EOS Solutions UK plc

Annual report and financial statements

Registered number 1070670

For the year ended 29 February 2020

Contents

Strategic report

Principal activities

The Company's principal activities are the recovery of commercial and consumer debt on behalf of clients and the provision of quality solutions in arrears, debt and asset management. It performs the United Kingdom operations of the EOS Group, a group headquartered in Hamburg, Germany.

Business model

Whilst the business continued to focus on the delivery of both debt management solutions and debt purchase opportunities, there has been tight scrutiny on the business model across the year as the challenges discussed in the business review section below have continued to hamper satisfactory income growth and margins.

Since the balance sheet date, the Covid pandemic has developed and has affected the Group's various subsidiary companies in differing ways based very much on the mix of service lines that they offer. It is clear that the debt purchase model is the most robust of the sources of income that are available to the business and the decision to initiate activity in the UK debt purchase market last business year is therefore a positive move.

The field service and commissionable collections income service lines have both been reviewed and an immediate decision was taken in the summer that the commissionable collections contracts would not be reinstated following the relaxation of the lockdown rules that had seen them switched off.

Business review and results

The results for the year are set out on page 11. The loss before tax for the year was £905,052 *(2019: loss £922,182)*. The retained loss for the year was £905,052 (*2019: loss £922,182*).

The energy utility sector has remained very challenging over the past business year, with some of the human resource issues that the sector was experiencing last year continuing forward into the early part of this year and being combined with difficulties in the energy companies securing enough new smart meters to support the Warrant visit activities as well as their smart meter changeover commitments.

The continued presence of the business in this sector was subject to regular review of the monthly contribution margin model and detailed planning/forecasting of the ratio of Warrant execution visits that could be achieved in comparison to the pre-disconnection visits. The various internal and external factors affecting this are scrutinised and mitigating actions are agreed to maximise performance of the resources that we have.

A positive for the year was the business being successful in purchasing a distressed debt portfolio and the collections achieved remaining above both the forecast and pricing expectation. The portfolio is of modest size but is an important start to our purchasing ambitions in the UK, bringing together as it did support and experience from across the EOS Group to allow us to win a competitive bidding process.

EOS Group remains fully committed and invested in the UK business as the share recapitalisation demonstrates and that continuing support will enable further expansion in the debt purchase market place.

Key performance indicators

Revenue and EBIT are key top level performance indicators and can be seen in the Profit and loss account on page 11, shown respectively as turnover and operating loss.

Supporting these high level indicators, other KPI's include profitability by client and work type, average commission rates and average fee rates and various direct cost percentages (e.g. telephone negotiator cost, telephony cost, postage costs). However, as these are deemed to be commercially confidential they have not been disclosed.

We are authorised and regulated by the Financial Conduct Authority and certain non-financial key performance indicators support our compliance obligations to our regulator in regard to complaint volumes, treating customers fairly outcomes and data processing and security obligations.

Strategic report *(continued)*

Principal risks and uncertainties

Business risk

The Company is a consumer credit firm regulated by the Financial Conduct Authority and to comply with the stringent requirements of regulation the Company follows a robust Compliance and Reporting framework which underpins operational policy.

Liquidity risk

The Company is dependent for its working capital on funds guaranteed by other group companies. Such working capital requirements are managed by preparing and reviewing short term cash flow forecasts. Where a requirement exists, requests are submitted to Group Treasury and funds are made available through short term pound sterling denominated interest bearing loans.

EOS International Beteiligungs-Verwaltungsgesellschaft mbH ('EOS International BVG'), the immediate parent company, has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds and guarantees as are needed by the Company to meet its liabilities as they fall due for payment.

Credit risk

There is a risk of financial loss if a client fails to meet its contractual obligations. This risk is principally influenced by the characteristics of each client and their impact on the Company's accounts receivable. To mitigate this risk, a stringent Client introduction procedure is followed which includes an assessment of financial strength and reliability. Even so, risk can still arise from complexity of clients internal revenue validation procedures. The Company ensures it monitors overdue receivable balances on a timely basis and attempts to strike up prompt dialogue with clients should any debt recovery problem arise.

Asset valuation risk

Portfolio investments relate to debt portfolios acquired from institutions at a substantial discount from their face value and are subsequently valued at cost less provision for amortisation and impairment. The carrying value is assessed for impairment by a calculation of the net present value of future cash inflows. These cash flows are estimates based on in house modelling which use customer level data together with management experience of other portfolios with similar attributes. To mitigate valuation risk, actual cash flows are compared to estimates on a monthly basis to assess the accuracy of previous forecasts and to determine whether impairment may be necessary.

Cyber risk

The Company invests in software tools and external penetration testing to identify potential vulnerabilities and reduce the risk of cyber attack.

COVID-19

The ongoing Covid pandemic has presented significant risk to the Company. From April 2020 until June 2020 the lockdown measures in place curtailed the ability for any Warrant execution to take place (by stopping the visiting/entering of residential properties for trade purposes) and necessitated the complete cessation of our activity in the field. During this period the Company utilised the Government Furlough Scheme to pay the majority of its employees.

Although work has now reconvened, the risk of further lockdown measures remains. The Company is attempting to mitigate this risk by being as active as possible in the debt purchase market, with an aim to secure more profitable portfolios which, based on EOS Group experience, deliver more consistent revenue streams in times of uncertainty. The strategic decision to prioritise the purchase of non-performing debt portfolios as the key service offering has been fully supported by EOS International Beteiligungs-Verwaltungsgesellschaft mbH through discussions held with the directors and underpins the 3 year budget plan which has recently been submitted.

Brexit

Although we do not see any significant risk to the business from Brexit in regards to import/export exposure or currency fluctuation, any potential negative impact on the UK economy is a risk as any negative pressure on household finances will feed through into our sphere of operation. There is no risk to group support as the EOS

Strategic report *(continued)*

Group already owns businesses in North America so the UK will not be the first subsidiary to sit outside EU regulation.

Future developments

As there continues to be significant challenges in the field services contracts which are being exacerbated by the current response to the pandemic, the strategy of continuing to act in this market is under regular review. The planning and strategy for this service line is short-term in nature due to the tactical decisions that are being made by the government and our clients.

The EOS Group's financial standing, combined with decades of experience in debt purchasing is extremely valuable and is the key opportunity that the business would like to exploit in the future. A healthy list of opportunities exists and although it is certainly true that the established normal in the market has been upset we are well placed to secure portfolios across the coming year with parent company backing.

Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The Company is dependent for its working capital on funds guaranteed by other group companies. EOS International Beteiligungs-Verwaltungsgesellschaft mbH ('EOS International BVG'), the immediate parent company, has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds and guarantees as are needed by the Company.

Management has reviewed the financial health of the parent company and fully believe that the undertaking of support should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that as the letter is not legally binding there is a material uncertainty that casts significant doubt on the companies ability to continue as a going concern. However, at the date of approval of these financial statements, directors have no reason to believe that the support will cease.

The strategic decision to prioritise the purchase of non-performing debt portfolios as the key service offering has been fully supported by EOS International Beteiligungs-Verwaltungsgesellschaft mbH through discussions held with the directors and underpins the 3 year budget plan which has recently been submitted. This has been evidenced in July 2019 by the provision of funding via its 100% owned subsidiary EOS Finance GmbH to enable the Company to purchase its first debt portfolio in ten years and by a target being set for the Company to find and secure another portfolio before the end of the 2020/21 business year.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Section 172 Statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters into their decision making. When making decisions the Directors have regard to the Company's employees and other stakeholders, the impact that the business has on the environment, the community and the reputation that the company wishes to maintain for good conduct.

We have detailed below how we engage with our stakeholders on the key topics that support the success of the Company:

Shareholder
Our shareholder is EOS International Beteiligungs-Verwaltungsgesellschaft mbH who own 100% of the shares and at least two representatives of the shareholder attend the Board Meetings. Very regular contact is also maintained

Strategic report *(continued)*

throughout the year and a written monthly report is submitted to provide an ongoing overview of performance to plan.

Employees
Our employees are crucial to our success and we engage with them regularly through a variety of channels. The Company full supports and is engaged with the EOS Group's cultural journey programme which is entirely focused on making the Company better at communicating with our employees and adapting the business where possible, to make our workplace the best of environments. We are an equal opportunities employer and follow all Group policies and guidelines on the recruitment, training and retention of employees.

Clients
Identifying and securing new clients is vital to the success of the company and we pride ourselves in the duration of our client relationships, which point to our ability to meet their needs and to grow and adapt with them. We have specific job roles within the Company to support our client relationships full time and to act as a bridge between our clients and the teams that undertake the activities that the client has sourced.

Suppliers
We treat our suppliers fairly and we pay promptly. The suppliers are audited and are provided with specific process or guideline requirements that allow them to understand what is being asked of them. We share our strategies with them as soon as it is appropriate to do so and we are receptive to their ideas and suggestions for process or service delivery improvement.

Community Engagement and Charities
The Company supports the EOS Group initiatives such as FinLit which is a charitable financial literacy project that has been created by the Group with a specific aim of delivering educational support across all age groups. Materials and support are available to help the Company undertake local initiatives to explain how the credit system works, its opportunities and pitfalls.

Environment
The EOS Group operates in line with the Otto Group's environmental policy which aims to deliver meaningful environmental measures across all subsidiary Companies. In this regard, the Company participates with the other Otto owned businesses trading in the UK to undertake impact assessments and evolve new policies to help protect the environment.

Regulation and compliance
The company is regulated by the FCA for all collection activities appertaining to accounts formed under the Consumer Credit Act and is authorised to purchase or collect on a commission basis unsecured CCA regulated portfolios. Compliance to the FCA's standards of conduct for the Company and its senior managers is mandatory, being governed by the Senior Manager and Certification Regime.

Key events and decisions made
The Company, with full support and agreement from the shareholder made a purchase of a portfolio in the UK for the first time in over 10-years. The Group has a well defined process for assisting its subsidiaries with the evaluation of purchase opportunities and has a sign-off process that ensures no formal offers or agreements on price are made unless pre-agreed by one or more EOS Group board members in conjunction with the local management team and the centralised functions of risk management and legal services. As the UK's experience grows there will be less reliance on Group resources, but the formal sign-off process will always be adhered to.

Signed on behalf of the Board

S Knock
Director
7th December 2020

2 Birchwood Office Park
Crab Lane
Fearnhead
Warrington
WA2 0XS

Directors' report

The directors present their annual report and the audited financial statements for the year ended 29 February 2020.

Proposed dividend

The directors do not recommend the payment of a dividend (2019: £nil).

Directors

The directors who held office during the year and subsequently were as follows:

S Knock
A Jenks (appointed 11 November 2019)
F Alexi (resigned 11 November 2019)
A Witzig (resigned 11 November 2019)

Directors' insurance

The Company has maintained Directors' and officers' liability insurance throughout the year.

Employees

The Company invests in people at all levels within the Group 'Cultural Change' programme which supports both learning and development and wider enrichment opportunities. The Company is committed to pursuing equality and diversity in all its employment activities including recruitment, training, career development and promotion and ensuring there is no bias or discrimination in the treatment of people. Applications for employment are welcomed from persons with disabilities and special arrangements and adjustments are made as necessary to accommodate their needs.

Employees are consulted regularly about changes which may affect them through their participation in the Cultural Change programme. This forum, together with regular meetings with particular groups of employees, are used to ensure that employees are kept up to date with the business performance.

Political and charitable contributions

The Company made no charitable contributions during the year (2019: £nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Information included in the strategic report

Presented in the strategic report is information on exposure to principal risks and uncertainties, the future developments of the Company and going concern considerations.

Directors' report *(continued)*

Post balance sheet event

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency in relation to the COVID-19 outbreak and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic. An assessment of the impact of this event on the Company has been made in the strategic report in the section "Principal risks and uncertainties".

Auditor

Following a commercial tender process KPMG LLP resigned and BDO LLP were appointed auditors of the Company. In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of BDO LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

S Knock
Director

7th December 2020

2 Birchwood Office Park
Crab Lane
Fearnhead
Warrington
WA2 0XS

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the strategic report, the 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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 judgments and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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.

Independent auditor's report to members of EOS Solutions UK plc

Opinion

We have audited the financial statements of EOS Solutions UK plc ("the Company") for the year ended 29 February 2020 which comprise profit and loss accounts and other comprehensive income, balance sheet, statement of change in equity, notes, and the 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 February 2020 and of its loss for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 2.1 to the financial statements, which indicates that the support provided by the parent company is not legally binding. As stated in note 2.1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, 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.

Independent auditor's report to members of EOS Solutions UK plc *(continued)*

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 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 Directors responsibility statement , the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to members of EOS Solutions UK plc *(continued)*

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.

Julien Rye (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester , UK
7 December 2020

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

Profit and Loss Account and Other Comprehensive Income
for the year ended 29 February 2020

	Notes	**2020**	2019
		£	£
Turnover		**3,002,043**	2,124,044
Administrative expenses	*4*	**(3,882,353)**	(3,032,975)
Operating loss		**(880,310)**	(908,931)
Other interest receivable and similar income		**843**	569
Interest payable and similar charges	*7*	**(25,585)**	(13,820)
Loss before taxation		**(905,052)**	(922,182)
Tax on loss	*8*	**-**	-
Loss for the financial year	*15*	**(905,052)**	(922,182)
Other comprehensive income		**-**	-
Total comprehensive income for the period		**(905,052)**	(922,182)

All turnover and operating results are derived from continuing operations.

The notes from pages 14 to 24 form part of these financial statements.

Balance sheet
at 29 February 2020

	Note	**2020** £	£	2019 restated – see note 20 £	£
Fixed assets					
Tangible assets	9		**60,928**		87,014
			60,928		87,014
Current assets					
Portfolio Investments	*10*	**367,994**		56,733	
Debtors	*11*	**1,109,108**		844,494	
Cash at bank and in hand		**45,069**		172,251	
		1,522,171		1,073,478	
Creditors: amounts falling due within one year	*12*	**(1,810,527)**		(1,232,868)	
Net current liabilities			**(288,356)**		(159,390)
Total assets less current liabilities			**(227,428)**		(72,376)
Net liabilities			**(227,428)**		(72,376)
Capital and reserves					
Called up share capital	*14*		**5,300,000**		4,550,000
Capital Contribution	*15*		**280,290**		280,290
Profit and loss account	*15*		**(5,807,718)**		(4,902,666)
Shareholders' deficit			**(227,428)**		(72,376)

The notes from pages 14 to 24 form part of these financial statements.

These financial statements were approved by the board of directors on 7th December 2020 and were signed on its behalf by:

S Knock
Director

Statement of Changes in Equity

	Called up Share capital	Capital Contribution	Profit and loss account	Total equity
	£	£	£	£
Balance at 28 February 2018	3,600,000	280,290	(3,860,466)	19,824
Prior Year Adjustment (see note 20)	-	-	(120,018)	(120,018)
Balance at 28 February 2018 - restated	3,600,000	280,290	(3,980,484)	(100,194)
Total comprehensive income for the period				
Loss for the period	-	-	(922,182)	(922,182)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	950,000	-	-	950,000
Balance at 28 February 2019 - restated	**4,550,000**	**280,290**	**(4,902,666)**	**(72,376)**

	Called up Share capital	Capital Contribution	Profit and loss account	Total equity
	£	£	£	£
Balance at 28 February 2019 - restated	4,550,000	280,290	(4,902,666)	(72,376)
Total comprehensive income for the period				
Loss for the period	-	-	(905,052)	(905,052)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	750,000	-	-	750,000
Balance at 29 February 2020	**5,300,000**	**280,290**	**(5,807,718)**	**(227,428)**

Notes
(forming part of the financial statements)

1 Company information

EOS Solutions UK plc is a company limited by shares and incorporated and domiciled in the UK. Its Registered Office is 2 Birchwood Office Park, Crab Lane, Fearnhead, Warrington, WA2 0XS.

2 Basis of preparation

The Company is a wholly owned subsidiary undertaking of OTTO Aktiengesellschaft fur Beteiligungen, a company incorporated in Germany, and is included in the consolidated financial statements of that company, which are publically available and can be obtained from the address given in note 16.

These financial statements have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland *("FRS 102")*. The financial statements have been prepared on the historical cost basis.

The presentation currency of these financial statements is Sterling (£).

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes;
- Net debt reconciliation
- Transactions with wholly owned group members; and
- Key management personnel compensation.

As the consolidated financial statements of OTTO Aktiengesellschaft fur Beteiligungen include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

2.1 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The Company is dependent for its working capital on funds guaranteed by other group companies. EOS International Beteiligungs-Verwaltungsgesellschaft mbH ('EOS International BVG'), the immediate parent company, has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds and guarantees as are needed by the Company.

Management has reviewed the financial health of the parent company and fully believe that the undertaking of support should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that as the letter is not legally binding there is a material uncertainty that casts significant doubt on the companies ability to continue as a going concern. However, at the date of approval of these financial statements, directors have no reason to believe that the support will cease.

Notes *(continued)*

The ongoing Covid pandemic has presented significant risk to the Company. From April 2020 until June 2020 the lockdown measures in place curtailed the ability for any Warrant execution to take place (by stopping the visiting/entering of residential properties for trade purposes) and necessitated the complete cessation of our activity in the field. Although work has now reconvened, the risk of further lockdown measures remains. The Company is attempting to mitigate this risk by being as active as possible in the debt purchase market, with an aim to secure more profitable portfolios which, based on EOS Group experience, deliver more consistent revenue streams in times of uncertainty. The strategic decision to prioritise the purchase of non-performing debt portfolios as the key service offering has been fully supported by EOS International Beteiligungs-Verwaltungsgesellschaft mbH through discussions held with the directors and underpins the 3 year budget plan which has recently been submitted. This has been evidenced in July 2019 by the provision of funding via its 100% owned subsidiary EOS Finance GmbH to enable the Company to purchase its first debt portfolio in ten years and by a target being set for the Company to find and secure another portfolio before the end of the 2020/21 business year.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2.2 Significant accounting judgements and estimates

In preparing these financial statements management has made judgements and estimates that affect the application of the Company's accounting policies. Actual results may differ from these estimates. Estimates are reviewed on an ongoing basis with revisions made as appropriate.

One such significant accounting judgement is in relation to the valuation of portfolio investments. These assets relate to debt portfolios acquired from institutions at a substantial discount from their face value and are subsequently measured at cost less provision for amortisation and impairment. The carrying value is assessed for impairment by a calculation of the net present value of future cash inflows. The effective interest rate used in the calculation is the imputed interest rate with which the expected gross recoveries on the portfolio are discounted to result in the purchase price. The cash flows however, are estimates based on in house modelling which use customer level data together with management experience of other portfolios with similar attributes. Actual cash flows are regularly compared to estimates to assess the accuracy of previous forecasts and to assess whether impairment is necessary.

Management apply judgement in determining that all accrued income relates to work performed in accordance with client contracts and is recoverable. Under the terms of certain client contracts, work performed can only be invoiced after successfully clearing a client validation process. £160,000 of such work existing at the balance sheet date and relating to one particular client has still not successfully passed the client validation process and so remains uninvoiced at the signing date of these accounts. Despite being confident that the amount relates to revenue which could be recognised in line with the client contract, Management believe there is significant doubt on the recoverability of the items and so they have not been recognised as accrued income at the balance sheet date. The doubt arises from two principal concerns; that the items are already aged and that the client is not engaging in a consistent way that would lead us to believe they are fully committed to resolving the matter.

3 Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

3.1 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are included within tangible fixed assets and are stated on initial recognition at an amount equal to the present value of the minimum lease payments at inception of the lease. At initial recognition a finance lease liability is recognised equal to the present value of the minimum lease payments.

Notes *(continued)*

The Company assesses at each reporting date whether tangible fixed assets are impaired (See section 3.3).

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Office equipment	-	3 to 10 years
Computers and software	-	3 to 5 years
Leasehold improvements	-	lease period

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

3.2 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price. Trade and other creditors are recognised initially at transaction price. Subsequent to initial recognition, trade debtors are assessed for impairment in accordance with section 3.3 below.

Portfolio Investments

Portfolio investments relate to debt portfolios acquired from institutions at a substantial discount from their face value. They are included in current assets and are valued at cost less provision for amortisation and impairment. The carrying value is assessed for impairment by a calculation of the net present value of future cash inflows. The effective interest rate used in this calculation is the imputed interest rate with which the expected gross recoveries on the portfolio are discounted to result in the purchase price.

3.3 Impairment of assets

Financial assets (including trade and other debtors)

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Notes *(continued)*

3.4 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

3.5 Employee benefits

The Company operates "money purchase" pension schemes for the directors and employees. These are defined contribution, post-employment benefit plans 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.

3.6 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of services to third party customers during the year: commission earned, additional services provided, and expenses recovered. Revenue is recognised at the point cash is collected on behalf of a client or where the service has been performed in accordance with contractual obligations.

Turnover also includes income from portfolio investments. Portfolio investments relate to acquired debt portfolios and the income recognised relates to cash collected from debtors held within these portfolios less amortisation of the portfolio as calculated per the methodology described in 3.2 above.

3.7 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Other interest receivable and similar income relates to interest receivable on funds invested.

Interest payable and similar charges relates to interest payable on short term loans.

3.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Notes *(continued)*

3.8 Taxation (continued)

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

3.9 Foreign currency

Transactions in foreign currencies are translated to sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

4 Expenses and auditor's remuneration

	2020	2019
	£	£
Included in profit/loss are the following:		
Hire of plant and machinery - operating leases	19,209	33,781
Hire of other assets - operating leases	99,287	96,529
Depreciation of tangible assets	36,271	43,490
Costs of reorganisation of the cost base	-	29,056

Auditors' remuneration:

	2020	2019
Audit of these financial statements	25,000	30,175
Other services relating to taxation	-	7,365

5 Directors' remuneration

	2020	2019
	£	£
Directors' emoluments	114,312	93,104
Company contributions to money purchase pension schemes	7,390	6,048
	121,702	99,152

Retirement benefits are accruing to 2 directors *(2019: 1)* under money purchase schemes.

Notes *(continued)*

6 Staff numbers and costs

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

	2020 Number	2019 Number
Sales	**1**	1
Administration	**69**	57
Directors	**1**	1
	71	59

The aggregate payroll costs of these persons were as follows:

	2020 £	2019 £
Wages and salaries	**1,701,572**	1,402,601
Social security costs	**152,269**	135,499
Contributions to defined contribution plans	**54,104**	49,157
Redundancy costs	**-**	29,056
	1,907,945	1,616,313

7 Interest payable and similar charges

Interest payable of £25,585 (2019 : £13,820) relates to interest payments on short term intercompany loans provided by EOS Finance GmbH.

Notes *(continued)*

8 Taxation

Analysis of charge in the period	**2020**	2019
	£	£
UK Corporation Tax		
Current tax on income for the period	-	-
Total current tax	-	-
Deferred tax (see note 11)	-	-
Tax on (loss)/profit on ordinary activities	-	-

Factors affecting tax charge for the current period

The current tax charge for the period is lower *(2019: lower)* than the standard rate of corporation tax in the UK of 19.00% *(2019: 19.00%)*. The differences are explained below:

Reconciliation of effective rate of tax	**2020**	2019
	£	£
Loss on ordinary activities before tax	**(905,052)**	(922,182)
Loss on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	**(171,960)**	(175,215)
Effects of:		
Fixed asset permanent differences	**355**	446
Expenses not deductible for tax purposes	**104**	170
Adjust closing deferred tax to average standard rate	**118,297**	100,246
Adjust opening deferred tax to average standard rate	**(100,244)**	(81,867)
Deferred tax not recognised	**153,448**	156,220
Total tax expense included in profit or loss	-	-

At the year end there is an unrecognised deferred tax asset of £1,005,527 *(2019: £852,091)*, see note 12.

A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The unrecognised deferred tax asset at 29 February 2020 has been calculated at 17%.

Notes *(continued)*

9 Tangible fixed assets

	Leasehold improvements	Computers and software	Office equipment	Total
	£	£	£	£
Cost				
Balance at 1 March 2019	201,823	277,789	308,385	787,997
Additions	-	1,357	8,831	10,188
Disposals	-	(139,948)	(102,924)	(242,872)
Balance at 29 February 2020	**201,823**	**139,198**	**214,292**	**555,313**
Depreciation				
Balance at 1 March 2019	193,698	224,741	282,544	700,983
Charge for year	1,811	23,603	10,857	36,271
On disposals	-	(139,945)	(102,924)	(242,869)
Balance at 29 February 2020	**195,509**	**108,399**	**190,477**	**494,385**
Net book value				
At 29 February 2020	**6,314**	**30,799**	**23,815**	**60,928**
At 1 March 2019	8,125	53,048	25,841	87,014

10 Portfolio Investments

	2020	2019
	£	£
Amounts falling due within one year	**301,297**	36,765
Amounts falling due after one year	**66,697**	19,968
	367,994	56,733

11 Debtors

	2020	2019
Amounts falling due within one year	£	£
Trade debtors	**663,570**	449,166
Amounts owed by group undertakings	**4,690**	12,913
Other debtors	**53,819**	13,552
Prepayments and accrued income	**387,029**	368,863
	1,109,108	844,494

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2020	2019 – restated (see note 20)
	£	£
Trade creditors	**345,585**	229,901
Amounts owed to group undertakings	**837,556**	354,436
Amounts owed to clients	**353,082**	487,012
Other creditors including taxation and social security	**99,588**	40,930
Accruals and deferred income	**174,716**	120,589
	1,810,527	1,232,868

Included in amounts owed to group undertakings are short term interest bearing intercompany loans payable to EOS Finance GmbH, one for £332,032 repayable on 13/07/2020 and one for £500,000 repayable on 14/08/2020. On 14/08/2020 the £500,000 loan was replaced by a new loan repayable on 25 February 2021.

13 Deferred tax assets

The elements of deferred taxation are as follows:

	2020 Recognised	**2020 Unrecognised**	2019 Recognised	2019 Unrecognised
	£	**£**	£	£
Difference between accumulated depreciation and amortisation and capital allowances	-	**90,912**	-	85,440
Other timing differences	-	**632**	-	430
Tax losses	-	**913,983**	-	766,221
	-	**1,005,527**	-	852,091

The deferred tax asset has not been recognised as the Directors are not sufficiently certain of the recovery of this asset in the foreseeable future.

14 Called up share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
5,287,500 ordinary shares of £1 each	**5,287,500**	4,537,500
12,500 preference shares of £1 each	**12,500**	12,500
	5,300,000	4,550,000

During the year the Company issued 750,000 £1 ordinary shares for a consideration of £750,000.

The holders of preference shares have a preferential right to dividends. In all other respects the preference shares carry the same rights as the ordinary shares.

Notes *(continued)*

15 Reserves

	Capital contribution reserve	Profit and loss account
	£	£
At beginning of year – restated see note 20	280,290	(4,902,666)
Loss for the year	-	(905,052)
At end of year	**280,290**	**(5,807,718)**

The capital contribution reserve represents the capitalisation of intercompany debt payable to EOS Holding GmbH).

16 Leasing commitments

Future minimum operating lease payments are as follows:

	2020		2019	
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Within one year	**69,098**	**13,879**	110,319	6,669
Between one and five years	**-**	**15,461**	69,098	-
	69,098	**29,340**	179,417	6,669

17 Capital commitments

There are no capital commitments at the year end *(2019: nil).*

18 Pension scheme

The Company makes contributions into defined contribution plans. The pension charge for the period is £54,104 (2019: £49,157). There is an accrual of £3,720 (2019 : £3,495) in the balance sheet for outstanding contributions.

19 Post balance sheet event

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency in relation to the COVID-19 outbreak and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic. The impact of the pandemic on the Company has been discussed in Note 2.1.

Notes *(continued)*

20 Prior year adjustments

The Company regularly receives payments which cannot be allocated to a collectable balance and which are unclaimed by customers. As part of a review of accounting estimates which took into consideration both company law and appropriate accounting standards, it was decided that all such unallocated cash items should be fully provided until the financial liability is deemed to be cancelled, discharged or expires. Previously such items had been held until it was deemed unlikely that the amounts would be claimed.

The effect of the above is that items previously released to the profit and loss account are now being held in trade creditors and the due to client creditor and this has resulted in a prior year adjustment of £120,018 being posted increasing trade creditors by £8,912, increasing the due to client creditor by £111,106 and reducing retained earnings in the opening balance sheet.

21 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company is a subsidiary undertaking of EOS International Beteiligungs-Verwaltungsgesellschaft mbH, which is the immediate parent.

The largest group in which the results of the Company are consolidated is that headed by OTTO Aktiengesellschaft fur Beteiligungen, incorporated in Germany. The smallest group in which the results are consolidated is that headed by Otto (GmbH & Co KG). The consolidated accounts of this group are available to the public and may be obtained from OTTO Aktiengesellschaft fur Beteiligungen, Werner-Otto-Straße 1-7, 22179 Hamburg, Germany.