

RBG Holdings plc

Report and Financial statements

Year ended

31 December 2020

Company Number 11189598

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Company information

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V Hull
M Ismail
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Company number

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Country of incorporation of parent company

United Kingdom

Auditor

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Principal bankers

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Nominated advisers and brokers

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Registrars

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Chairman's statement

Overview

On behalf of the Board, I am pleased to announce our 2020 annual results. That the Board can report such a strong financial performance is a tribute to everyone in the Group who has responded superbly to the challenge presented by COVID-19. The Group has been able to support all our clients remotely, maintaining the high client service standards for which we are known. Since our IPO, operational management has been strengthened in every subsidiary, and we are benefitting from our strategy to diversify the revenue streams of the business.

Companies and individuals need the specialist advice that both Rosenblatt Limited ("RBL") and Convex Capital Limited ("Convex Capital") provide. Difficult times like these mean that people need help to handle complex situations such as business restructurings as well as entrepreneurs who want to participate in M&A. We have won new client instructions across the Group which reflects our expertise and the high demand for our complementary services.

Our law firm, RBL, had its most successful year ever in terms of revenue, EBITDA, and gross margin, the latter exceeding management's target of 35 per cent. Its flexible business model meant we were in a strong position when the pandemic struck so RBL has continued to deliver high margins and revenue per lawyer, a core KPI, remaining significantly ahead of many of its peers.

After a tough 2020, where deal completions were impacted by the onset of COVID-19, the Convex Capital management team built a strong pipeline of deals across a variety of sectors which have shown resilience during the crisis. This is now being converted, and we have a solid platform from which to drive further growth.

Furthermore, the Group now has two types of litigation assets – RBL's own client matters, and litigation matters run by third-party solicitors. This is through our separately branded business for third-party solicitors, LionFish Litigation Finance (UK) Limited ("LionFish") launched in May 2020. Headed by an experienced MD, Tets Ishikawa, the business uses all of the expertise of RBL to assess appropriate opportunities, and has hit the ground running with a growing portfolio of investments.

Looking ahead, the Board believes the Group is in a strong position with a solid balance sheet and a clear strategy to deliver continued growth.

Strategy

The strategy of the Group is delivering a diversified revenue and profit stream where no one part of the Group dominates, and we leverage the expertise across the Group to deliver incremental returns. We are using the expertise within the Group business to maximise the potential returns by selectively investing in contingent asset classes such as litigation. We can do this by RBL working contingently on clients' cases, or by LionFish providing litigation funding to third party cases. Furthermore, we have begun to use acquisitions to diversify the business away from a reliance on legal revenues to create a broad, professional services group.

One of the Group's key principles is driving profit and our law firm RBL has achieved this by maintaining consistently high margins. The management has done well in delivering revenue of almost £426,000 per fee earner and a 52% gross margin. This puts RBL in the top 10 of the Legal 100 for revenue per fee earner. In addition, we have added new practice areas including competition & regulatory, financial crime, serious & general crime, and white-collar crime.

Our strong profit driven business model has enabled us to increase the amount of work we do for clients on a partly contingent basis in exchange for receiving a pre-agreed proportion of any damages awarded. This approach means we can increase the margin with a benefit to the client who would otherwise pay higher amounts to a third-party funder. The business has a strong litigation track record. RBL has a long-standing track record in picking the right cases, with an 86% success rate over the last 10 years.

Chairman's statement (*continued*)

In line with our stated strategy, we have created a new cash-generation opportunity, with litigation finance sales. By selectively selling a percentage of our participation rights in the contingent cases that we invest in through Damages Based Agreements, the Group raises working capital. The investment and divestment decisions are driven through a stringent set of criteria, marrying both our commercial expertise with our legal expertise to assess the risk profile of each case. We have adopted a conservative approach to estimates as part of our fair valuing of litigation assets: while accounting standards require the recognition of these investments at fair value, we have assessed the fair value to be close to cash disbursed less cash received on disposals.

Finally, the acquisition of Convex Capital, a specialist sell-side corporate finance boutique in September 2019 further diversified the business away from a reliance on legal revenues. Convex Capital is a high-margin, entrepreneurial, business that can also create cross-referral opportunities for other parts of the Group. We expect to see an increase in M&A activity in 2021 driven by the economic conditions, with Convex Capital well placed to benefit.

M&A

In line with our strategy, we will continue to assess selective M&A to build and diversify the business. We aim to grow our service offering to clients and diversify our revenue. Our ambition is to create a broad, high-quality, high margin professional services group. We focus on high-margin, specialist companies which can also create opportunities for cross-referrals. However, we will only do deals at the right price and with the right deal structure.

Each of the acquisitions we have made so far has met these criteria. First, Convex Capital in September 2019, and, in April 2021, Memery Crystal. Memery Crystal is a very exciting acquisition which will be immediately earnings enhancing, and we believe has the potential to generate significant value for shareholders over the long-term. I would like to welcome all the partners and employees of Memery Crystal to RBG, and we are excited about the opportunities the combined Group will create.

The Group will remain disciplined in its approach to M&A and continue to review potential opportunities according to its selective criteria.

Dividend

The Group's balance sheet is strong, and the Board is committed to its long-term progressive dividend policy set out in its Admission document. Under that policy, the Board normally expects to pay up to 60 per cent of distributable retained earnings from the core business, in any financial year by way of dividend, subject to cash requirements.

Given the uncertainty in 2020, the Board made the prudent decision to make one payment for the 2020 financial year of 3 pence per share. Based on current outlook, we expect to pay up to 60 per cent of retained earnings in the 2021 financial year by way of dividend. Over time, we expect to have opportunities to pay special dividends because of returns from our litigation assets.

People

The strength of the Group is in our ability to retain and attract high-quality people. This is evidenced by our performance. In this most difficult of times, I want to thank everyone for their hard work, and their resilience.

Keith Hamill
Chairman
20 April 2021

Chief Executive's statement

Overview

Despite a challenging backdrop, we are pleased to have delivered a strong financial performance, with the Group developing in-line with our stated strategy. The business is evolving into a broader high-quality professional services group, with our pioneering law firm, RBL at its heart, a growing litigation finance division, and a successful M&A business.

Group revenue and gains on litigation assets was up 8% to £25.6 million (2019: £23.7 million), primarily driven by a record year at our law firm, RBL. Gains on litigation assets were £3.1 million (2019: £3.8 million), which were primarily generated by LionFish, our new third-party litigation finance business, launched in May 2020.

EBITDA grew to £10.2 million (2019: £9.4 million), with EBITDA margins of 40%. This includes £2.6m of the write back of the deferred Convex Capital earn out. After adjusting for this, the Group made EBITDA of £7.5 million, representing an EBITDA margin of 29%.

The Group has a strong balance sheet, with net cash of £3.5 million as at 31 December 2020. Cash collections remain as forecast. The Company also has a £10 million revolving credit facility with HSBC. Our balance sheet will support our growth plans, including acquisitions, continued investment in litigation finance opportunities, and the dividend. We expect to be able to pay out up to 60 per cent of retained earnings in the financial year by way of dividend.

RBL

COVID-19 created a challenging trading environment. In 2020, however, RBL achieved the best performance in its 32-year history on its core business of selling legal services. This performance was due to strong revenues from contentious law, and high-value corporate transactions. RBL took on more contingent work in 2020, with associated unrecognised time worked on a contingent basis of £2.1 million (2019: £1.9 million).

Our focus, as always, is on profit and cash, not only billing revenue, and we seek to control back-end cost to support profit generation. The business has a monthly "heartbeat" looking at revenue, margin, WIP and debtors. Gross margins of 52% drive strong profits and there is a back-end focus on collection and realisation. Total lockup¹ was 99 days (2019: 122 days) of which debtor days were 47 days (2019:45). The industry average for lockup is 136 days.

Our investment in IT and a flexible business model meant the business was well placed to handle the challenge of remote working. We continued to win new instructions, benefitting from our diversified client base, reputation for handling complex cases, and our strong relationships with entrepreneurs and business founders.

In times of difficulty, it is often the case that these entrepreneurs become more proactive requiring more innovative support. We have adapted our strategy to make sure RBL is well placed to meet the needs of customers considering the demands created by the pandemic. We have added competition & regulatory, financial crime, serious & general crime, and white-collar crime practice areas.

In January 2021, we appointed a new Managing Director, Barry Roche, to focus on maintaining commercial excellence, and growth through business development. Barry will enhance RBL's performance review culture. Departments and individuals are coached and provided with detailed analysis of key KPI's including debtors, WIP, utilisation and recovery.

Success is reflected in the KPIs. Average revenue per fee earner was up to £425,800 (2019: £393,000). At IPO we targeted utilisation of 75% of 1,500 billable hours, with recovery of 85% on fees billed. Actual resource allocation was 89% utilisation on 1,500 hours, with 106% recovery. Industry average is 70% on 1,200 hours.

¹ Total Lockup is average debtor days plus average accrued income days.

Chief Executive's statement (*continued*)

In 2021, we will continue to drive the litigation business, and have identified additional areas of growth and specific strategies to support these. These areas include employment, competition law and insolvency & restructuring. Our business development strategy will focus on our digital profile and networking. We have created a business development training program, improved our client engagement process so we can better understand and exceeding our clients' expectations, and ensured all Partners are developing their capabilities.

We are building a strong dynamic team working on cross-selling and referrals. RBL has developed a close working alliance with LionFish where the RBL dispute resolution team assess all potential investments. The RBL corporate team works closely with Convex Capital on its transactions.

We expect RBL to benefit from life post-Brexit and post-COVID as business returns to normality.

Litigation finance

The Group now has two types of litigation assets – RBL's own client matters, and litigation matters run by third-party solicitors funded by LionFish.

Our approach to litigation assets will always be conservative in nature to limit exposure and risk. No more than 25% of our revenues can be committed to contingent work in progress within RBL. A maximum of 25% of the net assets of the Group can be invested in external funding. A maximum of 50% of the external funding can be invested in any one case over £0.5 million within RBL.

Our accounting approach will follow our same conservative commercial approach. Some larger investments provide a potential return that is not provided in our market forecasts and where possible, within the requirements of IFRS 9 Accounting for Financial Instruments to fair value these investments, we hold these investments at a fair value based on recent transaction prices. These fair values at the year end were close to being equivalent to the cost of funds disbursed less disposal proceeds.

RBL litigation assets

RBL invests time at cost and advances cash for disbursements and court fees on its own client Damages Based Agreements when commercially advantageous to do so. RBL's litigation assets offer high potential returns. The current RBL litigation assets include the three largest cases project named Neptune, Shango and Mercury.

LionFish litigation assets

In May 2020, we launched a separately branded business - LionFish Litigation Finance (UK) Limited. LionFish invests cash in third party litigation matters run by law firms other than RBL. An experienced managing director, Tets Ishikawa was appointed, and the business is now established.

Since launch to 31 December 2020, LionFish has received 240 enquiries for finance, and seven have been invested in. There has been cash investment of £1.8 million across the seven cases (total capital commitment of £4.9 million if all cases go to trial). The first realisation is anticipated in HY1 2021. Expected average investment duration is around two years.

Part of our approach is to sell a percentage of our participation rights in the cases that we invest in. This year, we realised litigation finance sales with proceeds of £3.1 million, the majority coming from LionFish's investment in 7 cases.

Chief Executive's statement (*continued*)

Convex Capital

Acquired by the Group in September 2019, Convex Capital is a specialist provider of sell-side only M&A advice to UK, US and European entrepreneurs. It is focused on helping businesses to maximise their value through sales to large corporates, private equity, or family offices. Deal sizes range from £10 million to £500 million with an average of £40m. On average, Convex Capital's fees are over £750,000 which is significantly above the industry norms. Fees are 100% contingent on success, so Convex Capital is completely aligned with the client.

2020 was challenging, as deals proved hard to complete with the lack of face-to-face meetings as well as COVID obscuring financial performance. Many deals were postponed or delayed. Only two deals were completed in 2020, with total fees of £1.6 million. The Convex Capital team, led by CEO Mike Driver, has worked to pivot its sector focus to successfully rebuild its transaction pipeline over the last six months. The pipeline is more focused on areas which are COVID-19 resilient. This strong pipeline is now being converted. Since 1 January 2021, Convex Capital has already completed seven deals generating revenue of £4.5 million. Convex Capital has a pipeline of 33 deals with six currently at various stages of completion.

Furthermore, the Convex Capital senior management team agreed for 2021 to exchange their fixed base salary arrangements for a flexible commission structure directly linked to income from completed deals. Under the terms of this scheme, Convex Capital management will instruct N+1 Singer to use a minimum of 50% of commission earned to acquire shares in RBG in the open market². This new commission scheme replaces the deferred consideration arrangements under the sale and purchase agreement with the Convex Capital sellers, announced at the time of the acquisition in September 2019. This deferred consideration was due to be payable one year after completion of the purchase, based on certain performance criteria, which were not met due to the pandemic.

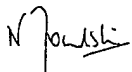
Outlook

The new financial year will again be dominated by the wider economic conditions brought about by the legacy of the COVID-19 pandemic. Across the Group, we have demonstrated our experience in supporting clients in times of upheaval which means we can react to the opportunities and challenges the current crisis will inevitably offer. The business is trading as expected in the first quarter with delivery from Convex Capital accelerated.

In RBL, we are focused on capturing growth opportunities; contentious law thrives in difficult times. The business will benefit from life post-Brexit and post-COVID as businesses return to normality. Our litigation finance business, LionFish is now established, and we expect the number of cases it invests in to grow, with the first return expected in the first half. With a strong pipeline of deals, and increased interest in M&A in 2021, Convex Capital is expected to perform well.

We also expect Memery Crystal to make a significant contribution to the Group. Our immediate focus is to successfully integrate Memery Crystal, and we will provide updates on our progress. I am very confident that RBL and Memery Crystal will enable us to capture growth opportunities across the legal services industry.

In 2021, our services will be in demand. We have a solid balance sheet, and we are optimistic that the Group will continue its positive progress over the coming year. I would like to thank all our shareholders for their continued support.



Nicola Foulston
Chief Executive
20 April 2021

² The authority granted by management under the scheme is irrevocable and non-discretionary, and during a Close Period the Board has no power to invoke any changes to the authority. Any purchases will be undertaken at the sole discretion of N+1 Singer Limited. The Group confirms that it currently has no unpublished price sensitive information.

Chief Financial Officer's review

Financial review

During 2020, we have continued to build on our strong track-record of profitable growth by increasing revenue and driving our EBITDA margins, which are leading among those of the listed legal sector. The Group is well positioned to deliver its growth strategy through product diversification, high-quality recruitment, and carefully selected acquisitions.

Key Performance Indicators (KPIs)

- Revenue and gains on litigation assets: £25.6 million (2019: £23.7 million)
- Revenue in legal and professional services up 12.6% to £22.4 million (2019: £19.9 million)
- Gains on litigation assets: £3.1 million (2019: £3.8 million)
- EBITDA: £10.2 million, 40% of revenue and gains on litigation assets (2019: £9.4 million, 40%)
- Adjusted EBITDA: £7.5 million, 29% of revenue and gains on litigation assets (2019: £9.4 million, 40%)
- Profit Before Tax: £7.7 million, 30% of revenue and gain on litigation assets, includes £2.6 million write back of the deferred earn out (2019: £7.6 million, 32%)
- Total lock up: 99 days (2019: 122 days)
- Revenue Per Fee Earner: £425,800 (2019: £393,000)
- Utilisation / Realisation: 89% / 106% (2019: 77% / 96%)
- Net Cash: £3.5million (2019: £1.9 million)
- EPS: 7.54p (2019: 7.56p)

Revenue and gains on litigation assets

Reported Group revenue and gains on litigation assets for the period is £25.6 million compared to £23.7 million, representing an 8% increase.

Of this increase, £2.7 million came from legal services revenue, whilst revenue from other professional services and gains on litigation assets were marginally behind year on year. The number of partners in our legal services business has remained broadly constant at 20 with 49 fee earners and an annualised revenue per fee earner of £426,000. Of the litigation gains of £3.1 million, £3.08 million came from LionFish.

Divisional highlights

RBL

- Total revenue and gains on litigation assets of £20.9 million, (2019 £21.9 million of which £3.8 million was gains on litigation assets)
- Legal services revenues £20.8 million, up 15.3% on last year (2019: £18.1 million)
- Dispute resolution continued to perform well, in addition to taking on more contingent work with associated unrecognised time worked of £2.1 million
- Corporate performed exceptionally well with revenue of £5.1 million, 155% up on 2019
- EBITDA 35% of revenue (2019: 31% of revenue)
- Average revenue per fee earner £425,800 (2019: £393,000)
- Total Lockup was 99 days (2019: 122) of which Debtor Days were 47 days (2019: 45)
- Recruited 3 new partners through the year

Litigation finance

LionFish

- Successfully realised litigation asset sales in seven cases with proceeds totalling £3.1 million
- These gains are from where LionFish owns a percentage of the participation rights in a settlement on a contingent case, financed through a Damages Based Agreement (DBA), and then sells on a proportion of its participation rights
- Cash investment of £1.8 million in seven cases, with a full commitment of £4.9 million if funded through to court

Chief Financial Officer's review (*continued*)

Litigation finance (*continued*)

RBL

- Successfully realised litigation asset sales with proceeds totalling £0.4 million (2019: £3.8 million)

Convex Capital

- Completed two transactions in the year, generating revenue of £1.6 million (2019 from acquisition: £1.9 million), EBITDA loss £0.9 million (2019 from acquisition: £0.8 million profit)
- Earn-out was not achieved which released £2.6 million back to the income statement at Group level

Staff costs

Total staff costs in 2020 were £14.8 million (2019: £11.5 million), including £2.0 million for Convex Capital (2019 from acquisition: £0.9 million) and £0.3 million for LionFish (2019: £nil). In total, this represents 58.9% of revenue and gains on litigation assets compared to 48.4% in 2019.

The year-end headcount totalled 92 (2019: 95), with average headcount for the year of 90 (2019: 81).

Overhead costs

During 2020, the Group incurred overheads of £15.4 million (before depreciation and amortisation) (2019: £14.3 million, including only three months of Convex). Personnel costs were £14.8 million (2019: £11.5 million), which included contractors' costs of £3.2 million (2019: £2.1 million).

Other operating costs were £0.6 million (2019: £2.8 million), which includes operating costs at Convex of £0.4 million (2019 from acquisition: £0.2 million) and the deduction of £2.6 million of the deferred consideration release. Other costs including insurances of £0.7 million (2019: £0.5 million), rates £0.3 million (2019: £0.3 million), training and recruitment £0.3 million (2019: £0.2 million) and books & subscriptions of £0.2 million (2019: £0.2 million).

Operationally, there remains a significant focus on IT, and our current and future infrastructure. We have invested sensibly over recent years and further enhanced both our internal and client facing experiences of IT usage. We have taken steps both before and during the pandemic to continue to refine existing processes, including moving to Microsoft Teams, investing in a new client opening technology and streamlining service delivery.

Our response to COVID-19

As COVID-19 swept across the UK in mid-March 2020, we prioritised the wellbeing of all staff across the Group. This involved the immediate closure of all our offices and resultant changes in working practices, to ensure continuity of service to our clients as staff continued to support them and the business remotely. I am extremely pleased with the calm response of our staff and the team spirit shown across the Group in the face of such difficult circumstances.

EBITDA

In assessing performance, the Group uses EBITDA as a KPI. EBITDA for 2020 was £10.2 million (40% of revenue and gains on litigation assets) (2019: £ 9.4 million, 40%). This includes the Convex deferred consideration write back of £2.6 million and excluding this non-underlying item gives an Adjusted EBITDA of £7.5 million (29% of revenue and gains on litigation assets) (2019: £9.4 million, 40%). In 2020, the EBITDA performance has been held back by the losses in Convex of £0.9 million.

Chief Financial Officer's review (*continued*)

Profit Before Tax

The profit before tax for 2020 was £7.7 million, representing 30% of revenue and gains on litigation assets (2019: £7.6 million, 32%). This includes the £2.6 million Convex deferred consideration write back and excluding this gives profit before tax for 2020 of £5.1 million, representing 20% of revenue and gains on litigation assets.

Earnings Per Share (EPS)

The weighted average number of shares in 2020 was 85.6 million, which gives a basic earnings per share (Basic EPS) for the year of 7.54p (2019: 7.56p).

Corporation tax

The Group's tax charge for the year is £1.02 million with an effective tax rate of 13.3% (2019: £1.47 million, 19.1%) which has been impacted by Convex deferred consideration write back which is non-taxable income.

Balance sheet

	2020 £m	2019 £m
Goodwill, intangible and tangible assets	48.0	44.7
Current assets	7.7	11.1
Current liabilities	(4.4)	(5.0)
	51.3	50.8
Net cash and cash equivalents	3.5	1.9
Non-current liabilities	(6.4)	(6.3)
Deferred consideration	(1.1)	(4.0)
Net assets	47.3	42.4

The Group's net assets as at 31 December 2020 increased by £4.9 million, due to profitable trading in the year.

Goodwill, tangible and intangible assets

Included within tangible assets, £5.8 million relates to IFRS 16 right of use for the Group's leases. Within intangible assets and goodwill is £33 million of intangible assets identified, on prior year acquisitions, such as goodwill, customer relationships and brand. The Board carries out an impairment review of goodwill each year to ensure the carrying value is supportable. Also included within intangible assets is the £1 million one-off payment made to Ian Rosenblatt during 2020 in respect of an extension and broadening of the restrictive covenants put in place at the IPO to an additional two-year term through to 2023. As at 31 December 2020 the Board concluded that the goodwill and intangible assets are not impaired.

Non-current assets also includes £6.3 million in litigation assets (2019: £2.2 million).

Working capital

Management of lock up has continued to be a key focus of the Group over the period, as it measures the length of time it takes to convert work done into cash. It is calculated as the combined debtor and contract asset (WIP) days for the Group. This is a key focus for Management and the Board, as it drives the cash generation necessary to support the growth strategy of the Group. Lock up days at 31 December 2020 were 99 compared to 122 the previous year. Management are satisfied with the level of lock up at the year-end, which remains significantly ahead of the industry average for quoted legal firms.

Trade debtors at the end of the year were £3.4 million (2019: £3.4 million). Contract assets at the year-end were £3.0 million, down from £3.8 million at the end of 2019.

Chief Financial Officer's review (*continued*)

Net cash

Net cash at the year-end was £3.5 million (2019: £1.9 million), with cash at bank of £13.5 million and a fully drawn Revolving Credit Facility of £10 million. The cash movement during the year included an additional £6.7 million generated from operations, less £1.9 million paid in corporation tax, £1.1 million outflow on investing activities, £0.8 million in dividends and £1 million in operating lease payments. Under Governmental COVID-19 measures, the Group deferred the payment of £0.5 million of VAT until 2021. The net cash position at year-end, together with the £10m Revolving Credit Facility, positions the Group well to deliver its strategy into 2021 and also support the business through the continuing uncertainty caused by COVID-19.

Cash conversion

	2020 £'M	2019 £'M
Cash generated from operating activities	6.7	1.5
Interest	(0.4)	(0.2)
Capital expenditure	(1.2)	(0.5)
Free cash flow	5.1	0.8
Underlying profit after tax	6.7	6.2
Cash conversion	76%	13%

The cash conversion percentage measures the Group's conversion of its underlying profit after tax into free cash flows. Cash conversion of 76% for the year shows an increase from previous periods and is a further focus of the business.

Capital expenditure

During the year, the Group continued to invest in its systems and premises to ensure our professionals have a high-quality working environment and consistent systems across the Group, to aid integration and support our one-firm culture. The investment during the year also enabled the ability to work remotely when required, as a result of COVID-19. This investment enabled a smooth transition of the business to remote working, enabling staff to provide services in a seamless fashion. To this end, during 2020, we invested £0.2 million in our existing IT systems and offices (2019: £0.5 million).

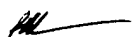
Corporation tax- cash flow impact

Going forward, the Group will fall under the very large quarterly payments regime for its Corporation Tax. This will have the effect of advancing the Corporation Tax payments, such that the full estimated amount is paid during the year rather than only 50%.

Management expects post tax cash conversion to average out at circa 75% going forward.

Summary

We are pleased with the continued profitability during the year. The investment in the Group puts us in a strong position to grow the business both organically through recruitment, and through selective acquisition opportunities. However, it is important to acknowledge the continued impact of COVID-19 on business life. COVID-19 has and will be a significant challenge moving forward that will continue to create great uncertainty.



Robert Parker
Chief Financial Officer
20 April 2021

Strategic report

This report has been prepared by the directors in accordance with the requirements of Section 414 of the Companies Act 2006.

Principal objectives, strategy and outlook

The principal activity of the RBG Holdings PLC, "the Group", during the year was the provision of legal and professional services and the development of the litigation finance business. The Group joined the AIM market on 8 May 2018 with a view to grow its professional services offering and set up a litigation financing business to leverage its asset base and diversify its revenue streams. As part of the listing the Group purchased the trade and specific assets and liabilities of Rosenblatt Solicitors, an established legal firm in the Group's target market. On 16 September 2019 the Group acquired Convex, a specialist sell-side corporate finance boutique and during 2020, the Group launched LionFish, a provider of finance to the third-party litigation market. As the Group enters its third year since Admission to AIM, the Board has re-considered the strategy adopted at Admission and has concluded that the market for its services continues to support this strategy.

Rosenblatt became an Alternative Business Structure ("ABS") with effect from 8 May 2018. The Board believes a combination of the ABS structure and admission to trading on AIM provides a platform for the continued profitable growth and future development of the business. It enables the Group to differentiate itself from its competition through an enhanced service-offering and (currently) unique career opportunity, to diversify its revenue streams through the acquisition of additional complementary legal and non-legal professional services businesses, to launch its own litigation finance business and finally to incentivise its people by offering wider and earlier ownership to staff of a more modern, dynamic business.

The Group continues to pursue a strategy of:

- pursuing opportunities to grow organically
- making selective acquisitions, including
 - other legal firms which offer additional specialist services and
 - professional service businesses offering complementary services
- aligning the interests of shareholders (including employee shareholders) with those of the business through share participation to support retention of staff and enhance our recruitment appeal

Organic growth strategy

RBL

The UK legal services market continues to exhibit growth and clear opportunities exist for RBL to continue to differentiate its service offering and grow organically, in particular from:

- The retention of existing employees, working together to deliver client satisfaction by looking after our clients' businesses as if they were our own
- Attracting new talent wishing to be part of a pioneering law-led professional services group
- Collaborative group-wide and cross service working
- Expanding our client base of owner managed, entrepreneurs
- Continued strengthening of our network, offering a quality, value-for-money legal service to mid-market clients in the markets in which they trade
- Delivering solutions and making difficult things possible
- Continuing to build upon our straight talking mid-market corporate service offering
- Expansion of specialist areas such as contentious employment, white collar crime and insolvency

Convex Capital

Continue to offer sell-side M&A services to owner managed or entrepreneurial businesses across the UK & Europe.

LionFish

Further development of our portfolio of investments and funding to third party law firms with the litigation market.

Strategic report (*continued*)

Over the last 12 months the total number of staff has continued to increase and is now approximately 118 at the date of this report. Recruitment has once again been active during the year at all levels across all businesses.

Acquisitive growth

The Group believes that it can strengthen its businesses by broadening its offering through the acquisition of selective complementary legal and non-legal, professional services businesses. A broader set of services creates additional channels to market, increases sales potential, facilitates a more flexible sales model and enhances client retention.

We provide an attractive platform for target businesses to support their continued growth.

Since our Admission to AIM in 2018 we have acquired Convex Capital in 2019 a specialists sell side M&A business to the Mid-Sector and launched LionFish Litigation Finance (UK) Limited in May 2020

The Board will continue to seek to grow the group by:

- being well positioned, as a result of its more flexible corporate structure, to take advantage of consolidation within the UK legal services industry
- acquiring legal teams or firms offering new niche services, sector specialism, or an opportunity to enter new geographic markets deemed strategic
- acquiring complementary professional services businesses (facilitated by the Group's alternative business structure)

Incentivisation

The Group has a range of employee share schemes that ensure all staff have the opportunity to acquire shares and participate in the financial success of the business.

The aim of encouraging earlier and widespread equity ownership in the business is to attract, retain and motivate talent and to ensure all employees can benefit from the Group's longer term success.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chief Financial Officer's review on pages 7 to 10, together with the financial position of the Group, its cashflows, liquidity position and borrowing facilities.

Financial projections have been prepared to April 2022 which show positive earnings and cash flow generation and projected compliance with banking covenants at each testing date. The COVID-19 situation has created an unprecedented and constantly changing challenge to all businesses. The process of monitoring the impact of the pandemic on the Group's financial performance and liquidity is ongoing. The Group has applied sensitivities informed by the performance of the Group since the onset of the pandemic, including the Group's utilisation, fee generation, deal completions and cash collections from March 2020 to December 2020 into its current financial projections based on various downside scenarios to illustrate the potential impact from a loss of utilisation in the Group's personnel during home working, a loss of capacity from staff being unable to work due to sickness, a reduction in client activity by service line and business segment and constraints in the Group's ability to onboard new clients during 2021 and 2022 outside of those already contracted.

This process included a reverse 'stress test' used to inform downside testing which identified the break point in the Group's liquidity. Whilst the sensitivities applied do show an expected downside impact on the Group's financial performance in future periods, for all scenarios modelled the Board have identified the appropriate mitigating actions to ensure that the Group maintain a robust balance sheet and liquidity position. Possible mitigating actions considered include lowering capital expenditure, reducing the amount of funding allocated to new litigation investment opportunities, reductions in personnel and overhead expenditure and other short-term cash management activities within the Group's control as part of their assessment of going concern.

Strategic report (*continued*)

Furthermore, as an extra safeguard to support the Group's liquidity position in light of the ongoing pandemic, the Board has worked closely with its supportive banks in order to find the right balance between overdraft and term loan facility levels rather than seek restrictive term loan facilities available under government coronavirus large business interruption loan schemes.

The Group expects to be able to operate within the Group's financing facilities and in accordance with the covenants set out in all available facility agreements. Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they have adopted the going concern basis of accounting in preparing the annual Group financial statements.

Principal risks and uncertainties

Due to the nature of the business and the markets in which it operates, many of the risks it faces are ongoing over longer than any single year. The key risks identified by the business are detailed below.

Continued impact of COVID-19

The COVID-19 pandemic has created an unprecedented and constantly changing challenge to all businesses with no clear end-point. Whilst the risk to the Group is reduced, as the business model is adaptable to homeworking, we believe that the risks posed by the continuing COVID-19 pandemic are as follows:

Liquidity risk

- Elements of further potential disruption could impact the Group's ability to convert unbilled time into fees as client activity is affected by the pandemic which could slow down collection of cash as forecast
- Slow-down in business development activity may reduce future forecast cash flow, however this would be mitigated by a slow-down in recruitment activity

Risk of loss of efficiency

- Lower productivity at home and potential increase in level of claims from work undertaken during this period due to poorer connectivity, less communication between team members and possible family distractions
- Further disruption impacting clients causing delays in concluding ongoing work and commencing new work due to ongoing changes in their working practices

Risk of loss of projected capacity

- Team members being incapacitated or having to care for other family members
- The slow-down in recruitment which is likely to be partially offset by lower attrition
- Loss of capacity when we revert to office working which is likely to be on a phased basis

Risk in winning, mobilising new projects and completing deals

- Cancelled promotional events and a lack of face to face meetings with clients may cause a decrease in instructions although this is mitigated by strong personal relationships and the increased use of web based communication channels
- Some clients and sectors slowing down or halting completely due to social distancing and government restrictions
- Delays in deal completions due to the lack of face to face meetings and business uncertainty

Risk in IT & security

- A possible breach of IT security through remote working, although significant groundwork has been put in place by the business over a number of years to mitigate this risk

The Group considers that it is well positioned to withstand the effects of the COVID-19 pandemic and any resultant downturn. This assessment is made by virtue of the broad-based nature of the Group's activities; comprising legal and non-legal services delivered to a diverse well spread client base. The balance between transactional services and litigation services effectively hedges the position of the business and whilst lockdown restrictions initially impacted clients the gradual return to working environments has eased this impact.

Strategic report (*continued*)

Potential impact of the UK's exit from the European Union "Brexit"

The United Kingdom ceased to be a member of the European Union on 31 January 2020 and although an exit agreement was signed at the end of 2020, the impact of Brexit remains unclear.

The Group considers that it is well positioned to withstand an economic down-turn that may result from Brexit. This assessment is made by virtue of the broad-based nature of the Group's activities; comprising legal and non-legal services delivered to a diverse client-base. The balance between transactional services and litigation services effectively hedges the position of the business. Further to this the Group believes that regardless of the outcome of Brexit, English Law will remain one of, if not the pre-eminent legal code, protecting demand for UK legal services even in economically challenging times.

Reputation

The success of the Group's business depends on the maintenance of good client relationships and its reputation for providing high-quality professional services. If a client's expectations are not met, or if the Business is involved in litigation or claims relating to its performance in a matter, the reputation of the Group could be significantly damaged. The Group's reputation could also be damaged through Rosenblatt's involvement (as an adviser or as a litigant) in high-profile or unpopular legal proceedings. Rosenblatt may be required to incur legal expenses in defending itself against any litigation arising in, or out of, such cases and may also incur significant reputational and financial harm if such litigation is successful or if there is negative press coverage.

The Group regards its brand names, domain names, trade secrets and similar intellectual property as important to its success. Its businesses have been developed with a strong emphasis on branding. Should the brand name of Rosenblatt, Convex or LionFish be damaged in any way or lose market appeal, the Group's businesses could be adversely impacted. The Group constantly endeavours to maintain its reputation as a provider of client focused commercial advice and has adopted internal management processes and training programmes to support this. While the Group will use all reasonable endeavours to protect its intellectual property rights, should this be required, it may not be able to prevent any unauthorised use or disclosure of its intellectual property having an adverse effect on the operating, marketing and financial performance of the Group.

Operational risk and information systems

The Group places significant reliance on its IT systems, any loss of these facilities would have a serious impact on the Group's operations. The Group can give no assurance that all such risks will be adequately covered by its existing systems or its insurance policies to prevent an adverse effect on the Group's financial performance.

Due to the nature of the Group's business and its reliance on IT platforms, the Group is susceptible to cyber risks. This risk continues to increase within the legal and other professional services sectors. The risk relates primarily to the malicious hacking of the Group's and/or client data or ransom attacks. The Group are aware of the increasing cyber risk and have an ongoing programme to implement controls and procedures to mitigate this risk. External advice is sought as appropriate. The Group monitors the resilience of its information systems and other facilities on an ongoing basis, introducing updates and upgrades as appropriate. The Group works with external partners to support the delivery of its internal and client facing IT provision. The Group regularly reviews its security arrangements, in order to identify and subsequently address weaknesses within the current systems. The Group has a cyber insurance policy in place to help to mitigate this risk.

The Group is in the process of transitioning to a new practice management system ("PMS"). With any transition of this nature there is a risk to data retention and integrity as well as business continuity. The Group, and external partners assisting in the development and implementation of the new system have undertaken risk assessment procedures and believe that adequate safeguards are in place to minimise the risk of loss or disruption to the business.

Strategic report (*continued*)

The Group's profitability is subject to a variety of operational risks including strategic and business decisions (including acquisitions and litigation funding cases), client choice in relation to the ability to appoint alternative advisers at any time, technology risk (including business systems failure), reputation risk, fraud, compliance with legal and regulatory obligations, business continuity planning, legal risk, data integrity risk, client default risk, key person risk and external events. RBG has operational risk management practices in place to assess and manage these risks which include regular reports to the Board. The advice of both internal and external experts is sought when appropriate.

The Group has in place a business continuity plan that is reviewed as appropriate.

Professional liability and uninsured risks

The Group provides professional services, predominantly legal and corporate finance advice. Like all providers of professional services, it is susceptible to potential liability from negligence, breach of client contract and other claims by clients. As well as the risk of financial damage, such claims also carry a risk of damage to the Group's reputation. The professional indemnity insurance held by the Group may not cover all potential claims or may not be adequate to indemnify the Group for all liability that may be incurred (or loss which may be suffered). Any liability or legal defence expenses that are not covered by insurance or are in excess of the insurance coverage could have a material adverse effect on the Group's business and financial condition. The Group is advised by market leading insurance brokers and the Directors believe that it holds comprehensive professional liability insurance. Any claims are defended strongly with senior members of the business involved at all stages and external advice is sought where appropriate. The Group works hard to ensure its employees provide excellent advice and service to its clients underpinned by quality processes and bespoke training programmes.

Regulatory and compliance risks

The Group, like all businesses, is subject to a range of regulations. Failure to comply with these could have significant implications for the business ranging from reputational damage to criminal prosecution and sentencing. The Group seeks advice from both internal and external experts to support it in its adherence to applicable regulations and guidelines. In many cases, the introduction of new regulations also provides an opportunity for us to support our clients in their adoption of these regulations in their businesses.

In addition, the businesses of the Group operate in regulated markets which impose additional regulation, for example: Restrictions on holdings of 10 percent or more. Under the Legal Services Act 2007, there are restrictions on the holding of "restricted interests" in Licensed Body law firms. A restricted interest for this purpose is an interest of 10 percent or more in the issued share capital of the Licensed Body and includes an interest in the ultimate parent company of the Licensed Body. RBL is currently a Licensed Body. The effect of the restrictions is that the consent of the Solicitors Regulation Authority ("SRA") is required should any person who is not a deemed approved lawyer seek to acquire a shareholding of 10 percent or more in RBG Holdings plc. It is a criminal offence for a person who is not a deemed approved lawyer to acquire a restricted interest without first notifying the SRA or to acquire a restricted interest having notified the SRA but before obtaining its consent. Any consent from the SRA may have conditions attached. The Directors are in dialogue with the SRA to minimise such risk as far as they are able, and to ensure that this regulation is made known to shareholders. The SRA also has power to force the divestment of any shareholding which breaches this rule via the courts and/or to suspend or revoke the Licensed Body status of Rosenblatt Limited, which would have a serious effect on the Group.

Through duty of confidentiality and non-disclosure, the SRA regulates the use and disclosure of client information. The Group is exposed to the risk of employees engaging in misconduct, including the improper use or disclosure of confidential client information. Employee misconduct could result in considerable harm to the Group's reputation, as well as regulatory sanctions and financial damage. Staff are trained and reminded of these duties and although management processes are in place to mitigate this risk, it cannot be removed in full.

Strategic report (*continued*)

Employees

Well trained and experienced employees are essential for the delivery of excellent professional services. The market for such employees remains competitive and the loss of or failure to recruit and retain such employees could impact on the Group's ability to deliver professional services and financial performance. A failure to implement effective succession planning throughout the business could also adversely affect financial performance. Recruitment is led by senior members of the business with all professional staff being interviewed by partners and senior managers. Over the last 12 months, our recruitment process has been developed to include a strong value proposition for candidates. Remuneration arrangements include a range of benefits and are highly competitive. Employee contracts include appropriate provisions to protect the business where possible. A comprehensive training programme is in place for all staff providing management, leadership, technical and skills training. The Board is responsible for the implementation of succession plans for each of the businesses and investment continues to be made in the recruitment of appropriate staff where required. Use of internal communications systems are continuously reviewed and developed to meet staff needs.

Financial

Inaccurate financial information may result in inappropriate decisions being taken by management and staff. Inadequate internal controls may fail to prevent the Group suffering a financial loss. The systems of internal control deployed within the Group are designed to comply with the applicable regulatory requirements (for example to protect client monies) and to prevent financial loss. RBL's compliance with the Solicitors Accounts Regulations is reviewed annually by external accountants. Remedial action necessary for any breaches identified during the year or as part of the annual review is communicated to the business by the Compliance Officer for Legal Practice ('COLP') and/or Compliance Officer for Finance and Administration ('COFA').

Acquisition risk

The Group will consider complementary and earnings enhancing acquisitions as part of its overall growth strategy. Acquisitions may not always realise the benefits expected at the time of completion. A failure to successfully integrate acquisitions may impact on Group profitability. Due diligence appropriate to the size and nature of targets is undertaken and appropriate warranties and indemnities are sought from sellers, wherever possible. Integration plans are formulated as part of the acquisition process and executed in anticipation of and following acquisition as appropriate.

Section 172 Statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain in this annual report, and below, how the Board engages with stakeholders.

- Relations with key stakeholders such as employees, shareholders and customers are considered in the running of the business on an everyday basis
- The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006. To ensure the Company is operating in line with good corporate practice, all Directors received refresher training on the scope and application of section 172 in writing. This encouraged the Board to reflect on how the Company engages with its stakeholders and opportunities for enhancement in the future and was considered at the Company's board meetings. The Senior Legal Counsel and Company Secretary provided support to the Board to help ensure that sufficient consideration is given to issues relating to the matters set out in s172(1)(a)-(f)
- The Board regularly reviews the Company's principal stakeholders and how it engages with them. This is achieved through information provided by management and also by direct engagement with stakeholders themselves

Strategic report (continued)

- The Board's methods of engagement with the workforce include a monthly email from the CEO to all staff providing information on matters of interest to employees
- We aim to work responsibly with our stakeholders. The Board has recently reviewed its anti-corruption and anti-bribery, equal opportunities and whistleblowing policies

The key Board decisions made in the year are set out below:

Significant events/decisions	Key s172 matter(s) affected	Actions and impact
Launch of LionFish Litigation Finance (UK) Limited	Shareholders, employees, customers	• Customers have been consulted in relation to how the Group's product could be used to generate funding for third party contingent cases that are more readily available and economic • The Group's product offering has been diversified to assist group to generate more revenue and return for itself, its shareholders and customers
Postponement of dividend	Shareholders, employees	• In response to the economic uncertainty resulting from the COVID-19 pandemic the Board made the decision to cancel the second interim dividend, with no final dividend being declared. In reaching this decision the Board considered all key stakeholders including shareholders, employees and creditors. The Board considered it appropriate to preserve cash reserves to ensure the continued ability to pay suppliers and employees in the event of an economic downturn
Expansion of the Employment, Regulation and Insolvency Capability	Customers, employees	• Customer consultation in relation to the Company's roadmap has increased to ensure that the customer needs could be matched • The business has recruited externally to support this development
Approval of 2021 budget	Employees, shareholders	• The Group's business plan is to drive sustainable growth in the long term, which is in the interest of all stakeholders. The Board has paid close consideration to this objective in establishing and approving the 2021 budget. In the current economic climate this has involved close monitoring of the impact of COVID-19 on each sector in which the Group operates, ensuring no over reliance on a single market or client; ensuring the Group is best placed to continue delivering a high standard of client service through evolving to the new way of working and increasing focus on minimising our environmental impact

Strategic report (*continued*)

Environmental actions statement

The Board believes good environmental practices, such as the recycling of paper waste and conservation of energy usage, will support its strategy by enhancing the reputation of the Group. However, due to the nature of its business generally, the Group does not have a significant environmental impact.

Social matters

We believe that running a profitable and growing business, which creates jobs and contributes to the economic success of the areas in which it operates, is a platform for good corporate social responsibility. We have a long-standing commitment to support our staff in engaging with their local communities and charities. This social awareness is present throughout the business, from our employees to our clients, our professional connections and the suppliers we use.

Sustainability

To deliver strong, sustainable shareholder returns over the long-term, the operation of a profitable business is a priority and that means investing for growth. To achieve this, the Group recognises that it needs to operate in a sustainable manner and therefore has adopted core principles to its business operations which provide a framework for both managing risk and maintaining its position as a good 'corporate citizen'.

Charities and communities

Our staff vote annually to choose charities to support throughout the year with fund raising activities engaging staff, clients and communities in a number of enjoyable events.

Developing our people

The Group continues to create opportunities for staff at all levels of the Group. We have a strong track record as an employer of choice in the provision of legal graduate traineeships and apprenticeship schemes highlighting the Group's motivation to 'grow our own'.

Trainees work alongside qualified professionals in completing a period of recognised training (often known as a training contract) giving individuals supervised experience in legal practice. This is the final stage of the process of qualification as a solicitor where they refine and develop their professional skills.

As an employer of non-lawyer professional staff and our trusted and valuable support staff we offer both internal and external routes to qualifications within their chosen sector and expertise.

Diversity and inclusion

We are an equal opportunities employer and it is our policy to ensure that all job applicants and employees are treated fairly and on merit regardless of race, sex, marital/civil partnership status, age, disability, religious belief, pregnancy, maternity, gender reassignment or sexual orientation. We have established a diversity and inclusion committee and having surveyed employees, the committee is developing a programme to address operational and training needs identified.

Strategic report (*continued*)

Anti-bribery policy

We value our reputation for ethical behaviour and upholding the utmost integrity and we comply with the FCA's clients' best interests rule. We understand that in addition to the criminality of bribery and corruption, any such crime would also have an adverse effect on our reputation and integrity. The Group does not tolerate bribery and corruption and we ensure all our employees and suppliers are aware of our approach as to limit our exposure to bribery by:

- Setting out clear anti-bribery and corruption policies
- Providing mandatory training all employees
- Encouraging our employees to be vigilant and report any suspected cases of bribery in accordance with the specified procedures

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed regularly on matters directly affecting them and Group wide developments. This is achieved through webinars and video updates posted on the Group's Intranet, informal discussions between management and other employees at a local level after Board meetings, together with an active social events calendar, although this has been more difficult in the current year due to remote working. The Group further encourages employee involvement in the performance of the business through participation in share ownership.

Political donations

The Group made no political donations in the year (2019: £nil).

Approval

The strategic report contains certain forward-looking statements, which are made by the Directors in good faith based on the information available to them at the time of their approval of this annual report. Statements contained within the strategic report should be treated with some caution due to the inherent uncertainties (including but not limited to those arising from economic, regulatory and business risk factors) underlying any such forward-looking statements. The strategic report has been prepared by RBG Holdings plc to provide information to its shareholders and should not be relied upon for any other purpose.

Pages 11 to 19 constitute the strategic report, which has been approved by the Board of Directors and signed on its behalf by:



Robert Parker
Chief Financial Officer
20 April 2021

Board of Directors

Keith Hamill **Non-Executive Chairman**

Keith Hamill OBE is currently a non-executive director of Samsonite International SA and Chairman of Horsforth Holdings Limited, a privately held holding company for a number of leisure businesses.

He is an experienced Chairman and non-executive and his previous roles include Chairman of Tullett Prebon plc, Moss Bros Group plc, Travelodge, Collins Stewart plc, Premier Foods plc and Heath Lambert and non-executive director of easyJet plc, Electrocomponents plc and Max Property Group PLC. He has also been appointed to act as Chairman leading a number of businesses through financial and operational reconstruction.

He was Pro Chancellor and President of Council of the University of Nottingham. Earlier in his career he was a partner in PWC and CFO of Forte plc and WH Smith Group plc.

Nicola Foulston **Chief Executive Officer**

Nicola Foulston ("Nicky") has one of the sharpest minds in the business world. In 1990, at the age of 22, she served as CEO of the Brands Hatch Leisure Group ("Brands Hatch") when the business was valued at £6m. Having made transformational changes to the company's operations and financial management over the next 6 years, she floated the group in 1996 and sold it three years later to Interpublic, the US marketing giant for over \$195m, at a time when Brands Hatch was then the largest organiser and promoter of motorsport in Europe. She was subsequently named Veuve Cliquot "Business Woman of the Year" in 1996 and she remains the award's youngest ever recipient at the age of 29.

She subsequently ran a family office with private equity investments in the USA and Europe. In 2014, she was appointed as a Board Member of the Government's Industrial Development Advisory Board (IDAB), an advisory non-departmental public body, sponsored by the Department for Business, Energy & Industrial Strategy, to help government boost growth in business.

Nicky was appointed CEO of Rosenblatt, a City law firm, in September 2016 and in that role, has taken over the commercial management of the firm, transforming it in readiness for a listing on the Alternative Investment Market of the London Stock Exchange, which took place on 8 May 2018 at a valuation of £70m+. Prior to that, she had been a client of the firm for over 30 years.

She has a deep understanding of operational restructuring, improving business performance, best outcome identification and implementation and balance sheet de-leveraging often working with multiple stakeholders at all levels of a company's capital structure. She has a reputation for reliability, trustworthiness and delivering on time.

Robert Parker **Chief Financial Officer**

Robert has over 20 years' experience with international businesses and has worked extensively with public funds, private equity and venture capital investors. His recent roles include interim CFO at Tantalum Corp and CLA Limited, as well as permanent roles at Ubisense PLC and Immedia Broadcasting plc.

Victoria Hull **Non-Executive Director**

Victoria is a former Executive Director and General Counsel of Invensys plc and Telewest Communications plc. Her legal career commenced at Clifford Chance LLP in 1985 where she trained and qualified into the corporate finance discipline. She joined FTSE100 industrial company, Invensys plc, as General Counsel in 2001 and gained global experience across a wide variety of legal matters in diverse industries including M&E, litigation, contracting, IP.

Board of Directors (*continued*)

Marianne Ismail
Non-Executive Director

Marianne Ismail has worked in financial services for over 30 years in a variety of small and large regulated entities.

She was a Managing Director of Morgan Stanley for 10 years working in New York and internationally and has held senior positions in Citigroup and Standard Chartered Bank. She has a strong understanding of the management of growing companies and of corporate risk and is committed to ensuring compliance with appropriate regulations as well as the implementation of suitable organisational and management structures to meet these regulations. Marianne has held FCA significant influence functions throughout her career.

Until July 2020, she was Pro Chancellor and Chair of the governing body of the University of Greenwich and is currently CEO of Microbira Ltd and a NED of Qatar Islamic Bank -UK, Town and Country Housing Group and Quilter Financial Planning.

Corporate Governance statement

Chairman's Introduction

In this section of our report, we set out our Corporate Governance Framework. The Directors recognise the importance of sound corporate governance and comply with the Corporate Governance Guidelines, to the extent appropriate for a Company of its nature and size. The Quoted companies Alliance Corporate Governance Code for small and mid-size Quoted Companies ("the QCA Code") was designed by the Quoted Companies Alliance ("the QCA"), in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. An alternative code was proposed because the QCA considers the UK Corporate Governance Code to be inappropriate for many AIM companies. The Corporate Governance Guidelines state that "The purpose of good corporate governance is to ensure that the Company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term".

The composition of the Board

The Board comprises five directors, two Executives and three Non-Executives, reflecting a blend of different experience and background. All of the Non-Executives are considered independent.

How the Board operates

The Board is responsible for reviewing, formulating and approving the Group's strategy, budgets and corporate actions and overseeing the progress towards its goals. This is formally documented in a schedule of matters reserved for board approval and includes:

- Strategy and business plans, including annual budget
- Structure and capital including dividends
- Financial reporting and controls
- Internal controls on risk management and policies
- Significant contracts and expenditure
- Communication with shareholders
- Remuneration and employment benefits
- Changes to the board composition

Board meetings

The Board has met on a regular basis throughout the year and has a programme of Board and Committee meetings for the current financial year. For all board meetings, an agenda is established and papers circulated in advance so that all Directors can give due consideration to the matters in hand. As a minimum the Board will meet six times per annum and the matters discussed include:

- Financial and Operating performance review including presentations from Senior Managers
- Progress on all strategic aims of the business
- Proposals on any areas of major expenditure
- Update on all governance legal, health & safety and risk matters.

The Board will at least annually consider the Group's strategic plan and annual budget. The following table shows directors' attendance at scheduled board and committee meetings during the year and since appointment.

	Board Number	Audit Number	Remuneration Number
N Foulston	15/15		
K Hamill	14/14	3/3	5/5
V Hull	13/15	3/3	5/5
M Ismail	13/15	3/3	5/5
R Parker	14/15		

Corporate Governance statement (*continued*)

Board decisions and activity during the year

The Board has a schedule of regular business, financial and operational matters and each Board Committee has compiled a schedule of work to ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the year. The Chairman, aided by the Company Secretary, is responsible for ensuring the Directors receive accurate and timely information. The Company Secretary compiles the Board and Committee papers which are circulated to the Directors prior to the meetings. The Company Secretary also ensures that any feedback or suggestions for improvement on Board papers is fed back to management and ensures input is gathered from all Board members on matters that should be included for consideration at meetings. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns noted. In addition to the Board meetings, there is regular communication between Executive and Non-Executive Directors, including, where appropriate, updates on matters requiring attention prior to the next scheduled Board meeting. It is intended that the Non-Executive Directors will meet as appropriate, but not less than annually, without the Executive Directors being present.

On pages 16 to 17, the s172 Statement sets out the key decisions that the Board has made in the year.

Board committees

The Board has delegated specific responsibilities to the Audit and Remuneration Committees. Each Committee has terms of reference setting out its duties, authority and reporting responsibilities. The terms of reference of each Committee were put in place at the time of the Company's admission to AIM and it is intended they will be kept under review to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice. Each committee comprises the Non-Executive Directors and the Executive Directors attend by invitation.

Relations with Stakeholders

The Board is aware that the long-term success of the Group is reliant upon its employees, clients, shareholders, suppliers and regulators and as such the Group maintains consistent communication with these stakeholders to ensure that its continued growth in accordance with its strategy reflects their needs and expectations as well as those of the Group.

The Group endeavours to ensure that clients are met regularly to canvas their opinion on the service levels received and provide any feedback as to how these relationships and/or services can be improved. The Group has a strong track-record of retaining deep client relationships with some of these relationships being in excess of 25 years across a number of service lines provided within the Group's business. The Group's business places a strong reliance on technology and consequently the Group works closely with external partners to support the delivery of its internal and client facing IT provision.

The Executive Directors meet with the institutional shareholders both on an ad hoc basis and on a more structured basis around the publication of the Group's interim and end of year results. General information about the Group is available on the website at www.rbgholdings.co.uk.

Board effectiveness

The skills and experience of the Board are set out in their biographical details on pages 20 to 21. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and scrutinise performance. On joining the Board, new directors undergo a formal programme tailored to the existing knowledge and experience of the director concerned. Keith Hammill joined the Board in January 2020 and has taken part in an induction process, during which he met with key employees and advisers and received presentations from the Executive Directors on strategy and finance.

The Group's website does not include a detailed description of board performance evaluation, its approach to succession planning, nor the process for determining senior management appointments. These are due to be put in place during 2021.

Corporate Governance statement (*continued*)

Time commitments

All Directors have been advised of the time required to fulfil the role prior to appointment and were asked to confirm that they could make the required commitment before they were appointed. The minimum requirement for the Non-Executive Chairman is at least six days per annum and that for a Non-Executive Director is at least four days per annum and this is included in their letter of appointment.

Development

The Company Secretary ensures that all Directors are kept abreast of changes in relevant legislation and regulations, with the assistance of the Group's advisers where appropriate. Executive Directors are subject to the Group's performance review process through which their performance against objectives is reviewed and their personal and professional development needs considered.

Conflicts of interest

At each meeting, the Board considers Directors' conflicts of interest. The Company's Articles of Association (Articles) provide for the Board to authorise any actual or potential conflicts of interest.

Directors' and Officers' liability insurance

The Company has purchased Directors' and Officers' liability insurance as allowed by the Company's Articles.

Risk management and internal controls

The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for an internal audit function, but has concluded that the internal control system in place is appropriate for the size and complexity of the Group. The Board is also responsible for the identification and evaluation of major risks faced by the Group and for determining the appropriate course of action to manage those risks.

Committees of the Board

Audit committee report for the year ended 31 December 2020 – Marianne Ismail

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing risk management and internal control systems, reviewing any changes to accounting policies, overseeing the relationship with the external auditors and reviewing and monitoring the extent of the non-audit services undertaken by them.

The Committee consists of three independent Non-Executive Directors: Marianne Ismail (Chair), Keith Hamill and Victoria Hull. Keith Hamill replaced Stephen Davidson on the Audit Committee following his appointment as a Non-Executive Director on 23rd January 2020. Keith has recent and relevant experience as a result of his financial positions held and qualifications. Victoria provides different but relevant skills and experience which support the Committee in meeting its objectives. Robert Parker, the Chief Financial Officer and other Executive Directors attend the Committee meetings by invitation. The Committee meets three times during the year and ensures that sufficient time is set aside to meet with the external auditors, BDO LLP, without Executive Directors being present, to discuss any issues arising from their audit work. Neither the Group nor its Directors have any relationships that impair the external auditor's independence.

Corporate Governance statement (*continued*)

Duties

The main duties of the Audit Committee during the year included:

Monitoring the integrity of financial statements

The Committee reviewed both the interim and the annual financial statements as well as related results announcements made as part of their disclosure. This process included a review of any estimations made by management in preparing the results. The Committee ensured sufficient attention was given to matters where significant estimation was involved. This includes revenue recognition, impairment of goodwill, the valuation of litigation assets and the use of alternative performance measures which are used to enhance shareholders understanding of the Group's financial performance.

The significant accounting judgements considered by the Committee are set out below. The Committee has considered and reviewed any relevant papers from the finance function and the findings report of the external auditors on these areas. The key areas are:

Revenue recognition policy

The Group recognises revenue on legal and professional services provided based on the methodology set out in IFRS 15 Revenue from Contracts with Customers. There is estimation involved in establishing the value that will eventually be recovered on contracts. Management use the expected outcomes as at the year end to establish the estimated value and compare to historic outcomes to ensure reasonableness. Estimates are updated as work progresses and any changes in revenue recognition as a result of a change in circumstances is recognised in the Statement of Comprehensive Income for that year. In relation to any contingent fee arrangements, revenue is constrained to the amount for which it is considered highly probable that there will be no significant reversal. The Committee considers the approach adopted by management is prudent and minimises the risk of overstatement of income resulting in future revenue write-offs.

Litigation assets and fair value IFRS 9

Where RBL enters into Damages Based Agreements, the Group must apportion the total expected settlement between that arising as conditional revenue for services and that arising as a return on participation. The judgements arising in this regard are explained under revenue above. Litigation assets are held at fair value based on a semi-annual review of each investment's fair value. Fair values are determined on the specifics of each investment and will typically change upon an investment having a return entitlement or progressing in a manner that, in the Group's judgement, would result in a third party being prepared to pay an amount different from the original sum invested for the Group's rights in connection with the investment.

Corporate Governance statement (*continued*)

The fair value estimation process is inherently subjective. Awards and settlements are hard to predict and often have a wide range of possible outcomes. Furthermore, there is much unpredictability in the actions of courts, litigants and defendants and because of the large number of variables involved there is a consequent difficulty of predictive analysis. In addition, there is little activity in transacting investments and hence little relevant data for benchmarking the effect of investment progression on fair value, although the existence of secondary market transactions is a valuation input. In the Group's opinion there are no inputs or variables to which the values of the investments are correlated and whilst the Group's fair value estimation is its best assessment of the current fair value of each investment, the use of different possible outcomes and relative probabilities may result in a different Group income and investment valuation. In the current period, the Group has sold interests in its DBA participation rights to a third party, and has used the selling price as a benchmark for the fair value of the remaining asset, reducing it for expected future costs to be incurred. Where the Group sells an interest in a DBA, the proceeds less an apportionment of the total expected cost over the life of the litigation are recognised as the profit on disposal.

Going concern

As described in the Strategic Report on pages 11 to 19 the Group expects to be able to operate within the Group's financing facilities and in accordance with the covenants set out in all available facility agreements. Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they have adopted the going concern basis of accounting in preparing the annual Group financial statements.

Use of alternative performance measures

The Board uses a number of alternative performance measures. A key driver for Group income is the number of fee earners employed, and so a number of these measures are based on fee earner numbers, ratios and fees generated by fee earners. Another measure for Group income is the deal pipeline, where the group has a signed contract with the seller, which is analysed and reviewed on a regular basis by the management and Board. Signed engagement letters are an indication of deal coverage rather than direct revenue conversion. Another key focus for the Board is management of its net debt position, therefore cash conversion and lock up days are closely monitored as these are key drivers of the resulting net debt position. The Audit Committee is satisfied that these are the correct measures to use as they monitor the inputs that underpin the trading and cash performance of the Group. These measures are discussed in detail in the Chief Financial Officer's Review on pages 7 to 10.

Risk management and internal controls

As described in the Strategic Report and the Corporate Governance Statement, the Board has established a framework of risk management and internal control systems, policies and procedures. The Committee is responsible for reviewing the risk management and internal control framework, ensuring that it operates effectively. The Committee is satisfied that the internal controls currently in place are sufficient and operating effectively for a business of this size.

At present the Group does not have an internal audit function and the Committee believes that in view of the current size and nature of the Group's business, management is able to derive sufficient assurance as to the adequacy and effectiveness of the internal controls and risk management procedures without a formal internal audit function. This will be kept under review as the business evolves.

Changes to accounting policies

Application of IFRSs, and new and forthcoming standards

The Group has applied International Financial Reporting Standards when preparing its accounts.

The Committee is satisfied that there are no changes in accounting policies which have had a significant impact on the reported results for the year.

Corporate Governance statement (*continued*)

Reviewing the extent of non-audit services provided by BDO LLP

The Committee monitors the provision of non-audit services by the external auditor to ensure this has no impact on their independence. A breakdown of the fees between audit and non-audit services is provided in Note 6 to the financial statements.

The Committee considers a number of areas when reviewing the external auditor relationship, namely their performance in discharging the audit, the scope of the audit and terms of engagement, their independence and objectivity and remuneration.

The external auditor prepares a plan for its audit of the full year financial statements which is presented to the Committee before the commencement of the audit. The plan sets out the scope of the audit, areas of perceived significant risk where work will be focused and the audit timetable. This plan is reviewed and agreed by the Committee in advance of the detailed audit work taking place.

Following its external audit process, the auditor presented its findings to the Committee for discussion. A number of areas were reviewed around revenue recognition, going concern, fair valuation of intangibles and the fair value of litigation assets. These areas of concern were identified by the external auditor during the year and debated and it was agreed that management's treatment and representation were in compliance with accounting standards.

The Committee has confirmed that it is satisfied with the independence, objectivity and effectiveness of BDO LLP and has recommended to the Board that the auditors be reappointed. There will be a resolution to reappoint the auditors at the forthcoming AGM.

Remuneration Committee report for the year ended 31 December 2020 – Victoria Hull

This report sets out:

- a description of how the Committee operates and
- a summary of the Directors' remuneration policy – setting out the parameters within which the remuneration arrangements for Directors operate

Details of the remuneration paid to the Directors for the year is set out in the Directors' report on pages 29 to 32.

The Committee

The Committee is appointed by the Board and is formed entirely of Non-Executive Directors. The Committee is chaired by Victoria Hull; other members of the Committee are Keith Hamill and Marianne Ismail. In exercising its role, the Committee has regard to the QCA Remuneration Committee Guide and associated guidance.

The Committee meets formally at least twice a year and has responsibility for setting the Group's general policy on remuneration and also specific packages for individual Directors, including Directors of subsidiary companies, and key employees earning more than £300,000 a year. The Committee is also responsible for structuring Non-Executive Director pay, which is subject to approval of all independent Directors and oversight from the plc Board including the Executive Directors. The Committee receives internal advice from Executive Directors and external advice from remuneration consultants where necessary. The Committee also makes recommendations to the Board concerning the allocation of long term incentive awards to senior management.

Other members of the Board of Directors are invited to attend meetings when appropriate, but no Director is present when his or her remuneration is discussed.

Corporate Governance statement (*continued*)

Activities during the year

The main activities undertaken by the Committee during the year included:

- discussing incentive plans, bonuses and pay rises across the Group
- determining salary increases and incentive outcomes for the Executive Directors
- approving the extension and broadening of restrictive covenants in respect of Ian Rosenblatt for an additional two-year term through to 2023

Remuneration policy

The remuneration policy is designed to support an effective pay-for-performance culture which enables the Group to attract, retain and motivate Executive Directors and senior management with the necessary experience and expertise to deliver the Group's objectives and strategy.

Policy for the remuneration of employees more generally

The key principles of the remuneration policy for Executive Directors also apply to employees more generally. In particular, senior employees participate in the performance bonus pool, depending on their role and responsibilities and contribution to the business.

Non-executive Directors' fees

The Chairman of the Board and the other Non-Executive Directors receive an annual fee for their services, reflective of their level of responsibility, relevant experience and specialist knowledge. Non-executive Directors are also reimbursed for appropriate travel expenses to and from board meetings.

Executive Directors' service agreements and Non-Executive Directors' letters of appointment

The Executive Directors entered into service agreements. The service agreements provide that their employment with the Company is on a rolling basis, subject to written notice being served by either party of not less than twelve months. The service agreements contain provisions for early termination in the event of a breach of a material term of the service agreement by the Executive Director or where the Executive Director ceases to be a Director of the Company for any reason. The service agreements also contain restrictive covenants for a period of 12 months following termination of employment. No bonus is payable to the Executive Director if their employment terminates for any reason or they are under notice of termination (whether given by the Company or the Executive Director) at or prior to the date when the bonus is paid. All bonuses are payable within six months of the financial year end. The Non-Executive Directors serve under letters of appointment and are typically expected to serve two-year terms but may be invited by the Board to serve for an additional period. Victoria Hull and Mariane Ismail were originally appointed on 3 September 2018 and 23 January 2019 respectively. Keith Hamill was appointed on 23 January 2020 for an initial three-year term. The notice period required in the letters of appointment for either party to terminate the appointment is at least three months. Each agreement also contains provisions for early termination in the event of a serious or repeated breach of the agreement by the Non-Executive Director or where the Non-Executive Director ceases to be a Director of the Company for any reason.

Our Corporate Governance page can be found on the website <https://www.rbgholdings.co.uk/about/corporate-governance/>. All enquiries sent via "Contact Us" on the website or via email info@rbgholdings.co.uk will be forwarded to an appropriate member of our team and will be dealt with promptly.

Directors' report

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 31 December 2020.

Principal activities and business review

The principal activities of the Group during the year were the provision of legal and professional services, including management and financing of litigation projects. The results for the year and the financial position of the Group are as shown in the annexed financial statements. A review of the business and its future development is given in the Chairman's and Chief Executive's statements.

Results and dividends

The results for the year are set out in the consolidated statement of comprehensive income page 43. An interim dividend of 1 pence per share was paid on 19 June 2020 and an interim dividend of 3 pence per share was declared on the 29th January 2021 and paid on the 26th February 2021.

Likely future developments

Our priorities for the following financial year are disclosed in the CEO's statement on pages 4 to 6.

Substantial shareholdings

The Company was notified that the following were interested in 3% or more of the issued ordinary share capital at 31st December 2020:

	0.2p Ordinary Shares	
	Number	% of issued share capital
Ian Rosenblatt	16,911,214	19.8%
Premier Miton Investors	12,240,521	14.3%
Director (as analysed below)	11,515,264	13.5%
Schroder Investment	4,130,178	4.8%
Hargreaves Lansdown Asset Mgt	3,750,131	4.4%
Interactive Investor	3,042,734	3.6%

Directors and their interests

The directors who served throughout the year, except where otherwise stated and in place at the date of this report are as follows:

S Davidson (resigned 23 January 2020)
N Foulston
K Hamill (appointed 23 January 2020)
V Hull
M Ismail
R Parker

Directors' report (continued)

The directors' interests in the shares of the Company are set out below:

	0.2p Ordinary Shares 2020		0.2p Ordinary Shares 2019	
	Number	% of issued share capital	Number	% of issued share capital
Cascades Ltd*	11,410,000	13.3%	11,410,000	13.3%
Velocity Venture Capital LLP & VV Capital Ltd (VVC)**	-	-	105,264	0.2%
N Foulston	105,264	0.2%	-	-
	11,515,264	13.5%	11,515,264	13.5%

*A company wholly owned by the Foulston Family Trust of which Nicola Foulston is a beneficiary.

** VVC 105,264 shares owned by Nicola Foulston.

Interim dividends of £115,153 were paid on these shares during the year (2019: £552,733).

Directors' remuneration

Directors' remuneration payable in the year ended 31 December 2020 is set out below:

	Basic Salary and/or Directors Fees	Employer Pension Contributions	Total	Basic Salary and/or Directors Fees	Employer Pension Contributions	Total
	2020 £	2020 £	2020 £	2019 £	2019 £	2019 £
S Davidson	5,231	-	5,231	75,000	-	75,000
N Foulston	421,533	11,596	433,129	401,800	14,475	416,275
K Hamill	75,487	-	75,487	-	-	-
V Hull	35,000	-	35,000	32,500	-	32,500
M Ismail	34,718	-	34,718	28,308	-	28,308
R Parker	240,000	12,000	252,000	294,200	-	294,200
	811,969	23,596	835,565	831,808	14,475	846,283

Directors who have an interest in the shares of the Company will benefit through dividend payments. During the year, R Parker received bonus payments totalling £2,500 (2019: £62,000), included within Directors' Fees. No directors have benefitted from share options, or other long term incentive arrangements during the year.

Engagement with employees and stakeholders

The Group operates an equal opportunities employment policy. The Group's policy on recruitment, development, training and promotion includes provision to give full and fair consideration to disabled persons, having particular regard to their aptitudes and abilities. The Group appreciates and values the input of all its employees and encourages development and training to enhance employee skills. The Group ensures that employees are aware of any important matters that may impact on the performance of the Group. Details of how the Directors have engaged with and had regard to employees is addressed in the s172 report on pages 16 to 17.

The directors have regard to the need to foster the company's business relationships with suppliers, customers and others and the impact on principal decisions in the year is also addressed in the s172 report.

Directors' report (*continued*)

Going concern

As described in the Strategic Report on pages 11 to 19 the Group expects to be able to operate within the Group's financing facilities and in accordance with the covenants set out in all available facility agreements. Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they have adopted the going concern basis of accounting in preparing the annual Group financial statements.

Financial risk management

Financial risk is managed by the Board on an ongoing basis. The key financial risks relating to the Group are outlined in more detail in Note 4 to the consolidated financial statements. The Group's principal risks and uncertainties are outlined in the Chief Financial Officer's report.

Post balance sheet events

Material post balance sheet events are set out in Note 28 to the consolidated financial statements.

Annual General Meeting

The provisional date for the Company's AGM is 17 June 2021.

Political donations

No political contributions were made during the year.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by UK. 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 group and company and of the profit or loss of the group for that year. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

Directors' report (*continued*)

Directors' responsibilities statement (*continued*)

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

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

The directors are responsible for keeping adequate accounting records 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.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

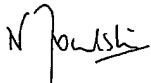
Auditor

A resolution to reappoint BDO LLP as auditor for the ensuing year will be proposed at the Annual General Meeting in accordance with Section 489 of the Companies Act 2006.

Disclosure of information to auditor

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

On behalf of the board



Nicola Foulston
Chief Executive Officer
20 April 2021

Independent auditor's report to the members of RBG Holdings plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of RBG Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the company statement of financial position, the company statement of cash flows, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent 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.

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 Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Checking the workings of the model prepared by the Directors, assessing the reasonableness of key assumptions with reference to historic and current performance, and agreeing key inputs to supporting documentation
- Assessing the headroom within the model with reference to available borrowing facilities and covenants
- Challenging the stress tests performed by the Directors in order to assess the Directors' judgement that there is no material uncertainty surrounding the group's ability to continue as a going concern for a period of at least one year from signing of the financial statements

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 Group's and Parent 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.

Overview

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Independent auditor's report to the members of RBG Holdings plc (continued)

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group is made up of the Parent Company and three active subsidiaries, Rosenblatt Limited, Convex Capital Limited and LionFish Litigation Finance (UK) Limited. We considered the Parent Company, Rosenblatt Limited and LionFish Litigation Finance (UK) Limited to represent three significant components of the group. We completed a full scope audit for RBG Holdings plc on which to base our opinion for the parent company and consolidated financial statements. We also performed full scope audits on Rosenblatt Limited and LionFish Litigation Finance (UK) Limited. We additionally performed limited scope procedures on Convex Capital Limited, which is the only non-significant component of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that 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.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition, specifically valuation of accrued income (Note 2)	The accounting policy for revenue requires that non-contingent revenue should be recognised over time to the extent it is recoverable. Contingent revenue is not recognised where to do so would give rise to the risk of significant reversal. Categorisation of contracts between those for which revenue should be recognised over time and those for which it should be recognised on satisfaction of a contingency, in order to prevent the risk of significant reversal, is a matter of judgement and audit risk, as is the valuation of unbilled revenue at the year end.	- We checked, on a sample basis, that classification of matters between contingent and non-contingent was consistent with the underlying engagement terms. - For a sample of non-contingent matters, in relation to which there was unbilled time at year end, we tested the existence of accrued income with reference to time worked. We tested valuation of the items chosen by tracing to post year end billings and receipts and, where billing had not yet occurred, we challenged managers on expected recovery and obtained supporting evidence to support the judgements taken. - For a sample of contingent matters, we checked their status at the year end, and that revenue had been recognised where the contingency had been met as a result of a binding judgement or settlement agreement and had not been recognised where it had not.

**Independent auditor's report to the members of RBG Holdings plc
(continued)**

		Key observations: We did not find any material exceptions as a result of performing these procedures.
Treatment of damages based agreements, including the provision of legal services (Note 3)	The Group has entered into contracts under which it provides both legal services and funding to litigation clients in return for a share in any damages awarded. It has also entered into contracts under which a share in any damages to which the group is entitled are partially sold on to a third party. The following key judgements and estimates were required: • Categorisation and apportionment of interest in damages, between contingent revenue and financial asset arising on funding. • Valuation of financial asset arising at fair value, which management assessed to approximate the cost of disbursements incurred. • Treatment of onward sales of interests in damages based awards, including the allocation of costs of assets disposed to the sales proceeds.	• We assessed the rights and obligations assumed under the underlying contracts. We checked the accuracy of management's calculations to apportion the expected share in damages between revenue and financial asset, assessed the reasonableness of key assumptions based on our knowledge of the business and agreed inputs to supporting documentation. • We challenged the assumptions in management's fair value calculations, checked their accuracy and agreed factual inputs to supporting documentation. • We checked that the calculation of costs attributable to assets disposed was consistent with the estimate of costs used for the purpose of fair valuing the asset. Key observations: We did not find any material exceptions as a result of performing these procedures.

Independent auditor's report to the members of RBG Holdings plc (continued)

Treatment of litigation funding (Note 3)	The group has entered into contracts under which it provides funding to litigants and receives a return that is contingent on success of the case, and which is a fixed amount, depending on the timing of settlement. It has also entered into contracts under which a share in any damages to which the group is entitled are disposed to a third party. The calculation of the profits on disposal and of the fair value of the remaining investments require the following judgements and estimates: • Estimation of the likely date of settlement. • Estimation of the total funding that will be drawn down under each contract.	We audited the inputs to the calculations of fair value and profit on disposal as follows: • Total committed amounts and returns receivable were agreed to the contract, and funds drawn down were agreed to cash paid. • The sales prices for disposals were agreed to contract and funds received. • Returns receivable based on estimated settlement date were agreed to contract. • We assessed management's assumptions around estimated settlement date and total expected drawdown, making use of sensitivity analysis. We also checked the logic and arithmetical accuracy of the calculations. Key observations: We found the calculations of fair value and profit on disposal of litigation assets to be arithmetically correct and assessed them to be based on appropriate source data and assumptions.
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Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

**Independent auditor's report to the members of RBG Holdings plc
(continued)**

	Group financial statements		Parent company financial statements	
	2020 £m	2019 £m	2020 £m	2019 £m
Materiality	£350,000	£400,000	£340,000	£360,000
Basis for determining materiality	5% adjusted EBITDA	5% profit before tax	2% total assets, capped so as not to exceed group materiality	2% total assets, capped so as not to exceed group materiality
Rationale for the benchmark applied	A profit-based measure is appropriate, as quality and growth of profit are key metrics of the Group's performance used by stakeholders. As an acquisitive business, amortisation costs will increasingly reduce comparability of profit before tax year on year, so we have considered it appropriate to move to an EBITDA benchmark. Adjustment has been made to exclude the exceptional profit arising on write back of deferred consideration on the acquisition of Convex Capital Limited.	A profit-based measure is appropriate, as quality and growth of profit are key metrics of the Group's performance used by stakeholders.	Asset based measure is appropriate for a holding company.	Asset based measure is appropriate for a holding company.
Performance materiality	£250,000	£260,000	£240,000	£234,000
Basis for determining performance materiality	70% materiality We set performance materiality towards the upper end of range, as we considered audit risk to be polarised in relatively few key judgement areas on which we focus our work, reducing the risk that an aggregation of errors would give rise to material misstatement.	65% materiality	70% materiality	65% Materiality

Independent auditor's report to the members of RBG Holdings plc (continued)

Component materiality

We set materiality for each component of the Group of between 53% and 97% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £185,000 to £340,000 (2019: £80,000 to £360,000). In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £14,000 (2019: £14,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

Independent auditor's report to the members of RBG Holdings plc (continued)

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and Parent 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.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: - adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or - the Parent Company financial statements are not in agreement with the accounting records and returns; or - certain disclosures of Directors' remuneration specified by law are not made; or - we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of RBG Holdings plc (continued)

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The objectives of our audit, in respect to fraud, are; to identify and assess the risks 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, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to The Group. We determined that the most significant laws and regulations which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (IAS, AIM Regulations and the Companies Act 2006), those related to the provision of legal services (Solicitors' Regulation Authority), those related to security of data (GDPR), and labour regulations and tax in the United Kingdom.
- We understood how the Group is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through review of board minutes, breaches logs and correspondence with regulators.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by discussing with management where it is considered there was a susceptibility of fraud. We also considered potential fraud drivers, including: financial or other pressures, opportunity, and personal or corporate motivations.
- We considered the processes and controls that the Group has established to address fraud risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those processes and controls.
- Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and assessment of key areas of estimation uncertainty or judgement, in particular those set out in Note 3 to the financial statements.

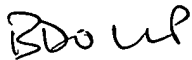
Independent auditor's report to the members of RBG Holdings plc (continued)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Nicholas Carter-Pegg (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street
London
W1U 7EU
20 April 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income For the year ended 31 December 2020

	Note	1 January to 31 December 2020 £	1 January to 31 December 2019 £
Revenue	5	22,449,332	19,941,240
Gains on litigation assets	5	3,122,727	3,800,000
Personnel costs	7	(14,780,204)	(11,496,875)
Depreciation and amortisation expense		(2,081,501)	(1,576,180)
Other expenses		(633,999)	(2,808,567)
Profit from operations	6	8,076,355	7,859,618
EBITDA		10,157,856	9,435,798
Non-underlying items			
Deferred consideration release		(2,640,000)	-
Adjusted EBITDA		7,517,856	9,435,798
Finance expense	8	(394,534)	(253,210)
Finance income	8	24,460	41,027
Profit before tax		7,706,281	7,647,435
Tax expense	9	(1,024,936)	(1,470,837)
Profit and total comprehensive income		6,681,345	6,176,598
Total profit and comprehensive income attributable to:			
Owners of the parent		6,454,738	6,176,598
Non-controlling interest		226,607	-
		6,681,345	6,176,598
Earnings per share attributable to the ordinary equity holders of the parent	10		
Profit			
Basic (pence)		7.54	7.56
Diluted (pence)		7.54	7.50

The results for the year presented above are derived from continuing operations.

There were no elements of other comprehensive income for the financial year other than those included in the income statement.

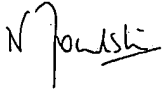
The attached notes form part of these financial statements.

Consolidated statement of financial position As at 31 December 2020

<i>Company registered number: 11189598</i>	Note	31 December 2020 £	31 December 2019 £
Assets			
Current assets			
Trade and other receivables	19	7,696,925	11,088,812
Cash and cash equivalents		13,522,184	1,910,156
		<u>21,219,109</u>	<u>12,998,968</u>
Non-current assets			
Property, plant and equipment	12	475,229	638,382
Right-of-use assets	13	5,825,712	6,760,198
Intangible assets	14	35,378,065	35,137,871
Litigation assets	18	6,294,754	2,209,886
		<u>47,973,760</u>	<u>44,746,337</u>
Total assets		<u>69,192,869</u>	<u>57,745,305</u>
Liabilities			
Current liabilities			
Trade and other payables	20	3,894,546	6,710,936
Leases	13	870,019	811,105
Current tax liabilities	20	657,437	1,395,489
Provisions	22	116,875	75,000
		<u>5,538,877</u>	<u>8,992,530</u>
Non-current liabilities			
Loans and borrowings	21	10,000,000	-
Deferred tax liability	23	304,853	422,144
Trade and other payables	20	1,015,000	-
Leases	13	5,081,043	5,920,697
		<u>16,400,896</u>	<u>6,342,841</u>
Total liabilities		<u>21,939,773</u>	<u>15,335,371</u>
NET ASSETS		<u>47,253,096</u>	<u>42,409,934</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	24	171,184	171,184
Share premium reserve	25	37,565,129	37,565,129
Retained earnings	25	9,290,076	4,673,621
		<u>47,026,389</u>	<u>42,409,934</u>
Non-controlling interest		<u>226,707</u>	<u>-</u>
TOTAL EQUITY		<u>47,253,096</u>	<u>42,409,934</u>

Consolidated statement of financial position **As at 31 December 2020 (*continued*)**

The financial statements on pages 43 to 89 were approved and authorised for issue by the Board of Directors on 20 April 2021 and were signed on its behalf by:



Nicola Foulston
Director

Consolidated statement of cash flows

For the year ended 31 December 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Profit for the year before tax		7,706,281	7,647,435
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	12	335,634	232,728
Amortisation of right-of-use assets	13	986,061	891,794
Amortisation of intangible fixed assets	14	759,806	451,658
Finance income	8	(24,460)	(41,027)
Finance expense	8	394,534	253,210
		<u>10,157,856</u>	<u>9,435,798</u>
Decrease/(increase) in trade and other receivables		3,391,887	(5,091,691)
(Decrease) in trade and other payables		(2,816,390)	(710,714)
(Increase) in litigation assets	18	(4,084,868)	(2,209,886)
Increase in provisions		41,875	39,736
		<u>6,690,360</u>	<u>1,463,243</u>
Cash generated from operations			
Tax paid		(1,880,277)	(1,637,610)
		<u>4,810,083</u>	<u>(174,367)</u>
Net cash flows from operating activities			
Investing activities			
Purchases of property, plant and equipment	12	(172,482)	(534,155)
Purchase of other intangibles		(1,000,000)	-
Acquisition of subsidiary, net of cash		-	(6,008,389)
Interest received		24,460	41,027
		<u>(1,148,022)</u>	<u>(6,501,517)</u>
Net cash used in investing activities			
Financing activities			
Issue of ordinary shares in subsidiaries		100	-
Dividends paid to holders of the parent	11	(823,283)	(3,811,342)
Proceeds from loans and borrowings	21	21,000,000	1,637,608
Repayment of loans and borrowings	21	(11,000,000)	(1,637,608)
Repayments of lease liabilities	13	(832,316)	(699,875)
Interest paid on loans and borrowings		(185,497)	(27,564)
Interest paid on lease liabilities	13	(209,037)	(225,646)
		<u>7,949,967</u>	<u>(4,764,427)</u>
Net cash from financing activities			
Net increase/(decrease) in cash and cash equivalents		<u>11,612,028</u>	<u>(11,440,311)</u>
Cash and cash equivalents at beginning of year		1,910,156	13,350,467
		<u>13,522,184</u>	<u>1,910,156</u>
Cash and cash equivalents at end of year			

The attached notes form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2020

	Share Capital £	Share Premium £	Retained Earnings £	Total attributable to equity holders of parent £	Non- controlling Interest £	Total Equity £
Balance at 1 January 2020	171,184	37,565,129	4,673,621	42,409,934	-	42,409,934
Comprehensive income for the year						
Profit for the year	-	-	6,454,738	6,454,738	226,607	6,681,345
Total comprehensive Income for the year	-	-	6,454,738	6,454,738	226,607	6,681,345
Contributions by and distributions to owners						
Dividends	-	-	(823,283)	(823,283)	-	(823,283)
Issue of share capital	-	-	-	-	100	100
Grant of put option over shares in subsidiary	-	-	(1,015,000)	(1,015,000)	-	(1,015,000)
Total contributions by and distributions to owners	-	-	(1,838,283)	(1,838,283)	100	(1,838,183)
Balance at 31 December 2020	171,184	37,565,129	9,290,076	47,026,389	226,707	47,253,096

The attached notes form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2020 (continued)

	Share Capital £	Share Premium £	Retained Earnings £	Total Attributable to equity holders of parent £	Non- controlling Interest £	Total Equity £
Balance at 1 January 2019	160,184	32,516,129	2,308,365	34,984,678	-	34,984,678
Comprehensive profit for the year						
Profit for the year	-	-	6,176,598	6,176,598	-	6,176,598
Total comprehensive profit for the year	-	-	6,176,598	6,176,598	-	6,176,598
Contributions by and distributions to owners						
Dividends	-	-	(3,811,342)	(3,811,342)	-	(3,811,342)
Issue of share capital	11,000	5,049,000	-	5,060,000	-	5,060,000
Total contributions by and distributions to owners	11,000	5,049,000	(3,811,342)	1,248,658	-	1,248,658
Balance at 31 December 2019	171,184	37,565,129	4,673,621	42,409,934	-	42,409,934

The attached notes form part of these financial statements.

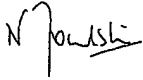
Company statement of financial position As at 31 December 2020

<i>Company registered number: 11189598</i>	Note	2020 £	2019 £
Assets			
Current assets			
Trade and other receivables	19	24,900,931	26,492,958
Cash and cash equivalents		12,313,385	359,684
		<u>37,214,316</u>	<u>26,852,642</u>
Non-current assets			
Property, plant and equipment	12	5,847	10,427
Investments	16	15,814,321	15,813,422
		<u>15,820,168</u>	<u>15,823,849</u>
Total assets		<u>53,034,484</u>	<u>42,676,491</u>
Liabilities			
Current liabilities			
Trade and other payables	20	2,035,431	4,326,969
		<u>2,035,431</u>	<u>4,326,969</u>
Non-current liabilities			
Loans and borrowings	21	10,000,000	-
Deferred tax liability	23	502,711	1,773
		<u>10,502,711</u>	<u>1,773</u>
Total liabilities		<u>12,538,142</u>	<u>4,328,742</u>
NET ASSETS		<u>40,496,342</u>	<u>38,347,749</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	24	171,184	171,184
Share premium reserve	25	37,565,129	37,565,129
Retained earnings	25	2,760,029	611,436
TOTAL EQUITY		<u>40,496,342</u>	<u>38,347,749</u>

Company statement of financial position **As at 31 December 2020 (*continued*)**

The Company has taken advantage of the exemption contained in S408 Companies Act 2006 and has not presented a separate income statement for the Company. The Company recorded a profit after tax of £2,971,876 for the year ended 31 December 2020 (2019: £5,718,891).

The financial statements on pages 43 to 89 were approved and authorised for issue by the Board of Directors on 20 April 2021 and were signed on its behalf by:



Nicola Foulston
Director

The attached notes form part of these financial statements.

Company statement of cash flows

For the year ended 31 December 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Profit for the year before tax		3,110,117	5,720,664
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	12	6,205	5,212
Finance income		(4,754)	(11,269)
Finance expense		174,079	25,945
		<u>3,285,647</u>	<u>5,740,552</u>
Decrease/(increase) in trade and other receivables		1,954,724	(4,029,201)
(Decrease) in trade and other payables		(2,291,537)	(289,197)
		<u>2,948,834</u>	<u>1,422,154</u>
Cash generated from operations		2,948,834	1,422,154
Tax paid		-	-
		<u>2,948,834</u>	<u>1,422,154</u>
Net cash flows from operating activities		2,948,834	1,422,154
Investing activities			
Purchases of property, plant and equipment	12	(1,625)	(1,625)
Investment in subsidiary		(900)	-
Acquisition of subsidiary, net of cash		-	(6,313,322)
Interest received		4,754	11,269
		<u>2,229</u>	<u>(6,303,678)</u>
Net cash used in investing activities		2,229	(6,303,678)
Financing activities			
Issue of ordinary shares		-	-
Dividends paid to holders of the parent	11	(823,283)	(3,811,342)
Proceeds from loans and borrowings		21,000,000	1,637,608
Repayment of loans and borrowings		(11,000,000)	(1,637,608)
Interest paid on loans and borrowings		(174,079)	(25,945)
		<u>9,002,638</u>	<u>(3,837,287)</u>
Net cash from financing activities		9,002,638	(3,837,287)
Net increase/(decrease) in cash and cash equivalents		11,953,701	(8,718,811)
Cash and cash equivalents at beginning of year		359,684	9,078,495
		<u>12,313,385</u>	<u>359,684</u>
Cash and cash equivalents at end of year		12,313,385	359,684

The attached notes form part of these financial statements.

Company statement of changes in equity For the year ended 31 December 2020

	Share Capital £	Share premium £	Retained Earnings £	Total £
Balance at 1 January 2020	171,184	37,565,129	611,436	38,347,749
Comprehensive profit for the year				
Profit for the year	-	-	2,971,876	2,971,876
Total comprehensive profit for the year	-	-	2,971,876	2,971,876
Contributions by and distributions to owners				
Dividends	-	-	(823,283)	(823,283)
Issue of share capital	-	-	-	-
Total contributions by and distributions to owners	-	-	(823,283)	(823,283)
Balance at 31 December 2020	171,184	37,565,129	2,760,029	40,496,342

The attached notes form part of these financial statements.

Company statement of changes in equity
For the year ended 31 December 2020 (continued)

	Share Capital £	Share premium £	Retained Earnings £	Total £
Balance at 1 January 2019	160,184	32,516,129	(1,296,113)	31,380,200
Comprehensive profit for the year				
Profit for the year	-	-	5,718,891	5,718,891
Total comprehensive profit for the year	<u>-</u>	<u>-</u>	<u>5,718,891</u>	<u>5,718,891</u>
Contributions by and distributions to owners				
Dividends	-	-	(3,811,342)	(3,811,342)
Issue of share capital	11,000	5,049,000	-	5,060,000
Total contributions by and distributions to owners	<u>11,000</u>	<u>5,049,000</u>	<u>(3,811,342)</u>	<u>1,248,658</u>
Balance at 31 December 2019	<u>171,184</u>	<u>37,565,129</u>	<u>611,436</u>	<u>38,347,749</u>

The attached notes form part of these financial statements.

Notes (forming part of the consolidated financial statements)

1 Basis of preparation

RBG Holdings plc is a public limited company, incorporated in the United Kingdom. The principal activity of the Group is the provision of legal and professional services, including management and financing of litigation projects.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and have been prepared in accordance with IFRS as adopted by the UK and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Company has taken advantage of the exemption contained in S408 Companies Act 2006 and has not presented a separate income statement for the Company.

The financial statements have been prepared for year ended 31 December 2020, with a comparative year to 31 December 2019, and are presented in Sterling, which is also the Group's functional currency.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out in Note 2. The policies have been consistently applied to the period presented, unless otherwise stated.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Litigation assets – fair value through profit or loss
- Contingent consideration – fair value through profit or loss

Going concern

As described in the Strategic Report on pages 11 to 19 the Group expects to be able to operate within the Group's financing facilities and in accordance with the covenants set out in all available facility agreements. Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they have adopted the going concern basis of accounting in preparing the annual Group financial statements.

Notes (continued)

1 Basis of preparation (continued)

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2020

New standards that have been adopted in the annual financial statements for the year ended 31 December 2020 but have not had a significant effect on the Group are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Conceptual Framework for Financial Reporting (Revised)
- COVID-19 Related Rent Concessions (Amendment to IFRS16)

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2021:

- Interest Rate Benchmark Reform (Amendments to IFRS9, IAS 39, IFRS 7 and IFRS16)

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contract – Cost of fulfilling a Contract (Amendments to IAS 37)
- Property, plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS1, IFRS 9, IFRS 16 and IAS 41)
- References to Conceptual Framework (Amendments to IFRS 3)

The Group is currently assessing the impact of these new accounting standards and amendments and does not expect that they will have a material impact on the Group.

Notes (continued)

2 Accounting policies

Revenue

Revenue comprises the fair value of consideration receivable in respect of services provided during the period, inclusive of recoverable expenses incurred but excluding value added tax.

Legal and Other Professional services revenues

Where fees are contractually able to be rendered by reference to time charged at agreed rates, the revenue is recognised over time, based on time worked charged at agreed rates, to the extent that it is considered recoverable.

Where revenue is subject to contingent fee arrangements, including where services are provided under Damages Based Agreements (DBAs), the Group estimates the amount of variable consideration to which it will be entitled and constrains the revenue recognised to the amount for which it is considered highly probable that there will be no significant reversal. Due to the nature of the work being performed, this typically means that contingent revenues are not recognised until such time as the outcome of the matter being worked on is certain.

Bills raised are payable on delivery and until paid form part of Trade receivables. The Group has taken advantage of the practical exemption in IFRS 15 not to account for significant financing components where the Group expects the time difference between receiving consideration and the provision of the service to a client will be one year or less. Where revenue has not been billed at the balance sheet date, it is included as contract assets and forms part of Trade and other receivables.

Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Non-Controlling interests

The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

Where the Company has agreed a put option over the shares of a subsidiary held by a non-controlling interest, the liability for the estimated exercise value of the put option is recognised at fair value in the financial statements of the Company and is recognised at present value in the financial statements of the Group. Movements in the estimated liability after initial recognition are recognised in the income statement.

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Notes (continued)

2 Accounting policies (continued)

Goodwill (continued)

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. Direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial period end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss

Litigation assets relate to the provision of funding to litigation matters in return for a participation share in the settlement of that case (Damages Based Award). Investments are initially measured at the sum invested and are subsequently held at fair value through the profit and loss.

Where the Group sells an interest in its entitlement to any award under a Damages Based Award to a third party, the difference between the disposal proceeds and the cost of investment disposed gives rise to a profit on disposal which is recognised through the profit and loss when the sale is agreed. These sales are non-recourse and, if the case is successful, the relevant % of the settlement received is paid to the third party.

Notes (continued)

2 Accounting policies (continued)

Amortised cost

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. 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 rate method, less provision for impairment.

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

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

Impairment provisions for receivables from related parties and loans to related parties, including those from subsidiary companies, are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. This annual assessment considers forward-looking information on the general economic and specific market conditions together with a review of the operating performance and cash flow generation of the entity relative to that at initial recognition. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less.

Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liability was acquired.

Other financial liabilities

All the Group's financial liabilities are classified as other financial liabilities, which include the following items:

Bank borrowings are initially recognised at fair value net of any transactions costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Notes (continued)

2 Accounting policies (continued)

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

Leased assets

Identifying leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- (a) There is an identified asset
- (b) The Group obtains substantially all the economic benefits from use of the asset and
- (c) The Group has the right to direct use of the asset

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of the contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets and
- Leases with a term of 12 months or less

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Notes (continued)

2 Accounting policies (continued)

Leased assets (continued)

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee
- the exercise price of any purchase option granted in favour of the Group if it is reasonable certain to assess that option
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before the commencement of the lease
- initial direct costs incurred and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining lease term.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor for a variable amount, the Group has elected to account for the right-of-use payments as a lease and expense the service charge payments in the period to which they relate.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Notes (continued)

Externally acquired intangible assets (continued)

The significant intangibles recognised by the Group, their useful economic lives and the methods used for amortisation and to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Remaining useful economic life	Amortisation method	Valuation method
Brand	20 years	17-19 years	Straight line	Estimated discounted cash flow
Customer contracts	1-2 years	1 year	In line with contract revenues	Estimated discounted cash flow
Restrictive covenant extension	2 years	2 years	Straight line	Cost

Non current investments

Investments in subsidiary undertakings are stated at cost less amounts written off for impairment. Investments are reviewed for impairment where events or circumstances indicate that their carrying amount may not be recoverable.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- investments in subsidiaries and joint arrangements where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/assets are settled /recovered.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company, or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered

Notes (continued)

2 Accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Plant and machinery	-	25-33% per annum straight line
Fixtures and fittings	-	25% per annum straight line
Computer equipment	-	33% per annum straight line

Provisions

The group has recognised provisions for liabilities of uncertain timing or amount including those for legal claims. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability. Where a legal claim is within the scope of an insurance policy held by the Group, provision will be made up to the level of the excess payable on the insurance claim.

Notes (continued)

3 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on actual experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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 period are discussed below.

Judgements, estimates and assumptions

– Accounting for business combinations and fair value

Business combinations are accounted for at fair value. Valuation of acquired intangibles requires estimates of future growth rates, profitability, remaining useful lives and discount rates for input to the business combination valuation methodology. A difference in the estimated future growth rates, profitability, the use of a different discount rate, or the selection of a different valuation method may result in a different assessment of fair value of the asset or liability acquired as part of the business combination.

– Estimated impairment of intangible assets including goodwill

Determining whether an intangible asset is impaired requires an estimation of the value in use of the cash generating units to which the intangible has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from each cash generating unit and determine a suitable discount rate. A difference in the estimated future cash flows or the use of a different discount rate may result in a different estimated impairment of intangible assets.

– Revenue recognition

Where the group performs work that is chargeable based on hours worked at agreed rates, assessment must be made of the recoverability of the unbilled time at the period end. This is on a matter by matter basis, with reference to historic and post year-end recoveries. Different views on recoverability would give rise to a different value being determined for revenue and a different carrying value for unbilled revenue.

Where revenue is subject to contingent fee arrangements, the Group estimates the amount of variable consideration to which it will be entitled and constrains the revenue recognised to the amount for which it is considered highly probable that there will be no significant reversal. Due to the nature of the work being performed, this typically means that contingent revenues are not recognised until such time as the outcome of the matter being worked on is certain. Factors the Group considers when determining whether revenue should be constrained are whether:-

- i) The amount of consideration receivable is highly susceptible to factors outside the Group's influence
- ii) The uncertainty is not expected to be resolved for a long time
- iii) The Group has limited previous experience (or limited other evidence) with similar contracts
- iv) The range of possible consideration amounts is broad with a large number of possible outcomes

Different views being determined for the amount of revenue to be constrained in relation to each contingent fee arrangement may result in a different value being determined for revenue and also a different carrying value being determined for unbilled amounts for client work.

Notes (continued)

3 Critical accounting estimates and judgements (continued)

Where the group enters into Damages Based Agreements ("DBAs") that include both the provision of services and the provision of litigation finance, the Group must apportion the total expected settlement between that arising as conditional revenue for services and that arising as a return on participation. This requires estimation of the total amount of time cost and disbursements that will be incurred on a matter and the expected settlement value; the allocation of the DBA to revenue is made with reference to standard returns on contingent fee work. Different views will impact the level of unrecognised contingent revenue and also the recognised financial asset relating to the DBA participation.

Where non-contingent fees as well as contingent revenue are earned on DBAs, the group must make a judgement as to whether non-contingent amounts represent revenue or a reduction in funding, with reference to the terms of the agreement and timing and substance of time worked and payments made. Where non-contingent revenue arises, the Group must match it against the services to which it relates. This requires Management to estimate work done as a proportion of total expected work to which the fee relates. Different views could impact the level of non-contingent revenue recognised.

– *Impairment of trade receivables*

Receivables are held at cost less provisions for impairment. Impairment provisions are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. A different assessment of the impairment provision with reference to the probability of the non-payment of trade debtors or the expected loss arising from default, may result in different values being determined.

– *Litigation assets and fair value*

LionFish

For each of LionFish's investments, a part disposal has been made in the period, and the sales prices of these disposals have been used to value the gross value of the interest in damages retained by the Group. In order to calculate the proportion of each investment retained, the Group has estimated the expected total return on the investment and the expected return payable to the onward investor. As returns are dependent on the timing of the settlement, these estimates are driven by assumptions over the most likely timing of settlement, which is based on semi-annual individual case by case reviews by management.

In order to calculate the profit on disposal, the Group allocates the corresponding proportion of the total expected cost of the investment against the proportion of the investment sold. The total expected cost of each investment involves an assumption regarding the total expected drawdown on that investment, which may be less than the total value of funds committed. Management make this assumption based on their semi-annual case by case reviews of each individual investment. The recorded profits on disposal and carrying values are relatively insensitive to assumptions made, with the exception that matters for which capital invested is insured are sensitive to the estimated settlement date. In general, the later the anticipated settlement date, the greater the carrying value of the investment. Management has exercised caution in its assessment of settlement dates.

RBL

Unlike LionFish's investments, the total return on RBL's litigation assets is a proportion of damages awarded, rather than being dependent on timing of settlement. As this figure is potentially large and uncertain, and has a strong impact on fair value calculations, where possible the Group avoids using it as an input to its fair value calculations.

Notes (continued)

3 Critical accounting estimates and judgements (continued)

Where a recent disposal of an interest in a damage based agreement has been made, the sales price of the disposal has been used to value the gross value of the interest in damages retained by the Group. The sales price is adjusted downwards for the cost of the Group's ongoing funding of the matter, which is not borne by the onward investor. This involves an estimate of the likely amount and timing of disbursements over the course of the matter, the minimum being funds already disbursed at the balance sheet date. As management believes the sales price of disposals to represent the floor level, having been used to create a market and de-risk the original investment, the minimum level of disbursements has also been used in valuing the investment. If the present value of the maximum level of disbursements were applied against the value of damages based on disposal price, this would reduce the fair value of the investment to zero. Conversely, if a discounted cash flow method of valuation were used, including an estimate of the likely amount of damages on settlement, the value of the investment would be significantly increased.

It is presumed that fair value and cost approximate to each other on initial recognition and where a damages based agreement is at an early stage, such that the level of time worked is de minimis, the financial asset has been valued at cost, subject to assessment for overstatement.

Where there has been minimal activity on a damages based agreement from period to period, the prior year valuation is taken as the initial indication of fair value, subject to assessment for overstatement.

- **Put options over shares held by non-controlling interest**

The following key estimates and judgements have been used in determining the present value of put options over the shares held by the non-controlling interest in LionFish:-

- i) It has been assumed that the option holder will exercise at the earliest possible opportunity, being 12 August 2022
- ii) The value at the date of exercise, which is calculated as a multiple of average profit over the preceding two years, has been based on the actual profit after tax for the period ended 31 December 2020 and the budgeted profit after tax for the year ended 31 December 2021

In determining the fair value of the put options, it has been assumed that fair value of the put shares in LionFish is equal to the fair value of the shares in the Company for which they would be exchanged, and that the fair value of the option is zero.

- **Claims and regulatory matters**

The Group from time to time receives claims in respect of professional service matters. The Group defends such claims where appropriate, but makes provision for the possible amounts considered likely to be payable, having regard to any relevant insurance cover held by the Group. A different assessment of the likely outcome of each case or of the possible cost involved may result in a different provision or cost.

Notes (continued)

4 Financial instruments - Risk Management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk and
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous period unless otherwise stated in this note.

(i) Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Litigation assets
- Trade and other payables
- Floating-rate bank loans

(ii) Financial instruments by category

Financial assets

	Fair value through profit or loss		Amortised cost	
	31 December 2020 £	31 December 2019 £	31 December 2020 £	31 December 2019 £
Cash and cash equivalents	-	-	13,522,184	1,910,156
Trade and other receivables	-	-	7,074,425	10,393,807
Litigation assets	6,294,754	2,209,886	-	-
Total financial assets	6,294,754	2,209,886	20,596,609	12,303,963

Financial liabilities

	Fair value through profit or loss		Amortised cost	
	31 December 2020 £	31 December 2019 £	31 December 2020 £	31 December 2019 £
Trade payables and accruals	-	-	1,618,264	1,555,988
Loans and borrowings	-	-	10,000,000	-
Other payables	-	2,640,000	2,133,595	1,430,000
Total financial liabilities	-	2,640,000	13,751,859	2,985,988

Trade and other payables are due within twelve months.

Notes (continued)

4 Financial instruments --Risk Management (continued)

Principal financial instruments (continued)

(iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

(iv) Financial instruments measured at fair value

Litigation assets are classified as level 3 in the fair value hierarchy of financial instruments.

The methods and procedures to fair value litigation assets may include, but are not limited to: (i) obtaining information provided by third parties when available; (ii) performing comparisons of comparable or similar investment matters; (iii) calculating the present value of future cash flows; (iv) assessing other analytical data and information relating to the investment that is an indication of value; (v) reviewing the amounts invested in these investments; (vii) entering into a market transaction with an arm's length party.

The material estimates and assumptions used in the analysis of fair value include the status and risk profile of the risks underlying the investment, the timing and expected amount of cash flows based on the investment structure and agreement, the appropriateness of discount rates used, if any, and in some cases, the timing of, and estimated minimum proceeds from, a favourable outcome. Significant judgement and estimation goes into the assumptions which underlie the analyses, and the actual values realised with respect to investments could be materially different from values obtained based on the use of the estimates.

The reconciliation of the opening and closing fair value balance of the level 3 financial instruments is provided in Note 18 together with a sensitivity analysis.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new and irregular clients before entering contracts and to require money on account of work for these clients. The Group reviews, on a regular basis, whether to perform further work where clients have unpaid bills. The Group works with a broad spread of long standing reputable clients to ensure there are no significant concentrations of credit risk.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. Cash and cash equivalents are invested with banks with an A+ credit rating.

Notes (continued)

4 Financial instruments - Risk Management (continued)

General objectives, policies and processes (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk from borrowings under the Revolving Credit Facility at variable rate. The Board reviews the interest rate exposure on a regular basis.

During 2020 and 2019, the Group's borrowings at variable rate were denominated in sterling. At 31 December 2020, if interest rates on sterling denominated borrowings had been 100 basis points higher/lower with all other variables held constant, profit after tax for the year would have been £78,000 lower/higher, mainly as a result of higher/lower interest expense on floating-rate borrowings. The directors consider that 100 basis points is the maximum likely change in sterling interest rates over the next year, being the period up to the next point at which the Group expects to make these disclosures.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash (or agreed facilities) to allow it to meet its liabilities when they become due and to take advantage of business opportunities.

The Board reviews the projected financing requirements annually when agreeing the Group's budget and receives rolling 12-month cash flow projections for the Group on a regular basis as well as information regarding cash balances.

On 25th October 2019, the Group signed a £10,000,000 three-year Revolving Credit Facility with HSBC UK Bank plc. The Group may utilise any proportion of the facility, paying an interest margin of 1.75-2.25% over LIBOR on utilisations and a commitment fee on the unutilised facility. The facility is secured by the debenture which grants first ranking fixed and floating security of the property and assets of the Group as referenced in Notes 12 and 14. During 2020, the Group drew down the full £10m facility. At the year end the Group had £13.5m in cash, and so a net cash position of £3.5m (2019: £1.9m).

At the end of the financial year, cash flow projections indicated that the Group expected to have sufficient liquid resources to meet its obligations, including scheduled lease payments (Note 13), under all reasonably expected circumstances.

Capital Management

The Group monitors "adjusted capital" which comprises all components of equity (i.e. share capital, share premium, non-controlling interest and retained earnings).

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk

The Group expects to pursue a progressive dividend policy over time, driven primarily by the level of cash retained within the business as well as investment opportunities available to the Group and from time to time review the continued appropriateness of such policy.

Notes (continued)

5 Segment information

The Group's reportable segments are strategic business groups that offer different products and services. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, which has been identified as the Board of Directors of RBG Holdings plc.

The following summary describes the operations of each reportable segment:

- *Legal services* – Provision of legal advice, by Rosenblatt
- *Litigation finance* – Sale of litigation assets, by Rosenblatt and LionFish
- *Other Professional services* – Provision of sell-side M&A corporate finance services, by Convex

2020	Legal services £	Litigation finance £	Other Professional services £	Total £
Segment revenue	20,864,341	-	1,584,991	22,449,332
Segment gains on litigation assets comprising:				
Proceeds on disposal of litigation assets	-	3,561,000	-	3,561,000
Realisation of litigation assets	-	(2,353,164)	-	(2,353,164)
Profit on disposal of litigation assets	-	1,207,836	-	1,207,836
Fair value movement on litigation assets	-	1,914,891	-	1,914,891
	-	3,122,727	-	3,122,727
Segment contribution	10,868,778	-	(605,593)	10,263,185
Segment gains on litigation assets	-	3,122,727	-	3,122,727
<i>Costs not allocated to segments</i>				
Personnel costs				(2,634,661)
Depreciation and amortisation				(2,081,501)
Other operating expense				(593,395)
Net financial expenses				(370,074)
Group profit for the year before tax				7,706,281

Notes (continued)

5 Segment information (continued)

2019	Legal services £	Litigation finance £	Other Professional services £	Total £
Segment revenue	18,089,740	-	1,851,500	19,941,240
Segment gains on litigation assets	--	3,800,000	--	3,800,000
Segment contribution	10,231,521	-	1,037,839	11,269,360
Segment gains on litigation assets	--	3,800,000	--	3,800,000
<i>Costs not allocated to segments</i>				
Personnel costs				(2,861,240)
Depreciation and amortisation				(1,576,180)
Other operating expense				(2,772,322)
Net financial expenses				(212,183)
Group profit for the year before tax				7,647,435

Total assets and liabilities by operating segment are not reviewed by the chief operating decision makers and are therefore not disclosed.

A geographical analysis of revenue is given below:

	Revenue by location of clients	
	2020 £	2019 £
United Kingdom	20,680,948	17,420,189
Europe	387,829	301,799
North America	7,833	71,591
Other	1,372,722	2,147,661
	22,449,332	19,941,240

Revenues from Legal services clients that account for more than 10% of Group revenue total £12,829,816 (2019: £7,905,967).

Notes (continued)

Contract assets

Group	2020 £	2019 £
At 1 January 2020	3,797,152	3,040,152
Acquired through business combinations	-	-
Transfers in the period from contract assets to trade receivables	(3,429,927)	(2,692,814)
Excess of revenue recognised over cash (or rights to cash) being recognised during the year	2,629,700	3,449,814
At 31 December 2020	2,996,925	3,797,152

Contract assets are included within "trade and other receivables" on the face of the statement of financial position. They arise when the Group has performed services in accordance with the agreement with the relevant client and has obtained right to consideration for those services but such income has not been billed at the balance sheet date.

6 Profit from operations and auditor's remuneration

	2020 £	2019 £
Profit from operations is stated after charging:		
Fees payable to the company's auditors		
- Audit fees	177,500	147,750
- Other services	12,500	12,500
Depreciation of property, plant and equipment	335,634	232,729
Amortisation of right-of-use assets	986,061	891,794
Amortisation/impairment of intangible assets	759,806	451,658
Lease expense:		
- Short term	-	-
- Low value	3,335	1,872

The Alternative Performance Measures used by Management are shown below:

	2020 £	2019 £
Operating profit	8,076,355	7,859,618
Depreciation and amortisation expense	2,081,501	1,576,180
Non-underlying items	(2,640,000)	-
Adjusted EBITDA	7,517,856	9,435,798
	2020 £	2019 £
Profit before tax	7,706,281	7,647,435
Non-underlying items	(2,640,000)	-
Adjusted PBT	5,066,281	7,647,435

Notes (continued)

7 Employees

Group	2020 £	2019 £
Staff costs (including directors) consist of:		
Wages and salaries	9,902,596	8,071,730
Short-term non-monetary benefits	122,854	114,448
Cost of defined contribution scheme	262,518	262,998
Share-based payment expense	39,403	-
Social security costs	1,225,260	981,110
	<u>11,552,631</u>	<u>9,430,286</u>

Personnel Costs stated in the Consolidated statement of comprehensive income includes the costs of contractors of £3,227,573 (2019: £2,066,589).

The average number of employees (including directors) during the period was as follows:

	2020 Number	2019 Number
Legal and professional staff	55	50
Administrative staff	35	31
	<u>90</u>	<u>81</u>

Defined contribution pension schemes are operated on behalf of the employees of the Group. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension charge represents contributions payable by the Group to the funds and amounted to £262,518 (2019: £262,998). Contributions amounting to £40,574 (2019: £42,308) were payable to the funds at period end and are included in Trade and other payables.

Company

The average number of employees (excluding directors) during the period was one (2019: nil); all other personnel are employed by subsidiary undertakings.

Details of the Directors' remuneration, share interests and transactions with directors are included in the Directors' Report on pages 29 to 32 and in Note 26. The directors are considered to be the key management personnel.

Notes (continued)

8 Finance income and expense

Recognised in profit or loss

	2020 £	2019 £
Finance income		
Interest received on bank deposits	24,460	41,027
Net finance income recognised in profit or loss	24,460	41,027
Finance expense	£	£
Interest expense on financial liabilities measured at amortised cost	(185,497)	(27,565)
Interest expense on lease liabilities	(209,037)	(225,645)
	(394,534)	(253,210)
Net finance (expense) recognised in profit or loss	(370,074)	(212,183)

The above financial income and expense include the following in respect of assets/(liabilities) not at fair value through profit or loss:

Total interest income on financial assets	24,460	41,027
Total interest expense on financial liabilities	(185,497)	(27,565)
	161,037	13,462

9 Tax expense

	2020 £	2019 £
Current tax expense		
Current tax on profits for the year	1,141,107	1,487,925
Adjustment for under provision in prior periods	1,120	61,538
Total current tax	1,142,227	1,549,463
Deferred tax expense		
Origination and reversal of temporary differences (Note 23)	(117,291)	(78,626)
Total tax expense	1,024,936	1,470,837

Notes (continued)

9 Tax expense (continued)

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the United Kingdom applied to profits for the period are as follows:

	2020 £	2019 £
Profit on ordinary activities before taxation	7,706,281	7,647,435
Tax using the Company's domestic tax rate of 19%	1,464,193	1,453,013
Expenses not deductible for tax purposes	5,293	31,715
Income not taxable for tax purposes	(501,600)	-
Adjustments in respect of prior periods	1,120	61,539
Adjustments in respect of prior periods (deferred tax)	5,606	(11,816)
Remeasurement of deferred tax for changes in tax rates	50,324	(63,614)
Total tax expense	1,024,936	1,470,837

Changes in tax rates and factors affecting the future tax charge

Following an announcement in the Budget on 11 March 2020, which was substantively enacted on 17 March 2020, the UK corporation tax rate applicable for the years beginning 1 April 2020 and 1 April 2021 now remains at 19%, rather than the previously enacted reduction to 17%. This rate of 19% has been applied to deferred tax balances which are expected to reverse after 1 April 2020, the date on which that rate became effective.

10 Earnings per share

	Total 2020 £	Total 2019 £
<i>Numerator</i>		
Profit for the period and earnings used in basic and diluted EPS	6,454,738	6,176,598
<i>Non-Underlying items</i>		
Deferred consideration release	(2,640,000)	-
Less: tax effect of above items	-	-
Profit for the year adjusted for Non Underlying items	3,814,738	6,176,598
<i>Denominator</i>	Number	Number
Weighted average number of shares used in basic EPS	85,592,106	81,704,435
Effect of:		
Contingent share consideration on business combination	-	603,422
Weighted average number of shares used in diluted EPS	85,592,106	82,307,857

Notes (continued)

10 Earnings per share (continued)

Earnings per share is calculated as follows:

	2020 Pence	2019 Pence
Basic earnings per ordinary share	7.54	7.56
Diluted earnings per ordinary share	7.54	7.50
Basic earnings per ordinary share adjusted for Non Underlying items	4.46	7.56
Diluted earnings per ordinary share adjusted for Non Underlying items	4.46	7.50

Clawback arrangements over certain shares of Cascades Ltd would have an anti-dilutive effect on earnings per share and therefore no impact on diluted earnings per share.

11 Dividends

	2020 £	2019 £
Interim dividend of 0p (2019: 2.8p) per Ordinary share proposed and paid during the year relating to the previous year's results	-	2,228,300
Interim dividend of 1.0p (2019: 2.0p) per Ordinary share paid during the year	823,283	1,583,042
	<u>823,283</u>	<u>3,811,342</u>

On 26 February 2021, an interim dividend was paid of 3 pence per share in respect of the 2020 financial year.

Notes (continued)

12 Property, plant and equipment

Group	Plant and Machinery £	Fixtures and fittings £	Computer Equipment £	Total £
Cost				
At 1 January 2020	324,512	116,258	501,408	942,178
Additions	10,989	32,878	128,615	172,482
Disposals	-	-	(1,339)	(1,339)
	<u>335,501</u>	<u>149,136</u>	<u>628,684</u>	<u>1,113,321</u>
Accumulated Depreciation and Impairment				
At 1 January 2020	172,297	9,097	122,402	303,796
Charge for the year	109,274	35,958	190,403	335,635
Disposals	-	-	(1,339)	(1,339)
	<u>281,571</u>	<u>45,055</u>	<u>311,466</u>	<u>638,092</u>
Net book value				
At 1 January 2020	152,215	107,161	379,006	638,382
At 31 December 2020	<u>53,930</u>	<u>104,081</u>	<u>317,218</u>	<u>475,229</u>

Notes (continued)

12 Property, plant and equipment (continued)

Company	Computer Equipment £	Total £
Cost		
At 1 January 2020	17,125	17,125
Additions	1,625	1,625
Acquired through business combinations	-	-
At 31 December 2020	18,750	18,750
Accumulated Depreciation and Impairment		
At 1 January 2020	6,698	6,698
Charge for the year	6,205	6,205
At 31 December 2020	12,903	12,903
Net book value		
At 1 January 2020	10,427	10,427
At 31 December 2020	5,847	5,847

Under a debenture signed and registered on 25 October 2019, HSBC UK Bank plc have a fixed charge over the property, plant and equipment of the Group.

13 Leases

The Group leases its business premises in the United Kingdom. The lease contracts either provide for annual increases in the periodic rent payments linked to inflation or for payments to be reset periodically to market rental rates. The Group also leases an item of office equipment, with fixed payments over the lease term.

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date to lease payments that are variable.

Notes (continued)

13 Leases (continued)

At 31 December 2020	Lease Contracts Number	Fixed Payments %	Variable Payments %	Sensitivity £000
Property leases with payments linked to inflation	1	-	88.0%	+/- 290
Property leases with periodic uplifts to market rentals	1	-	11.3%	+/- 10
Leases of plant and equipment	1	0.7%	-	-
	3	0.7%	99.3%	+/-300

The percentages in the table below reflect the proportions of lease payments that are either fixed or variable for the comparative period.

At 31 December 2019	Lease Contracts Number	Fixed Payments %	Variable Payments %	Sensitivity £000
Property leases with payments linked to inflation	1	-	89.7%	+/- 323
Property leases with periodic uplifts to market rentals	1	-	9.7%	+/- 13
Leases of plant and equipment	1	0.6%	-	-
	3	0.6%	99.4%	+/-336

Right-of-Use Assets

	Land and buildings £	Computer equipment £	Total £
At 1 January 2019	7,294,194	16,518	7,310,712
Acquired through business combinations	274,380	-	274,380
Amortisation	(885,187)	(6,607)	(891,794)
Variable lease payment adjustment	66,900	-	66,900
	6,750,287	9,911	6,760,198
	Land and buildings £	Computer equipment £	Total £
At 1 January 2020	6,750,287	9,911	6,760,198
Amortisation	(979,454)	(6,607)	(986,061)
Variable lease payment adjustment	51,575	-	51,575
	5,822,408	3,304	5,825,712
At 31 December 2020	5,822,408	3,304	5,825,712

Notes (continued)

13 Leases (continued)

Lease liabilities

	Land and buildings £	Computer equipment £	Total £
At 1 January 2019	7,073,880	16,518	7,090,398
Acquired through business combinations	274,380	-	274,380
Interest expense	225,187	459	225,646
Variable lease payment adjustment	66,900	-	66,900
Lease payments	(918,615)	(6,906)	(925,521)
At 31 December 2020	6,721,732	10,071	6,731,803
	Land and buildings £	Computer equipment £	Total £
At 1 January 2020	6,721,732	10,071	6,731,803
Interest expense	208,790	247	209,037
Variable lease payment adjustment	51,575	-	51,575
Lease payments	(1,034,442)	(6,911)	(1,041,353)
At 31 December 2020	5,947,655	3,407	5,951,062

At 31 December 2020, lease liabilities were falling due as follows:

Group	Up to 3 months £	Between 3 and 12 months £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £	Total £
Lease liabilities	213,432	656,587	885,479	2,685,051	1,510,513	5,951,062

The aggregate undiscounted commitments for low-value leases as at 31 December 2020 was £5,460.

Notes (continued)

14 Intangible assets Group	Goodwill	Customer Contracts	Brand	Other	Total
	£	£	£	£	£
Cost					
At 1 January 2019	17,260,221	200,111	750,000	-	18,210,332
Acquired through business combinations	15,775,039	1,167,673	661,596	-	17,604,308
At 31 December 2019	33,035,260	1,367,784	1,411,596	-	35,814,640
At 1 January 2020	33,035,260	1,367,784	1,411,596	-	35,814,640
Additions	-	-	-	1,000,000	1,000,000
At 31 December 2020	33,035,260	1,367,784	1,411,596	1,000,000	36,814,640
Accumulated amortisation and impairment					
At 1 January 2019	-	200,111	25,000	-	225,111
Amortisation charge	-	404,602	47,056	-	451,658
At 31 December 2019	-	604,713	72,056	-	676,769
At 1 January 2020	-	604,713	72,056	-	676,769
Amortisation charge	-	689,226	70,580	-	759,806
At 31 December 2020	-	1,293,939	142,636	-	1,436,575
Net book value					
At 1 January 2019	17,260,221	-	725,000	-	17,985,221
At 31 December 2019	33,035,260	763,071	1,339,540	-	35,137,871
At 31 December 2020	33,035,260	73,845	1,268,960	1,000,000	35,378,065

Under a debenture signed and registered on 25 October 2019, HSBC UK Bank plc have a fixed charge over the intangible assets of the Group.

As announced on 24 January 2020 and disclosed in the Report and Financial Statements for the year ended 31 December 2019, RBL negotiated with Ian Rosenblatt an extension and broadening of the restrictive covenants put in place at the IPO (and described in the Company's admission document) to an additional two-year term through to 2023. In consideration of this arrangement, RBL made a one-off payment to Mr Rosenblatt of £1 million, reflected in Other Intangible assets above.

Notes (continued)

15 Impairment of goodwill and other intangible assets

The Group is required to test, on an annual basis, whether goodwill and other intangible assets have suffered any impairment. The recoverable amounts are determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows. The recoverable amounts were determined to be higher than the carrying amounts and so no impairment losses were recognised.

The recoverable amounts have been determined from value in use calculations based on an extrapolation of the cash flow projections from the formally approved budget. Values assigned to the key assumptions represent management's estimate of expected future trends and are as follows:

- A pre-tax discount rate of 18% was applied in determining the recoverable amount. The discount rate is based on the average weighted cost of capital
- Growth rates over the longer term of between 2-4% are based on management's understanding of the market opportunities for services provided, whilst in the case of Convex Capital a return to pre COVID-19 business levels was not assumed until 2023
- Increases in costs are based on current inflation rates and expected levels of recruitment needed to generate predicted revenue growth
- Cash flows have been assessed over ten years with the assumption that the business will be ongoing at the end of that period

The review demonstrated sufficient headroom such that the estimated carrying values are not sensitive to changes in assumptions. Having reviewed the key assumptions used, the Directors do not believe that there is a reasonably possible change in any of the key assumptions that require further disclosure.

16 Subsidiaries

The principal subsidiaries of RBG Holdings plc, which are incorporated in England and Wales and have been included in these consolidated financial statements, are as follows:

Name	Principal Activity	Registered Number	Proportion of ownership interest at 31 December		Non-Controlling interests ownership at 31 December	
			2020	2019	2020	2019
Rosenblatt Limited	Legal Services	09986118	100%	100%	-	-
Convex Group (Holdings) Limited	Holding Company	11490871	100%	100%	-	-
Convex Capital Limited	Professional Services	11491052	100%	100%	-	-
LionFish Litigation Finance (UK) Limited	Litigation Finance	12165991	90%	-	10%	-
Islero Assignments Limited	Dormant	12754244	100%	-	-	-

The principal place of business of Convex Group (Holdings) Limited and Convex Capital Limited is Bass Warehouse, 4 Castle Street, Manchester, M3 4LZ. The principal place of business of the other subsidiaries and the registered address of each subsidiary is 9-13 St. Andrew Street, London, England EC4A 3AF.

For the year ending 31 December 2020, the principal subsidiary companies, set out above, were exempt from the requirements of the Companies Act relating to the audit of individual accounts by virtue of section 479A of the Companies Act 2006. RBG Holdings plc, has given a statement of guarantee under the Companies Act 2006 section 479C, whereby RBG Holdings plc will guarantee all outstanding liabilities to which the respective subsidiary companies are subject as at 31 December 2020.

Notes (continued)

17 Non-controlling interests

The NCI of LionFish Litigation Finance (UK) Limited, which is 90% owned by the Group, is considered to be immaterial.

18 Litigation assets

The table below provides analysis of the movements in the Level 3 financial assets.

	2020 Level 3 £	2019 Level 3 £
At 1 January	2,209,886	-
Additions	4,523,141	2,209,886
Realisations	(2,353,164)	(3,800,000)
Fair value movement	1,914,891	3,800,000
	<u>6,294,754</u>	<u>2,209,886</u>
At 31 December	<u>6,294,754</u>	<u>2,209,886</u>

Sensitivity of Level 3 valuations

Following investment, the Group engages in a semi-annual review of each investment's fair value. At 31 December 2020, should the value of investments have been 10% higher or lower than provided for in the Group's fair value estimation, while all other variables remained constant, the Group's income and net assets would have increased and decreased respectively by £629,475 (2019: £220,988).

19 Trade and other receivables

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Trade receivables	3,592,075	-	3,469,642	-
Less: provision for impairment of trade receivables	(219,643)	-	(64,923)	-
	<u>3,372,432</u>	<u>-</u>	<u>3,404,719</u>	<u>-</u>
Trade receivables – net	3,372,432	-	3,404,719	-
Contract assets	2,996,925	-	3,797,152	-
Amounts due from subsidiaries	-	24,143,299	-	25,995,864
Other receivables	705,068	673,073	3,191,936	489,677
	<u>7,074,425</u>	<u>24,816,372</u>	<u>10,393,807</u>	<u>26,485,541</u>
Total financial assets other than cash and cash equivalents classified as amortised cost	7,074,425	24,816,372	10,393,807	26,485,541
Prepayments	622,500	84,559	695,005	7,417
	<u>7,696,925</u>	<u>24,900,931</u>	<u>11,088,812</u>	<u>26,492,958</u>
Total trade and other receivables	7,696,925	24,900,931	11,088,812	26,492,958

Notes (continued)

19 Trade and other receivables (continued)

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

The Group does not hold any collateral as security.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's credit losses experienced over the period since incorporation, adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the countries where the Group operates.

The lifetime expected loss provision for trade receivables and contract assets is as follows:

31 December 2020		More than 30 days past due	More than 60 days past due	More than 120 days past due	Total £
	Current				
Expected loss rate	0%	2%	2%	23%	
Gross carrying amount	5,073,270	381,262	352,867	781,601	6,589,000
Loss provision	23,566	7,028	6,505	182,544	219,643
31 December 2019		More than 30 days past due	More than 60 days past due	More than 120 days past due	Total £
	Current				
Expected loss rate	0%	2%	2%	5%	
Gross carrying amount	5,894,884	365,492	402,330	604,088	7,266,795
Loss provision	14,684	8,406	9,254	32,579	64,923

None of the trade receivables and contract assets have been subject to a significant increase in credit risk since initial recognition.

Notes (continued)

19 Trade and other receivables (continued)

Movements in the impairment allowance for trade receivables are as follows:

	2020 £	2019 £
At 1 January 2020	64,923	27,790
Increase during the year	154,720	37,133
	<u>219,643</u>	<u>64,923</u>
At 31 December 2020	<u>219,643</u>	<u>64,923</u>

Company

The loan due from RBL is on demand and interest free.

Management considers that there is no increase in credit risk on the related party loan. Given that the loan is on demand, lifetime credit losses and 12 month credit losses will be the same. Having considered different recoverability scenarios which incorporated macroeconomic information (such as market interest rates and growth rates), current and forward looking information, management consider the expected credit loss to be close to nil.

20 Trade and other payables

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Trade payables	465,300	-	789,857	-
Corporation tax payable	657,437	-	1,395,489	-
Other taxes and social security	1,157,687	-	1,084,948	-
Amounts due to group companies	-	662,213	-	44,321
Other payables	2,133,595	1,118,595	4,070,000	4,070,000
Accruals	1,152,964	254,623	766,131	212,648
	<u>5,566,983</u>	<u>2,035,431</u>	<u>8,106,425</u>	<u>4,326,969</u>
At 31 December	<u>5,566,983</u>	<u>2,035,431</u>	<u>8,106,425</u>	<u>4,326,969</u>
Due within one year or less	4,551,983	2,035,431	8,106,425	4,326,969
Due after more than one year	1,015,000	-	-	-
	<u>5,566,983</u>	<u>2,035,431</u>	<u>8,106,425</u>	<u>4,326,969</u>

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

On 12 August 2020, the Company agreed put and call options over the shares of LionFish held by the non-controlling interest. Under this agreement, the holder of the shares can require the Company to buy the shares in LionFish, with consideration based on a multiple of LionFish profits, settled by the issue of ordinary shares in the Company, at any point in the period from 12 August 2022 to 12 August 2030. Similarly under the agreement, the Company can require the holder of the shares to sell the shares of LionFish for a consideration calculated and settled in the same way at any point in the period from 12 August 2025 to 12 August 2030.

Notes (continued)

21 Loans and borrowings

The book value and fair value of loans and borrowings which all denominated in sterling are as follows:

	Book value 31 Dec 20 £	Fair value 31 Dec 20 £	Book value 31 Dec 19 £	Fair value 31 Dec 19 £
Non-Current				
Bank loans				
- Secured	10,000,000	10,000,000	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December	10,000,000	10,000,000	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The rate at which Sterling denominated loans and borrowings are payable is 1.75% above LIBOR.

The bank loans are secured by fixed and floating charges over the assets of the Group. The Group has no undrawn committed borrowing facilities available at 31 December 2020 (2019: £10,000,000).

22 Provisions Group

	Other provisions 2020 £	Other provisions 2019 £
At 1 January	75,000	35,264
Charged to profit or loss	41,875	39,736
	<u> </u>	<u> </u>
At 31 December	116,875	75,000
	<u> </u>	<u> </u>
Due within one year or less	116,875	75,000
Due after more than one year	-	-
	<u> </u>	<u> </u>
	116,875	75,000
	<u> </u>	<u> </u>

Other provisions represent the amount equal to the insurance excess payable on outstanding claims against the Group which are covered by the Group's professional indemnity insurance policy. The amount or timing of amounts payable in these cases is uncertain as the resolution of the cases is unknown at the period end.

Notes (continued)

23 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19%.

Following an announcement in the Budget on 11 March 2020, which was substantively enacted on 17 March 2020, the UK corporation tax rate applicable for the years beginning 1 April 2020 and 1 April 2021 now remains at 19%, rather than the previously enacted reduction to 17%. This rate of 19% has been applied to deferred tax balances which are expected to reverse after 1 April 2020, the date on which that rate became effective.

The movement on the deferred tax account is as shown below:

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
At 1 January	422,144	1,773	144,062	-
<i>Recognised in profit and loss</i>				
Tax expense	(117,291)	500,938	(78,626)	1,773
	304,853	502,711	65,436	1,773
<i>Arising on business combination</i>	-	-	356,708	-
At 31 December	304,853	502,711	422,144	1,773

24 Share capital

	2020 Number	Authorised 2020 £	2019 Number	2019 £
Ordinary shares of 0.2p each	85,592,106	171,184	85,592,106	171,184
Allotted, issued and fully paid	2020 Number	Allotted, issued and fully paid 2020 £	2019 Number	2019 £
<i>Ordinary shares of 0.2p each</i>				
At 1 January	85,592,106	171,184	80,092,106	160,184
Other issues for cash during the year	-	-	-	-
Other issues during the year	-	-	5,500,000	11,000
At 31 December	85,592,106	171,184	85,592,106	171,184

Ordinary shares rank equally as regards to dividends, other distributions and return on capital. Each ordinary share carries the right to one vote.

Notes (continued)

25 Reserves

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
<i>Share capital</i>	Amount subscribed for share capital at nominal value.
<i>Share premium</i>	Amount subscribed for share capital in excess of nominal value less transaction costs.
<i>Retained earnings</i>	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

26 Related party transactions

Group

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

Related party	Supply of Services	Purchase of services	Supply of Services	Purchase of Services
	2020 £	2020 £	2019 £	2019 £
Velocity Venture Capital Ltd*	14,250	209,786	18,886	194,836
N Foulston	6,500	-	-	-
Motorsport Circuit Management Limited*	-	-	1,000	-
WDK Motorsport Limited*	-	-	(2,550)	-
Cascades Ltd **	-	-	2,500	-
Winros***	-	1,128,051	-	655,587

Note: *A company controlled by Nicola Foulston, ** A company wholly owned by the Foulston Family Trust of which Nicola Foulston is a beneficiary, *** A partnership in which Ian Rosenblatt is a partner.

In addition, during the year, £80,180 of contingent work was performed by the Group in relation to a Conditional Fee Agreement with Winros. At 31 December 2020, there were no amounts due to any related party (2019: £nil) and no amounts due by any related party (2019: £nil).

Sales and purchase of services to related parties were conducted on an arm's length basis on normal trading terms. The Group has not made any allowance for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during 2020 for related party transactions.

There are various other companies controlled by Nicola Foulston, which use the Group's office as their registered address, with which there have been no transactions during the year.

Ian Rosenblatt is not a director of any company in the Group, nor a member of key management personnel, nor does he have a significant influence over the Group. He is a substantial shareholder, as disclosed in the Directors' Report on pages 29 to 32 and under the AIM Rules for Companies is classified as a related party. During the year a one-off payment of £1 million was made to Mr Rosenblatt for the extension and broadening of the restrictive covenants put in place at the IPO, more detail of which is given in Note 14.

Total remuneration of Key Management Personnel during the year was £835,565 (2019: £846,283). Further details of directors' remuneration are given in the Directors' Report on pages 29 to 32.

Notes (continued)

26 Related party transactions (continued)

Company

In addition to the amounts disclosed in the Directors' Report on pages 29 to 32, the Company has entered into the following transactions with related parties.

During 2020, the company reimbursed fees and expenses paid on its behalf by Rosenblatt Limited totalling £1,026,323 (2019: £151,653). At 31 December 2020, the company was owed £22,340,825 by Rosenblatt Limited (2019: £25,995,864).

At 31 December 2020, the company was owed £1,802,474 by Convex Capital Limited (2019: £44,321 owed to Convex Capital Limited).

During 2020, LionFish Litigation Finance (UK) Limited reimbursed fees and expenses paid on its behalf by the Company totalling £143,602 (2019: £nil). At 31 December 2020, the company owed £662,213 to LionFish Litigation Finance (UK) Limited (2019: £nil).

27 Notes supporting statement of cash flows

Significant non-cash transactions from investing activities are as follows:

	2020 £	2019 £
Equity consideration for business combination	(2,640,000)	7,700,000

Non-cash transactions from financing activities are shown in the reconciliation of liabilities from financing transactions below:

	Non-current loans and borrowings £	Current loans and borrowings £	Total £
At 1 January 2020	-	-	-
Cash flows	(122,836)	-	-
Non-cash flows			
- Interest accruing in year	174,048	-	
	<u>51,212</u>	<u>-</u>	<u>-</u>
At 31 December 2020	51,212	-	-
At 1 January 2019	-	-	-
Cash flows	-	(27,565)	(27,565)
Non-cash flows			
- Interest accruing in year	-	27,565	27,565
	<u>-</u>	<u>27,565</u>	<u>27,565</u>
At 31 December 2019	-	-	-

Notes (continued)

28 Events after the reporting date

On 20 April 2021, the Group announced the acquisition of Memery Crystal (conditional on completion), a specialist international law firm based in London, for £30 million (comprising £18.8 million in cash and £11.2 million in shares). Memery Crystal, with 146 employees (including 29 partners and an additional 66 fee earners), has a strong focus on transactions, which makes it a complementary fit with RBL, which derives most of its revenue from contentious law.