333 options were exercised during the period and no options were modified. The weighted average remaining contractual life of these options is 20.6 months (FY22: 22.8 months). No LTIP options were in issue prior to the 1 April 2020.

Fair value calculations

The fair value of the LTIP share options plans are calculated at the date of the grant using the Black-Scholes option pricing model. Expected volatility was determined by calculating the historical volatility of the Company's share price over an appropriate period. The following table presents the inputs used in the option pricing model for the share options granted in the years ended 31 March 2023 and 31 March 2022 based on the information at the date of grant:

Grant date of award	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
02/12/2021	2.55	0.004	56.3%	0%	0.82%	2.55
02/12/2021	2.55	0.004	33.6%	0%	0.82%	2.55
29/07/2022	2.78	0.004	52.3%	0%	1.87%	2.34
29/07/2022	2.78	0.004	31.7%	0%	1.87%	2.34

LTIP awards granted during the year ended 31 March 2023 are subject to the Earnings Per Share performance. Strategy performance and share price conditions.

24. Retirement benefits

The Company operates a defined contribution pension scheme for all qualifying employees. During the year, the Company charged £82,774 (FY22: £78,824) as employer's pension contributions. The outstanding pension creditor as at 31 March 2023 was £5,339 (FY22: £4,933).

25. Financial instruments – classification and measurement

Financial assets

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

	31 March 2023 £000s	31 March 2022 £000s
Trade receivables	22,100	18,853
Contract assets	2,045	1,245
Cash and cash equivalents	636	2,256
Total	24,781	22,354

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

	31 March 2023 £000s	31 March 2022 £000s
Investments	36,462	45,718
Total	36,462	45,718

25. Financial instruments – classification and measurement continued

Financial liabilities

Financial liabilities measured at amortised cost comprise of trade and other payables, bank loans, and lease liabilities, as follows:

	31 March 2023 £000s	31 March 2022 £000s
Trade and other payables	12,936	12,447
Bank loans	10,381	13,285
Lease liabilities	–	96
Total	23,317	25,828

Fair value

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:

31st March 2023	Level 1 £000s	Level 2 £000s	Level 3 £000s
Investments	–	–	36,462
Total	–	–	36,462

31st March 2022	Level 1 £000s	Level 2 £000s	Level 3 £000s
Investments	–	–	45,718
Total	–	–	45,718

26. Cashflow information

(A) Non-cash adjustments to cashflows generated from operations

	31 March 2023 £000s	31 March 2022 £000s
Fair value movements	6,037	(5,200)
Legal costs on realised cases	9,024	3,460
Finance expense	236	796
Depreciation & amortisation	99	193
Share based payments	260	218
Deferred tax	(95)	89
Finance income	(7)	–
Non-cash adjustments to cashflows generated from/(used in) operations	15,554	(444)

(B) Net debt reconciliation

	31 March 2023 £000s	31 March 2022 £000s
Cash and cash equivalents	636	2,256
Borrowings – repayable after one year	(10,381)	(13,285)
Net debt excluding leases	(9,745)	(11,029)
Current lease liability	–	(96)
Net debt including leases	(9,745)	(11,125)

27. 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 receivables and trade payables which arise directly from the Company's operations.

Interest rate risk

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

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

	Debt £000s	31 March 2023 Interest Rate	31 March 2022 Debt £000s	31 March 2023 Interest Rate
Floating rate borrowings				
Bank loans	10,500	SONIA and Margin of 3.7%	13,500	LIBOR and Margin of 2.9%

Liquidity risk

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

Unused borrowing facilities at the reporting date:

	31 March 2023 £000s	31 March 2022 £000s
Bank loans	14,500	11,500

The following table details the Company's remaining contractual maturity for the Company's non-derivative financial liabilities with agreed maturity periods. The table is presented based on the undiscounted cashflows of the financial liabilities based on the earliest date on which the Company can be required to pay which may differ from the carrying liabilities at the reporting date.

At 31 March 2023	Less than one year £000s	Between 1 and 2 years £000s	Between 2 and 5 years £000s	Greater than 5 years £000s	Total contractual cashflows £000s	Carrying amount of liabilities £000s
Trade and other payables	6,435	1,856	4,451	3,906	16,648	12,936
Bank borrowings	–	–	10,500	–	10,500	10,381
Lease liabilities	–	–	–	–	–	–
Total	6,435	1,856	14,951	3,906	27,148	23,317

At 31 March 2022	Less than one year £000s	Between 1 and 2 years £000s	Between 2 and 5 years £000s	Greater than 5 years £000s	Total contractual cashflows £000s	Carrying amount of liabilities £000s
Trade and other payables	4,925	1,382	4,289	5,223	15,819	12,447
Bank borrowings	–	–	13,500	–	13,500	13,285
Lease liabilities	97	–	–	–	97	96
Total	5,022	1,382	17,789	5,223	29,416	25,828

The contractual maturity classifications of trade and other payables have been restated in respect of FY2022 following a review of the contractual terms of a specific liability, as reported further in Note 30.

In addition, the classification of the bank borrowings figure of £13.5m has been restated in respect of FY2022 to correctly reflect the terms of repayment in place as at 31 March 2022.

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 20. The Company initially raised funds through an IPO in December 2018 and has drawn down £10.5m of a HSBC loan facility (FY22: £13.5m), the total facility is a £25m revolving credit facility with HSBC.

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

- Safeguard the Company's ability to operate 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 2023 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 assets recognised at the reporting date, as summarised below:

	31 March 2023 £000s	31 March 2022 £000s
Trade and other receivables	24,378	20,275
Total	24,378	20,275

The Company applies the simplified approach in providing for expected credit losses under IFRS 9 which allows the use of the lifetime expected credit loss provision for all trade receivables. In measuring the expected credit losses, trade receivables have been stratified by settlement type and days past due. Expected lifetime credit loss rates are based on the payment profiles of sales from January 2019 (post IPO).

The Company attempts to assess the probability of credit losses but seeks to mitigate its credit risk by undertaking rigorous net worth checks before taking on a new case. Occasionally, credit defaults do occur when counterparties default on an agreed settlement, payable by instalments.

27. Financial instruments – risk management continued

There is a concentration risk in relation to the trade receivable of £7.8m in relation to a single case which completed in FY21. Repayments to date have been made according to the agreed schedule. Excluding this balance, 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 as security where possible. The receivables' ageing 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.

The following table contains an analysis of our total gross trade receivables segmented by settlement type.

	31 March 2023 £000s	31 March 2022 £000s
Settlement agreements	18,850	15,717
Judgements	5,044	4,001
Specific provisions	2,881	1,464
Gross carrying amount after specific provisions	26,775	21,182
Loss allowance	(4,675)	(2,329)
Trade receivables carrying amount	22,100	18,853

Analysis of trade receivables stratified by settlement type, is as follows:

Past due at 31 March 2023	Current £000s	0–1 months £000s	1–3 months £000s	3–6 months £000s	6–12 months £000s	>12 months £000s	Total £000s
Gross receivables							
Settlement agreements	17,578	55	716	593	138	552	19,632
Judgements	659	2	–	1,609	619	4,254	7,143
Total	18,237	57	716	2,202	757	4,806	26,775
Loss allowance							
Settlement agreements – ECL	(163)	(5)	(125)	(276)	(78)	(180)	(827)
Judgements – ECL	(68)	(1)	–	(352)	(172)	(374)	(967)
Settlement agreements – Specific provisions	(87)	(2)	(280)	(7)	(33)	(373)	(782)
Judgements - Specific provisions	–	–	–	(154)	(100)	(1,845)	(2,099)
Total	(318)	(8)	(405)	(789)	(383)	(2,772)	(4,675)
Expected loss rate %							
Settlement agreements	2%	10%	29%	47%	75%	95%	4%
Judgements[1]	12%	28%	33%	34%	35%	64%	14%
Specific provisions	100%	100%	100%	100%	100%	100%	100%
Total	2%	14%	57%	36%	51%	58%	17%

1 Expected judgement loss rates are shown net of deductions where the Company has secured charging orders over properties owned by the debtors.

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

Investment risk

Investment risk refers to the risk that the Company's case investments may increase or decrease in value.

Sensitivity analysis has not been included in the financial statements, 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 considered 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 £36.5m of investments disclosed in the balance sheet. However, as an indication we note that a 10% increase/(decrease) in the fair value or our top 20 cases (including Cartel cases) would result in an increase/(decrease) in the fair value investment of +/- £1.9m.

Currency risk

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

28. Related party transactions

Director and key management remuneration is disclosed in Note 5.

Dividends of £36,251 were paid to the directors during the year based on their individual shareholdings disclosed in the Remuneration Committee report as follows:

	31 March 2023 £000s	31 March 2022 £000s
Steven Cooklin	34	95
Mark Tavener	–	–
Lord Howard Leigh	1	1
Mena Halton	1	–
Stephen Baister	–	0.5
Total dividends paid to the directors	**36**	**97**

29. Ultimate controlling party

The Company has no ultimate controlling party.

30. Restatement of Statement of Financial position

The contract asset and contract liability balances relate to the discount unwinding on the present value of the receivable and accrued IP costs from the large case that completed in FY21. Following a review of the contractual terms of the contract balance and contract liability, the directors concluded that these balances should have been presented as long term. The adjustments to the Statement of Financial Position as at 31 March 2021 and 31 March 2022 are shown below. This had no impact upon the Statement of Comprehensive Income, Statement of Changes in Equity or Statement of Cash Flows in the current or prior financial year.

Statement of Financial Position as at 31 March 2022

	Previously reported at 31 March 2022 £000s	Adjustment £000s	As restated at 31 March 2022 £000s
Non-current assets			
Trade and other receivables	11,086	1,245	12,331
Current assets			
Trade and other receivables	9,189	(1,245)	7,944
Non-current liabilities			
Trade and other payables	6,853	846	7,699
Current liabilities			
Trade and other payables	5,594	(846)	4,748

Statement of Financial Position as at 31 March 2021

	Previously reported at 31 March 2021 £000s	Adjustment £000s	As restated at 31 March 2021 £000s
Non-current assets			
Trade and other receivables	10,660	431	11,091
Current assets			
Trade and other receivables	7,688	(431)	7,257
Non-current liabilities			
Trade and other payables	6,602	291	6,893
Current liabilities			
Trade and other payables	3,565	(291)	3,274

Definitions & Abbreviations

ACA

Associate Chartered Accountant

ADR

Alternative Dispute Resolution: all dispute resolution procedures other than court proceedings. Common methods of Alternative Dispute Resolution range from less structured approaches such as negotiation and mediation to more formal adjudicated procedures such as expert determination and arbitration. However, where the phrase is used to distinguish between adversarial and non-adversarial dispute resolution procedures, arbitration as well as litigation is not considered a form of Alternative Dispute Resolution.

AGM

Annual General Meeting

ATE

After the Event insurance

BBL

Bounce Back Loan

CAGR

Compound Annual Growth Rate

Case Duration

The period from assignment of a claim to the point of legal settlement.

CEO

Chief Executive Officer

CFA

Conditional Fee Agreement

CFO

Chief Financial Officer

CSOP

The Manolete Partners Plc Company Share Option Plan

DSO

Days Sales Outstanding

EPS

Earnings Per Share

FCA

Fellow Chartered Accountant

HMRC

Her Majesty's Revenue & Customs

ICAEW

Institute of Chartered Accountants in England and Wales

IFRS

International Financial Reporting Standards

IP

Insolvency Practitioner

IPA

Insolvency Practitioners Association

IPO

Initial Public Offering

IRR

Internal Rate of Return is the discount rate that makes the net present value of a series of cashflows equal to zero. We calculate IRR by looking at the set of completed cases as a whole using actual and estimated cashflows where appropriate.

ISA

International Standards on Auditing

KPI

Key Performance Indicator

LIBOR

London Interbank Offered Rate

LTIP

Long Term Incentive Plan

MoM

Money Multiple is the Gross Proceeds less the Insolvent Estate's share of the Net Returns, divided by the sum of the upfront payment to the Insolvent Estate and total legal costs and other expenses of the claim.

Operating Profit

Earnings before interest and tax (EBIT)

RCF

Revolving Credit Facility

ROI

Return on investment is calculated as the total case profit due to Manolete (net of profit share due to the IP) divided by the total case investment (including initial IP payment and legal costs).

SONIA

Sterling Overnight Interbank Average Rate

Temporary Measures

Corporate Insolvency and Governance Act 2020

QCA

The Quoted Companies Alliance Corporate Governance Code 2018.

Directors & Advisers

Directors	**Steven Cooklin** Chief Executive Officer **Mark Tavener** Chief Financial Officer **Mena Halton** Managing Director **Lord Leigh** Non-Executive Director **Annie Devoy** Non-Executive Director **Stephen Baister** Non-Executive Director
Company Secretary	Indigo Corporate Secretary Limited
Registered Office	2–4 Packhorse Road Gerrards Cross Buckinghamshire SL9 7QE
Company number	07660874 (England and Wales)
Nominated adviser and broker	Peel Hunt LLP Moor House 100 Liverpool Road London EC2M 2AT
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

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