Manolete Partners Plc

Interim Financial Statements

6 months ended

30 September 2023

Company Number: 07660874

16 November 2023

MANOLETE PARTNERS PLC
("Manolete" or the "Company")

Half-year results for the six months ended 30 September 2023

Manolete (AIM:MANO), the leading UK-listed insolvency litigation financing company, today announces its unaudited results for the six months ended 30 September 2023.

Steven Cooklin, Chief Executive Officer, commented:

"It is pleasing to report another six months of strong growth in the business. A 21% increase in case completions and a 116% increase in new case investments has translated into a 104% increase in total revenues and positive profitability and EPS in the first half of the current trading year compared to the 6 months ended 30 September 2022. The prior period was negatively impacted by fair value write downs which were not repeated in H1 FY24.

"We ended the current half year reporting period with 417 live cases in-progress, 58% higher than at the same time last year. Our in-house Legal and Net Worth Reporting teams have been significantly expanded to address this current and anticipated strong increase in our business activities.

"The exceptional results that our team has already delivered on the Barclays Bounce Back Loan Pilot position us well to expand our work in this area, with the prospect of further potential work with Barclays and the launch of a separate pilot with another well-known bank".

Financial highlights:

- Total revenues increased by 104% to £11.2m from H1 FY23 (£5.5m) as a result of both positive realised and unrealised revenue compared to a significant fair value write down in the prior year comparative.
- Gross profit reported of £5.0m in this period, H1 FY24, compared to a £(2.2)m gross loss in H1 FY23.The primary drivers were:
  - positive realised and unrealised gross profit contributed in H1 FY24 whilst in the prior period, H1 FY23, was negatively affected by a write down in unrealised revenue; and
  - an increase in new cases signings (179 new cases H1 FY24, 83 H1 FY23).
- EBIT profit of £1.6m has been achieved compared to a loss of £5.3m recorded in H1 FY23, a turnaround of £6.9m.
- Profit Before Tax was £0.9m compared to a Loss Before Tax of £5.4m in H1 FY23.
- Gross cash generated from completed cases decreased 45% to £8.7m (H1 FY23: £15.7m). However, as previously reported, the figure for H1 FY23 included an exceptionally large single case settlement of £9.5m. Excluding that large case, H1 FY24 was 40% higher than the £6.2m generated in H1 FY23.
- Net assets as at 30 September 2023 were £39.8m (H1 FY23: £37.8m). Net Debt was £12.0m consisting of borrowings of £12.9m, offset by cash balances of £0.9m (H1 FY23: £9.4m consisting of a drawn down loan of £9.8m, offset by cash balances of £0.4m).
- £12m of the £25m HSBC Revolving Credit Facility remains available for utilisation, as at 30 September 2023 (H1 FY23, £15m unutilised).
- Basic earnings per share improved to positive 1.4 pence (H1 FY23: negative 10.2 pence).
- No interim dividend is proposed (H1 FY23: £nil).

Operational and market highlights:

- Ongoing delivery of realised returns: 116 case completions in H1 FY24 representing a 21% increase (95 case realisations in H1 FY23), generating gross settlement proceeds of £9.2m (H1 FY23: £18.3m), over an average duration of 11.5 months. As previously reported, H1 FY23 included an exceptionally large single case return of £9.5m. Excluding that large case, H1 FY24 gross settlement proceeds were 142% higher than the £3.8m generated in H1 FY23.
- The average duration of the 116 case realisations in H1 FY24 was 11.5 months (H1 FY23: 14.9 months). This signifies a return to the Company's long established case duration of around 12.7 months, which had expanded temporarily due to the challenges presented by Covid.
- Average money multiple (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) of 2.3 times for the 116 cases completed in H1 FY24 (H1 FY23 2.2 times).
- Average case duration across the full lifetime portfolio of 803 completed cases as at 30 September 2023 was 12.7 months (H1 FY23: 13.3 months).

- New case investments increased by 116% to 179 (H1 FY23: 83 new case investments) as the higher level of insolvencies in the economy translated to higher new cases signed as well as the impact of the Barclays Bounce Back Loan Pilot (BBLs).
- New case enquiries remained at elevated levels, increasing marginally from 341 in H1 FY23 to 348 in H1 FY24.
- 58% increase in live cases: 417 in process as at 30 September 2023 (264 as at 30 September 2022) which includes 53 live BBLs.
- Excluding the Cartel cases, all vintages up to and including the 2019 vintage are now fully completed. Only seven cases remain open in the 2020 vintage. 76% of the Company's live cases have been signed in the last 18 months.
- The Bounce Back Loan ("BBL") pilot with Barclays Bank covering a range of defaulted BBL cases continues to perform well. Starting in January 2023, the Company has now signed 80 Barclays BBL cases of which 27 have already been completed. The results of Manolete's recoveries in the pilot continue to be impressive, and the Company is engaging with Barclays to potentially extend our work with them. The Company is hopeful to shortly commence a separate BBL pilot with another well-known bank.
- The truck Cartel cases continue to progress well. Following a positive judgment on the first test cases (Royal Mail and British Telecom), several similar (non-Manolete) UK truck cartel cases have now reached settlement. A marginal uplift to Manolete's fair value has been recorded in this interim period due to a reduction of forecast future costs relating to the smaller cases. A relatively minor appeal on the DAF/British Telecom case is listed for hearing in the Court of Appeal next month. Once that has concluded, the Board will be looking to move the Company's 22 truck related cartel cases forward to resolution.
- In anticipation of further sustained high levels of activity in the UK insolvency sector, we have added significantly to our in-house Legal and Net Worth Reporting teams with several high-quality new joiners.

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Chief Executive Officer's Statement

Introduction

I am pleased to present our unaudited statements for the half year to 30 September 2023.

Manolete is the leading UK quoted company in the insolvency litigation finance market, a market which plays an important role in returning funds to creditors, particularly HMRC.

Performance

Following an extended period of almost two years, while the UK Government took action to temporarily supress UK insolvencies during the period of the Covid pandemic, the insolvency market returned to largely normal operations from April 2022. Since then, UK insolvencies in total, and Creditors Voluntary Liquidations ("CVLs"), in particular, are now at levels not seen since the 2008 financial crisis. Larger company insolvencies, which typically enter an insolvency process via Administration, are now also at least back to pre-pandemic levels.

Liquidators and Administrators will always require some time to undertake the necessary investigations into any insolvent company, before being in position to present potential litigation claims to third party funders. Therefore, it was not until the H2 FY23 period, that Manolete started to benefit from a significant increase in the level of its business. That resulted in the strong growth reported in that the second half of FY23. The financial results for H1 FY24 show a continuation of that strong growth across all KPIs of the Company, as well as a significant 104% increase in revenues compared to H1 FY23 and a return to profitability at the EBIT, pre-tax and post-tax levels compared to losses on all of those three measures for H1 FY23.

The first wave of insolvencies after April 2022 was driven by the sharply rising and sustained increase in CVLs. These generally represent smaller companies and therefore, typically, smaller claim values. This has resulted in an 18% lower average completion value per case in H1 FY24 (£79.3k per case) compared to H1 FY23 (£96.8k per case) (excluding the exceptionally large single case completion). It is only in the last seven months that the UK insolvency market has seen any sustained recovery to pre-pandemic levels of Administration appointments. As the insolvency market develops through the current business cycle, the Directors anticipate a return to higher average case sizes, reflecting a greater mix of larger company insolvencies.

Vintages Table

This table highlights some of the key features of Manolete's model:

1. Consistently high IRRs across 803 completed cases.
2. Fast case completions, at an average of 12.7 months per case (H1 FY23: 13.3 months per case) from the date of signing the investment agreement to the date that the case is legally completed. Cash tends to be collected, on average, over the following 12 months (H1 FY23 12 months).
3. All cases completed for the 2019 vintage and earlier.
4. Only seven of the 141 cases invested in 2020 remain open.

Case Vintages as at 30 September 2023

Case Vintage		No. of investments No	No. completed No	% completion % total	No outstanding No	Open case investments £'000	Closed case investments £'000	Total invested £'000	Total recovered £'000	Total gain £'000	IP share £'000	Manolete gain £'000	Duration completed cases Months	ROI %	MoM %	IRR %
2010	2010	3	3	100%	0	0	52	52	28	(24)	10	(35)	7.0m	(67%)	.3x	0%
2011	2011	0	0	-	0	0	0	0	0	0	0	0	0.0m	0%	.0x	0%
2012	2012	8	8	100%	0	0	763	763	2,524	1,761	580	1,181	18.0m	155%	2.5x	258%
2013	2013	10	10	100%	0	0	174	174	780	606	316	290	7.1m	166%	2.7x	147%
2014	2014	42	42	100%	0	0	594	594	3,884	3,290	2,427	863	10.0m	145%	2.5x	455%
2015	2015	39	39	100%	0	0	1,404	1,404	7,029	5,625	3,290	2,335	12.8m	166%	2.7x	502%
2016	2016	36	36	100%	0	0	1,936	1,936	9,393	7,457	4,164	3,293	15.0m	170%	2.7x	180%
2017	2017	31	31	100%	0	0	1,446	1,446	4,469	3,023	1,905	1,118	14.1m	77%	1.8x	462%
2018	2018	29	29	100%	0	0	3,967	3,967	23,714	19,747	12,972	6,775	16.9m	171%	2.7x	71%
2019	2019	59	59	100%	0	0	2,745	2,745	14,855	12,110	7,528	4,582	17.4m	167%	2.7x	95%
2020	2020	141	134	95%	7	924	6,811	7,734	18,188	11,378	7,105	4,272	17.2m	63%	1.6x	80%
2021	2021	198	166	84%	32	1,442	7,216	8,658	22,855	15,639	8,444	7,195	13.8m	100%	2.0x	106%
2022	2022	159	121	76%	38	1,384	2,619	4,003	8,140	5,522	3,033	2,488	10.6m	95%	2.0x	223%
2023	2023	263	114	43%	149	1,837	1,453	3,290	8,078	6,626	3,341	3,286	5.6m	226%	3.3x	1994%
H1 2024	2024	179	11	6%	168	677	59	736	428	368	183	185	2.7m	312%	4.1x	2794%
Total (exc. Cartel cases)		**1,197**	**803**	**67.1%**	**394**	**6,264**	**31,238**	**37,501**	**124,365**	**93,127**	**55,297**	**37,827**	**12.7m**	**121%**	**2.2x**	**131%**

(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 FY21is presented net of discounting.

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

Strategy, Team and Outlook

The Company ended H1 FY24 with 417 live cases in-progress, a 58% increase over the previous period-end. The Directors believe that given the challenging prevalent economic environment, featuring high inflation, significantly higher interest rates and far higher levels of UK insolvencies, this elevated level of business activity is likely to continue for a significant period. To accommodate this much higher level of current and anticipated future activity, in the last 6 months, the Company has added two new expert in-house insolvency litigators to its in-house Legal Team, bringing the Legal Team up to 17 in total and added two further experienced staff to its Net Worth Report Team.

From January 2023, the Company started to take assignments of cases from the specialist recovery work it is undertaking with Barclays Bank on a range of defaulted Bounce Back Loans ("BBLs") issued by Barclays. By 30 September 2023, the Company had taken on 80 BBL such cases from the Barclays BBL pilot and had already completed 27 of those cases. The Company is now in discussion with Barclays Bank regarding a potential extension of that programme. The Company is also hopeful to soon commence a separate BBL pilot with another well-known bank.

January 2023 also saw judgment handed down after the trials of the British Telecom and Royal Mail Truck Cartel cases. The judgment supports the Net Book Value of Manolete's truck cartel cases which is directly derived from the work done by the Company's retained specialist cartel valuation firm, Fideres Partners LLP. One of the defendants (DAF) has been granted permission to appeal on one out of its five heads of appeal. The appeal is due to be heard in the Court of Appeal next month. These initial test cases were then followed by a several similar claims settling, although, as is usual, the terms of the settlements are confidential. Currently the Company's 22 truck cartel claims remain stayed but once the DAF appeal has been concluded the Board will be looking to move all of the Company's truck cartel claims forward to a resolution.

Dividend

No interim dividend is proposed for the six months to 30 September 2023.

Steven Cooklin

Chief Executive Officer

Chief Financial Officer's Review

I am pleased to give my review of the Company's unaudited results for the half year to 30 September 2023.

Trading summary

	6 months ended 30 September 2023 Unaudited £'000s	6 months ended 30 September 2022 Unaudited £'000s	6 months ended 31 March 2023 Unaudited £'000s
Revenue	11,230	5,514	15,240
Cost of sales	(6,234)	(7,701)	(9,380)
Gross profit/(loss)	**4,996**	**(2,187)**	**5,860**
Administrative expenses	(3,437)	(3,071)	(3,724)
Operating profit/(loss)	**1,559**	**(5,258)**	**2,136**
KPI's			
Gross profit margin %	*44%*	*(40)%*	*38%*
Operating profit margin %	*14%*	*(95)%*	*14%*
New cases (#)	*179*	*83*	*180*
Completed cases (#)	*116*	*95*	*98*
Live cases at period end (#)	*417*	*264*	*351*

The financial results for the 6 months to 30 September 2023 (H1 FY24) report an Operating profit of £1.6m (H1 FY23 £(5.3)m) which is a significant improvement on the same period last year. In the prior year, as previously reported in the H1 FY23 interim report and financial statements for the year to 31 March 2023, there was a significant write down in fair values resulting in an operating loss, which has not been required this period. In H2 FY23, there was a strong recovery in trading performance that has been continued into H1 FY24.

Operationally, the business performed strongly and completed 116 cases in the 6 month period to 30 September 2023 (95 cases, H1 FY23) and signed 179 new cases (83 new cases, H1 FY23) and continues to realise cash proceeds from both historic and current year completed cases.

Revenue

	6 months ended 30 September 2023 Unaudited £'000s	6 months ended 30 September 2022 Unaudited £'000s	6 months ended 31 March 2023 Unaudited £'000s
Realised revenue	9,401	13,598	13,194
Unrealised revenue	1,829	(8,084)	2,045
Revenue	**11,230**	**5,514**	**15,239**
Mix %			
Realised revenue	84%	247%	87%
Unrealised revenue	16%	(147%)	13%

Revenue increased from £5.5m in H1 FY23 to £11.2m in H1 FY24, an increase of 104%, which was a result of more normalised trading conditions in H1 FY24 compared to difficult market conditions resulting in a fair value write down in H1 FY23, hence the increase in unrealised revenue. We look at each realised and unrealised revenue separately:

Realised revenue decreased from £13.6m H1 FY23 to £9.4m in H1 FY24, a decrease of 31%. This was a result of a 'one-off' exceptionally large case being settled in H1 FY23 (Manolete share of revenue of £4.9m) which was not repeated in FY24. Case completions grew by 22% to 116 cases in H1 FY24 (H1 FY23: 95 cases) demonstrating a greater volume of case completions but lower average case completion value. When compared to H2 FY23, realised revenue decreased from £13.2m to £9.4m, H1 FY24, a result of lower average case completion value (£155k per case in H2 FY23 compared to £81k).

Unrealised revenue increased to £1.8m H1 FY24 compared with £(8.1)m in H1 FY23. As previously mentioned, the prior year period included an increased level of write-downs of existing live cases £(5.2)m which included a single case fair value write down of £(2.3)m following an adverse decision at trial. There were no such adverse trial decisions in FY24 or fair value write downs. H1 FY24 represents a return to 'normal' in terms of a net positive unrealised revenue figure.

Gross profit / (loss)

	6 months ended 30 September 2023 Unaudited £'000s	6 months ended 30 September 2022 Unaudited £'000s	6 months ended 31 March 2023 Unaudited £'000s
Realised gross profit	3,167	5,897	3,812
Unrealised gross profit	1,829	(8,084)	2,048
Gross profit / (loss)	**4,996**	**(2,187)**	**5,860**
Margin %			
Realised gross profit	34%	43%	29%
Unrealised gross profit	*100%*	*(100)%*	*100%*
Gross profit margin %	*44%*	*(40)%*	*38%*

Gross profit increased from £(2.2)m in H1 FY23 to £5.0m in H1 FY24, primarily due to the positive contribution of newly signed cases in comparison to the reduction in the fair value of cases in the prior year. Once again, we should review realised and unrealised gross profit separately.

Realised gross profit decreased to £3.2m H1 FY24 (£5.9m H1 FY23), due to the single large case completion in the prior year but partially offset by a higher number of case completions. Realised gross profit margin decreased to 34% H1 FY24 from 43% H1 FY23.

Unrealised gross profit of £1.8m H1 FY24 is as previously discussed under revenue above, a return to more 'normal' unrealised figures following a reduction in the fair value of live cases in the prior year. When unrealised revenue is compared to the six months to 31 March 2023, H2 FY23, lower value cases on average have been signed in H1 FY24 resulting in a marginally lower unrealised revenue, £1.8m versus £2.0m.

Administrative expenses

Administrative expenses increased by 9.7% to £3.4m in the six months to 30 September 2023 (H1 FY23: £3.1m) which is principally attributable to an increase in staff costs by £328k, a result of both annual staff salary increases and additional headcount as staff numbers are increased to be line with increased volumes of cases.

Increases in marketing expenses (increased marketing activity) and professional fees (inflation) were broadly offset by a decrease in bad debt expenses in this period.

When compared to the 6 month period to 31 March 2023, Administration expenses have decreased by £287k, a result of lower bad debt charges in this 6 month period.

Statutory operating profit/(loss) Earnings Before Interest and Tax

Operating profit/(loss) increased to £1.6m in H1 FY24 (H1 FY23: £(5.3)m) with an operating profit margin of 14% (H1 FY23: (95)%).

Finance costs

Finance costs increased to £647k in H1 FY24 (H1 FY23: £205k) as base rate interest rates have significantly increased in the 6 month period to 30 September 2023, as well as our debt draw down increasing in the period.

Dividend

No interim dividend is proposed for FY24 (FY23 interim dividend, nil).

Investment in cases

The Company was managing 417 live case investments (including Cartel cases) as at 30 September 2023, compared to 264 live cases (including Cartel cases) as at 30 September 2022, a 58% increase. The total investment in cases amounted to £39.4m at 30 September 2023, an increase of 9.1% from the value as at 30 September 2022 of £36.2m (31 March 2023 value of £36.5m).

Investments in cases are shown at fair value, based on the Company's estimate of the likely future realised gross profit. Management, following discussion with the in-house legal team, on a case by case basis, amend the valuations of cases each month to accurately reflect management's view of fair value. In addition, at the interim and year end reporting periods, a sample of material valuations are corroborated with the external lawyers working on the case who provide updated legal opinions as to the current status of the case. The Company does not capitalise any of its internal costs, these are fully expensed to the Statement of Comprehensive income.

Trade and other receivables

Trade and other receivables have increased marginally to £24.3m at 30 September 2023 compared with £22.3m at 30 September 2022. This amount is net of provision for bad debts.

Operational cashflows

	6 months ended 30 September 2023 Unaudited £'000s	6 months ended 30 September 2022 Unaudited £'000s	6 months ended 31 March 2023 Unaudited £'000s
Gross cash receipts	8,739	15,716	10,992
IP share & legal costs on completed cases	(4,163)	(8,084)	(5,126)
Cashflows from completed cases	**4,576**	**7,632**	**5,866**
Overheads	(3,112)	(2,584)	(2,974)
Net cash generated from operations before investment in cases and corporation tax	**1,464**	**5,048**	**2,892**
Corporation tax	-	(354)	-
Investment in cases	(3,193)	(2,803)	(2,935)
Net cash (used in) / generated from operations	**(1,729)**	**1,891**	**(43)**

Gross cash receipts of £8.7m in H1 FY24 (£15.7m H1 FY23) represents a decrease in cash generation in comparison with H1 FY23. This is due to the exceptionally single large case completion in the prior year for which cash of £9.5m was collected within the same month. If the exceptional case is removed from prior year cash generation figures, a prior year comparative of £6.2m is a more understandable comparison to the current period, £8.7m cash generation.

In the six months to 31 March 2023, there was also a net cash outflow a result of the increased investment in new cases signed.

Cash generation was positive after payment of IP share and external legal costs on those completed cases and after payment of overheads of £(3.1)m.

We continue to utilise both our cash resources and draw down of HSBC loan facility to invest in new and existing cases, with a cash investment of £3.2m (£2.8m H1 FY23) in the six-month period.

Debt financing

The Company has drawn down £13.0m (£9.8m H1 FY23) of its £25.0m HSBC loan facility as at 30 September 2023 and continues to deploy loan capital to finance investment in cases. During H1 FY24 the Company drew down a net £2.5m of its HSBC loan facility (repaid £3.5m H1 FY23). The Company held cash reserves of £0.9m as at 30th September 2023 and had £12.0m available of the £25.0m HSBC facility (£15.0m available at 30th September 2022). This facility and cash reserves will be used to fund the expected growth in case volumes following the full relaxation of the Temporary Measures on 1 April 2022.

There has been a breach in the interest cover and leverage covenants for the 30th September 2023 quarter for which HSBC have signed a waiver. Management are working with HSBC in order to put in place a long term covenant solution.

Mark Tavener

Chief Financial Officer

Unaudited Statement of Comprehensive Income for the period ended 30 September 2023

	Note	6 months ended 30 September 2023 Unaudited £'000s	6 months ended 30 September 2022 Unaudited £'000s	Year ended 31 March 2023 Audited £'000s
Revenue	3	11,230	5,514	20,753
Cost of sales		(6,234)	(7,701)	(17,081)
Gross Profit / (Loss)		**4,996**	**(2,187)**	**3,672**
Administrative expenses	4	(3,437)	(3,071)	(6,793)
Operating Profit / (Loss)		**1,559**	**(5,258)**	**(3,121)**
Finance income		7	2	7
Finance expense	5	(647)	(205)	(839)
Profit / (Loss) before tax		**920**	**(5,461)**	**(3,953)**
Taxation		(295)	1,020	829
Profit / (Loss) and total comprehensive income for the year attributable to the equity owners of the Company		**625**	**(4,441)**	**(3,124)**
Earnings per share attributable to equity owners of the Company				
Basic (£ per share)	11	£0.01	£(0.10)	£(0.07)
Diluted (£ per share)	11	£0.01	£(0.10)	£(0.07)

The above results were derived from continuing operations.

Unaudited Statement of Financial Position at 30 September 2023

Company Number: 07660874	**Note**	**30 September 2023 Unaudited £'000s**	**Restated 30 September 2022 Unaudited £'000s**	**31 March 2023 Audited £'000s**
Non-current assets				
Investments	6	13,530	13,198	13,389
Intangible assets		-	2	-
Trade and other receivables	9	11,606	12,952	12,315
Deferred tax asset		137	104	267
Total non-current assets		25,273	26,256	25,971
Current assets				
Investments	6	25,905	22,964	23,073
Trade and other receivables	9	12,700	9,366	12,063
Corporation tax asset		470	979	735
Cash and cash equivalents		949	359	636
Total current assets		40,024	33,668	36,507
Total assets		**65,297**	**59,924**	**62,478**
EQUITY AND LIABILITIES				
Equity				
Share capital		175	175	175
Share premium		157	157	157
Share based payment reserve		742	485	699
Special reserve		-	5	-
Retained earnings		38,755	37,027	38,130
Total equity attributable to the equity owners of the company		39,829	37,849	39,161
Non-current liabilities				
Trade and other payables	10	7,019	7,749	7,393
Borrowings		12,928	9,833	10,381
Total non-current liabilities		19,947	17,582	17,774
Current liabilities				
Trade and other payables	10	5,521	4,493	5,543
Current tax liabilities		-	-	-
Total current liabilities		5,521	4,493	5,543
Total liabilities		25,468	22,075	23,317
Total equity and liabilities		**65,297**	**59,924**	**62,478**

The interim statements were approved by the Board of Directors and authorised for issue on 14 November 2023.

Unaudited Statement of Changes in Equity for the period ended 30 September 2023

	Attributable to equity owners of the Company					
	Share Capital £000s	**Share Premium £000s**	**Share based payment reserve £000s**	**Special Non-distributable reserve £000s**	**Retained Earnings £000s**	**Total Equity £000s**
As at 1 April 2022 (unaudited)	**175**	**142**	**429**	**5**	**41,468**	**42,219**
Comprehensive Income						
Profit and total comprehensive income	-	-	-	-	(4,441)	(4,441)
Transactions with owners						
Share based payment expense	-	-	49	-	-	49
Share based payments exercised		15				15
Deferred tax on share-based payments	-	-	7	-	-	7
Dividends	-	-	-	-	-	-
As at 30 September 2022 (unaudited)	**175**	**157**	**485**	**5**	**37,027**	**37,849**
Comprehensive Income						
Profit and total comprehensive income	**-**	**-**	-	-	1,317	1,317
Transactions with owners						
Share based payment expense	-	-	101	-	-	101
Share based payments exercised	-	-	-	-	-	-
Deferred tax on share-based payments	-	-	113	-	-	113
Transfer in relation to creditors paid	-	-	-	(5)	5	-
Dividends	-	-	-	-	(219)	(219)
As at 31 March 2023 (audited)	**175**	**157**	**699**	**-**	**38,130**	**39,161**
Comprehensive Income						
Profit and total comprehensive income	-	-	-	-	625	625
Transactions with owners						
Share based payment expense	-	-	144	-	-	144
Share based payments exercised	-	-	-	-	-	-
Deferred tax on share-based payments	-	-	(101)	-	-	(101)
Dividends	-	-	-	-	-	-
As at 30 September 2023 (unaudited)	**175**	**157**	**742**	**-**	**38,755**	**39,829**

Unaudited Statement of Cashflows for the period ended 30 September 2023

	Note	6 months ended 30 September 2023 Unaudited £'000s	6 months ended 30 September 2022 Unaudited £'000s	Year ended 31 March 2023 Audited £'000s
Profit / (Loss) before tax		920	(5,461)	(3,953)
Adjustments for other operating items:				
Adjustments for non-cash items	8	4,895	12,723	15,554
Operating cashflows before movements in working capital		**5,815**	**7,262**	**11,601**
Changes in working capital:				
Net increase / (decrease) in trade and other receivables		72	(2,044)	(4,105)
Net (decrease) / increase in trade and other payables		(531)	(170)	512
Net cash generated from operations before corporation tax and investment in cases		**5,356**	**5,048**	**8,008**
Corporation tax paid		-	(354)	(353)
Investment in cases	6	(7,085)	(2,803)	(5,806)
Net cash (used in) / generated from operating activities		**(1,729)**	**1,891**	1,849
Cash flows from investing activities				
Finance income received		7	2	7
Net cash generated from investing activities		**7**	**2**	**7**
Cash flows from financing activities				
Proceeds from borrowings		2,500	1,000	2,750
Repayments made on borrowings		-	(4,500)	(5,750)
Dividends paid		-	-	(219)
Interest paid		(464)	(193)	(160)
Loan arrangement fees		-	-	-
Lease repayment		-	(97)	(97)
Net cash generated from / (used in) financing activities		**2,036**	**(3,790)**	**(3,476)**
Net increase / (decrease) in cash and cash equivalents		**313**	**(1,897)**	**(1,620)**
Cash and cash equivalents at the beginning of the year		636	2,256	2,256
Cash and cash equivalents at the end of the period		**949**	**359**	**636**

Unaudited notes to the financial statements for the period ended 30 September 2023

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 Accounting policies

(a) Basis of preparation

The half-yearly financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The interim condensed financial statements for the six months ended 30 September 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 March 2023.

The statutory accounts for the year ended 31 March 2023 have been filed with the Registrar of Companies at Companies House. The auditor's report on the statutory accounts for the year ended 31 March 2023 was unqualified and did not contain any statements under Section 498 (2) or (3) of the Companies Act 2006.

(b) Going concern

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

Whilst the Company breached its covenant tests in respect of Interest cover and Leverage for the quarter to 30th September 2023, a covenant waiver had been agreed at period end with HSBC and signed in respect of this breach. Furthermore, the Company is in discussion with HSBC in relation to resetting the covenants on the loan facility to reflect the current position and requirements of the Company.

After making appropriate enquires, the Directors of the Company have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date of the signed interim financial statements. In reaching this conclusion, the Directors have considered the position with respect to covenant compliance, short-term cash forecast, the general environment with respect to number of insolvencies in the UK economy and ongoing discussion with HSBC respect to future covenant tests. We refer you to the 'Debt financing' paragraph within the CFO statement. For these reasons, they continue to adopt the going concern basis in preparing the Company's interim financial statements.

(c) 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 2(d). 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.

(d) Significant judgements and estimates

The preparation of the Company's interim financial statements in accordance with 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 period, 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 liabilities affected in the future.

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below.

Valuation of investments

Investments in cases are categorised as fair value through profit and loss. Fair values are determined on the specifics of each investment and will typically change upon an investment progressing through a key stage in the litigation or arbitration process in a manner that, in the Directors' opinion, would result in a third party being prepared to pay an amount different to the original sum invested for the company's rights in connection with the investment. 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 carried out by in house legal team and presented to the investment committee to decide whether to make a purchase or funding offer. External solicitors are instructed and a letter before claim to include notice of assignment or funding is sent to the opposing party. The opposing party is invited to make payment or proposals for payment or to engage in ADR. In the absence of a satisfactory response proceedings may be issued. The progress of a case feeds into the Directors' valuation of that case each month, as set out below.

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

- On a monthly basis, a spreadsheet of each team member's individual case valuations is provided to the internal lawyer for confirmation. Following responses from the individual lawyers, the Directors then 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 result in an increase or decrease in value or no change required.
- At reporting period ends, written assessments are obtained for a sample of open case investments from external solicitors or primary counsel working on the case on behalf of Manolete.

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

3 Segmental reporting

During the six months ended 30 September 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. Revenue 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.

	6 months ended 30 September 2023 Unaudited £'000s	6 months ended 30 September 2022 Unaudited £'000s	Year ended 31 March 2023 Audited £'000s
Net realised gains on investments in cases	9,402	13,598	26,790
Fair value movements (net of transfers to realisations)	1,828	(8,084)	(6,037)
Revenue	**11,230**	**5,514**	**20,753**
Arising from:			
Purchased cases	12,034	5,399	15,321
Funded cases	(804)	115	5,432
Revenue	**11,230**	**5,514**	**20,753**

4 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:

	6 months ended 30 September 2023 Unaudited £'000s	6 months ended 30 September 2022 Unaudited £'000s	Year ended 31 March 2023 Audited £'000s
Staff costs, including pension and healthcare costs	2,155	1,827	3,737
Bad debts including expected credit losses	359	576	1,534
Professional fees	312	211	512
Marketing costs	232	169	344
Other costs, including office costs	379	288	666
Total administrative expenses	**3,437**	**3,071**	**6,793**

5 Finance expense

	6 months ended 30 September 2023 Unaudited £'000s	6 months ended 30 September 2022 Unaudited £'000s	Year ended 31 March 2023 Audited £'000s
Lease liability interest	-	1	1
Interest on bank borrowings	548	103	251
Bank loan charges	99	101	587
Total finance costs	**647**	**205**	**839**

6 Investments

Investments represent the expected gross profit generated on the Company's ongoing portfolio of cases on settlement. This incorporates the expected settlement less the costs incurred to initially purchase the claim, costs incurred to date, expected future costs, and the share of net gain due to the Insolvency Practitioner.

	6 months ended 30 September 2023 Unaudited £'000s	**6 months ended 30 September 2022 Unaudited £'000s**	**Year ended 31 March 2023 Audited £'000s**
Investments brought forward	36,462	45,718	45,718
Additions	7,085	2,803	5,806
Realisations	(5,940)	(4,275)	(9,025)
Fair value movement (net of transfers to realisations)	1,828	(8,084)	(6,037)
Total investments	**39,435**	**36,162**	**36,462**
Current	25,905	22,964	23,073
Non-current	13,530	13,198	13,389
Total investments	**39,435**	**36,162**	**36,462**

7 Analysis of fair value movements

	6 months ended 30 September 2023 Unaudited £'000s	**6 months ended 30 September 2022 Unaudited £'000s**	**Year ended 31 March 2023 Audited £'000s**
New case investments	7,150	3,207	9,659
Increase in existing case fair value (exc. cartel cases)	506	367	134
Decrease in existing case fair value (exc. cartel cases)	(2,794)	(5,242)	(2,519)
Case completions	(3,175)	(7,416)	(14,503)
Increase in fair value attributable to Cartel cases	141	1,000	1,192
Fair value movement (net of transfers to realisations)	**1,828**	**(8,084)**	**(6,037)**

8 Non-cash adjustments to cashflows generated from operations

	6 months ended 30 September 2023 Unaudited £'000s	**6 months ended 30 September 2022 Unaudited £'000s**	**Year ended 32 March 2023 Audited £'000s**
Fair value movements (net of transfers to realisations)	(1,828)	8,084	6,037
Legal costs on realised cases	5,939	4,275	9,024
Finance expense	647	205	236
Depreciation & amortisation	-	96	99
Share based payments	144	65	260
Deferred tax	-	-	(95)
Finance income	(7)	(2)	(7)
Non-cash adjustments to cashflows generated from operations	**4,895**	**12,723**	**15,554**

9 Trade and other receivables

	30 September 2023 Unaudited £'000s	Restated 30 September 2022 Unaudited £'000s	31 March 2023 Audited £'000s
Amounts falling due in more than one year:			
Trade receivables	9,150	11,310	10,270
Contract asset	2,456	1,642	2,045
Trade and other receivables due in more than one year	**11,606**	**12,952**	**12,315**
Amounts falling due within one year:			
Gross trade receivables	18,011	12,316	16,505
Less:			
Specific provisions	(2,873)	(1,961)	(2,881)
Allowance for expected credit loss	(2,577)	(1,199)	(1,794)
Trade receivables	12,561	9,156	11,830
Prepayments	139	210	233
Trade and other receivables due within a year	**12,700**	**9,366**	**12,063**

10 Trade and other payables

	30 September 2023 Unaudited £'000s	Restated 30 September 2022 Unaudited £'000s	31 March 2023 Audited £'000s
Amounts falling due in more than one year:			
Accruals – direct costs	5,314	6,624	5,982
Contract liability	1,705	1,125	1,411
Total trade and other payables due in excess of one year	**7,019**	**7,749**	**7,393**
Amounts falling due within one year:			
Trade payables	611	736	802
Accruals – direct costs	4,226	3,280	3,984
Other creditors	562	371	645
Other taxation and social security	122	106	112
Total trade and other payables due in one year	**5,521**	**4,493**	**5,543**

11 Earnings per share

The Basic Earnings Per Share is calculated by dividing the profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. Diluted Earnings Per Share is calculated by dividing the profit after tax by the weighted average number of shares in issue during the period, adjusted for potentially dilutive share options. The following reflects the income and share data used in the earnings per share calculation:

	6 months ended 30 September 2023 Unaudited £'000s	6 months ended 30 September 2022 Unaudited £'000s	Year ended 31 March 2023 Audited £'000s
Profit and total comprehensive income for the period attributable to the equity owners of the Company	625	(4,441)	(3,255)
Weighted average number of ordinary shares	43,761,305	43,746,459	43,756,351
Basic Earnings Per Share	**£0.01**	**£(0.10)**	**£(0.07)**
Diluted weighted average number of ordinary shares	45,975,328	45,218,368	45,442,219
Diluted Earnings Per Share	**£0.01**	**£(0.10)**	**£(0.07)**

12 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 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 30 September 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 30 September 2022

	Previously reported at 30 September 2022 £'000s	Adjustment £'000s	As restated at 30 September 2022 £'000s
Non-current assets			
Trade and other receivables	11,310	1,642	12,952
Current assets			
Trade and other receivables	11,008	(1,642)	9,366
Non-current liabilities			
Trade and other payables	6,624	1,125	7,749
Current liabilities			
Trade and other payables	5,618	(1,125)	4,493