EOS Solutions UK plc

Annual report and financial statements

Registered number 1070670

For the year ended 28 February 2022

Contents

Strategic report

The directors present their strategic report for the year ended 28 February 2022.

Business model

The Company conducts the United Kingdom operations of the EOS Group, a group of companies headquartered in Hamburg, Germany. It's principal activities are the acquisition and subsequent recovery of portfolios of distressed debt together with some recovery of commercial and consumer debt on behalf of legacy clients.

Business review and results

The results for the year are set out on page 10. The loss before tax for the year was £294,823 *(2021: loss £1,226,852)*. The retained loss for the year was £294,823 (*2021: loss £1,226,852*). Included in the result is Coronavirus Job Retention Scheme grant income of £9,100.

The decision taken in 2020 to exit the field services market has now been fully implemented. All field contracts were discontinued and the headcount was significantly reduced prior to the current financial year. The costs to restructure were included as exceptional items in the prior year financial result. The effect on the current year has been a decline in revenue but a significant improvement in the financial result.

The EOS Group remains fully committed and invested in the UK business with a continuing focus on debt purchase activity and this was demonstrated by the injection of a further £0.4m of share capital in February 2022. This continuing funding and support will enable further expansion in the debt purchase market place.

The increased focus on debt purchase strategies has improved our operational performance with a 20% lift in collections on our debt purchase portfolios. Whilst we have not been successful in purchasing any new portfolios, we have been involved in an increasing number of tenders across a number of market sectors.

Key performance indicators

Revenue and EBIT are key top level performance indicators and can be seen in the profit and loss account on page 10, 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 respect of complaint volumes, treating customers fairly outcomes and data processing and security obligations.

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.

Strategic report *(continued)*

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.

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 the latest firewall technologies along with software which continually tests the IT infrastructure to reduce vulnerabilities to cyber attack. Strict policies, regular penetration tests and real time monitoring assist in further reducing our risk.

COVID-19

Should any further lockdowns occur as a result of COVID 19, all staff are able to work from home, with the ability to access the company's IT and telephony networks.

The main company strategy is to purchase and service non-performing debt portfolios which, based on EOS Group experience, deliver more consistent revenue streams in times of uncertainty. This strategy continues to be 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.

Future developments

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. As the economy recovers from the effects of the pandemic, a growing list of opportunities exists and 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.

Strategic report *(continued)*

The strategic decision to prioritise the purchase of non-performing debt portfolios as the key service offering has been fully supported by EOS International BVG through discussions held with the directors and underpins the 3 year budget plan submitted during the year. The budget included a target set for the Company to find and secure portfolios during the coming 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 Company's success:

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 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 HR & Culture Hub 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. This includes bespoke Learning & Development programs which our staff participate in. 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 debt portfolio sellers is vital to the success of the company and we maintain ongoing relationships with brokers and sellers even when we have been unsuccessful in purchasing in the past. This demonstrates a strong relationship that is separate from the pricing discussions.

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.

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 planned strategy of purchasing and servicing portfolios of debt whilst supporting the Group's cross border collections product has continued throughout the year.

Strategic report *(continued)*

The Group has a well defined process for assisting its subsidiaries with the evaluation of purchase opportunities and we have engaged in debt purchase tenders across a number of markets. The Group 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.

Signed on behalf of the Board

A Jenks
Director
29th June 2022

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 28 February 2022.

Proposed dividend

The directors do not recommend the payment of a dividend *(2021: £nil)*.

Directors

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

S Knock (resigned 15th June 2021)
A Jenks
K Apter (appointed 15th June 2021)

Directors' insurance

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

Employees

The Company is engaged with the EOS Group's HR & Culture Hub which invests in people at all levels supporting 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 HR & Culture Hub programs. 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 *(2021: £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.

Auditor

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

A Jenks
Director
29th June 2022

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 the members of EOS Solutions UK plc

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 28 February 2022 and of its loss for the year then ended;
- the Company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practise; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of EOS Solutions UK PLC (the 'Company') for the year ended 28 February 2022 which comprise the Profit and Loss account and other comprehensive income, the 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 the preparation of the Group and parent financial statements is applicable law and in accordance with United Kingdom Accounting standards, including Financial Reporting Standard 102 the financial reporting standard applicable in the UK and republic of Ireland (UK Generally accepted accounting practise).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent 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 Company is dependent on financial support of its parent company and 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 significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and Parent 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.

Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the Company accounting policies, United Kingdom Generally Accepted Practise, the UK Companies Act 2006 and those that relate to the payment of employees. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and improper revenue recognition associated with year-end cut-off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to accrued income, valuation of portfolio investments, provision for bad and doubtful debts and valuation and completeness of accruals and other provisions;
- Revenue year end cut-off procedures;
- Identifying and testing journal entries, in particular any journal entries posted with specific keywords, manual journals to revenue and cash, and review of journals posted to least used accounts;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

We have communicated specific fraud procedures to overseas component auditors through the issue of Group Audit Instructions and we have reviewed the results of the procedures performed through component auditor file reviews and reporting received.

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 Parent 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 Parent 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:
Julien Rye
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Julien Rye
(Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester, UK
29th June 2022

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 28 February 2022

	Notes	**Total**	Continuing operations	Discontinued operations	Total
		2022	2021	2021	2021
		£	£	£	£
Turnover		**738,512**	585,597	1,031,384	1,616,981
Administrative expenses	4	**(1,042,352)**	(1,216,892)	(2,047,790)	(3,264,682)
Other operating income	4	**9,100**	65,725	372,695	438,420
Operating loss		**(294,740)**	(565,570)	(643,711)	(1,209,281)
Add back:					
Exceptional items	4	-	134,043	312,588	446,631
Operating loss prior to exceptional items		**(294,740)**	(431,527)	(331,123)	(762,650)
Other interest receivable and similar income		**49**	5	-	5
Interest payable and similar charges	7	**(132)**	(17,576)	(-)	(17,576)
Loss before taxation		**(294,823)**	(583,141)	(643,711)	(1,226,852)
Tax on loss	8	-	-	-	-
Loss for the financial year	16	**(294,823)**	(583,141)	(643,711)	(1,226,852)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		**(294,823)**	(583,141)	(643,711)	(1,226,852)

Profit and loss account for year ended 28th February 2022 relates entirely to continuing operations.

The notes from pages 13 to 23 form part of these financial statements.

Balance sheet
at 28 February 2022

	Note	**2022**			2021
		£	**£**	£	£
Fixed assets					
Tangible assets	*9*		**7,410**		26,917
			7,410		26,917
Current assets					
Portfolio Investments	*10*	**240,107**		283,292	
Debtors	*11*	**39,812**		446,425	
Cash at bank and in hand		**348,889**		1,369,931	
		628,808		2,099,648	
Creditors: amounts falling due within one year	*12*	**(560,321)**		(2,137,095)	
Net current assets / (liabilities)			**68,487**		(37,447)
Total assets less current liabilities			**75,897**		(10,530)
Provisions for liabilities	*13*		**(25,000)**		(43,750)
Net liabilities			**50,897**		(54,280)
Capital and reserves					
Called up share capital	*15*		**7,100,000**		6,700,000
Capital Contribution	*16*		**280,290**		280,290
Profit and loss account	*16*		**(7,329,393)**		(7,034,570)
Shareholders' deficit			**50,897**		(54,280)

The notes from pages 13 to 23 form part of these financial statements.

These financial statements were approved by the board of directors on 29th June 2022 and were signed on its behalf by:

A Jenks

Director

Statement of changes in equity

	Called up Share capital	Capital Contribution	Profit and loss account	Total equity
	£	£	£	£
Balance at 29 February 2020	5,300,000	280,290	(5,807,718)	(227,428)
Total comprehensive income for the period				
Loss for the period	-	-	(1,226,852)	(1,226,852)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	1,400,000	-	-	1,400,000
Balance at 28 February 2021	**6,700,000**	**280,290**	**(7,034,570)**	**(54,280)**

	Called up Share capital	Capital Contribution	Profit and loss account	Total equity
	£	£	£	£
Balance at 28 February 2021	6,700,000	280,290	(7,034,570)	(54,280)
Total comprehensive income for the period				
Loss for the period	-	-	(294,823)	(294,823)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	400,000	-	-	400,000
Balance at 28 February 2022	**7,100,000**	**280,290**	**(7,329,393)**	**50,897**

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 für 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 für 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-VerwaltungsgesellschaftmbH ('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. The directors acknowledge that as with any company placing reliance on other group entities for financial support to enable it to continue a a going concern, because the parent company undertaking is not legally binding there is a material uncertainty that casts significant doubt on the company's ability to continue as a going concern. Therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, at the date of approval of these financial statements, directors have no reason to believe that the support will cease.

Notes *(continued)*

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 submitted during the 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 Continuing and discontinuing operations

All elements of the profit and loss account have been assigned to continuing or discontinuing operations. Discontinuing operations relate to the field services department which was closed in the financial year 2020-21. Only directly related income and costs have been classed as discontinuing, with any central cost such as buildings and facilities being entirely allocated to continuing operations.

2.3 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 expected 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.

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.

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.

Notes *(continued)*

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 expected 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.

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.

Notes *(continued)*

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 accordancewith 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 Government grants

Grants of a revenue nature are recognised in "other income" within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough'). The company has not directly benefited from any other forms of government assistance.

3.8 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.

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.

3.9 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.

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.

4.0 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.

Notes *(continued)*

4 Operating loss

	2022	2021
	£	£
This is arrived at after charging/(crediting):		
Hire of plant and machinery - operating leases	**16,225**	25,621
Hire of other assets - operating leases	**38,310**	73,880
Depreciation of tangible assets	**11,662**	31,665
Costs of reorganisation of the cost base	**5,688**	446,631
Fees payable to the company's auditor for the:		
- Audit of the financial statements	**27,250**	26,250
- Audit of the 2019/20 financial statements	**-**	7,500
Government grants received – Coronavirus Job Retention Scheme	**(9,100)**	(438,420)

Costs of reorganisation of the cost base relate to redundancy payments and restructuring costs incurred as a direct consequence of the decision to exit field services and contingent collections contracts.

5 Directors' remuneration

	2022	2021
	£	£
Directors' emoluments	**191,427**	173,703
Company contributions to money purchase pension schemes	**17,674**	18,423
	209,101	192,126

Retirement benefits are accruing to 2 directors *(2021:2)* 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:

	2022 Number	2021 Number
Sales	**0**	1
Administration	**10**	62
Directors	**2**	2
	12	65

The aggregate payroll costs of these persons were as follows:

	2022 £	2021 £
Wages and salaries	**394,708**	1,440,323
Social security costs	**42,069**	124,689
Contributions to defined contribution plans	**26,759**	48,272
Redundancy related costs	**5,688**	341,290
	469,224	1,954,574

7 Interest payable and similar charges

Interest payable of £132 *(2021: £17,576)* relates to interest payments on short term intercompany loans provided by EOS Finance GmbH.

Notes *(continued)*

8 Taxation

Analysis of charge in the period	**2022**	2021
	£	£
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 *(2021: lower)* than the standard rate of corporation tax in the UK of 19.00% *(2021: 19.00%)*. The differences are explained below:

Reconciliation of effective rate of tax	**2022**	2021
	£	£
Loss on ordinary activities before tax	**(294,823)**	(1,226,852)
Loss on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	**(56,016)**	(233,102)
Effects of:		
Fixed asset permanent differences	**259**	173
Expenses not deductible for tax purposes	-	3
Adjust closing deferred tax to average standard rate	**(453,105)**	-
Adjust opening deferred tax to average standard rate	-	(120,690)
Deferred tax not recognised	**508,863**	353,615
Total tax expense included in profit or loss	-	-

At the year end there is an unrecognised deferred tax asset of £1,887,939 *(2021: £1,379,481)*, see note 14.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset at 28 February 2022 has been calculated at 25% (2021: 19%).

Notes *(continued)*

9 Tangible fixed assets

	Leasehold improvements	Computers and software	Office equipment	Total
	£	£	£	£
Cost				
Balance at 1 March 2021	204,591	100,582	215,396	520,569
Additions	-	-	-	-
Disposals	-	(7,902)	(137,528)	(145,430)
Balance at 28 February 2022	**204,591**	**92,680**	**77,868**	**375,139**
Depreciation				
Balance at 1 March 2021	197,870	96,906	198,876	493,652
Charge for year	1,745	3,136	6,781	11,662
On disposals	-	(7,902)	(129,683)	(137,585)
Balance at 28 February 2022	**199,615**	**92,140**	**75,974**	**367,729**
Net book value				
At 28 February 2022	**4,976**	**540**	**1,894**	**7,410**
At 1 March 2021	6,721	3,676	16,520	26,917

10 Portfolio Investments

	2022	2021
	£	£
Amounts falling due within one year	**38,089**	43,185
Amounts falling due after one year	**202,018**	240,107
	240,107	283,292

11 Debtors

	2022	2021
Amounts falling due within one year	£	£
Trade debtors	**11,645**	393,494
Amounts owed by group undertakings	**6,985**	3,161
Other debtors	**6,472**	12,136
Prepayments and accrued income	**14,710**	37,634
	39,812	446,425

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	**1,084**	15,294
Amounts owed to group undertakings	**18,217**	1,259,943
Amounts owed to clients	**225,634**	347,142
Customer credit balances	**239,891**	292,793
Other creditors including taxation and social security	**1,198**	94,217
Accruals and deferred income	**74,297**	127,706
	560,321	2,137,095

Amounts owed to group undertakings in the prior year related to short term interest bearing intercompany loans payable to EOS Finance GmbH. The loan was repaid on 3rd March 2021 and there have been no new loans during the year. Amounts owed to group undertakings in the current year relate to trade creditor balances with other EOS entities.

13 Provisions for liabilities

	Onerous Lease
	£
At beginning of year	43,750
Charged to profit and loss account	(18,750)
At end of year	**25,000**

The provision relates to an onerous lease provision which will unwind over the next two years.

14 Deferred tax assets

The elements of deferred taxation are as follows:

	2022 Recognised	**2022 Unrecognised**	2021 Recognised	2021 Unrecognised
	£	**£**	£	£
Difference between accumulated depreciation and amortisation and capital allowances	-	**146,408**	-	107,825
Other timing differences	-	**377**	-	1,402
Tax losses	-	**1,741,154**	-	1,270,254
	-	**1,887,939**	-	1,379,481

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.

Notes *(continued)*

15 Called up share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
7,087,500 ordinary shares of £1 each	**7,087,500**	6,687,500
12,500 preference shares of £1 each	**12,500**	12,500
	7,100,000	6,700,000

During the year the Company issued 400,000 £1 ordinary shares for a consideration of £400,000.

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.

16 Reserves

	Capital contribution reserve	Profit and loss account
	£	£
At beginning of year	280,290	(7,034,570)
Loss for the year	-	(294,823)
At end of year	**280,290**	**(7,329,393)**

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

17 Leasing commitments

Future minimum operating lease payments are as follows:

	2022		2021	
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Within one year	**50,000**	**7,309**	31,183	15,112
Between one and five years	**6,389**	**-**	56,389	7,681
	56,389	**7,309**	87,572	22,793

18 Capital commitments

There are no capital commitments at the year end *(2021: nil).*

Notes *(continued)*

19 Pension scheme

The Company makes contributions into defined contribution plans. The pension charge for the period is £26,759 *(2021: £40,539)*. There is an accrual of £1,506 *(2021: £7,377)* in the balance sheet for outstanding contributions.

20 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 für 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.