

2R Capital Investment Management Limited

Annual report and financial statements

for the year ended 31 December 2021

Company Information

Directors	Massimo Acquaviva Vincenzo Michele Maio
Registered number	10244316
Registered office	5th Floor, 2 Queen Anne's Gate Buildings Dartmouth Street London SW1H 9BP
Independent auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL

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Directors' report

for the year ended 31 December 2021

The directors present their annual report together with the Group strategic report and the consolidated financial statements of 2R Capital Investment Management Limited ('the company') and its subsidiary (together 'the group') for the year ended 31 December 2021.

Results and dividends

The profit for the year, after taxation, amounted to €8,885,013 (2020: €3,479,999).

Directors

The directors who served during the year were:

Massimo Acquaviva
Vincenzo Michele Maio

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the group and of the profit or loss of the group for that period.

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

- select suitable accounting policies for the group's financial statements 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 group 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 the group and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

Directors' report (continued)

for the year ended 31 December 2021

Auditor

The auditor, Buzzacott LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 27 April 2022 and signed on its behalf.

Massimo Acquaviva

Director

Group strategic report

for the year ended 31 December 2021

Introduction

2R Capital Investment Management Limited is an independent asset management firm focused on long only and alternative investment strategies in Europe. Our equities business is based in London while our credit strategies are mainly carried out from our Milan office.

Business review

In 2021 the equities business has made progress in deploying its capital. Our Italian consultancy business has continued to help our clients deploy assets in the acquisition of multiple types of liquid receivables.

Principal risks and uncertainties

We see the conflict in Ukraine crisis as the important risk factor for our investing business. Worldwide equity markets have been affected by the conflict, we hope that the situation is swiftly resolved leading to market stability in the near future. We have assessed the exposure of our liquid assets to market fluctuations, and we are comfortable that the risk profile of the investments concerned is minimal.

In respect of the COVID 19 pandemic, most European countries have now lifted the majority of restrictions, and this will most likely contribute to an increased number of investment opportunities.

Financial key performance indicators

In the course of 2021, we have been able to increase the net assets of the group by over 20%, thereby continuing to deliver for our shareholders. Given the size of the business, no further KPI's are deemed necessary.

Directors' statement of compliance with duty to promote the success of the group

In compliance with s172(1) of the Companies Act 2006, the Directors maintain transparent communication with the Group's stakeholders including its employees and suppliers taking the interests of all into account, without bias, when committing to long term corporate decisions. The Group has a very small workforce and a small number of suppliers, and therefore the Directors are able to foster strong business relationships and through personal involvement are able to consider the impacts of decisions on stakeholders on an individual basis. The maintenance of high standards in every aspect of operations, including stakeholder transparency and business conduct is considered a priority by the Directors of the Group.

This report was approved by the board on 27 April 2022 and signed on its behalf.

Massimo Acquaviva

Director

Independent auditor's report to the members of 2R Capital Investment Management Limited

for the year ended 31 December 2021

Opinion

We have audited the financial statements of 2R Capital Investment Management Limited ('the parent company') and its subsidiary (the 'group') for the year ended 31 December 2021, which comprise the Consolidated statement of comprehensive income, the Consolidated and Company statements of financial position, the Consolidated statement of cash flows, the Consolidated and Company statements of changes in equity and the related notes, 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 Financial Reporting Standard 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 group's and of the parent company's affairs as at 31 December 2021 and of the group's profit 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 group's or the 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.

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

Other information

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

Independent auditor's report to the members of 2R Capital Investment Management Limited (continued) for the year ended 31 December 2021

Other information (continued)

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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' report and the Group strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report and the Group strategic 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report and the Group strategic report.

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

- adequate accounting records have not been kept 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 2R Capital Investment Management Limited (continued) for the year ended 31 December 2021

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 Group 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:

How the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the Senior Statutory Auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations, including knowledge specific to asset management firms;
- we made enquiries of management as to where they considered there was susceptibility to fraud, and their knowledge of actual, suspected and alleged fraud;
- we identified the laws and regulations that could reasonably be expected to have a material effect on the financial statements of the company through discussions with directors and other management at the planning stage, and from our knowledge and experience of asset management firms;
- the audit team held a discussion to identify any particular areas that were considered to be susceptible to misstatement, including with respect to fraud and non-compliance with laws and regulations; we considered the impact of COVID-19 on the company and its internal controls;
- we interacted with component auditors throughout the audit. Interactions with component auditors included written formal instructions, meetings and reviewing audit working papers;
- we focused our planned audit work on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company including the Companies Act 2006, The Financial Services and Markets Act 2000, employment legislation, and taxation legislation; and
- we considered the impact of Brexit on the company and the laws and regulations above.

We assessed the extent of compliance with the laws and regulations identified above through:

- making enquiries of management;
- inspecting legal expenditure and correspondence throughout the year for any potential litigation or claims; and
- considering the internal controls in place that are designed to mitigate risks of fraud and non-compliance with laws and regulations.

Independent auditor's report to the members of 2R Capital Investment Management Limited (continued) for the year ended 31 December 2021

Auditor's responsibilities for the audit of the financial statements (continued)

To address the risk of fraud through management bias and override of controls, we:

- determined the susceptibility of the company to management override of controls by checking the implementation of controls and enquiring of individuals involved in the financial reporting process, taking into account the impact of COVID-19 on controls during the year;
- reviewed journal entries throughout the year to identify unusual transactions, particularly in relation to expenditure;
- performed analytical procedures to identify any large, unusual or unexpected transactions and investigated any large variances from the prior period; and
- carried out substantive testing to check the occurrence and cut-off of expenditure.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, the Financial Conduct Authority and the company's legal advisors.

There are inherent limitations in our audit procedures described above. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error as they may involve deliberate concealment or collusion. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

A further description of our responsibilities for the audit of the financial statements is located 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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan West (Senior statutory auditor)

for and on behalf of

Buzzacott LLP

Statutory Auditor

130 Wood Street

London

EC2V 6DL

27 April 2022

Consolidated statement of comprehensive income

for the year ended 31 December 2021

	Note	2021 €	As restated 2020 €
Revenue		17,172,154	8,247,910
Cost of sales		(3,796,297)	(2,811,798)
Gross profit		13,375,857	5,436,112
Administrative expenses		(1,085,879)	(2,575,597)
Other operating income		289,367	79,069
Fair value movements		880	1,473,592
Revaluation of short-term investments		-	131,296
Operating profit		12,580,225	4,544,472
Interest receivable and similar income		2,003	4,224
Interest payable and similar expenses		(25,442)	(23,294)
Profit before taxation		12,556,786	4,525,402
Tax on profit	7	(3,671,773)	(1,045,403)
Profit for the financial year		8,885,013	3,479,999
Currency translation differences		24,393	-
Other comprehensive income for the year		24,393	-
Total comprehensive income for the year		8,909,406	3,479,999

All amounts relate to continuing operations. There was no other comprehensive income for 2021 or 2020.

The notes on pages 14 to 28 form part of these financial statements.

Consolidated statement of financial position

as at 31 December 2021

	Note	2021 €	2020 €
Fixed assets			
Tangible assets	8	225,492	170,183
		<u>225,492</u>	<u>170,183</u>
Current assets			
Debtors	10	4,085,432	2,685,410
Current asset investments	11	2,651,625	1,053,257
Cash at bank and in hand		31,158,595	23,893,500
		<u>37,895,652</u>	<u>27,632,167</u>
Creditors: amounts falling due within one year	12	(11,384,757)	(2,513,916)
Net current assets		<u>26,510,895</u>	<u>25,118,251</u>
Total assets less current liabilities		<u>26,736,387</u>	<u>25,288,434</u>
Creditors: amounts falling due after more than one year	13	(2,526,081)	(9,987,534)
Net assets		<u>24,210,306</u>	<u>15,300,900</u>
Capital and reserves			
Called up share capital	15	55,581	55,581
Profit and loss account	16	24,154,725	15,245,319
Equity attributable to owners of the parent company		<u>24,210,306</u>	<u>15,300,900</u>
		<u>24,210,306</u>	<u>15,300,900</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 April 2022.

Massimo Acquaviva

Director

The notes on pages 14 to 28 form part of these financial statements.

Company statement of financial position

as at 31 December 2021

	Note	2021 €	2020 €
Fixed assets			
Tangible assets	8	14,576	16,055
Investments	9	1,200,000	1,200,000
		<u>1,214,576</u>	<u>1,216,055</u>
Current assets			
Debtors: amounts falling due within one year	10	11,371,895	7,521,832
Cash at bank and in hand		10,527,641	10,791,432
		<u>21,899,536</u>	<u>18,313,264</u>
Creditors: amounts falling due within one year	12	(7,783,127)	(277,784)
Net current assets		<u>14,116,409</u>	<u>18,035,480</u>
Total assets less current liabilities		<u>15,330,985</u>	<u>19,251,535</u>
Creditors: amounts falling due after more than one year	13	-	(7,461,453)
Net assets		<u><u>15,330,985</u></u>	<u><u>11,790,082</u></u>
Capital and reserves			
Called up share capital	15	55,581	55,581
Profit and loss account brought forward		11,734,501	9,344,840
Profit for the year		3,513,812	2,389,661
Other changes in the profit and loss account		27,091	-
		<u>15,275,404</u>	<u>11,734,501</u>
Profit and loss account carried forward		<u><u>15,330,985</u></u>	<u><u>11,790,082</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 April 2022.

Massimo Acquaviva

Director

The notes on pages 14 to 28 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Called up share capital	Profit and loss account	Equity attributable to owners of parent company	Total equity
	€	€	€	€
At 1 January 2020	55,581	11,765,320	11,820,901	11,820,901
Profit for the year	-	3,479,999	3,479,999	3,479,999
At 1 January 2021	55,581	15,245,319	15,300,900	15,300,900
Profit for the year	-	8,885,013	8,885,013	8,885,013
Currency translation differences	-	24,393	24,393	24,393
At 31 December 2021	55,581	24,154,725	24,210,306	24,210,306

The notes on pages 14 to 28 form part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2021

	Called up share capital €	Profit and loss account €	Total equity €
At 1 January 2020	55,581	9,344,840	9,400,421
Profit for the year	-	2,389,661	2,389,661
At 1 January 2021	55,581	11,734,501	11,790,082
Profit for the year	-	3,513,812	3,513,812
Currency translation differences	-	27,091	27,091
At 31 December 2021	55,581	15,275,404	15,330,985

The notes on pages 14 to 28 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2021

	2021 €	As restated 2020 €
Cash flows from operating activities		
Profit for the financial year	8,885,013	3,479,999
Adjustments for:		
Depreciation of tangible assets	18,642	4,316
Revaluation of investments	-	(131,296)
Interest payable and similar expenses	25,442	23,294
Interest receivable and similar income	(2,003)	(4,224)
Taxation charge	3,671,773	1,045,403
(Increase)/decrease in debtors	(1,400,022)	2,030,684
Increase/(decrease) in creditors	127,515	(812,590)
Fair value adjustments	880	(1,473,592)
Corporation tax (paid)	(2,389,900)	(1,045,403)
Currency translation differences	24,393	-
Net cash generated from operating activities	8,961,733	3,116,591
Cash flows from investing activities		
Purchase of tangible fixed assets	(73,951)	(43,498)
Purchase of short-term unlisted investments	(1,599,248)	(867,414)
Interest received	2,003	4,224
Net cash from investing activities	(1,671,196)	(906,688)
Cash flows from financing activities		
New secured loans	-	2,750,000
Interest paid	(25,442)	(23,294)
Net cash used in financing activities	(25,442)	2,726,706
Net increase in cash and cash equivalents	7,265,095	4,936,609
Cash and cash equivalents at beginning of year	23,893,500	18,956,891
Cash and cash equivalents at the end of year	31,158,595	23,893,500
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	31,158,595	23,893,500
	31,158,595	23,893,500

Notes to the financial statements

for the year ended 31 December 2021

1. General information

2R Capital Investment Management Limited is a private company limited by shares and was incorporated in England and Wales. The principal place of business and registered office of the company is 5th Floor, 2 Queen Anne's Gate Buildings, Dartmouth Street, London, SW1H 9BP. The registered number of the company is 10244316.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies (see note 3).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ('the group') as if they form 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 purchase method. In the Consolidated 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 control ceases.

2.3 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Euros.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end, foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Notes to the financial statements

for the year ended 31 December 2021

2. Accounting policies (continued)

2.3 Foreign currency translation (continued)

On consolidation, the results of UK operations are translated into Euros at rates approximating to those ruling when the transactions took place. All assets and liabilities of UK operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of UK operations at actual rate are recognised in other comprehensive income.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue is derived from commissions and performance fees for consultancy activity for the purchase of receivables without recourse.

2.5 Operating leases: the group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

Notes to the financial statements

for the year ended 31 December 2021

2. Accounting policies (continued)

2.9 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the group in independently administered funds.

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Notes to the financial statements

for the year ended 31 December 2021

2. Accounting policies (continued)

2.11 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	-	Over the lease term
Office equipment	-	3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Other investments are measured at fair value.

2.13 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.15 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the financial statements

for the year ended 31 December 2021

2. Accounting policies (continued)

2.16 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Consolidated statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year end date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The directors do not consider there to be any significant judgements or key sources of estimation uncertainty involved in the preparation of these financial statements.

Notes to the financial statements

for the year ended 31 December 2021

4. Auditor's remuneration

	2021	2020
	€	€
Fees payable to the group's auditor for the audit of the group's annual financial statements	<u>12,000</u>	<u>15,009</u>
Fees payable to the group's auditor and its associates in respect of:		
Audit-related assurance services	2,000	-
Taxation compliance services	2,000	2,224
All other services	2,500	-
	<u>6,500</u>	<u>2,224</u>

All auditor's remuneration from the year ended 31 December 2020 relates to amounts paid to the group's previous auditor.

5. Employees

Staff costs were as follows:

	Group	Group	Company	Company
	2021	2020	2021	2020
	€	€	€	€
Wages and salaries	424,296	275,570	135,642	144,346
Social security costs	85,606	35,584	-	-
Cost of defined contribution scheme	16,530	14,903	522	8,914
	<u>526,432</u>	<u>326,057</u>	<u>136,164</u>	<u>153,260</u>

During the year, the group paid €1,500,000 (2020 - €1,500,000) to the directors for consultancy services provided to the group.

The average monthly number of employees, including the directors, during the year was as follows:

	2021	2020
	No.	No.
Administration	<u>10</u>	<u>8</u>

Notes to the financial statements

for the year ended 31 December 2021

6. Directors' remuneration

The highest paid director received emoluments of €993,140 (2020: €983,700).

The value of the company's contributions paid to a defined contribution scheme in respect of the highest paid director amounted to €23,517 (2020: €23,517).

7. Taxation

	2021 €	2020 €
Corporation tax		
Current tax on profits for the year	3,671,773	1,174,915
	<u>3,671,773</u>	<u>1,174,915</u>
Total current tax	<u><u>3,671,773</u></u>	<u><u>1,174,915</u></u>
Deferred tax		
Origination and reversal of timing differences	-	(129,512)
	<u>-</u>	<u>(129,512)</u>
Total deferred tax	<u><u>-</u></u>	<u><u>(129,512)</u></u>
Taxation on profit on ordinary activities	<u><u>3,671,773</u></u>	<u><u>1,045,403</u></u>

Notes to the financial statements

for the year ended 31 December 2021

7. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 €	2020 €
Profit on ordinary activities before tax	<u>12,556,786</u>	<u>4,525,402</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	2,385,789	859,826
Effects of:		
Expenses not deductible for tax purposes	(23,448)	1,882
Capital allowances for year in excess of depreciation	(245)	(1,414)
Adjustments to tax charge in respect of prior periods	(30,123)	(33,285)
Non-taxable income	-	(274,126)
Unrelieved tax losses carried forward	56,544	12,511
Profits of overseas subsidiary charged at different rates	1,283,256	480,009
Total tax charge for the year	<u>3,671,773</u>	<u>1,045,403</u>

Factors that may affect future tax charges

On 10 June 2021, the Finance Bill 2021 received Royal Assent. The Bill confirms an increase in the corporation tax rate from 1 April 2023. From this date, the rate will taper from 19% from business with profits of less than £50,000 to 25% for business with profits over £250,000.

There is a potential deferred tax asset of €125,514 (2020 - €68,971) in respect of carried forward losses which the directors have not recognised, due to uncertainty of sufficient future taxable profits against which the asset can be offset.

Notes to the financial statements

for the year ended 31 December 2021

8. Tangible fixed assets

Group

	Office equipment €
Cost or valuation	
At 1 January 2021	325,480
Additions	72,608
Exchange adjustments	1,343
At 31 December 2021	<u>399,431</u>
Depreciation	
At 1 January 2021	155,297
Charge for the year	18,246
Exchange adjustments	396
At 31 December 2021	<u>173,939</u>
Net book value	
At 31 December 2021	<u><u>225,492</u></u>
At 31 December 2020	<u><u>170,183</u></u>

Notes to the financial statements

for the year ended 31 December 2021

8. Tangible fixed assets (continued)

Company

	Office equipment €
Cost or valuation	
At 1 January 2021	19,967
Additions	2,946
Exchange adjustments	1,343
	<hr/>
At 31 December 2021	24,256
	<hr/>
Depreciation	
At 1 January 2021	3,912
Charge for the year	5,372
Exchange adjustments	396
	<hr/>
At 31 December 2021	9,680
	<hr/>
Net book value	
At 31 December 2021	<u><u>14,576</u></u>
At 31 December 2020	<u><u>16,055</u></u>

Notes to the financial statements

for the year ended 31 December 2021

9. Investment in subsidiary**Company**

	Investments in subsidiary
	€
Cost or valuation	
At 1 January 2021	1,200,000
At 31 December 2021	1,200,000
Net book value	
At 31 December 2021	<u>1,200,000</u>
At 31 December 2020	<u>1,200,000</u>

Subsidiary undertaking

At 31 December 2021, the following was a subsidiary undertaking of the company:

Name	Registered office	Class of shares	Holding
2R Capital S.P.A. Con Unico Socio	20121 Milano (MI) Via Alberico N. 8	Ordinary	100 %

The aggregate of the share capital and reserves as at 31 December 2021 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
2R Capital S.P.A. Con Unico Socio	10,091,154	9,087,336

Notes to the financial statements

for the year ended 31 December 2021

10. Debtors

	Group 2021 €	Group 2020 €	Company 2021 €	Company 2020 €
Amounts falling due within one year				
Trade debtors	2,921,534	2,271,742	-	-
Amounts owed by group undertakings	-	-	11,308,974	7,461,093
Other debtors	868,583	31,192	8,640	31,192
Prepayments and accrued income	47,290	59,673	47,290	29,547
Tax recoverable	7,291	-	6,991	-
Deferred taxation	240,734	322,803	-	-
	<u>4,085,432</u>	<u>2,685,410</u>	<u>11,371,895</u>	<u>7,521,832</u>

11. Current asset investments

	Group 2021 €	Group 2020 €
Listed investments	2,651,625	1,053,257
	<u>2,651,625</u>	<u>1,053,257</u>

These listed investments are held at fair value through profit or loss. These are valued at quoted prices in an active market.

12. Creditors: Amounts falling due within one year

	Group 2021 €	Group 2020 €	Company 2021 €	Company 2020 €
Bonds	7,461,453	-	7,461,453	-
Bank loans	-	223,919	-	-
Trade creditors	193,442	2,058,204	24,145	71,194
Corporation tax	2,380,900	-	-	-
Other taxation and social security	306,307	2,545	2,196	2,545
Other creditors	705,933	203,200	253,405	182,324
Accruals and deferred income	336,722	26,048	41,928	21,721
	<u>11,384,757</u>	<u>2,513,916</u>	<u>7,783,127</u>	<u>277,784</u>

Notes to the financial statements

for the year ended 31 December 2021

13. Creditors: Amounts falling due after more than one year

	Group 2021 €	Group 2020 €	Company 2021 €	Company 2020 €
Bonds	-	7,461,453	-	7,461,453
Bank loans	2,526,081	2,526,081	-	-
	<u>2,526,081</u>	<u>9,987,534</u>	<u>-</u>	<u>7,461,453</u>

The bonds are due for repayment on 31 December 2022. They bear interest at a rate determined with reference to the performance of the investments made by the group out of their issue proceeds. They have limited rights of recourse. The bonds are carried at fair value. The estimate of the amounts payable under the bonds has been adjusted as a result of a re-analysis of their contractual terms.

Bank loans includes two medium-term bank loans against facilities of €2,000,000 and €750,000, the full repayments of which are expected in 2025 and 2023 respectively.

14. Deferred taxation**Group**

	2021 €
At beginning of year	322,803
Charged to profit or loss	(82,069)
At end of year	<u>240,734</u>

The deferred tax asset is made up as follows:

	Group 2021 €	Group 2020 €
Timing differences on investments	240,734	322,803
	<u>240,734</u>	<u>322,803</u>

Notes to the financial statements

for the year ended 31 December 2021

15. Share capital

	2021 €	2020 €
Allotted, called up and fully paid		
5,558,100 (2020 - 5,558,100) Ordinary shares of €0.01 each	<u>55,581</u>	<u>55,581</u>

16. Reserves*Profit and loss account*

The profit and loss account includes all current and prior periods' profits and losses including any dividends paid.

17. Analysis of net debt

	At 1 January 2021 €	Cash flows €	Other non-cash changes €	At 31 December 2021 €
Cash at bank and in hand	23,893,500	7,265,095	-	31,158,595
Debt due after 1 year	(9,987,534)	-	7,461,453	(2,526,081)
Debt due within 1 year	(223,919)	223,919	(7,461,453)	(7,461,453)
	<u>13,682,047</u>	<u>7,489,014</u>	<u>-</u>	<u>21,171,061</u>

18. Prior year adjustment

During the year ended 31 December 2020, income from current asset investments, being capital gains and dividends, totalling €551,144 were classified as interest receivable rather than revenue. The prior period comparatives in these financial statements have been restated accordingly.

19. Controlling party

The ultimate controlling party is M Acquaviva.

20. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to €63,564 (2020: €61,937). Contributions totalling €29,728 (2020: €20,876) were payable to the fund at the reporting date.

Notes to the financial statements

for the year ended 31 December 2021

21. Commitments under operating leases

At 31 December 2021, the group had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 €	Group 2020 €
Not later than 1 year	56,844	54,633
Later than 1 year and not later than 5 years	38,718	91,032
	<u>95,562</u>	<u>145,665</u>

22. Related party transactions

The group has taken advantage of the exemption provided by section 33 of FRS 102 from disclosing any transactions or balances between group entities in these consolidated financial statements.

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