Registration number: 06476959

Orbit Credit Services Ltd

Annual Report and Financial Statements

for the Year Ended 31 December 2022

Orbit Credit Services Ltd

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Orbit Credit Services Ltd

Company Information

Directors at date of approval of the financial statements

Lynn Wendy Cruickshanks

Jonathan Andrew Graham

Leo Weston

Company Secretary

Sarah Whiteley

Registered office

1 Kings Hill Avenue
Kings Hill
West Malling
ME19 4UA

Auditor

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

Orbit Credit Services Ltd

Strategic Report for the Year Ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

Business Review

Performance during the year

The principal activity of the Company is the collection of non-performing consumer and commercial debt for third parties, focused on the water sector. Turnover in the year of £11.8m was £0.8m higher than that reported in the year ended 31st December 2021, with a further recovery from the significant challenges arising from the impact on the business in 2020 of the impact of the COVID-19 pandemic. Placement volumes have now recovered and the impact on recovery curves of a suspension of field activity is unwinding, with a resulting growth in revenues.

Productivity further improved across the year, but the labour market challenges that emerged across 2021 have increased the cost base of the business.

Despite these challenges, the Company remains well positioned in its core markets to respond to the anticipated increase in demand that will emerge from the water sector in response to the increasing pressure on consumers arising from the impact of inflation on the cost of living.

Key performance indicators

The main KPIs used in the business are a portfolio level analysis of registrations, recovery curves and transactional costs, together with operational data to measure productivity and compliance. These are used to assess the overall delivery of the business across a balanced scorecard assessment of performance measures reflecting revenue generation, cost management, margin delivery and conduct. This framework of KPIs has continued to provide a valid structure for understanding performance as the business has responded to the emerging challenges of increased rates of cost inflation on consumer affordability.

Future outlook

The Company continues to hold a strong and well-established position as a provider of collection services across the water sector and has maintained a strong client base over the period, maintaining strong performance rankings against our competitors and strengthening market share. In addition, whilst the Company has historically focused on the water sector, its services transfer into other sectors and a number of opportunities have been identified that are being pursued. The development of a hybrid office and remote working capability has allowed the Company to enhance the services provided to its customers and clients, with a continued increase in demand for collection services anticipated in the market that will provide future opportunities for growth.

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 on resource capacity and the cost base of increased competitiveness in the labour market, with this mitigated by action taken to review the benchmarking of pay rates, increase remote working flexibility for colleagues and to continue to invest in the ongoing development of our people.
- Major changes in the debt management strategies of major clients, with this mitigated by the close relationships that have been established with all major clients, the evolution of new areas of potential activity and the expected growth in underlying client demand across the next few years.
- The impact of macro-economic factors or regulatory requirements on clients, with this mitigated by the Company's proactive engagement with both clients and the relevant regulatory bodies to ensure early and effective adoption of all requirements.
- The challenges of increased inflationary pressures on customer affordability, which could impact on the recoverability of assets under management. This mitigated by supporting the core business focus of understanding the financial circumstances of individual customers with an enhanced used of data and analytics to ensure the establishment of sustainable and appropriate repayment plans that respond to any emerging cost of living challenges.

Principal financial instruments

Overview

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

- Trade and other receivables;
- Cash and cash equivalents;
- Trade and other payables; and
- Amounts receivable from and payable to other group undertakings.

A summary of the financial assets and liabilities of the Company as at 31 December 2022, together with the comparative balances at 31 December 2021, is provided in note 17 to the financial statements.

The accounting polices applied to financial instruments are outlined in note 2.12 to the financial statements.

Cash flow and credit risk

The Company has established a level of working capital to comfortably operate its existing and planned business activities and, in addition to the preparation of cash flow forecasts within the overall budgeting and reforecasting cycle, management reviews near term cash flow forecasts across the year to ensure that cash requirements are monitored and managed on an ongoing basis. The business also monitors the financial standing of its clients and of its key suppliers, monitoring both client receipts and supplier payments to ensure that both are maintained within agreed terms, although this risk is considered to be low as the Company's clients are all large scale organisations operating under license from the UK government.

Going concern and liquidity risk

The Company's client base is primarily composed of large utility providers and has operated with the majority of these for a number of years, with confidence over the ongoing continuation and viability of trading.

Cash balances are maintained to support the working requirements of the business, with surplus funds loaned to other group entities under short term repayment dates, providing significant funding availability that provides the directors with confidence that the Company has adequate resources to continue in operational existence for the foreseeable future and as such the financial statements have been prepared on a going concern basis.

Interest risk

The Company's exposure to the risk that future cash flows of a financial instrument will fluctuate due to changes in interest rates is limited to interest bearing balances outstanding with other group companies, which are repayable on demand. As such the potential risk is considered to be minimal.

Section 172(1) statement

The principles of delivering good customer outcomes are at the core of the business, and to deliver this requires the Company to understand and align the needs of customers, clients, colleagues, suppliers, regulators and investors to ensure that fair and equitable behaviours are embedded in the activities and ethos of the business. The directors recognise that this approach, together with building strong relationships with the Company's stakeholders, will support delivery of our strategy in line with our long term values and is key to the development of a sustainable business model.

Orbit Credit Services Ltd

Strategic Report for the Year Ended 31 December 2022

The directors consider the needs and priorities of each stakeholder group as part of the decision making process, with the relevance of each stakeholder group varying depending on the matter in question, with this reflected in the governance processes in place. In ensuring that the directors of the Company (the "Board") discharge their responsibilities under section 172(1) of the Companies Act 2006 and consider the needs of all key stakeholder groups in its decision-making processes, the following activity is undertaken to consider relevant information and to directly engage with stakeholders:

- Core conduct and customer satisfaction metrics are reviewed in both executive management and Board meetings to ensure that there is sufficient understanding of how the Company is addressing customer outcomes;
- Proactive engagement with the regulated entity for whom the Company is an Appointed Representative is undertaken to ensure full awareness and understanding of any emerging requirements and responsibilities;
- Client feedback data on performance, process audits and customer delivery is issued to the directors and reviewed on an ongoing basis;
- Colleague engagement is facilitated through a number of mechanisms, including written communications, employee surveys, interactive web chat sessions, investment in a group-wide colleague engagement platform and team briefings to encourage open feedback;
- Continuous engagement between key suppliers and business owners is supported by an annual audit process overseen by procurement, which allows both for checking of compliance with governance and sustainability policies and for obtaining and reviewing supplier feedback; and
- Investor engagement is achieved through monthly reporting of financial performance, together with quarterly sessions to discuss wider business delivery, budgets and strategic plans.

Wider environmental consideration for the business are also considered, with the Company's energy usage and an outline of energy efficiency actions included in the directors' report on page 5.

Key decisions taken by the Company are defined as those that are considered to have a material impact on the long-term performance of the business and its interaction with key stakeholders. In this context the key decisions taken during 2022 were in respect of the response to the labour market challenges that emerged in 2021 and continued into this year, which have impacted on resource capacity across the business. The decision-making process involved working across operational and resource planning areas to ensure an appropriate prioritisation of demand management, whilst ensuring proactive engagement with our recruitment team and third party partners to ensure the development of a retention and recruitment plan that responded appropriately to the evolving challenges with full assessment of commercial considerations. This analysis resulted in the collation of a co-ordinated response that was presented for Board discussion to achieve sign-off to proceed.

Approved by the Board and signed on its behalf by:

Jonathan Andrew Graham
Director

21 September 2023

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors' of the company

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

Lynn Wendy Cruickshanks

Jonathan Andrew Graham

Leo Weston

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

Dividends

The directors do not recommend the payment of a dividend (2021: Nil).

Employment of disabled persons

The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the Company. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the Company.

Employee involvement

An annual employee survey is undertaken and feedback sessions are held to review the output, with actions then agreed to address any identified areas for improvement. Members of the management team also regularly visit the offices in Malton, Shrewsbury and Telford to discuss matters of current interest and concern to the business with members of staff.

Stakeholder engagement

The directors recognise the need to consider the needs of all key stakeholder groups in its decision making process. An overview of the key stakeholder groups identified by the Board and the actions taken to ensure appropriate engagement and consideration in the decision making process is included in the section 172 statement on page 3.

Energy and carbon reporting

The Company measures energy consumption and carbon emissions across the business with reference to the amount of electricity and gas purchased at the properties occupied, the level of usage of both company and employee vehicles and its generation of indirect emissions across a range of other areas. This methodology is in accordance with the requirements of the World Resources Institute Greenhouse Gas Protocol (revised version) "Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance" and ISO 14064 – part 1. Intensity of usage is then assessed by reference to the carbon emissions generated per fte employed, as given the service based nature of the activity undertaken by the Company this is considered to be the most appropriate indicator of carbon usage to track the impact of energy efficiency initiatives undertaken.

The Company's total energy usage in 2022 was 1,329,765 kWh (2021: 1,246,350 kWh), creating 299 tonnes of CO_2 emissions applying a location-based methodology (2021: 286 tonnes of CO_2 emissions). This reflected a 4.5% increase in emissions from 2021, as the Company returned to normal operations following the impact of the COVID-19 lockdown on activity across 2020 and into 2021. The Company has included a range of Scope 3 indirect emissions in the reporting boundaries for both 2022 and 2021 to incorporate travel on public transport, water usage and paper usage, allowing for a better assessment of initiatives to improve efficiency in these areas. Despite this increase in emissions, a growth in employee numbers resulted in an 8.5% year on year reduction in carbon use intensity from 1.06 tCO_2e per fte in 2021 to 0.97 tCO_2e per fte in 2022 (both based on average employee numbers across each year).

Energy usage across properties has increased from 2021 to 2022, with this the largest driver of the higher CO_2 emissions despite investment in a rolling programme to upgrade lighting across the Company's sites with an energy efficient LED system, as office occupancy rates have increased. However, emissions from company and private vehicles reduced by 4% against the 2021 comparative, despite increased activity from the field teams as a result of reductions in non-essential travel.

Following inclusion of a broader range of Scope 3 indirect emissions in its reporting, the Company is also focussing on reducing emissions across these areas across 2023

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Auditor

Pursuant to Section 485 of the Companies Act 2006 a resolution was passed by the members for the appointment of BDO LLP as auditors for the year ended 31 December 2023.

By order of the Board

Jonathan Andrew Graham
Director

21 September 2023

Orbit Credit Services Ltd

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Strategic Report, thc Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- 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 statcments comply with the Companies Act 2006. They are also responsible for such internal control as they determine necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Orbit Credit Services Ltd

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Orbit Credit Services Limited ("the Company") for the year ended 31 December 2022 which comprise the Profit and Loss Account, Balance Sheet, 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 FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

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.

Auditor's responsibilities for the audit of the financial statements

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

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

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

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the accounting standards and the Financial Conduct Authority's regulations.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management; and
- review of minutes of board meetings throughout the period.

We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Members that represented a risk of material misstatement due to fraud.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at:

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.

DocuSigned by:

Simon Peter Fowles

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Simon Fowles (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London, UK

22 September 2023

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

Orbit Credit Services Ltd

Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Turnover	3	**11,833**	10,958
Cost of sales		**(9,421)**	(7,671)
Gross profit		**2,412**	3,287
Administrative expenses		**(2,868)**	(2,914)
Operating (loss) / profit	4	**(456)**	373
Interest receivable and similar income	5	**23**	2
Interest payable and similar expenses	6	**(7)**	(34)
		16	(32)
(Loss) / profit before tax		**(440)**	341
Tax on (loss) / profit	10	**3**	80
(Loss) / profit for the year		**(437)**	421

There are no material differences between the (loss) / profit on ordinary activities before taxation and the (loss) / profit for the year stated above and their historical cost equivalents.

The above results were all derived from continuing operations.

The Company did not have any sources of comprehensive income in the year other than those included within the (loss) / profit for the financial year reported above (2021: None).

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

Orbit Credit Services Ltd

Balance Sheet as at 31 December 2022

(Registration number: 06476959)

	Note	31 December 2022 £ 000	31 December 2021 £ 000
Fixed assets			
Intangible assets	11	**2**	8
Tangible assets	12	**592**	675
Right of use assets	13	**609**	496
		1,203	1,179
Current assets			
Debtors	14	**3,463**	2,232
Deferred tax asset	10	**120**	117
Cash at bank and in hand		**2,041**	1,631
		5,624	3,980
Creditors: Amounts falling due within one year	15	**(3,882)**	(1,857)
Net current assets		**1,742**	2,123
Total assets less current liabilities		**2,945**	3,302
Creditors: Amounts falling due after more than one year	16	**(435)**	(355)
Net assets		**2,510**	2,947
Capital and reserves			
Called up share capital	20	**-**	-
Share premium account	21	**1**	1
Profit and loss account	21	**2,509**	2,946
Shareholders' funds		**2,510**	2,947

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

These financial statements were approved by the board of directors on 21 September 2023 and signed on its behalf by:

Jonathan Andrew Graham
Director

Orbit Credit Services Ltd

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Share Premium £'000	Retained earnings £ 000	Total £ 000
At 1 January 2022	-	1	2,946	2,947
Profit for the year	-	-	(437)	(437)
Total comprehensive income	-	-	(437)	(437)
At 31 December 2022	**-**	**1**	**2,509**	**2,510**

	Share capital £ 000	Share Premium £'000	Retained earnings £ 000	Total £ 000
At 1 January 2021	-	1	2,525	2,526
Loss for the year	-	-	421	421
Total comprehensive income	-	-	421	421
At 31 December 2021	**-**	**1**	**2,946**	**2,947**

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

1 General information

Orbit Debt Collections Ltd ("the Company") is a private company limited by share capital, incorporated and domiciled in the United Kingdom with its registered office located at 1 Kings Hill Avenue, Kings Hill, West Malling, England, ME19 4UA.

The principal activity of the Company is the collection of non-performing consumer and commercial debt in the United Kingdom for third party clients, primarily in the water sector.

2 Accounting policies

2.1 Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Basis of preparation and changes in accounting policies

These financial statements were prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework (FRS 101)" under the historical cost convention.

2.3 Summary of disclosure exemptions

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 Statcmcnts";
- The requirements of IAS 7 "Statement of Cash Flows"; and
- The requirements of paragraph 8(k) of FRS 101 not to disclose transactions with Group companies wherein any subsidiary undertaking which is party to the transaction are wholly owned by a member of the Group.

2.4 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 Report on pages 2 to 4, with the Company having adequate financial resources together with long term contracts with a number of clients and suppliers. As a consequencc, the directors consider that the Company is well placed to manage its business risks despite uncertainty in the current economic outlook.

2 Accounting policies *(continued)*

2.4 Going concern *(continued)*

Specific consideration has been given to the current challenges of the impact of cost of living pressures on customer affordability and the pressure of inflation on the cost base of the Company.

Labour challenges arising from high employment to vacancy ratios in the market has impacted retention and recruitment and increased labour costs. However, the Company has taken proactive action to address these issues, whilst continuing to invest in systems, technology and people development to improve efficiency and deliver cost savings.

The profile of the client base does not indicate any concerns over the recovery of trade debtors and cash flows are modelled both to assess longer term requirements and to manage short term demand. This ensures that the Company has sufficient cash generation to ensure that it can fulfil its obligations as they fall due, with if necessary further funding support available from within the wider group of companies headed by Encore Capital Group Inc. and a letter of support received from that entity committing to provide such support if required for a minimum of a two year period from 31 March 2023.

Further to the above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and thus the going concern basis continues to be adopted in the preparation of the financial statements.

2.5 Turnover

Recognition

Turnover represents income derived from fees receivable from third parties for the collections of non-performing consumer and commercial debt, together with ancillary services. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

Fee arrangements

Fees are chargeable based on a variety of mechanisms, including output based fees, commission charges, fees for resource provided and fixed fees. In most instances the performance obligations are directly linked to the triggers for billing, but on longer term fixed fee projects the stage of completion and delivery of performance obligations are measured at the balance sheet date by reference to resource provided as a proportion of an updated estimate of total resource required to completion.

Transaction price

The transaction price for all services, regardless of the charging mechanism, are the rates as specified in the relevant contract.

2 Accounting policies (*continued*)

2.6 Cost of sales

Costs arising from activity that is directly related to the provision of the services underlying turnover are recognised in the profit and loss account in the period in which they are incurred, with these including both staff costs and external charges.

2.7 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

The Company operates four defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds and the amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

Termination benefits

Termination benefits are recognised as an expensc when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

2.8 Interest receivable and interest payable

Interest receivable and interest payable are recognised in profit or loss as they accrue, using the effective interest rate method.

2.9 Taxation

Recognition

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for thc period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. There is only offset of current tax assets and liabilities if certain criteria are met.

2 Accounting policies *(continued)*

2.9 Taxation *(continued)*

Recognition

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. There is only offset of current tax assets and liabilities 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 timing 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 (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is not probable that taxable profit will be available against which the deductible timing differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets and liabilities 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.

2.10 Tangible and intangible fixed assets

Property, plant and equipment and intangible assets are stated at cost, less any subsequent accumulated depreciation or amortisation and subsequent accumulated impairment losses. The capitalised costs of these assets include any directly attributable incremental costs incurred in their acquisition and installation.

Depreciation and amortisation are provided 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:

Leasehold improvements	5 years
Office equipment	4 years
Fixtures & fittings	5 years
Computer equipment	3 years
Software and licenses	3 years

Goodwill arising on the acquisition of a business, representing any excess of the fair value of the consideration transferred, the amount of any non-controlling interests of the acquirer and the fair value of the acquirer's previously held investment over the fair value of the identifiable net assets acquired is initially recognised at cost. In subsequent years the goodwill is measured at cost less any accumulated impairment losses.

2 Accounting policies *(continued)*

2.10 Tangible and intangible fixed assets *(continued)*

For the purposes of impairment assessment, goodwill is allocated to the relevant identifiable cash generating unit ("CGU") that should generate benefit from the acquired business. These CGUs are tested at least annually for impairment, or more frequently if an indication of impairment is identified, and if the recoverable value of the CGU is less than its carrying value then the resulting impairment charge is allocated first to reduce the carrying value of any allocated goodwill and then to the other assets associated with that CGU. Any impairment loss for goodwill is recognised directly in the profit and loss account and once recognised is not reversed in subsequent periods.

2.11 Leases

A lease is a contract, or a part of a contract, that conveys the right to use and control an asset or a physically distinct part of an asset for a period of time in exchange for consideration. In accordance with IFRS 16 "Leases", lessees recognise an asset for lease contracts that provide a right to use an asset together with a related lease liability. All leases are recognised on a right to use basis except for leases with a value of less than £5,000 and leases with a term of 12 months or less.

Right of use assets and liabilities are initially measured at the discounted value of the payments required under the non-cancellable lease term, including any optional periods where there is reasonable certainty that the option period will be adopted or the lease not cancelled and incorporating any initial direct costs, lease incentives and provision for contractual restoration costs if material. The discount rate applied is determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case an appropriate alternative rate is used.

Any non-lease components of the payment to the lessor will be excluded from the valuation of the right to use asset and related liability and charged to the profit and loss account across the period to which those services are received, other than for the motor vehicle class of assets against which an election has been taken not to separate out the lease and non-lease components of payments to the lessor.

Subsequent to initial recognition, lease liabilities increase as a result of the interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right of use assets are amortised on a straight line basis over the remaining term of the lease.

If the estimate of the term of any lease is revised the carrying amount of the lease liability is adjusted to reflect the payments to be made over the revised term, which are discounted using a revised discount rate determined with reference to the rate inherent in the revised lease term. An equivalent adjustment is made to the carrying value of the right if use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

2.12 Financial instruments

Basic financial instruments

Trade and other debtors are recognised initially at transaction price less attributable transaction costs.

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in the profit or loss account.

2 Accounting policies *(continued)*

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

2.14 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 this obligation value.

2.15 Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3 Turnover

	2022 £ 000	2021 £ 000
Servicing fees and commission	**11,833**	10,954
Other income	**-**	4
	11,833	10,958

The Company's activities consist primarily of debt collection services, all undertaken within the United Kingdom.

4 Operating (loss) / profit

Operating (loss) / profit is stated after charging the following:

	2022 £ 000	2021 £ 000
Amortisation expense	**6**	22
Depreciation expense	**337**	341
Depreciation on right of use assets	**270**	249

5 Interest receivable and similar income

	2022 £ 000	2021 £ 000
Interest income from group undertaking	**23**	2

6 Interest payable and similar expenses

	2022 £ 000	2021 £ 000
Interest expense on leases	**7**	34

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022 £ 000	2021 £ 000
Salaries and benefits in kind	**8,142**	6,565
Social security costs	**732**	476
Pension costs, defined contribution scheme	**124**	129
	8,998	7,170

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2021 No.	2021 No.
Collections and services provision	**245**	213
Administration and support	**56**	59
	301	272

8 Directors' remuneration

	2022 £ 000	2021 £ 000
Salaries and benefits in kind	**164**	87
Pension costs, defined contribution scheme	**14**	7
	178	94

The aggregate of emoluments of the highest paid director in the year ended 31 December 2022 was £164,075 (2021: £68,049) and £13,674 of company pension contributions (2021: £4,777) were made to a money purchase scheme on their behalf.

One director had retirement benefits accruing under a money purchase scheme during the course of the year ended 31 December 2022 (2021: two directors).

9 Auditors' remuneration

	2022 £ 000	2021 £ 000
Audit of the financial statements	26	26

10 Income tax

Tax expense recognised in the profit and loss account, other comprehensive income and equity

Tax charged / (credited) in the profit and loss account

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	-	-
UK corporation tax adjustment to prior periods	-	(1)
Total current taxation	-	(1)
Deferred taxation		
Arising from origination and reversal of temporary differences	(2)	(24)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(1)	(28)
Change in tax rate	-	(27)
Total deferred taxation	(3)	(79)
Tax credit in the profit and loss account	(3)	(80)

The tax on (loss) / profit before tax for the year is the same as the standard rate of corporation tax in the UK (2021: the same as the standard rate of corporation tax in the UK) of 19% (2021: 19%).

Analysis of current tax recognised in the profit and loss account is as follows:

	2022 £ 000	2021 £ 000
UK corporation tax	-	(1)

The current corporation tax charge has had no reduction (2021: £100,183) because of group relief received from a fellow subsidiary for which no payment will be made (2021: None). Current year losses have been surrendered to Group companies and no funds have been received.

10 Income tax *(continued)*

Reconciliation of effective tax

The differences arc reconciled below:

	2022 £ 000	2021 £ 000
(Loss) / profit before tax	(440)	341
Corporation tax at standard rate of 19% (2021: 19%)	(84)	65
Increase in tax from adjustment for prior periods	-	(1)
Deferred tax (credit)/charge from adjustment for prior periods	-	(28)
Non-deductible expenses and income	16	18
Super deduction	(14)	(7)
Change in tax rate	(1)	(27)
Group Tax Relief for nil consideration	80	(100)
Total tax credit	(3)	(80)

Deferred tax

Deferred tax assets are attributable to the following:

	Assets 31 Dec 2022 £ 000	Assets 31 Dec 2021 £ 000	**Liabilities 31 Dec 2022 £ 000**	Liabilities 31 Dec 2021 £ 000	**Net Balance 31 Dec 2022 £ 000**	Net Balance 31 Dec 2021 £ 000
Accelerated tax depreciation	114	110	-	-	114	110
Provisions and other short term timing differences	6	7	-	-	6	7
Total assets	120	117	-	-	120	117

Deferred tax assets have been recognised in respect of all temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

The Finance Bill 2021 was substantively enacted on 24 May 2021, with this increasing the main UK corporation tax rate from 19% to 25% effective from 1 April 2023 for companies with profits in excess of £250,000.

Deferred taxation in respect of the timing differences which are expected to reverse on or after 1 April 2023 is therefore re-measured at 25% on 31 December 2022 (2021: 19%), dependent on the company's expected profit.

10 Income tax ***(continued)***

Deferred tax ***(continued)***

The deferred tax movement during the year comprises the following:

	At 1 January 2022 £ 000	Recognised in income £ 000	At 31 Dec 2022 £ 000
Accelerated tax depreciation	110	4	114
Provisions and other short term timing differences	7	(1)	6
Net tax assets	117	3	120

Deferred tax movement during the prior year comprises the following:

	At 1 January 2021 £ 000	Recognised in income £ 000	At 31 Dec 2021 £ 000
Accelerated tax depreciation	31	79	110
Provisions and other short term timing differences	7	-	7
Net tax assets	38	79	117

11 Intangible fixed assets

	Software & Licenses £ 000	Goodwill £ 000	Total £ 000
Cost			
At 1 January 2022	123	259	382
Additions	-	-	-
At 31 December 2022	**123**	**259**	**382**
Amortisation			
At 1 January 2022	115	259	374
Amortisation charge	6	-	6
At 31 December 2022	**121**	**259**	**380**
Net Book Value			
At 31 December 2022	**2**	**-**	**2**
At 31 December 2021	8	-	8

12 Tangible fixed assets

	Computers £ 000	Leasehold Improvements £'000	Furniture & fixtures £ 000	Total £ 000
Cost or valuation				
At 1 January 2022	938	466	387	1,791
Additions	185	69	-	254
At 31 December 2022	**1,123**	**535**	**387**	**2,045**
Depreciation				
At 1 January 2022	670	232	214	1,116
Charge for the year	191	83	63	337
At 31 December 2022	**861**	**315**	**277**	**1,453**
Net book value				
At 31 December 2022	**262**	**220**	**110**	**592**
At 31 December 2021	268	234	173	675

13 Right of use assets

	Property £ 000	Other £ 000	Total £ 000
Cost			
At 1 January 2022	1,198	17	1,215
Additions	383	-	383
At 31 December 2022	**1,581**	**17**	**1,598**
Depreciation			
At 1 January 2022	708	11	719
Charge for the year	266	4	270
At 31 December 2022	**974**	**15**	**989**
Net book value			
At 31 December 2022	**607**	**2**	**609**
At 31 December 2021	490	6	496

14 Trade and other debtors

	31 December 2022 £ 000	31 December 2021 £ 000
Trade debtors	2,164	1,744
Loans to related parties	877	125
Prepayments and accrued income	422	363
	3,463	2,232

The trade and other receivables classified as financial instruments are disclosed below. The company's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in the financial risk review note (note 17).

Loans to related parties are unsecured, with an element bearing interest at 4% above LIBOR (2021: 4% above LIBOR) and the remainder non-interest bearing (2021: non-interest bearing). These balances either have short term repayment dates or have no fixed date of repayment and are considered to be repayable on demand. On this basis all amounts due from related parties have been included within amounts falling due within one year.

15 Creditors: amounts falling due within one year

	31 December 2022 £ 000	31 December 2021 £ 000
Collection monies outstanding	327	345
Trade creditors	261	206
Accrued expenses and deferred income	426	476
Amounts due to related parties	2,292	411
Social security and other taxes	372	252
Outstanding defined contribution pension costs	24	22
Lease liabilities	169	128
Other creditors	11	17
	3,882	1,857

Amounts due from related parties are unsecured and non-interest bearing (2021: non-interest bearing). These balances have no fixed date of repayment and are considered to be repayable on demand. On this basis all amounts due to related parties have been included within amounts falling due within one year.

The company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk review note (note 17).

16 Creditors: amounts falling due outside one year

	31 December 2022 £ 000	31 December 2021 £ 000
Lease liabilities	435	355

The company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk review note (note 17).

17 Financial risk management

Financial assets and liabilities

	31 December 2022 £ 000	31 December 2021 £ 000
Financial assets measured at amortised cost	**5,082**	3,499
Financial liabilities measured at amortised cost	**3,422**	1,419

The Company's Board of Director has overall responsibility for the establishment and oversight of the Company's risk management framework and has established a Risk Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company has no material exposure to market risk (including interest risk) credit risk or liquidity risk arising from financial instruments:

- Markct risk is the risk that changes in market prices, including foreign exchange rates and interest rates, will affect the fair value of future cash flows of financial instruments. All financial instruments are denominated in sterling and the Directors consider that due to their short term nature the carrying values included in these financial statements are a reasonable approximation of their fair value.
- Interest risk is the risk that future cash flows of a financial instrument will fluctuate because of changing interest rates, but the Company's exposure to the risk of changes in market interest rates is limited as the only interest bearing instruments are held with other group companies with short term repayment dates, or repayable on demand.
- 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. However, the Company's clients are all large scale financial services or utility companies with strong balance sheets and the value of outstanding debtors outside 60 days at any point of time is minimal. This minimises any potential credit 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 has minimal working capital requirements, with support available if required from strongly funded group entities. Budgets and reforecasts include assessments of cash requirements and short term daily cash trackers are used across the year to monitor near term cash demands, to ensure any if there were any emerging short terms liquidity risks then these would be identified and addressed in a timely manner.

18 Financial commitments

The Company had no contractual commitments as at 31 December 2022 that were not provided in the financial statements (2021: £Nil).

19 Pension and other schemes

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £124,225 (2021: £128,604).

Contributions from both the Company and members totalling £24,205 (2021: £21,970) were payable to the scheme at the end of the year and are included in creditors.

20 Share capital

Allotted, called up and fully paid shares

		31 December 2022		31 December 2021
	No.	£	No.	£
Issued Share Capital of £1 each	200	200	200	200

21 Reserves

Share premium account

The share premium account includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

22 Related party transactions

The Company had no related party transactions with entities outside the group of wholly-owned companies headed by Encore Capital Group Inc. (2021: None) and 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 party to the transactions is wholly owned by a member of that Group.

Directors' emoluments in respect of the Company are disclosed in note 8.

23 Parent and ultimate parent undertaking

The Company's immediate parent undertaking is Cabot Financial Debt Recovery Services Limited and the Company's ultimate parent undertaking is Encore Capital Group Inc., a company incorporated in Delaware, United States. Consolidated financial statements are prepared by Encore Capital Group Inc. and are available on their website, with this both the smallest and largest group that consolidates the results of the Company.

24 Accounting estimates and judgements

Key sources of estimation uncertainty

In determining the valuation of right of use assets and liabilities, the discount rate applied to payments required under the non-cancellable lease term is based on an appropriate weighted cost of capital provided by the treasury function of Encore Capital Group Inc. for the operations of the UK business. This is considered to be an appropriate alternative to the specific rates inherent in the underlying leases, as these are not readily determinable.

Critical accounting judgements in applying the Company's accounting policies

The Company retains a liability for unmatched monies received in the collection bank accounts within the overall value of collection monies outstanding (see note 15), with judgement applied on the basis of the age of the unmatched transactions outstanding and the observed historic profile of settlement payments.

25 Subsequent events

The directors have not identified any matters arising after the balance sheet date that would require further adjustment to the reported financial results for the year ended 31 December 2022.