

Redress Solutions Plc

Annual Report and Financial Statements

For the year ended 30 June 2021

Company Registration No. 09079980 (England and Wales)

Redress Solutions Plc

Company Information

Directors	M Nasta M Zuckerman
Secretary	M Zuckerman
Company number	09079980
Registered office	Coopers' Hall 13 Devonshire Square London United Kingdom EC2M 4TH
Auditor	Moore Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD

Redress Solutions Plc

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Redress Solutions Plc

Strategic Report

For the year ended 30 June 2021

These are the audited accounts of Redress Solutions PLC ("the Company") for the year ended 30 June 2021. The business of the company is specialist litigation funding.

Fair review of the business

During the year, the Company has entered into a novation of a formerly funded case to an outside investor with the consent of the funded party in exchange for the sum invested in it, which has provided sufficient working capital to provide for funding of its existing commitments as well as operating expenses for the medium term. Particulars of the transaction are subject to the rights of confidentiality of the other parties.

Future Developments

It is the intention of the Company to raise additional funds from outside investors to make further investments in the funding of high-quality commercial litigation and arbitration. The Company will continue to refer cases to other funders for introductory commission and to enter into joint ventures with other funders.

Principal risks and uncertainties

The principal risk of investment in litigation is risk of the claim failing before courts and arbitral tribunals. The Company minimises risk by carrying out a careful review of cases before offering funding terms.

A further risk to the Company is ensuring sufficient working capital is maintained to fund investments into legal cases. The Company has mitigated this risk through the novation of the case which it formerly funded in exchange for the amount invested. Shareholder funders have converted their loans and equity to preference shares entitling them to a preference dividend to be paid from the proceeds of cases in which they have financed the Company's investment.

Key performance indicators

The directors consider realised gains on funded cases to be the main key financial performance indicator.

The board of the Company monitors closely expenditure on overheads and is satisfied that these are kept to a reasonable level.

	2021	2020
Income from settled cases	£nil	£nil
Administrative expenses	£619,780	£637,509

Other performance indicators

The main non-financial key performance indicators of the Company are the number of cases being funded and the number of cases which have been successfully completed.

	2021	2020
Number of cases funded at year-end	2 (1 joint venture)	2
Number of cases successfully completed in year	0	0

Redress Solutions Plc

Strategic Report (Continued)

For the year ended 30 June 2021

Financial Risk Management

The Company's financial instruments comprise cash and liquid resources as well as various items such as investments in cases in progress and trade creditors that arise directly from its operations. The main risks arising from the Company's financial instruments are cash flow risk and liquidity risk. The Company has no formal procedures for managing these risks, though the Company continually reviews these risks and takes action as deemed necessary.

Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefits of its members as a whole. In doing this s.172 requires a director to have regard, amongst other matters, to the:

- Likely consequences of any decisions in the long term;
- Interests of the company's employees;
- Need to foster the company's business relationships with suppliers, customers and others;
- Impact of the company's operations on the community and environment;
- Desirability of the company maintaining a reputation for high standards of business conduct; and
- Need to act fairly as between members of the company.

Board Papers are prepared with section 172 duties in mind, to ensure Directors have all the relevant information required to enable them to properly reflect and consider the factors set out above in their decision making. The Board recognises that each decision made will not always reflect in positive outcome for each of the Company's stakeholders. However, by having good governance procedures in place for decision making, the Board does aim to make sure that its decisions maintain a high standard of business conduct.

On behalf of the board

M Nasta

Director

30 September 2021

Redress Solutions Plc

Directors' Report

For the year ended 30 June 2021

The directors present their annual report and financial statements for the year ended 30 June 2021.

Principal activities

The principal activity of the company continued to be that of specialist litigation funding.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

M Nasta
M Zuckerman

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditor

Moore Kingston Smith LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 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.

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Directors' Report (Continued)

For the year ended 30 June 2021

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

M Nasta
Director
30 September 2021

M Zuckerman
Director
30 September 2021

Redress Solutions Plc

Independent Auditor's Report

To the Members of Redress Solutions Plc

Opinion

We have audited the financial statements of Redress Solutions Plc (the 'company') for the year ended 30 June 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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.

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Redress Solutions Plc

Independent Auditor's Report (Continued)

To the Members of Redress Solutions Plc

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

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Independent Auditor's Report (Continued)

To the Members of Redress Solutions Plc

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit in respect of 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 to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Redress Solutions Plc

Independent Auditor's Report (Continued)

To the Members of Redress Solutions Plc

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and the company's members as a body, for our work, for this report, or for the opinions we have formed.

John Staniforth (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

8 October 2021

Chartered Accountants
Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

Redress Solutions Plc

Statement of Comprehensive Income

For the year ended 30 June 2021

		2021	2020
	Notes	£	£
Turnover	3	1,830,321	-
Cost of sales		(1,830,321)	-
		<u> </u>	<u> </u>
Gross profit		-	-
Administrative expenses		(619,780)	(637,509)
Other operating income		22,592	10,557
Exceptional item	4	(14,290)	-
		<u> </u>	<u> </u>
Operating loss	5	(611,478)	(626,952)
Interest payable and similar expenses	8	(375)	-
		<u> </u>	<u> </u>
Loss before taxation		(611,853)	(626,952)
Taxation	9	-	-
		<u> </u>	<u> </u>
Loss for the financial year		<u><u>(611,853)</u></u>	<u><u>(626,952)</u></u>

The Statement of income and retained earnings has been prepared on the basis that all operations are continuing operations.

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Balance Sheet

As at 30 June 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Tangible assets	10		8,874		8,772
Current assets					
Debtors	12	6,328		7,656	
Investments	13	869,569		3,012,103	
Cash at bank and in hand		1,227,545		63,953	
		<u>2,103,442</u>		<u>3,083,712</u>	
Creditors: amounts falling due within one year	14	<u>(47,511)</u>		<u>(4,428,266)</u>	
Net current assets/(liabilities)			<u>2,055,931</u>		<u>(1,344,554)</u>
Total assets less current liabilities			2,064,805		(1,335,782)
Creditors: amounts falling due after more than one year	15		(79,167)		(49,217)
Provisions for liabilities and charges due after more than one year	17		<u>(4,022,490)</u>		<u>-</u>
Net liabilities			<u><u>(2,036,852)</u></u>		<u><u>(1,384,999)</u></u>
Capital and reserves					
Called up ordinary share capital	19		10,000		50,000
Profit and loss reserves			<u>(2,046,852)</u>		<u>(1,434,999)</u>
Total equity			<u><u>(2,036,852)</u></u>		<u><u>(1,384,999)</u></u>

The financial statements were approved by the board of directors and authorised for issue on 30 September 2021 and are signed on its behalf by:

M Nasta
Director

M Zuckerman
Director

Company Registration No. 09079980

Redress Solutions Plc

Statement of Changes in Equity

For the year ended 30 June 2021

		Ordinary share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 July 2019		50,000	(808,047)	(758,047)
Year ended 30 June 2020:				
Loss and total comprehensive income for the year		-	(626,952)	(626,952)
Balance at 30 June 2020		50,000	(1,434,999)	(1,384,999)
Year ended 30 June 2021:				
Loss and total comprehensive income for the year		-	(611,853)	(611,853)
Converted into ordinary preference shares	19	(40,000)	-	(40,000)
Balance at 30 June 2021		10,000	(2,046,852)	(2,036,852)

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Statement of Cash Flows

For the year ended 30 June 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	22	(973,476)		257,989	
Interest paid		(375)		-	
Net cash (outflow)/inflow from operating activities		(973,851)		257,989	
Investing activities					
Purchase of tangible fixed assets		(4,258)		(3,762)	
Investments in legal cases		(83,775)		(831,458)	
Proceeds from other investments and loans		2,226,309		-	
Net cash generated from/(used in) investing activities		2,138,276		(835,220)	
Financing activities					
Repayment of bank loans		(833)		-	
Net cash used in financing activities		(833)		-	
Net increase/(decrease) in cash and cash equivalents		1,163,592		(577,231)	
Cash and cash equivalents at beginning of year		63,953		641,184	
Cash and cash equivalents at end of year		1,227,545		63,953	

Redress Solutions Plc

Notes to the Financial Statements

For the year ended 30 June 2021

1 Accounting policies

Company information

Redress Solutions Plc is a public company limited by shares incorporated in England and Wales. The registered office is Coopers' Hall, 13 Devonshire Square, London, United Kingdom, EC2M 4TH.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. At the year end the company has net liabilities of £2,036,852 and cash of £1,227,545. During the year, as part of the company's funding restructure, restrictions were placed on the repayment of existing shareholder loans totalling £4,022,490 (included in creditors over one year) meaning repayment is only due upon successful conclusion of certain investments in cases. As these loans are ring-fenced, the directors have a reasonable expectation the company has sufficient cash to continue to operate for at least twelve months from the date when the financial statements are authorised for issue. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Revenue represents the gain on investments during the year, through an increase in the investments fair value or an amount realised on settlement, to the extent that these exceed the carrying value of the relevant investment.

Where a loss is made on settlement, through the amount realised on settlement being lower than the amount invested, this is recognised within cost of sales.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	5 years straight line
IT Equipment	5 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Redress Solutions Plc

Notes to the Financial Statements (Continued)

For the year ended 30 June 2021

1 Accounting policies

(Continued)

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Redress Solutions Plc

Notes to the Financial Statements (Continued)

For the year ended 30 June 2021

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Redress Solutions Plc

Notes to the Financial Statements (Continued)

For the year ended 30 June 2021

1 Accounting policies

(Continued)

1.9 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.13 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Redress Solutions Plc

Notes to the Financial Statements (Continued)

For the year ended 30 June 2021

1 Accounting policies

(Continued)

1.14 Investments in cases in progress

Investments in cases in progress represent amounts advanced in respect of funded litigation cases. These are categorised as fair value through profit or loss and are initially measured as the cash sum invested. Attributable due diligence and closing costs are expensed when incurred. Fair value is determined based on the directors' expectation, at the balance sheet date, of the likely outcome of each case and their best estimate of the return on each investment. Where a reliable measure of fair value is not available, the asset is held at cost less any impairments. The cost is the amount invested or the carrying amount at the last date the fair value of the asset was reliably measurable.

Movements in fair value are included within revenue or costs of sales in the Statement of Income and Retained Earnings.

Where the carrying value of the investment exceeds the return to the Company the deficit against the carrying value is recognised as an impairment charge.

Upon the favourable settlement of a case the difference between the return to the company and the carrying value of the relevant investment is recognised within revenue in the Statement of Income and Retained Earnings, unless the carrying value of the investment exceeds the return to the company. Where there is an unfavourable conclusion of a case the amount by which the historic cost of the investment exceeds the return to the Company is recognised as an impairment charge in cost of sales.

1.15 Investment in settled cases

Investments in settled cases represent funded cases which have successfully concluded, have fixed and determinable amounts to be received and receipt of those amounts in due course is anticipated by the Company, however, the judgement or settlement amount has yet to be received by the funded party and the relevant amount paid to the Company.

Investments in settled cases are measured at amortised cost using the effective interest method, less any impairment.

Redress Solutions Plc

Notes to the Financial Statements (Continued)

For the year ended 30 June 2021

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Investments in cases in progress

Fair values of the investments made are determined based on the specifics of each investment. The value will change should it be determined that the case is progressing in such a way that the company would be expected to receive a different amount from that invested. Fair values are determined based on the directors' expectation, at the balance sheet date, of the likely outcome of each case and their best estimates of the return on each investment.

At the balance sheet date, due to the difficulty in assessing the probability of the various estimates involved in assessing the fair value, and the wide range of possible outcomes for cases invested into, the investments in cases in progress were held at cost, as it was not deemed possible to determine a reasonable fair value for these.

Provisions

As described in note 17, the company entered into an agreement with former shareholders to repurchase their shares. As part of this agreement the company may make payments depending on the outcome of two ongoing cases. The directors have judged that the cases will succeed, and the financial statements reflect a provision for liabilities due after more than one year only to the value of existing shareholder loans of £4,022,490. Any amounts beyond this cannot be reliably estimated.

3 Turnover and other revenue

	2021 £	2020 £
Turnover analysed by class of business		
Income from investments in sold cases	1,830,321	-
	<u> </u>	<u> </u>
	2021 £	2020 £
Other significant revenue		
Grants received	22,592	10,557
	<u> </u>	<u> </u>

Redress Solutions Plc

Notes to the Financial Statements (Continued)

For the year ended 30 June 2021

4 Exceptional costs

	2021 £	2020 £
Restructuring costs	14,290	-

5 Operating loss

	2021 £	2020 £
Operating loss for the year is stated after charging/(crediting):		
Government grants	(22,592)	(10,557)
Fees payable to the company's auditor for the audit of the company's financial statements	23,340	14,460
Depreciation of owned tangible fixed assets	4,156	4,438
Operating lease charges	11,999	12,000

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021 Number	2020 Number
Directors	2	2
Administrative staff	1	1
	3	3

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	291,702	292,115
Social security costs	22,411	34,101
Pension costs	1,050	1,050
	315,163	327,266

7 Directors' remuneration

	2021 £	2020 £
Directors emoluments	269,070	270,828

Redress Solutions Plc

Notes to the Financial Statements (Continued)

For the year ended 30 June 2021

7 Directors' remuneration

(Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	135,501	138,000

8 Interest payable and similar expenses

	2021 £	2020 £
Other finance costs:		
Other interest	375	-

9 Taxation

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
Loss before taxation	(611,853)	(626,952)
<i>Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)</i>	(116,252)	(119,121)
Tax effect of expenses that are not deductible in determining taxable profit	14,839	1,030
Unutilised tax losses carried forward	101,515	117,963
Permanent capital allowances in excess of depreciation	(102)	128
Taxation charge for the year	-	-

A deferred tax asset of £411,282 (2020 - £269,000) has not been recognised in the accounts as it is uncertain whether the Company will make sufficient future taxable profits to utilise this asset. The asset arises due to losses generated by the Company, which may be offset against future taxable profits.

Redress Solutions Plc

Notes to the Financial Statements (Continued)

For the year ended 30 June 2021

10 Tangible fixed assets

	Fixtures and fittings £	IT Equipment £	Total £
Cost			
At 1 July 2020	-	38,812	38,812
Additions	4,258	-	4,258
At 30 June 2021	4,258	38,812	43,070
Depreciation and impairment			
At 1 July 2020	-	30,040	30,040
Depreciation charged in the year	71	4,085	4,156
At 30 June 2021	71	34,125	34,196
Carrying amount			
At 30 June 2021	4,187	4,687	8,874
At 30 June 2020	-	8,772	8,772

11 Financial instruments

	2021 £	2020 £
Carrying amount of financial assets		
Instruments measured at fair value through profit or loss	869,569	3,012,103
Carrying amount of financial liabilities		
Measured at amortised cost	110,720	4,430,418

Financial assets measured at fair value through profit or loss comprise investments in cases in progress. At the balance sheet date the directors consider that the fair value of these cases cannot be reliably measured. There are a wide range of possible outcomes for cases invested into and the probabilities of these outcomes cannot be reasonably assessed. Therefore these investments have been held at the value of the amounts invested to the cases.

12 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Prepayments and accrued income	6,328	7,656

Redress Solutions Plc

Notes to the Financial Statements (Continued)

For the year ended 30 June 2021

13 Current asset investments

	2021 £	2020 £
Unlisted investments	869,569	3,012,103

14 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Bank loans and overdrafts	16	10,000	783
Trade creditors		7,457	332,466
Other taxation and social security		15,958	47,065
Other creditors		-	4,037,490
Accruals and deferred income		14,096	10,462
		47,511	4,428,266

15 Creditors: amounts falling due after more than one year

	Notes	2021 £	2020 £
Bank loans and overdrafts	16	39,167	49,217
Other borrowings	16	40,000	-
		79,167	49,217

16 Loans and overdrafts

	2021 £	2020 £
Bank loans	49,167	50,000
Preference shares	40,000	-
	89,167	50,000
Payable within one year	10,000	783
Payable after one year	79,167	49,217

Redress Solutions Plc

Notes to the Financial Statements (Continued)

For the year ended 30 June 2021

17 Provisions for liabilities and charges due after more than one year

	2021 £	2020 £
Shareholder loans provision	4,022,490	-

During the financial period the company entered into an agreement with a number of shareholders to purchase their interests in the company. As part of this agreement the amounts received in respect of two ongoing cases will be due primarily to the former shareholders with the company entitled to the remainder. Further to this amounts previously classified as shareholders loans will only be repaid using these funds. Repayment is dependent on the outcome of these cases. The directors believe that the cases will be successful and the loan balances of £4,022,490 will be repaid in full. Any further repayment beyond this is difficult to quantify as it is dependent on the outcome of the cases and remains a contingent liability at the balance sheet date. No amounts have been recognised in profit or loss in respect of this agreement.

The cases are not expected to be heard in court for at least 12 months from the balance sheet date and as such have been disclosed as provisions due more than one year. Were the cases to be settled at an earlier date these liabilities may crystallise at an earlier date.

18 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	1,050	1,050

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Share capital

	2021 £	2020 £
Ordinary share capital		
Issued and fully paid		
10,000 Ordinary shares of £1 each	10,000	50,000
	10,000	50,000

On 15 December 2020, three new share classes were created (Ordinary A Preference, Ordinary B Preference, and Ordinary C Preference Shares). A total of 40,000 Ordinary £1 shares were converted into a total of 20,000 Ordinary A Preference shares, 15,000 Ordinary B Preference shares, and 5,000 Ordinary C Preference shares. The preference shares have been classified as liabilities but their nominal value of £1 each remains as part of the Company's share capital (see note 16).

Redress Solutions Plc

Notes to the Financial Statements (Continued)

For the year ended 30 June 2021

20 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £	2020 £
Within one year	15,600	-
Between two and five years	61,100	-
	<u>76,700</u>	<u>-</u>

21 Related party transactions

Remuneration of key management personnel

Key management personnel includes those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including directors. Total amounts paid to key management personnel during the year was £269,070 (2020: £270,828).

Transactions with related parties

During the year the company entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and balances outstanding at 30 June, are as follows:

	2021 £	2020 £
Expenses charged by entities with control, joint control or significant influence over the entity	10,553	12,000
Loans due from the entities or persons with control, joint control or significant influence over the entity	-	4,037,490
	<u>-</u>	<u>4,037,490</u>

Terms and conditions of transactions with related parties

Outstanding balances with entities and other related parties are unsecured, interest free and repayable on demand.

Redress Solutions Plc

Notes to the Financial Statements (Continued)

For the year ended 30 June 2021

22 Cash generated from operations

	2021 £	2020 £
Loss for the year after tax	(611,853)	(626,952)
Adjustments for:		
Finance costs	375	-
Depreciation and impairment of tangible fixed assets	4,156	4,438
Increase in provisions	4,022,490	-
Movements in working capital:		
Decrease/(increase) in debtors	1,328	(7,656)
(Decrease)/increase in creditors	(4,389,972)	4,427,483
Cash (absorbed by)/generated from operations	<u>(973,476)</u>	<u>3,797,313</u>

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