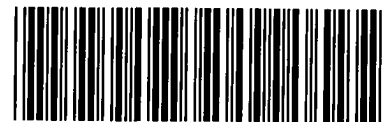


Registration number: 01418063

Hillesden Securities Limited
Annual Report and Financial Statements
for the Year Ended 31 December 2020

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Hillesden Securities Limited
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Hillesden Securities Limited
Company Information

Directors

Craig Anthony Buick (resigned 2 June 2020)

Jonathan Andrew Graham

Paul Jenkins

Company Secretary

Sarah Whiteley

Registered office

First Floor Plaza One

Ironmasters Way

Telford

TF3 4NT

England

Auditor

BDO LLP

Chartered Accountants and Statutory Auditor

55 Baker Street

London

W1U 7EU

Hillesden Securities Limited
Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Business Review

Performance during the year

The principal activity of the Company is the provision of recovery services in respect of defaulted consumer loans in the United Kingdom. Turnover in the year of £4.4m was £0.4m lower than that reported in year ended 31st December 2019, reflecting the impact from COVID-19 pandemic on revenues as a result of reduced client placements and increased staff absence.

However, underlying demand remained strong and revenues recovered by the final quarter of the year, with remote working capability implemented to protect operational capacity whilst addressing the requirements of a safe working environment.

COVID-19 pandemic

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

An Emergency Management Team was invoked that worked with other group companies to oversee the response to these challenges and to deliver the ongoing actions required to meet our clients' need for additional support. Responding to this increased client and customer demand has required a significant investment of time and resource.

Our strategy and conduct teams have also engaged closely with clients and the regulator as we developed our approach to address the impact on customers of the economic pressures arising as a result of COVID-19, and will continue to do so as the situation evolves across future months.

Key performance indicators

The main KPIs used in the business are a contract level analysis of collections delivery and arrears management metrics, together with a summary of key transactional costs and the operational data required to measure productivity and compliance. These are used to assess the overall delivery of the business across a balanced scorecard assessment of performance measures reflecting revenue generation, cost management, margin delivery and conduct. This framework of KPIs has continued to provide a valid structure for understanding performance as the business has responded to the impact of COVID-19.

Future outlook

The Company continues to hold a strong and well-established position across its base of client contracts. Although, as noted above, the impact of COVID-19 has created some challenges to the operating model, the Company has continued to service its customers and clients and is anticipating an increase in demand that will provide future opportunities for growth.

Although the debt recovery services market remains competitive and wider economic conditions will be challenging, the directors are confident that the Company is well positioned for growth.

Hillesden Securities Limited

Strategic Report for the Year Ended 31 December 2020

Principal risks and uncertainties

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

- The impact of COVID-19 on the drivers of client demand, revenue generation and cost – with this mitigated by action taken to increase remote working capability and by the Company's ongoing investment in its infrastructure and people that allows it to respond to the evolving requirements of clients and customers in this new environment, together with the strong financial support available from other group entities if required.
- Major changes in the scale of the Company's key markets or in the strategies of its clients with regard to their requirements for specialist recovery service providers – with this mitigated by the close relationships that have been established with all major clients and an expected growth in lender default rates and resulting client demand across the next few years.
- The impact of regulatory change on cost base and collections performance – with this mitigated by the Company's proactive engagement with both clients and the relevant regulatory bodies (primarily the Financial Conduct Authority) to ensure early and effective adoption of all requirements.

In addition, on a broader macro-economic level, the exact implications for the Company of the exit from the European Union ("EU") continues to be unclear. The business is based solely in the United Kingdom, servicing clients based in the United Kingdom. As such exit from the EU will not have direct an impact on the Company, but performance might be affected by any implications of this change on wider economic conditions.

Principal financial instruments

Overview

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

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

A summary of the financial assets and liabilities of the Company as at 31 December 2020, together with the comparative balances at 31 December 2019, is provided in note 16 to the financial statements.

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

Cash flow and credit risk

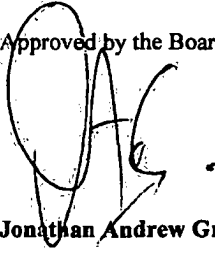
The Company has established a level of working capital to comfortably operate its existing and planned business activities and, in addition to the preparation of cash flow forecasts within the overall budgeting and reforecasting cycle, management monitor and manage near term cash requirements on an ongoing basis. The business also monitors the financial standing of its clients and of its key suppliers, monitoring both client receipts and supplier payments to ensure that these are maintained within agreed terms.

Going concern and liquidity risk

The Company's client base is composed of large organisations and has operated with these for a number of years, with confidence over the ongoing continuation and viability of trading even with regard to the current COVID-19 situation. Cash balances are maintained to support the working requirements of the business, with surplus funds loaned to other group entities under short term repayment dates, providing significant funding availability that provides the directors with confidence that the Company has adequate resources to continue in operational existence for the foreseeable future and as such the financial statements have been prepared on a going concern basis.

Hillesden Securities Limited
Strategic Report for the Year Ended 31 December 2020

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'JAG', written over a faint circular stamp or watermark.

Jonathan Andrew Graham
Director

17 September 2021

Hillesden Securities Limited
Directors' Report for the Year Ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Directors' of the company

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

Craig Anthony Buick (resigned 2 June 2020)

Jonathan Andrew Graham

Paul Jenkins

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

Dividends

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

Employment of disabled persons

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

Employee involvement

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

Political donations

The company made no political donations in the year (2019: £Nil).

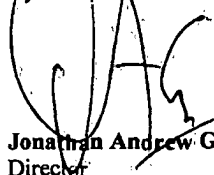
Disclosure of information to the auditors

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

Auditor

Pursuant to Section 485 of the Companies Act 2006 a resolution was passed by the members for the appointment of BDO LLP as auditors for the year ended 31 December 2021.

By order of the Board



Jonathan Andrew Graham
Director

17 September 2021

Hillesden Securities Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the strategic report, director's report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101').

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for such internal control as they determine necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Hillesden Securities Limited
Independent Auditor's Report to the Members of Hillesden Securities Limited

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Hillesden Securities Limited (the 'company') for the year ended 31 December 2020 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Practice), including FRS 101 'Reduced Disclosure Framework'.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Hillesden Securities Limited
Independent Auditor's Report to the Members of Hillesden Securities Limited

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 Directors' report for the financial 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.

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

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

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

Responsibilities of Directors

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

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

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company which would be contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Financial Conduct Authority ("FCA") regulations and tax legislation.

Hillesden Securities Limited
Independent Auditor's Report to the Members of Hillesden Securities Limited

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and correspondence with the Financial Conduct Authority;
- in addressing the risk of fraud through management override of controls, including relating to revenue, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- sample tested revenue ensuring income reconciled to agreements in place at the agreed rates.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

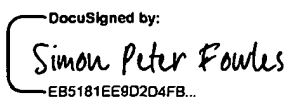
Our audit procedures were designed to respond to risks of material misstatement in the financial statement, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one from error, as fraud may involve deliberate concealment by, for example,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

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

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Simon Fowles (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK

17 September 2021

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

Hillesden Securities Limited
Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Turnover	3	4,415	4,773
Cost of sales		(49)	(153)
Gross profit		4,366	4,620
Administrative expenses		(4,260)	(4,303)
Operating profit	4	106	317
Interest receivable and similar income	5	5,524	6,036
Interest payable and similar expenses	6	(15)	(21)
		5,509	6,015
Profit before tax		5,615	6,332
Tax on profit	9	(1,128)	(1,174)
Profit for the year		4,487	5,158

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

The above results were all derived from continuing operations.

The Company did not have any sources of comprehensive income in the year other than those included within the profit for the financial year reported above (2019: None).

The notes on pages 13 to 26 form an integral part of these financial statements.

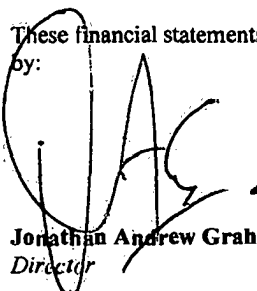
Hillesden Securities Limited
Balance Sheet as at 31 December 2020

(Registration number: 01418063)

	Note	31 December 2020 £ 000	31 December 2019 £ 000
Fixed assets			
Intangible assets	10	77	164
Tangible assets	11	217	240
Right of use assets	12	132	205
		426	609
Current assets			
Debtors	13	181,269	175,957
Deferred tax asset	9	365	478
Cash at bank and in hand		2,940	1,495
		184,574	177,930
Creditors: Amounts falling due within one year	14	(37,800)	(35,703)
Net current assets		146,774	142,227
Total assets less current liabilities		147,200	142,836
Creditors: Amounts falling due after more than one year	15	(53)	(136)
Provisions	17	-	(40)
Net assets		147,147	142,660
Capital and reserves			
Called up share capital	19	10	10
Capital contribution reserve	20	468	468
Profit and loss account	20	146,669	142,182
Shareholders' funds		147,147	142,660

The notes on pages 13 to 26 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 17 September 2021 and signed on its behalf by:


Jonathan Andrew Graham
Director

Hillesden Securities Limited
Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	10	468	142,182	142,660
Profit for the year	-	-	4,487	4,487
Total comprehensive income	-	-	4,487	4,487
At 31 December 2020	10	468	146,669	147,147

	Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	10	468	137,024	137,502
Profit for the year	-	-	5,158	5,158
Total comprehensive income	-	-	5,158	5,158
At 31 December 2019	10	468	142,182	142,660

The notes on pages 13 to 26 form an integral part of these financial statements.

Hillesden Securities Limited
Statement of Changes in Equity for the Year Ended 31 December 2020

1 General information

Hillesden Securities Limited ("the Company") is a private company limited by share capital, incorporated and domiciled in the United Kingdom with its registered office located at First Floor Plaza One, Ironmasters Way, Telford, TF3 4NT, England.

The principal activity of the Company is the provision of recovery services in respect of defaulted consumer loans in the United Kingdom.

2 Accounting policies

2.1 Summary of significant accounting policies and key accounting estimates

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

2.2 Basis of preparation and changes in accounting policies

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

The financial statements are presented in UK pounds sterling (£), which is the Company's functional currency, and have been presented under the historical cost convention other than for recognition of freehold land and buildings at the fair value identified from an independent, professional valuation undertaken by the Company.

2.3 Summary of disclosure exemptions

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

- The requirements of IFRS 7 "Financial Instruments: Disclosures";
- The requirements of paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1;
- The requirements of paragraph 10(d), 10(f) and 134-136 of IAS 1 "Presentation of Financial Statements";
- The requirements of IAS 7 "Statement of Cash Flows"; and
- The requirements of paragraph 8(k) of FRS 101 not to disclose transactions with Group companies wherein any subsidiary undertaking which is party to the transaction are wholly owned by a member of the Group.

The Company has a wholly owned non-trading subsidiary, Mercantile Data Bureau Limited, which is incorporated in the United Kingdom and registered in England and Wales. The holding in this company comprises 100 ordinary shares of £1 each, acquired at nominal value.

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by section 400 of the Companies Act 2006, as it is a wholly owned indirect subsidiary of Encore Capital Group Inc., a company incorporated in Delaware, United States, and its results are included in the consolidated financial statements of that company, which are available on their website. These financial statements therefore present information about the Company as an individual entity alone.

Hillesden Securities Limited
Statement of Changes in Equity for the Year Ended 31 December 2020

2 Accounting policies (*continued*)

2.4 Going concern

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

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

- Impact on income streams – although there was a short term impact on placements of accounts for recovery activity, as clients assessed their response to increased need to customer forbearance, this is now recovering and placements have increased. It is considered that products that deliver income from commission on collections will be adversely affected by the impact on customers' financial circumstances of the expected economic recession, but to date this has been protected by the furlough scheme and other support initiatives and the directors are confident that further mitigating strategies can be deployed to lessen the potential risk.
- Impact on productivity and costs – the need to ensure a safe working environment has restricted operational capacity and whilst action is being taken to mitigate this through increased home working this is limited by the need to address the data security requirements of clients when handling customers' financial records. However, the Company has successfully maintained activity across the year and full productivity has now been restored.
- Impact on cash flows – the profile of the client base does not indicate any concerns over the recovery of trade debtors and modelling has been undertaken to assess the impact on profits and cash generation of a number of scenarios of reduced income / higher costs; this indicates that the Company should retain sufficient cash generation to ensure that it can fulfil its obligations as they fall due. If necessary further funding support can also be provided from within the wider group of companies headed by Encore Capital Group Inc., with a letter of support received from that entity committing to provide such support if required across the next 12 month period.

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

2.5 Turnover

Recognition

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

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

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

Hillesden Securities Limited
Statement of Changes in Equity for the Year Ended 31 December 2020

2 Accounting policies (*continued*)

2.5 Turnover (*continued*)

Fee arrangements

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

Transaction price

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

2.6 Cost of sales and administration expenses

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

2.7 Employee benefits

Defined contribution plans and other long term employee benefits

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

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

Termination benefits

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

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

Share-based payment transactions

The Company has been part of a group share-based payment plan and recognises and measures the fair value of all payments at grant date on the basis of a reasonable allocation of the expenses recognised for the group. This cost is recognised as an employee expense, with a corresponding increase in the capital contribution reserve over the vesting period.

Hillesden Securities Limited
Statement of Changes in Equity for the Year Ended 31 December 2020

2 Accounting policies (*continued*)

2.8 Interest receivable and interest payable

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

2.9 Taxation

Recognition

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are generally recognised for all taxable timing differences and deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused losses. Such assets and liabilities are not recognised if they arise from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

2.10 Tangible and intangible fixed assets

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

Depreciation and amortisation are provided at rates calculated to write off the cost less estimated residual value on each asset on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	5 years
Computer equipment	3 years
Computer software	3 years
Fixtures and fittings	5 years

Hillesden Securities Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

2 Accounting policies (*continued*)

2.11 Leases

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

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

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

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

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

2.12 Financial instruments

Basic financial instruments

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

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

Other financial instruments

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

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

2.14 Provisions

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

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2 Accounting policies (continued)

2.15 Share capital

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

3 Turnover

	31 December 2020 £ 000	31 December 2019 £ 000
Servicing fees and commission	4,415	4,773

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

4 Operating profit

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

	2020 £ 000	2019 £ 000
Amortisation expense on intangible fixed assets	107	102
Depreciation expense on tangible fixed assets	85	83
Depreciation on right of use assets	73	72
Utilisation / release of restructuring provision	(40)	(984)

The audit fees of the Company for the year of £24,000 (2020: £24,000) were incurred by a fellow group undertaking.

5 Interest receivable and similar income

	2020 £ 000	2019 £ 000
Interest income from group undertakings	5,524	6,036

6 Interest payable and similar expenses

	2020 £ 000	2019 £ 000
Other interest	-	1
Interest expense on leases	15	20
	15	21

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7 Staff costs

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

	2020	2019
	£ 000	£ 000
Salaries and benefits in kind	2,200	2,851
Redundancy payments	-	518
Social security costs	167	186
Pension costs, defined contribution scheme	54	70
	2,421	3,625

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

	2020	2019
	No.	No.
Production	20	30
Administration and support	84	73
	104	103

8 Directors' remuneration

The directors did not receive any remuneration for their services as directors of the Company (2019: None) and none had retirement benefits accruing under a money purchase scheme during the course of the year (2019: None).

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9 Income tax

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

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

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	1,013	1,052
UK corporation tax adjustment to prior periods	2	61
Total current taxation	<u>1,015</u>	<u>1,113</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	66	38
Change in tax rate	(56)	-
Adjustments in respect of prior periods	103	23
Total deferred taxation	<u>113</u>	<u>61</u>
Tax expense in the profit and loss account	<u>1,128</u>	<u>1,174</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2019: the same as the standard rate of corporation tax in the UK) of 19% (2019: 19%).

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

	2020 £ 000	2019 £ 000
UK corporation tax	1,015	1,113

The current corporation tax charge has been reduced by £1,015,480 (2019: £1,112,612) because of group relief received from a fellow subsidiary for which a payment of £1,015,480 (2019: £1,112,612) will be made.

Reconciliation of effective tax

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	5,615	6,332
Corporation tax at standard rate of 19% (2019: 19%)	1,067	1,203
Increase in current tax from adjustment for prior periods	2	61
Deferred tax charge from adjustment for prior periods	103	23
Fixed asset and other timing differences	12	(6)
Other differences	(56)	(107)
Total tax charge	<u>1,128</u>	<u>1,174</u>

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9 Income tax (continued)

Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets	Assets	Liabilities	Liabilities	Net Balance	Net Balance
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000
Accelerated tax depreciation	360	478	-	-	360	478
Other timing differences	5	-	-	-	5	-
Total assets	365	478	-	-	365	478

Based on current capital investment plans the Company expected to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current period.

Retention of the UK corporation tax at 19% from 1 April 2020 was substantively enacted on 17 March 2020, reversing the proposed reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) that had been substantively enacted on 6 September 2016.

The deferred tax asset has therefore been calculated based on the rates of corporation tax substantively enacted at each balance sheet date, being 19% at 31 December 2020 and 17% at 31 December 2019. An intention to increase the main rate of UK corporation tax to 25% from 1 April 2023 was included in the Budget announcement made by the Chancellor of the Exchequer on 5 March 2021, but as this was not enacted at the balance sheet date the deferred tax balances continue to be recognised at 19%. This change will increase the Company's future current charge and deferred tax balance accordingly.

10 Intangible fixed assets

	Software and licenses £'000
Cost	
At 1 January 2020	309
Additions	20
At 31 December 2020	329
Amortisation	
At 1 January 2020	145
Amortisation charge	107
At 31 December 2020	252
Net Book Value	
At 31 December 2020	77
At 31 December 2019	164

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11 Tangible fixed assets

	Leasehold Improvements £'000	Furniture & fixtures £ 000	Computer Hardware £'000	Total £ 000
Cost or valuation				
At 1 January 2020	36	1,399	1,117	2,552
Additions	-	-	62	62
Disposals	(21)	(1,117)	(1,054)	(2,192)
At 31 December 2020	15	282	125	422
Depreciation				
At 1 January 2020	33	1,199	1,080	2,312
Charge for the year	1	56	28	85
Disposals	(21)	(1,117)	(1,054)	(2,192)
At 31 December 2020	13	138	54	205
Net book value				
At 31 December 2020	2	144	71	217
At 31 December 2019	3	200	37	240

12 Right of use assets

As restated	Property £ 000
Cost	
At 1 January and 31 December 2020	343
Depreciation	
At 1 January 2020	138
Charge for the year	73
At 31 December 2020	211
Net book value	
At 31 December 2020	132
At 31 December 2019	205

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13 Trade and other debtors

	31 December 2020 £ 000	31 December 2019 £ 000
Trade debtors	236	427
Provision for impairment of trade debtors	(5)	(8)
Net trade debtors	231	419
Amounts due from related parties	180,753	175,245
Prepayments and accrued income	49	71
Other debtors	236	222
	181,269	175,957

The trade and other receivables classified as financial instruments are disclosed below. The company's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in the financial risk review note (note 16).

Amounts due from related parties are unsecured, with loan balances bearing interest at 4% above LIBOR (2019: 4% above LIBOR) and trading balances non-interest bearing (2019: non-interest bearing). These balances either have short term repayment dates or have no fixed date of repayment and are considered to be repayable on demand. On this basis, all amounts due from related parties have been included within amounts falling due within one year.

14 Creditors: amounts falling due within one year

	31 December 2020 £ 000	31 December 2019 £ 000
Collection monies outstanding	1,021	1,016
Trade creditors	52	37
Accrued expenses	85	159
Amounts due to related parties	36,407	34,275
Social security and other taxes	63	55
Lease liabilities	84	77
Other creditors	88	84
	37,800	35,703

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

The company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk review note (note 16).

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15 Creditors: amounts falling due outside one year

	31 December 2020 £ 000	31 December 2019 £ 000
Lease liabilities	53	136

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

16 Financial risk management

Financial assets and liabilities

	31 December 2020 £ 000	31 December 2019 £ 000
Financial assets measured at amortised cost	183,924	177,158
Financial liabilities measured at amortised cost	37,379	35,613

Financial risk management

The Company's Board of Director has overall responsibility for the establishment and oversight of the Company's risk management framework and its potential exposure to market risk (including interest risk) credit risk or liquidity risk arising from financial instruments.

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

- Market risk is the risk that changes in market prices, including foreign exchange rates and interest rates, will affect the fair value of future cash flows of financial instruments. All financial instruments are denominated in sterling and the Directors consider that due to their short term nature the carrying values included in these financial statements are a reasonable approximation of their fair value.
- Interest risk is the risk that future cash flows of a financial instrument will fluctuate because of changing interest rates, but the Company's exposure to the risk of changes in market interest rates is limited as the only interest bearing instruments are held with other group companies with short term repayment dates, or repayable on demand.
- Credit risk is the risk that a customer or counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. However, the Company's clients are all large scale organisations with strong balance sheets and the value of outstanding debtors outside 60 days at any point of time is minimal. This minimises any potential credit risk.
- Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due, due to insufficient cash. However, the company is a profitable business with minimal working capital requirements, with support available if required from strongly funded group entities. Budgets and reforecasts include assessments of cash requirements and short term daily cash trackers are used across the year to monitor near term cash demands, to ensure any if there were any emerging short terms liquidity risks then these would be identified and addressed in a timely manner.

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17 Provisions

Decommissioning Provision	2020 £ 000	2019 £ 000
At 1 January	40	1,024
Utilisation	(43)	(739)
Charge / (release)	3	(245)
At 31 December	-	40

In December 2017 a consultation process was concluded with the announcement of a programme that impacted the servicing business operated by the Company from its site in Brackley. A provision was created for the costs arising from this programme and this has been utilised or released across the subsequent periods, with the remaining balance at 31 December 2019 retained in respect of the final expected costs and fully utilised across 2020.

18 Pension and other schemes

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £54,397 (2019 £70,299).

19 Share capital

Allotted, called up and fully paid shares

	31 December 2020		31 December 2019	
	No.	£'000	No.	£'000
Issued Share Capital of £0.50 each	10,000	10	10,000	10

20 Reserves

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

The capital contribution reserve reflects the cumulative cost of the award to of shares in a Long Term Incentive Plan to certain senior managers by Encore Capital Group Inc. (the ultimate parent undertaking of the Company). No payment was made by the Company in respect of this award and as such the cost was recognised as a capital contribution. There has been no award of shares in the year to 31 December 2020 (2019: None) in respect of staff employed by the Company.

21 Related party transactions

The Company had no related party transactions with entities outside the group of wholly-owned companies headed by Encore Capital Group Inc (2019: None) and has taken advantage of the exemption in paragraph 8(k) of FRS 101 not to disclose transactions with Group companies wherein any subsidiary undertaking which is party to the transactions is wholly owned by a member of that Group.

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

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Statement of Changes in Equity for the Year Ended 31 December 2020

22 Parent and ultimate parent undertaking

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

23 Accounting estimates and judgements

Key sources of estimation uncertainty

None identified for the year ended 31 December 2020 (2019: None)

Critical accounting judgements in applying the Company's accounting policies

None identified for the year ended 31 December 2020 (2019: None)

24 Subsequent events

The directors have not identified any matters arising after the balance sheet date that would require further adjustment to the reported financial results for the year ended 31 December 2020.