

**Company Registration No. 06476959**

**Orbit Debt Collections Ltd**

**Annual Report and Financial Statements  
For the year ended 31 December 2019**

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# **Orbit Debt Collections Ltd**

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## **Orbit Debt Collections Ltd Officers and Professional Advisors**

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

### **Directors**

T Somerville  
P Jenkins  
J Graham

### **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 Ltd**

### **Strategic Report (continued)**

### **For the year ended 31 December 2019**

The Directors present the Strategic Report, Directors' Report and the financial statements of Orbit Debt Collections Ltd (the "Company") for the year ended 31 December 2019.

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**

Turnover for the year of £10.7m was £1.6m higher than reported for 2018 and reflects the continued growth of the business. This growth is as a result of securing additional outsource and contingent collections contracts. The Company enjoys a prominent position for collections and debt services in the water market. The Company has identified further growth opportunities in this and related markets and continues to anticipate success in future years. Although the annualised benefit of contracts obtained in 2019 shall be seen in future years, the Company acknowledges that there shall be an adverse impact on reported income as a result of the COVID-19 pandemic in 2020.

#### **COVID-19 pandemic**

The COVID-19 pandemic has presented a range of the challenges for the Company, particularly in the implementation of the operational changes required to address the demands of safe working whilst continuing to fulfil client and customer requirements and the need to ensure that the potential impact on customer circumstances is appropriately addressed in the activity undertaken.

An Emergency Management Team was invoked to oversee the response to these challenges and the ongoing actions to meet our clients' needs for additional support. The macro-economic impact of COVID-19 on the Country will undoubtedly lead to increased debtor pressures for the Company's clients and while it is anticipated will lead to further opportunities for growth, the delivery of any opportunities requires additional planning and investment.

Our approach has been to ensure that appropriate resources are available to provide our clients with additional support whilst also ensuring that the business adheres to all Government guidance, maintains safe working practices for all staff and treats all customers fairly, taking into account their circumstances.

The Company continues to work with clients, reviewing their requirements and monitoring the situation as it evolves in future months and will continue to develop its approach accordingly.

#### **Key Performance Indicators**

The main KPIs used in the business include portfolio level analysis of registrations, recovery curves and operating costs, together with operational data to monitor resource allocation, productivity and compliance. Together with revenue generation, cost management and margin delivery, these KPIs are used to assess to overall performance and are aligned to the business segments and types of operations within the Company. These KPIs have continued to provide a valid structure for understanding performance as the business responded to the impact of COVID-19.

## **Orbit Debt Collections Ltd**

### **Strategic Report (continued)**

### **For the year ended 31 December 2019**

#### **Future outlook**

The Company operates from a strong position for debt related services in the water industry and benefits from a strong reputation across the sector. Where operating within a panel of providers for a client, the Company repeatedly outperforms rivals. As mentioned above, although COVID-19 has presented a number of challenges to the Company, it is well placed to serve the needs of its current and potential new clients in the wake of the pandemic and the anticipated repercussions of the impact on the economy in the UK.

Whilst the Company provides a range of services to clients in the water industry, a number of these services are expected to transfer well into other markets. Opportunities for using the Company's know-how, resources, systems and reputation have been identified in other markets and the directors believe that these present a backdrop for yet further growth and success.

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

The management of the business and the execution of the Company's strategy continue to be subject to a number of risks, in particular:

- The impact of COVID-19 on the drivers of revenue generation and costs – mitigated by the Company's ongoing investment in infrastructure, people and available analytical capabilities that allows it to respond to evolving requirements of clients and customers, together with the strong financial support available from other group entities if required
- Major changes in the client's debt management strategies – mitigated by the Company's ability to provide evidence of successful performance versus both other competitors and clients' internal debt management structures
- Major changes in the clients' operating environments borne from macro-economic, political or regulator requirements, advice or changes – with these closely monitored through relationships and pro-active engagement with clients, consumer bodies and other relevant stakeholders

In addition, the Company recognises that exact implications of the impact of the United Kingdom leaving the European Union is still unclear as the terms of the future international trading relationship of the United Kingdom is uncertain.

#### **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;
- Trade and other payables; and
- Amounts receivable from or payable to other group undertakings.

#### **Cash flow and credit risk**

The Company is a member of a group and therefore its financial risk management objectives are intrinsically linked to those of the group.

Credit risk is the risk that a customer or counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company's clients, however, are all large scale organisations operating under licence from the UK Government, with strong balance sheets and the value of debt outstanding more than 60 days outside of terms is minimal. This significantly reduces any risk.

**Orbit Debt Collections Ltd**  
**Strategic Report (continued)**  
**For the year ended 31 December 2019**

**Going concern and liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due, due to insufficient cash. The Company, however, is profitable with minimal working capital requirements. Budgets and forecasts include assessments of future working capital and cash requirements. Periodic reforecasts allow intrayear assessment of cash requirements. As detailed in note 2.2 below, using reasonable assumptions, management have assessed that they have adequate resources to continue in operation for the foreseeable future. Accordingly, it is considered appropriate to continue to adopt the going concern basis in preparing the annual report and accounts.

**Interest risk**

Interest risk is the risk that future cash flows of a financial instrument will fluctuate due to changes in interest rates. The Company's exposure to the risk of changes in interest rates is limited to only interest bearing or interest rate linked instruments held with other group companies which are repayable on demand which means that the potential risk is minimal.

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



**JA Graham**  
Director

17 December 2020

# **Orbit Debt Collections Ltd**

## **Directors' Report For the year ended 31 December 2019**

The Directors present their report for the year ended 31 December 2019.

### **Results and dividends**

The audited financial statements and related notes for the year ended 31 December 2019 are set out on pages 11 to 28. The Company's result for the year was a profit after tax of £888,000 (31 December 2018: £639,000).

The Directors do not recommend the payment of a dividend (2018: £nil).

### **Directors**

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

- TD Somerville
- CA Buick (resigned on 17 February 2020)
- PC Richardson (resigned on 17 February 2020)
- P Jenkins (appointed on 17 February 2020)
- JA Graham (appointed on 17 February 2020)

### **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 (2018: £nil).

## **Orbit Debt Collections Ltd**

### **Directors' Report For the year ended 31 December 2019**

#### **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 markets and the Company anticipates expansion of the customer base over the coming years.

Whilst the departure into other 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



**JA Graham**  
Director

17 December 2020



## **Orbit Debt Collections Ltd**

### **Statement of Directors' Responsibilities For the year ended 31 December 2019**

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 Ltd**

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

#### **Opinion**

We have audited the financial statements of Orbit Debt Collections Ltd ("the Company") for the year ended 31 December 2019 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 2019 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.

## **Orbit Debt Collections Ltd**

### **Independent auditor's report to the members of Orbit Debt Collections Ltd (continued)**

#### **Other information**

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

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

We have nothing to report in this regard.

#### **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.

## **Orbit Debt Collections Ltd**

### **Independent auditor's report to the members of Orbit Debt Collections Ltd (continued)**

#### **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.

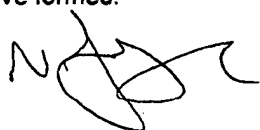
#### **Auditor's responsibilities for the audit of the financial statements**

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

17 December 2020

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

## Orbit Debt Collections Ltd

### Statement of comprehensive income For the year ended 31 December 2019

		2019 £000	2018 £000 (restated)
	Notes		
Revenue	3	10,748	9,103
Cost of sales		(6,663)	(5,375)
<b>Gross profit</b>		<b>4,085</b>	<b>3,728</b>
Administration expenses		(2,756)	(2,818)
Impairment charge		(139)	(130)
<b>Operating profit</b>		<b>1,190</b>	<b>780</b>
Interest receivable	5	14	-
Interest payable and similar charges	6	(36)	(42)
<b>Profit on ordinary activities before taxation</b>		<b>1,168</b>	<b>738</b>
Tax expense	7	(280)	(100)
<b>Profit and total comprehensive income for the financial period</b>		<b>888</b>	<b>638</b>

All of the above results are derived from continuing operations. There is no other comprehensive income.

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

# Orbit Debt Collections Ltd

## Statement of financial position As at 31 December 2019

	Notes	2019 £000	2018 £000 (restated)	2017 £000 (restated)
<b>Fixed assets</b>				
Intangible assets	9	55	207	270
Tangible assets	10	427	474	477
Right of use asset	11	439	576	717
		<u>921</u>	<u>1,257</u>	<u>1,464</u>
<b>Current assets</b>				
Trade and other receivables	12	3,833	2,024	1,202
Deferred tax assets	16	13	-	-
Cash in bank and on hand		779	1,138	808
Inventory		-	13	15
		<u>4,625</u>	<u>3,175</u>	<u>2,205</u>
<b>Creditors: amounts falling due within one year</b>				
Trade and other payables	13	(2,030)	(1,614)	(1,182)
		<u>2,595</u>	<u>1,561</u>	<u>843</u>
<b>Net current assets</b>				
<b>Total assets less current liabilities</b>		<u>3,516</u>	<u>2,818</u>	<u>2,307</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(294)	(464)	(599)
<b>Provision for liabilities</b>	15	(20)	(40)	(32)
<b>Net assets</b>		<u>3,202</u>	<u>2,314</u>	<u>1,676</u>
<b>Equity</b>				
Share capital	17	1	1	1
Retained earnings		3,201	2,313	1,675
<b>Total shareholders' funds</b>		<u>3,202</u>	<u>2,314</u>	<u>1,676</u>

These financial statements of Orbit Debt Collections Ltd, with registered number 06476959, were approved by the Board of Directors and authorised for issue on 17 December 2020. The notes on pages 14 to 28 form part of the financial statements. Signed on behalf of the Board of Directors by:

  
JA Graham  
Director

## Orbit Debt Collections Ltd

### Statement of changes in equity As at 31 December 2019

	Share Capital	Retained earnings	Total
	£000	£000	£000
As at 1 January 2018	1	1,688	1,689
IFRS16 transitional adjustment (note 2)	-	(13)	(13)
<b>As at 1 January 2018</b>	<b>1</b>	<b>1,675</b>	<b>1,676</b>
<i>Comprehensive income for the period:</i>			
Profit for the period (restated)	-	638	638
	-	638	638
<b>As at 31 December 2018</b>	<b>1</b>	<b>2,313</b>	<b>2,314</b>
<i>Comprehensive income for the period:</i>			
Profit for the period	-	888	888
Total comprehensive income	-	888	888
<b>As at 31 December 2019</b>	<b>1</b>	<b>3,201</b>	<b>3,202</b>

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

# **Orbit Debt Collections Ltd**

## **Notes to the financial statements (continued) For the year ended 31 December 2019**

### **1. Corporate information**

Orbit Debt Collections Ltd is a private 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.

#### **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 6.

The Company has long term contracts with a number of clients and suppliers. As a consequence the directors consider the Company is well placed to manage its business risks despite uncertainty in the current economic outlook.



## **Orbit Debt Collections Ltd**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **2. Significant accounting policies (continued)**

##### **2.2 Going concern (continued)**

Specific consideration has been given to the impact of the COVID-19 pandemic, which has arisen in the period subsequent to the balance sheet date, with particular regard to:

- Impact on income streams – although there was a short term impact on placement of accounts for both collections activity and field visits, as clients assessed their response to increase need of customer forbearance and practical implication of field activity, this has now been recovering and demand from clients for activity has increased. It is considered that products that deliver income from commission on collections will be adversely affected by the impact on customers' financial circumstances during the expected economic recession, but to date this has been protected by the government's furlough scheme and the directors believe that further mitigating strategies can be employed to lessen potential risk. The clients' expectations for the Company's field based activities to continue is clear and demand for elements of the field services would be expected to increase as a result of more customers facing financial difficulties during any period of economic recession.
- Impact on productivity and costs – the need to ensure a safe working environment has restricted operational capacity and whilst action is being taken to mitigate this through increased home working this has been limited by the need to address the data security requirements of clients when handling customers' financial records. The Company has also made changes to field operations in order to maintain safe methods of working for employees and customers. Despite these challenges, the Company has successfully maintained activity across the period and the directors are confident that full productivity will be restored early in 2021.
- Impact on cash flows – the profile of the client base does not indicate any concerns over the recovery of trade debt and modelling has been undertaken to assess the impact on profits and cash generation based on a set of reasonable assumptions and indicates that the Company should retain sufficient cash generation to ensure that it can fulfil its obligations as they fall due. If necessary further funding support can be provided from within the wider group of companies headed by Encore Capital Group, with a letter of support received from that entity committing to provide such support across the next 12 month period.

Further to the above, 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 accounts.

##### **2.3 Changes in accounting policies**

The Company adopted IFRS16 Leases from 1 January 2019 on a fully retrospective basis. IFRS16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for almost all leases and, therefore, has resulted in the recognition of both a right of use asset and lease liability in the Statement of Financial Position of the Company from 1 January 2018.

All leases are accounted for by recognising a right of use asset and lease liability except for leases of low value assets and leases with a term of less than 12 months or less.

Right of use assets and lease liabilities are initially measured at the discounted value of the payments required under a non-cancellable lease term, including any optional periods where there is a reasonable certainty that the option period will be adopted or the lease not cancelled, including any direct costs, lease incentives and any residual value which would realistically be expected to be realised at the end of the lease term. The discount rate is adopted by reference to any rate inherent in the lease agreement unless there is none determinable in which case an appropriate alternative rate is used.

# Orbit Debt Collections Ltd

## Notes to the financial statements (continued) For the year ended 31 December 2019

### 2. Significant accounting policies (continued)

#### 2.3 Changes in accounting policies (continued)

Any non-lease components of the payments to any lessor are excluded from the valuation of the right of use asset or lease liability and these are reflected in the Statement of Comprehensive Income in the period to which the services provided are received.

Subsequent to initial recognition, lease liabilities increase as a result of the interest charged on the balance outstanding and are reduced as the lease payments are made. Right of use assets are amortised on a straight line basis on the remaining term of the lease from when they are first recognised.

If the term of any lease is revised then the carrying amount of the lease liability is adjusted to reflect the payments to be made over the revised term which are discounted with reference to the rate inherent in the revised lease. An equivalent adjustment is made in the value of the right of use asset which is subsequently amortised over the remaining term.

The retrospective changes made to the 2018 financial statements are summarised in the tables below.

#### Statement of comprehensive income 2018

	2018 reported £000	IFRS 16 adjustments £000	2018 restated £000
Revenue	9,103		9,103
Cost of sales	(5,375)	-	(5,375)
<b>Gross profit</b>	<b>3,728</b>	<b>-</b>	<b>3,728</b>
Administration expenses	(2,845)	27	(2,818)
Impairment charge	(130)	-	(130)
<b>Operating profit</b>	<b>753</b>	<b>27</b>	<b>780</b>
Interest payable	1	(43)	(42)
<b>Profit on ordinary activities before taxation</b>	<b>754</b>	<b>(16)</b>	<b>738</b>
Tax expense	(100)	-	(100)
<b>Profit for the financial period</b>	<b>654</b>	<b>(16)</b>	<b>638</b>

# Orbit Debt Collections Ltd

## Notes to the financial statements (continued) For the year ended 31 December 2019

### 2. Significant accounting policies (continued)

### 2.3 Changes in accounting policies (continued)

#### Statement of Financial Position as at 31 December 2018

	2018 reported £000	IFRS 16 adjustment £000	2018 restated £000
<b>Fixed assets</b>			
Intangible assets	207	-	207
Tangible assets	474	-	474
Right of use asset	-	576	576
	<b>681</b>	<b>576</b>	<b>1,257</b>
<b>Current assets</b>			
Trade and other receivables	2,024	-	2,024
Cash in bank and on hand	1,138	-	1,138
Inventory	13	-	13
	<b>3,175</b>	<b>-</b>	<b>3,175</b>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	(1,473)	(141)	(1,614)
<b>Net current assets</b>	<b>1,702</b>	<b>(141)</b>	<b>1,561</b>
<b>Total assets less current liabilities</b>	<b>2,383</b>	<b>435</b>	<b>2,818</b>
<b>Creditors: amounts falling due after more than one year</b>	<b>-</b>	<b>(464)</b>	<b>(464)</b>
<b>Provision for liabilities</b>	<b>(40)</b>	<b>-</b>	<b>(40)</b>
<b>Net assets</b>	<b>2,343</b>	<b>(29)</b>	<b>2,314</b>
<b>Equity</b>			
Share capital	1	-	1
Retained earnings	2,342	(29)	2,313
<b>Total shareholders' funds</b>	<b>2,343</b>	<b>(29)</b>	<b>2,314</b>

# Orbit Debt Collections Ltd

## Notes to the financial statements (continued) For the year ended 31 December 2019

### 2. Significant accounting policies (continued)

#### 2.3 Changes in accounting policies (continued)

#### Statement of Financial Position as at 31 December 2017

	2017 reported £000	IFRS 16 adjustment £000	2017 restated £000
<b>Fixed assets</b>			
Intangible assets	270	-	270
Tangible assets	477	-	477
Right of use asset	-	717	717
	<u>747</u>	<u>717</u>	<u>1,464</u>
<b>Current assets</b>			
Trade and other receivables	1,202	-	1,202
Cash in bank and on hand	808	-	808
Inventory	15	-	15
	<u>2,025</u>	<u>-</u>	<u>2,025</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	(1,051)	(131)	(1,182)
	<u>974</u>	<u>(131)</u>	<u>843</u>
<b>Net current assets</b>			
<b>Total assets less current liabilities</b>	<u>1,721</u>	<u>586</u>	<u>2,307</u>
<b>Creditors: amounts falling due after more than one year</b>	-	(599)	(599)
<b>Provision for liabilities</b>	(32)	-	(32)
<b>Net assets</b>	<u>1,689</u>	<u>(13)</u>	<u>1,676</u>
<b>Equity</b>			
Share capital	1	-	1
Retained earnings	1,688	(13)	1,675
<b>Total shareholders' funds</b>	<u>1,689</u>	<u>(13)</u>	<u>1,676</u>

# **Orbit Debt Collections Ltd**

## **Notes to the financial statements (continued)** **For the year ended 31 December 2019**

### **2. Significant accounting policies (continued)**

#### **2.4 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.

##### **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.

## **Orbit Debt Collections Ltd**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **2. Significant accounting policies (continued)**

##### **2.4 Summary of significant accounting policies (continued)**

###### **Deferred tax continued**

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 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.

# **Orbit Debt Collections Ltd**

## **Notes to the financial statements (continued) For the year ended 31 December 2019**

### **2. Significant accounting policies (continued)**

#### **2.4 Summary of significant accounting policies (continued)**

##### **Financial instruments**

##### **Financial assets**

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

##### **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.

##### **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.

##### **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.

##### **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.

### **3. Revenue**

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

	<b>2019 £000</b>	<b>2018 £000</b>
Servicing fees	<b>10,740</b>	9,096
Other income	<b>8</b>	7
	<b><u>10,748</u></b>	<b><u>9,103</u></b>

# Orbit Debt Collections Ltd

## Notes to the financial statements (continued) For the year ended 31 December 2019

### 4. Profit on ordinary activities before tax

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

	2019 £000	2018 £000 (restated)
Depreciation of property, plant and equipment	196	157
Depreciation of right use asset	149	147
Amortisation of intangible assets	154	19
Operating lease rentals – land and buildings	-	45
Auditors remuneration for the audit of the company's financial statements	26	32
Impairment of goodwill	129	130
	<u>654</u>	<u>530</u>

### 5. Interest receivable

	2019 £000	2018 £000
Interest income from parent company	14	-
	<u>14</u>	<u>-</u>

### 6. Interest payable and similar charges

	2019 £000	2018 £000 (restated)
Interest payable on leases	35	43
Other finance costs	1	(1)
	<u>36</u>	<u>42</u>

### 7. Tax

The income tax expense comprises:

	2019 £000	2018 £000
<b>Current tax</b>		
Corporation tax	252	100
Prior period adjustment	50	-
Total current tax	302	100
<b>Deferred tax</b>		
Origination and reversal of timing differences	(17)	-
Prior period adjustments	(5)	-
<b>Total income tax expense</b>	<u>280</u>	<u>100</u>



# Orbit Debt Collections Ltd

## Notes to the financial statements (continued) For the year ended 31 December 2019

### 7. Tax (continued)

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:

	2019 £000	2018 £000 (restated)
<b>Profit before tax</b>	<b>1,168</b>	<b>738</b>
Income tax expense calculated at standard UK hybrid corporation tax rate of 19.0% (2018: 19.0%)	<b>222</b>	<b>140</b>
Effects of:		
Income not taxable		
Expenses not deductible for tax purposes	<b>11</b>	<b>18</b>
Adjustment in respect of prior period	<b>45</b>	<b>(61)</b>
Other	<b>2</b>	<b>3</b>
<b>Total income tax (credit)/expense</b>	<b>280</b>	<b>100</b>

The Finance Act 2017, which reduced the main rate of UK corporation tax to 19% effective from 1 April 2018 to 17% effective from 1 April 2020, was enacted on 6 September 2017. As this change in rate was substantively enacted prior to 31 December 2019 it has been reflected in the deferred tax assets and liabilities at 31 December 2019.

### 8. Information regarding Directors and employees

	2019 £000	2018 £000
<b>Average number of employees during the period (including executive Directors):</b>	<b>No.</b>	<b>No.</b>
Administration	<b>45</b>	<b>45</b>
Collections and services provision	<b>263</b>	<b>229</b>
<b>Total</b>	<b>308</b>	<b>274</b>
<b>Staff costs for the period included within administrative expenses (including executive Directors):</b>		
Wages and salaries	<b>6,347</b>	<b>5,611</b>
Social security costs	<b>484</b>	<b>395</b>
Pension contributions	<b>93</b>	<b>51</b>
<b>Total</b>	<b>6,924</b>	<b>6,057</b>

## Orbit Debt Collections Ltd

### Notes to the financial statements (continued) For the year ended 31 December 2019

#### 8. Information regarding Directors and employees (continued)

	2019 £000	2018 £000
Salaries and benefits in kind	281	203
Pension costs, defined contribution scheme	2	1
Total	<u>283</u>	<u>204</u>
<b>In respect of the highest paid director</b>		
Salaries and benefits in kind	174	102
Pension costs, defined contribution scheme	1	1
Total	<u>175</u>	<u>103</u>

Directors' remuneration includes contributions to a defined contribution pension scheme. As at the reporting date there was a liability of £nil (2018: £11,587) 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 2018	100	259	359
Additions	11	-	11
<b>At 31 December 2019</b>	<u>111</u>	<u>259</u>	<u>370</u>
<b>Amortisation or impairment</b>			
At 31 December 2018	22	130	152
Charge for the year	34	-	34
Impairment	-	129	129
<b>At 31 December 2019</b>	<u>56</u>	<u>259</u>	<u>315</u>
<b>Net book value</b>			
<b>At 31 December 2019</b>	<u>55</u>	<u>-</u>	<u>55</u>
At 31 December 2018	<u>78</u>	<u>129</u>	<u>207</u>

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. Senior management were not confident in the future ERC derived from the goodwill.

As such, the recoverable amount has been assessed as zero and the and an impairment loss of £129,000 has been recognised in the financial statements (2018: £130,000).

# Orbit Debt Collections Ltd

## Notes to the financial statements (continued) For the year ended 31 December 2019

### 10. Property, Plant and Equipment

	Computers £000	Fixtures and fittings £000	Leasehold improvements £000	Total £000
<b>Cost</b>				
At 31 December 2018	386	192	210	788
Additions	123	23	3	149
<b>At 31 December 2019</b>	<b>509</b>	<b>215</b>	<b>213</b>	<b>937</b>
<b>Amortisation or impairment</b>				
At 31 December 2018	194	71	49	314
Charge for the year	118	36	42	196
<b>At 31 December 2019</b>	<b>312</b>	<b>107</b>	<b>91</b>	<b>510</b>
<b>Net book value</b>				
<b>At 31 December 2019</b>	<b>197</b>	<b>108</b>	<b>122</b>	<b>427</b>
At 31 December 2018	192	121	161	474

### 11. Lease asset and liability

	Right of Use Asset £000
<b>Cost</b>	
At 31 December 2018	717
Additions	12
<b>At 31 December 2019</b>	<b>729</b>
<b>Depreciation</b>	
At 31 December 2018	141
Charge for the year	149
<b>At 31 December 2019</b>	<b>290</b>
<b>Netbook value</b>	
<b>At December 2019</b>	<b>439</b>
At December 2018	576

# Orbit Debt Collections Ltd

## Notes to the financial statements (continued) For the year ended 31 December 2019

### 11. Lease asset and liability (continued)

	Lease liability £000
<b>Lease liability</b>	
At 1 January 2018	730
Additions	6
Interest	43
Payments	(174)
At 31 December 2018	<b>605</b>
Additions	12
Interest	35
Payments	(199)
At 31 December 2019	<b>453</b>

### 12. Trade and other receivables

	2019 £000	2018 £000
Trade receivables	1,817	1,792
Amounts owed to group undertakings	1,715	-
Prepayments and accrued income	301	232
	<b>3,833</b>	<b>2,024</b>

### 13. Trade and other payables

	2019 £000	2018 £000 (restated)
Trade payables	98	95
Amounts owed to group undertakings	481	32
Accruals and deferred income	384	352
Other taxation and social security	679	768
Lease liabilities	160	141
Other payables	228	226
	<b>2,030</b>	<b>1,614</b>

# Orbit Debt Collections Ltd

## Notes to the financial statements (continued) For the year ended 31 December 2019

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

	2019 £000	2018 £000 (Restated)
Lease Liability	294	464
	<u>294</u>	<u>464</u>

### 15. Provisions

	Decommissioning costs £000	Deferred tax liability £000	Total £000
Brought forward as at 31 December 2018	12	28	40
Changes to the profit and loss	8	-	8
Movement in deferred tax liability	-	(28)	(28)
<b>As at 31 December 2019</b>	<b>20</b>	<b>-</b>	<b>20</b>

#### 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.

### 16. Deferred tax

#### Deferred tax asset and liability

	2019 £000	2018 £000
<i>Amounts provided for</i>		
Capital allowances in excess of depreciation	11	(9)
Pension	2	-
Incorrectly classified Corporation Tax liability	-	(19)
	<u>13</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.

### 17. Share capital

	2019 £	2018 £
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>

## **Orbit Debt Collections Ltd**

### **Notes to the financial statements (continued) For the year ended 31 December 2019**

#### **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.

#### **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.

#### **20. Events after the balance sheet date**

The COVID-19 outbreak has presented a range of unprecedented and continuously evolving challenges for the Company which are likely to continue for the immediate future. This situation was not prevalent during 2019 and, therefore, the directors consider the outbreak of COVID-19 to be a non-adjusting post balance sheet event. Whilst Covid-19 resulted in a trading impact during 2020, this was short term and there has not been a material impact on the future prospects of the Company