

**Company Registration No. 06476959**

**Orbit Debt Collections Limited**

**Annual Report and Financial Statements  
For the year ended 31 December 2018**



# **Orbit Debt Collections Limited**

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# **Orbit Debt Collections Limited**

## **Officers and professional advisors**

The officers and professional advisors of the Company at the date of this report are as follows:

### **Directors**

T Somerville  
C Buick  
P Richardson

### **Secretary**

S Whiteley

### **Auditors**

BDO LLP  
Chartered Accountants and Statutory Auditor  
55 Baker Street  
London  
W1U 7EU

### **Bankers**

HSBC Bank  
27 Market Place  
Malton  
YO17 7LU

### **Registered office**

1 Kings Hill Avenue  
Kings Hill  
West Malling  
ME19 4UA

# **Orbit Debt Collections Limited**

## **Strategic Report**

### **For the year ended 31 December 2018**

#### **Overview**

The Directors present the Strategic Report, Directors' Report and the financial statements of Orbit Debt Collections Limited (the "Company") for the year ended 31 December 2018.

The Company's principal activity is the provision of recovery services and solutions in respect of outstanding debt for the utilities market, primarily the water industry.

#### **Business review and results**

The following tables summarises the key performance indicators used by the Directors to assess the performance of the Company as of the dates and periods indicated.

	<b>2018</b>	<b>2017</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	<b>%</b>
<b>Revenue</b>	9,103	6,540	+39%
<b>Cost of sales and administrative expenses</b>	8,350	6,117	+36%
<b>Profit on ordinary activities before tax</b>	754	423	+78%
<b>Staff turnover</b>	63%	29%	+117%

The Company opened a new trading site in Telford at the beginning of the year. As well as facilitating the growth in the business, the opening of the new office was, in part, a driver for the increase in staff turnover. The Company identified that a majority of the staff leaving do so within the first six months from the commencement of their employment. The Company monitors staff turnover as a key performance indicator and continues to review policies and initiatives to reduce the level across all parts of the business operation.

#### **Principal risks and uncertainties**

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

- Cash flow and credit risk; and
- Going concern and liquidity risk.

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This section describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this section.

#### **Principal financial instruments**

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

- Trade and other receivables;
- Cash and cash equivalents and;
- Trade and other payables.

**Orbit Debt Collections Limited**  
**Strategic Report continued**  
**For the year ended 31 December 2018**

**Principal risks and uncertainties (continued)**

A summary of the financial instruments held by category is provided below:

*Financial assets*

	<b>Cash and receivables</b>	
<b>(£000)</b>	<b>2018</b>	<b>2017</b>
<b>Cash and cash equivalents</b>	1,138	808
<b>Trade and other receivables (note 11)</b>	2,024	1,202
<b>Total financial assets</b>	<b>3,162</b>	<b>2,010</b>

*Financial liabilities*

	<b>Financial liabilities at amortised cost</b>	
<b>(£000)</b>	<b>2018</b>	<b>2017</b>
<b>Trade and other payables (note 12)</b>	1,473	1,051
<b>Total financial liabilities</b>	<b>1,473</b>	<b>1,051</b>

**Cash flow and credit risk**

The Company has established a level of working capital to comfortably operate its existing and planned business activities. The business monitors the financial standing of its clients and of its key suppliers and actively manages to the collection of cash from clients in order to maintain strong cash flows. Supplier payments are monitored to ensure payment within agreed terms.

**Going concern and liquidity risk**

The Company has contracts with its clients many of which have been in place for a number of years. The Company's clients are generally large organisations responsible for the provision of water supplies throughout the UK. The Company believes that the contracts have enough provision within them to deal with inflation and other commercial risks and that the contracts shall remain profitable for their duration.

The Company prepares regular financial forecasts based on the expectation of performance against existing and potential contracts. Management have reviewed the forecast performance models and funding availability including consideration of appropriate sensitivities and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it is considered appropriate to continue to adopt the going concern basis in preparing the annual report and accounts.

Approved by the Board of Directors and signed on behalf of the Board.

  
C Buick  
Director

19/9 2019

# **Orbit Debt Collections Limited**

## **Directors' Report continued For the year ended 31 December 2018**

The Directors present their report for the year ended 31 December 2018.

### **Results and dividends**

The audited financial statements and related notes for the year ended 31 December 2018 are set out on pages 10 to 23. The Company's result for the year was a profit after tax of £654,000 (31 December 2017: £308,000).

The Directors do not recommend the payment of a dividend (2017: £nil).

### **Directors**

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

- JL Hopwood (resigned 30 August 2019)
- TD Somerville
- CA Buick
- PC Richardson
- JR Sharman (resigned 21 August 2019)

The Company Secretary held office during the year but resigned prior to the date of approval of the financial statements and a new Company Secretary appointed as follows:

- C Taggart (resigned 1 April 2019)
- S Whiteley (appointed 29 March 2019)

### **Disabled employees**

Applications for employment from disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event that members of staff become disabled every effort is made to ensure that their employment with the Company continues.

It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### **Employee consultation**

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the Company. This is achieved through formal and informal meetings.

### **Qualifying third party indemnity provisions**

The Company has arranged qualifying third party indemnity for all of its Directors.

### **Political donations**

The Company made no political contributions (2017: £nil).

### **Future developments**

The Company intends to continue to offer a range of debt servicing products to companies operating in the domestic and commercial water markets in the UK. In addition, the skills, facilities and applications developed whilst operating in this market has led to opportunities in other utilities markets and the Company anticipates expansion of the customer base over the coming year.

## **Orbit Debt Collections Limited**

### **Directors' Report continued For the year ended 31 December 2018**

Whilst the departure into other utilities markets will require some small investments in minor amendments to the applications used by the Company it does not represent a significant departure from core operational competencies or commit to tying up significant amounts of working capital

#### **Directors' statement as to disclosure of information to auditors**

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board



C Buick  
Director

19/9 2019

## **Orbit Debt Collections Limited**

### **Statement of Directors' Responsibilities For the year ended 31 December 2018**

The Directors are responsible for preparing the strategic report, directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), 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.



## **Orbit Debt Collections Limited**

### **Independent auditor's report to the members of Orbit Debt Collections Limited**

#### **Opinion**

We have audited the financial statements of Orbit Debt Collections Limited ("the Company") for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (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 31 December 2018 and of its 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 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **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.

## **Orbit Debt Collections Limited**

### **Independent auditor's report to the members of Orbit Debt Collections Limited continued**

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.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and 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 Director's report.

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

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

#### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities, 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.

## **Orbit Debt Collections Limited**

### **Independent auditor's report to the members of Orbit Debt Collections Limited continued**

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://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.



Neil Fung-On (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London

19 September 2019

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

## Orbit Debt Collections Limited

### Statement of comprehensive income For the year ended 31 December 2018

	Notes	Year to 31 December 2018 £000	Year to 31 December 2017 £000
Revenue	4	9,103	6,540
Cost of sales		(5,375)	(4,162)
<b>Gross profit</b>		<b>3,728</b>	<b>2,378</b>
Administration expenses		(2,845)	(1,955)
Impairment charge		(130)	-
<b>Operating (loss)/profit</b>		<b>753</b>	<b>423</b>
Interest payable and similar charges	6	1	-
<b>Profit on ordinary activities before taxation</b>	5	<b>754</b>	<b>423</b>
Tax income/(expense)	7	(100)	(115)
<b>Profit and total comprehensive income for the financial period</b>		<b>654</b>	<b>308</b>

All of the above results are derived from continuing operations.

The notes on pages 13 to 23 form part of the financial statements.

# Orbit Debt Collections Limited

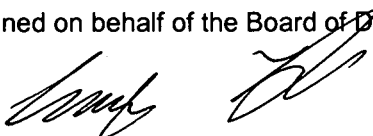
## Statement of financial position As at 31 December 2018

	Notes	2018 £000	2017 £000
<b>Fixed assets</b>			
Intangible assets	9	207	270
Tangible assets	10	474	477
		<u>681</u>	<u>747</u>
<b>Current assets</b>			
Trade and other receivables	11	2,024	1,202
Cash in bank and on hand		1,138	808
Inventory		13	15
		<u>3,175</u>	<u>2,025</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	12	(1,473)	(1,051)
		<u>1,702</u>	<u>974</u>
<b>Net current assets</b>		<u>1,702</u>	<u>974</u>
<b>Total assets less current liabilities</b>		<u>2,383</u>	<u>1,721</u>
<b>Creditors: amounts falling due after more than one year</b>	13	-	-
<b>Provision for liabilities</b>	14,15	(40)	(32)
<b>Net assets</b>		<u>2,343</u>	<u>1,689</u>
<b>Equity</b>			
Share capital	16	1	1
Retained earnings		2,342	1,688
<b>Total shareholders' funds</b>		<u>2,343</u>	<u>1,689</u>

These financial statements of Orbit Debt Collections Limited, with registered number 06476959, were approved by the Board of Directors and authorised for issue on 2019

The notes on pages 13 to 23 form part of the financial statements.

Signed on behalf of the Board of Directors by:



C Buick  
Director

19/9/19

# Orbit Debt Collections Limited

## Statement of changes in equity As at 31 December 2018

	Share Capital	Retained earnings	Total
	£000	£000	£000
<b>As at 1 January 2018</b>	<u>1</u>	<u>1,688</u>	<u>1,689</u>
<i>Comprehensive income for the year:</i>			
Profit for the period	-	654	654
Total comprehensive income	-	654	654
<b>As at 31 December 2018</b>	<u>1</u>	<u>2,342</u>	<u>2,343</u>

The notes on pages 13 to 23 form part of the financial statements.

# Orbit Debt Collections Limited

## Notes to the financial statements For the year ended 31 December 2018

### 1. Corporate information

Orbit Debt Collections Limited is a company limited by shares incorporated and domiciled in England and Wales. The registered office is located at 1 Kings Hill Avenue, Kings Hill, West Malling, England ME19, 4UA.

The Company's principal activity is the provision of recovery services and solutions in respect of outstanding debt for the utilities market, primarily the water industry.

### 2. Significant accounting policies

#### 2.1. Basis of preparation

The financial statements of the Company have been prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements have been prepared under the historical cost convention. These standards have been applied consistently throughout the current and preceding year.

The financial statements are presented in UK pounds sterling (£), which is the Company's functional currency.

The Company has taken advantage of the following disclosure requirements under FRS 101:

- the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- the requirements of paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1;
- The requirements of paragraph 10(d), 10(f) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraph 8(k) of FRS 101 not to disclose transactions with Group companies wherein any subsidiary undertaking which is party the transaction wholly owned by a member of the Group;
- the requirements of paragraph 62, B64(d) to (e), (g) to (h), (j) to (m), (n)(ii), (o)(ii), (p), (q) (ii), B66 and B67 of IFRS 3 provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by section 400 of the Companies Act 2006 as it is a wholly owned indirect subsidiary of Cabot Credit Management plc and its results are included in the consolidated financial statements of that company. These financial statements therefore present information about the Company as an individual entity alone.

#### 2.2. Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic and Directors' Report on pages 2 to 5.

After making enquiries, the Directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and account

# **Orbit Debt Collections Limited**

## **Notes to the financial statements continued For the year ended 31 December 2018**

### **2.3. Summary of significant accounting policies**

#### **Revenue**

Revenue represents income derived from fees receivable from the recovery of debts on behalf of third parties, training services and the provision of customer re-engagement services. Fees are chargeable based on a variety of mechanisms including fixed fees, commission charges and, in the case of white labelled telephony services for example, chargeable time.

All fees for the services provided by the Company are recognised when the services are provided.

IFRS 15 was adopted during the year, the impact was immaterial. Further details can be found in Note 2.4.

#### **Pensions**

The Company operates a defined contribution pension scheme. Pension contributions are charged to the statement of comprehensive income in the month that the liability for paying the contributions arises. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

#### **Operating leases**

Rentals under operating leases are charged on a straight-line basis over the lease term.

#### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax. It is recognised in the statement of comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

#### **Current tax**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the year end date.

Current tax assets and liabilities are offset only if certain criteria are met.

#### **Deferred tax**

Deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused losses. Such assets and liabilities are not recognised if they arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting date and reduced to the extent that it is not probable that taxable profit will be available against which the deductible



# Orbit Debt Collections Limited

## Notes to the financial statements continued For the year ended 31 December 2018

### *Deferred tax continued*

temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

### **Property, plant and equipment & intangibles**

Property, plant and equipment and intangible assets are stated at cost, net of depreciation and amortisation and any provision for impairment. Depreciation and amortisation are provided on all items of property, plant and equipment and intangible assets at rates calculated to write off the cost less estimated residual value on each asset on a straight-line basis over their estimated useful lives as follows:

Developed technology	3 years
Office equipment	4 years
Computers	3 years
Fixtures and fittings	4 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The gain or loss arising on disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

The methods and periods of amortisation of intangible assets are reviewed annually. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal.

### **Goodwill**

Goodwill arising on the acquisition of a trade, representing any excess of the fair value of the consideration transferred, the amount of any non-controlling interests of the acquire and the fair value acquirer's previously held investment (if any) over the fair value of the identifiable assets acquired and liabilities assumed, is initially recognised at cost.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to an identifiable cash-generating unit (CGU) expected to generate benefit from the acquired trade. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired.

If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

### **Financial instruments**

#### **Financial assets**

Trade and other receivables are classified as loans and receivables and measured at cost less any impairment.

# Orbit Debt Collections Limited

## Notes to the financial statements continued For the year ended 31 December 2018

### **Financial liabilities**

Financial liabilities are initially recognised at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Subsequently, they are carried at amortised cost. IFRS 9 was adopted during the year, the impact was immaterial. Further details can be found in Note 2.4.

### **Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## **2.4. Changes in accounting policies and disclosures**

### **Recent accounting pronouncements**

The standards and interpretations that are issued, but not yet effective are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard supersedes all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, and the Group has adopted the new standard on the required effective date, 1 January 2018.

Following an assessment of the impact of adopting IFRS 15, management have concluded that IFRS 15 will not have a material impact on the results of the Company.

There was no impact during the period to the financial statements.

### **IFRS 16 Leases**

IFRS 16 Leases applies to accounting periods beginning on or after 1 January 2019. It requires lessees to bring all leases within its scope on balance sheet, showing an asset for the right of use and a liability for the discounted amount of future payments. The Directors of the Company have assessed the impact and intend to adopt the retrospective approach, with the value of the assets based on the date of inception. This will be implemented on 1 January 2019, with comparatives being restated in order to give more comparable information.

It is expected that a transitional adjustment in the order of a £29k debit will be made to retained earnings as a result of adoption of IFRS16. The impact to the statement of financial position is a credit to the lease liability of £605k and a debit of £576k to the right of use assets.

### **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard includes new requirements for recognition, measurement, impairment, derecognition and general hedge accounting. The standard supercedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018.

The company does not hold any financial instruments therefore there is no material impact to the financial statements

# Orbit Debt Collections Limited

## Notes to the financial statements continued For the year ended 31 December 2018

### 3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that impact the reported amounts of revenue, expenses, assets and liabilities and the associated disclosures. The following are the judgements that have been made in the process of applying the Company's accounting policies and the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have the most significant effect on the amounts recognised in the financial statements.

#### *Impairment of non-financial assets*

Where there are indicators of impairment of individual assets, the Company performs impairment tests based a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years.

#### *Taxation*

The Company establishes provisions based on reasonable estimates. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable.

### 4. Revenue

Revenue arises solely in the UK. An analysis of revenue by activity is as follows:

	Year to 31 December 2018 £000	Year to 31 December 2017 £000
Servicing fees	9,096	6,454
Other income	7	86
	<u>9,103</u>	<u>6,540</u>

### 5. Profit on ordinary activities before tax

Profit on ordinary activities before tax is stated after charging the following:

	Year to 31 December 2018 £000	Year to 31 December 2017 £000
Depreciation of property, plant and equipment	157	82
Amortisation of intangible assets	19	3
Operating lease rentals - land and buildings	216	138
Auditors remuneration for the audit of the company's financial statements	32	66
Impairment of goodwill	130	
	<u>554</u>	<u>289</u>

# Orbit Debt Collections Limited

## Notes to the financial statements continued For the year ended 31 December 2018

### 6. Finance expense

Year to 31 December 2018 £000	Year to 31 December 2017 £000
Other finance costs	-
<u>1</u>	<u>-</u>

### 7. Tax

The income tax expense comprises:

	Year to 31 December 2018 £000	Year to 31 December 2017 £000
<b>Current tax</b>		
Corporation tax	100	95
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	20
<b>Total income tax expense</b>	<u>100</u>	<u>115</u>

The differences between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the accounting profit are as follows:

	Year to 31 December 2018 £000	Year to 31 December 2017 £000
Profit before tax	<u>754</u>	<u>423</u>
Income tax expense calculated at standard UK hybrid corporation tax rate of 19% (2017: 19.25%)	143	82
Effects of:		
Expenses not deductible for tax purposes	18	33
Overprovision in prior year	(61)	
<b>Total income tax (credit)/expense</b>	<u>100</u>	<u>115</u>

### 8. Information regarding Directors and employees

	Year to 31 December 2018 £000	Year to 31 December 2017 £000
<b>Average number of employees during the period (including executive Directors):</b>	<b>No.</b>	<b>No.</b>
Administration	45	34
Collections and services provision	229	181
<b>Total</b>	<u>274</u>	<u>215</u>

# Orbit Debt Collections Limited

## Notes to the financial statements continued For the year ended 31 December 2018

### Information regarding Directors and employees continued

#### Staff costs for the period included within administrative expenses (including executive Directors):

	£000	£000
Wages and salaries	5,611	4,155
Social security costs	395	301
Pension contributions	51	23
Total	<u>6,057</u>	<u>4,479</u>

	Year to 31 December 2018 £000	Year to 31 December 2017 £000
Directors' remuneration	<u>201</u>	<u>142</u>
Total	<u>201</u>	<u>142</u>

In respect of the highest paid director		
Aggregate remuneration	<u>100</u>	<u>71</u>
Total	<u>100</u>	<u>71</u>

Directors' remuneration includes contributions to a defined contribution pension scheme. As at the reporting date there was a liability of £11,587 (2017: £nil) in respect of pension contributions to be paid into the scheme. The related charges are disclosed within administration expenses in the Statement of Comprehensive Income.

## 9. Intangible assets

	Software and licences £000	Goodwill £000	Total £000
<b>Cost</b>			
At 31 December 2017	14	259	273
Additions	86	-	86
At 31 December 2018	<u>100</u>	<u>259</u>	<u>359</u>
<b>Amortisation or impairment</b>			
At 31 December 2017	3	-	3
Charge for the year	19	-	19
Impairment		130	130
At 31 December 2018	<u>22</u>	<u>130</u>	<u>152</u>
<b>Net book value</b>			
At 31 December 2018	<u>78</u>	<u>129</u>	<u>207</u>
At 31 December 2017	<u>11</u>	<u>259</u>	<u>270</u>

# Orbit Debt Collections Limited

## Notes to the financial statements continued For the year ended 31 December 2018

### *Intangible assets continued*

The Company tests goodwill for impairment annually or more frequently if there are indicators that goodwill may be impaired.

The recoverable amount is determined from the 120 month ERC from financial budgets approved by senior management covering a ten year period. The discount rate applied at 31 December 2018 was 8.5, which is based upon the company's pre-tax weighted average cost of capital.

The recoverable amount has fallen below the carrying amount and an impairment loss of £130,035 has been recognised in the financial statements.

### 10. Property, plant and equipment

	Computers	Fixtures and fittings	Leasehold improvements	Motor Vehicles	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 31 December 2017	286	161	174	43	664
Additions	100	31	36	-	167
Disposals	-	-	-	(43)	(43)
At 31 December 2018	<b>386</b>	<b>192</b>	<b>210</b>	<b>-</b>	<b>788</b>
<b>Depreciation</b>					
At 31 December 2017	107	41	11	28	187
Charge for the period	87	30	38	1	156
On disposals	-	-	-	(29)	(29)
At 31 December 2018	<b>194</b>	<b>71</b>	<b>49</b>	<b>-</b>	<b>314</b>
<b>Net book value</b>					
At 31 December 2018	<b>192</b>	<b>121</b>	<b>161</b>	<b>-</b>	<b>474</b>
At 31 December 2017	<b>179</b>	<b>120</b>	<b>163</b>	<b>15</b>	<b>477</b>

### 11. Trade and other receivables

	2018	2017
	£000	£000
Trade receivables	1,792	976
Prepayments and accrued income	232	226
	<b>2,024</b>	<b>1,202</b>

# Orbit Debt Collections Limited

## Notes to the financial statements continued For the year ended 31 December 2018

### 12. Trade and other payables

	2018	2017
	£000	£000
Trade payables	95	154
Amounts owed to group undertakings	32	50
Accruals and deferred income	352	151
Other tax and social security	768	481
Other payables	226	215
	<u>1,473</u>	<u>1,051</u>

### 13. Creditors: amounts falling due after more than one year

	2018	2017
	£	£
	£000	£000
Lease Liability	-	-
	<u>-</u>	<u>-</u>

### 14. Provisions

	Decommissioning
	£000
Brought forward as at 31 December 2017	4
Unwinding of discount and changes in the discount rate	8
As at 31 December 2018	<u>12</u>
Current	12
Non-current	-

#### *Decommissioning*

A provision has been recognised for decommissioning costs associated with premises leased by the Company. The Company is committed to restoring the premises to their original state at the end of the lease term.

### 15. Deferred tax

#### **Deferred tax liability**

The deferred tax liability relates to the following:

	2018	2017
	£000	£000
<u>Amounts provided for</u>		
Capital allowances in excess of depreciation	<u>28</u>	<u>28</u>

The current year movement in respect of each of the above recognised deferred tax assets and liabilities were solely charged or credited to the statement of comprehensive income.

# Orbit Debt Collections Limited

## Notes to the financial statements continued For the year ended 31 December 2018

### 16. Share capital

	2018 £	2017 £
Allotted, called up and fully paid:		
200 Ordinary shares of £1 each, subscription price of £1	200	200
Share premium account	555	555
	<u>755</u>	<u>755</u>

### 17. Commitments

#### *Lease commitments*

The Company has entered into leases on certain properties, varying in length between 5 and 6 years with break clauses on the second or third anniversary of the lease.

The Company's total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>Land and buildings</b>	
	2018 £000	2017 £000
Within one year	230	228
After one year but not more than five years	697	901
	<u>927</u>	<u>1,129</u>

	<b>Other Leases</b>	
	2018 £000	2017 £000
Within one year	7	6
After one year but not more than five years	12	15
	<u>19</u>	<u>21</u>



# **Orbit Debt Collections Limited**

## **Notes to the financial statements continued For the year ended 31 December 2018**

### **18. Related party transactions**

The Company has taken advantage of the exemption in paragraph 8(k) of FRS 101 not to disclose transactions with Group companies wherein any subsidiary undertaking which is a party to the transactions is wholly owned by a member of that Group.

#### **Castlegate Blue Limited**

Castlegate Blue Limited is a company with common directors. During the year the Castlegate Blue borrowed £nil (2017 - £61,854) from the Company and repaid £nil (2017 - £171,736). The balance at 31 December 2018 was £nil (2017 - £nil).

#### **Castlegate Orange Limited**

Castlegate Orange Limited is a company with common directors. During the period the Company was invoiced for services provided by Castlegate Orange for £nil (2017 - £230,400) relating to services provided over a three year period. The opening balance on the loan account was £nil (2017 - £121,300) which consisted of £nil (2017 - £187,300) of advances from the Company to Castlegate Orange, net of £nil (2017 - £66,000) provision for an element of the invoiced charges. The Company paid £nil (2017 - £43,099) to Castlegate Orange during the period. The balance at 31 December 2018 was £nil (2017 - £nil).

#### **Transactions with Directors**

The Company repaid £22,232 for the Hire Purchase agreement of the Jaguar XJ Diesel company car during the year. T Somerville (Director) paid the Company £13,000 to purchase the car, resulting in a loss on disposal of £1,257 which has been disclosed in the financial statements.

### **19. Ultimate parent company**

The Company's immediate parent company is Cabot Financial Debt Recovery Services Limited, a company incorporated in England and Wales. The smallest group of which the Company is a member and for which group financial statements are drawn up is Cabot Credit Management plc. The Company's ultimate parent company is Encore Capital Group Inc ("Encore"), a company incorporated in Delaware, United States, whose consolidated financial statements are available on their website.