

MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)

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**ANNUAL REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
FOR
MORTIMER CLARKE SOLICITORS LIMITED**



MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)

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For the year ended 31 December 2020**

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MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)

Company information
For the year ended 31 December 2020

Directors:

S Bayne
A Rogers
B Morris
P Jenkins

Registered office:

1st Floor
16-22 Grafton Road
Worthing
West Sussex
BN11 1QP

Registered number:

06211733 (England and Wales)

Auditors:

BDO LLP
55 Baker Street
London
W1U 7EU

MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)

Strategic report for the year ended 31 December 2020

The directors present their report with the financial statements of the Company for the year ended 31 December 2020.

Principal activity

The principal activity of the Company in the year under review was that of the provision of legal services.

Review of the business and future developments

The Company reported a profit on ordinary activities before taxation of £1,101,542 for the year ended 31 December 2020, which compares to a profit of £1,792,568 in prior year due to a reduction in debt servicing revenues as a result of the Covid-19 pandemic.

The reduction in revenue for the period was driven by reduced collections arising on debt servicing arrangements. Revenues of £6,247,865 (2019: £6,894,153) were reported, reflecting a year on year decrease of 9%.

Administrative expenses for the company increased in the year as the company invested in servicing capabilities. Charges of £5,146,323 for 2020 compare to equivalent charges of £5,101,585 in 2019, an increase of 1%

After allowance for taxation, comprehensive income of £892,068 for 2020 (2019: £1,459,072) saw net assets improve from £3,787,096 at 31 December 2019 to total £4,679,164 at the end of the current year. No dividends were paid or proposed during the period.

Directors

The directors who were members of the Board at the time of approving the directors' report are listed on page 2 and their service was continuous throughout the year, with the exception of D Usher who resigned on 16th September 2020 P Jenkins was appointed on 3rd February 2021

Disabled employees

Applications for employment from disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event that members of staff become disabled every effort is made to ensure that their employment with the Company continues. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the Company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests both informally and via the quarterly meetings with the Association of Staff Representatives.

Qualifying third party indemnity provisions

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

Political donations

The Company made no political contributions (2019: £nil).

Future developments

The directors consider that the Company will grow its future revenue through both existing group arrangements and new external clients as it further develops its debt servicing capabilities.

Principal risks and uncertainties

The Company is exposed through its operations to financial risks in relation to cash flow and credit risk and to going concern and liquidity risk. The Company is exposed to risks that arise from its use of financial instruments.

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

- Trade and other receivables;
- Cash and cash equivalents;
- Trade and other payables.

MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)

Strategic report for the year ended 31 December 2020 (continued)

Cash flow and credit risk

The Company is a member of the Encore Capital Group, Inc. group (“the Group”) and therefore its financial risk management objectives and policies are intrinsically linked to those of the Group.

Credit risk is the risk that a customer or counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group’s principal activity is the acquisition and management of underperforming consumer loan portfolios; therefore, the Group is exposed to significant credit risk. Most portfolios by their nature are impaired on acquisition and the Group continually monitors cash collections and the carrying values are impaired where the underlying performance does not meet initial expectations. The ongoing risk is managed through a portfolio valuation process including modelling current expectations of recoverability based on historical information on debt types. A pricing review process is in place which includes at least two members of the Board of Directors as well as other key members from all areas of the business. This process is in place to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

Capital risk

The Company monitors “adjusted capital” which comprises all components of equity (i.e. share capital and retained earnings) other than amounts in the cash flow hedging reserve.

The Company’s objectives when maintaining capital are:

- to safeguard the entity’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Going concern and liquidity risk

The Company’s core business is the provision of legal services

The financial position of the Company and the liquidity position are described in the financial statements on pages 9 to 18. The company made an operating profit of £1,101,542 for the financial year (2019: £1,792,568) and has net current assets and equity of £4,679,164 (2019: £3,787,096).

The Directors have reviewed the forecast performance models and funding availability including consideration of appropriate sensitivities and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the annual report and accounts.

Section 172 Statement

Section 172 of the Companies Act requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the company’s employees; the need to foster the company’s business relationships with suppliers, customers and others; the impact of the company’s operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the company.

The directors give careful consideration to the factors set out above in discharging their duties under section 172. The stakeholders we consider in this regard are the people who work for us, our suppliers, our communities, people who we help to financial recovery, who own us and invest in us and who regulate us. The directors recognise that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values, and operate our business in a sustainable way.

MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)

Strategic report for the year ended 31 December 2020 (continued)

The directors are committed to effective engagement with all of its stakeholders and seeks to understand the relative interests and priorities of each group and to have regard to these, as appropriate, in its decision making. Further information about who our key stakeholders are and how we engage with them is detailed in Principle 6 (Stakeholders and engagement) in our Governance Statement. Their voice is brought into the boardroom throughout the annual cycle through information provided by management and also by direct engagement with stakeholders themselves. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

Covid-19 pandemic

Throughout 2020 the Company continuously adapted to the changing environment which resulted from the impact of the COVID-19 (coronavirus) outbreak. As well as evolving working procedures both within our offices and via the adoption of widespread working from home practices, we continue to recognise the impact that this has on our customers and have tailored our approach accordingly.

Although the COVID-19 outbreak has demonstrated the Company's ability to withstand significant external disruption whilst maintaining full operational capability, we remain very alert to this ongoing crisis and will continue to monitor and adapt where required to both protect colleagues welfare and maintain service for customers, in particular for those who may require additional support during this very difficult time.

MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)

Report of the directors for the year ended 31 December 2020

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable UK 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 judgements and accounting estimates that are reasonable and prudent;
- state whether United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) have been followed, subject to any material departures disclosed and explained in the financial statements; 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The entity is using the reduced disclosure framework.

Statement as to disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the company auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

This directors' report was approved by the Board on 27th April 2021.

ON BEHALF OF THE BOARD:



Sandra Bayne - Director

Date: 27th April 2021

MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)
Independent auditor's report to the members of Mortimer Clarke Solicitors Limited

Opinion

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 UK GAAP; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mortimer Clarke Solicitors Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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 Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)

Independent auditor's report to the members of Mortimer Clarke Solicitors Limited (continued)

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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 have obtained an understanding of the legal and regulatory frameworks applicable to the entity and we have enquired of management to identify how the entity is complying with those frameworks and whether there were any known instances of non-compliance.

We considered the entity's control environment that has been established to prevent, detect and deter fraud. We then assessed the risk of susceptibility of the entity's financial statements to material misstatement, including how fraud might occur.

In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments in the general ledger.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and discussed how and where these might occur and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)

Independent auditor's report to the members of Mortimer Clarke Solicitors Limited (continued)

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Leighton Thomas (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London

Date: 30 April 2021

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

MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)
Statement of comprehensive income for the year ended 31 December 2020

| | | 2020 | 2019 |
|---|-------|-----------------------|-------------------------|
| | Notes | £ | £ |
| Revenue | 2 | 6,247,865 | 6,894,153 |
| Administrative expenses | | <u>(5,146,323)</u> | <u>(5,101,585)</u> |
| Operating profit and profit on ordinary activities before taxation | 3 | 1,101,542 | 1,792,568 |
| Tax on profit on ordinary activities | 5 | <u>(209,474)</u> | <u>(333,496)</u> |
| Profit and Total comprehensive income for the year | | <u><u>892,068</u></u> | <u><u>1,459,072</u></u> |

All the amounts included in the profit for the financial year derive from continuing operations.
There is no other comprehensive income.
The notes on pages 12 to 17 form part of these financial statements

MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)

Statement of financial position as at 31 December 2020

| | Notes | 2020 £ | 2019 £ |
|---|-------|---------------------|---------------------|
| Current assets | | | |
| Trade and other receivables | 6 | 18,822,250 | 14,162,755 |
| Cash at bank | | <u>4,191,461</u> | <u>4,117,346</u> |
| | | 23,013,711 | 18,280,101 |
| Creditors, falling due within one year | | | |
| Trade and other payables | 7 | <u>(18,334,547)</u> | <u>(14,493,005)</u> |
| Net current assets | | <u>4,679,164</u> | <u>3,787,096</u> |
| Total assets less current liabilities | | <u>4,679,164</u> | <u>3,787,096</u> |
| Equity | | | |
| Called up share capital | 9 | 2 | 2 |
| Retained earnings | | <u>4,679,162</u> | <u>3,787,094</u> |
| Shareholders' funds | | <u>4,679,164</u> | <u>3,787,096</u> |

The notes on page 12 to 17 form part of these financial statements

The financial statements were approved by the Board of Directors on 27th April 2021 and were signed on its behalf by:

Sandra Bayne - Director

MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)

Statement of changes in equity for the year ended 31 December 2020

| | Called up share capital £ | Retained earnings £ | Total equity £ |
|------------------------------------|--|------------------------------------|-------------------------------|
| Balance at 1 January 2019 | 2 | 2,328,022 | 2,328,024 |
| Changes in equity | | | |
| Total comprehensive income | <u>-</u> | <u>1,459,072</u> | <u>1,459,072</u> |
| Balance at 31 December 2019 | <u>2</u> | <u>3,787,094</u> | <u>3,787,096</u> |
| Changes in equity | | | |
| Total comprehensive income | <u>-</u> | <u>892,068</u> | <u>892,068</u> |
| Balance at 31 December 2020 | <u>2</u> | <u>4,679,162</u> | <u>4,679,164</u> |

The notes on page 12 to 17 form part of these financial statements

MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)

Notes to the financial statements for the year ended 31 December 2020

1. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared under the historical cost convention. The presentation currency used is pounds sterling and amounts are shown in pounds rounded to the nearest whole number.

The Company has taken advantage of all relevant and available disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework".

These financial statements do not include:

- certain comparative information as otherwise required by EU endorsed International Financial Reporting Standards;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel;
- the disclosure of the related party transactions with other wholly owned members of the group headed up by Encore Capital Group Incorporated

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 5.

After making enquiries, the Directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. The Company has seen no material impact on 2020 results as a consequence of COVID-19

Judgements and key areas of estimation uncertainty

The preparation of financial statements in compliance with FRS 101 requires the use of accounting estimates and requires the Company's directors to exercise judgment in applying the Company's accounting policies. There were no areas where significant judgments and estimates have been made in preparing the financial statements.

Financial assets

The Company classifies its financial assets depending on the purpose for which the asset was acquired. The Company has not classified any of its financial assets as held to maturity, available for sale or as fair value through profit or loss. The Company has no derivative financial instruments. All financial assets are classified as loans and receivables.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of

MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)

Notes to the financial statements for the year ended 31 December 2020 (continued)

1. Accounting policies (continued)

comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, when applicable, are shown within financial liabilities as borrowings.

Financial liabilities

The Company classifies its financial liabilities as other financial liabilities. Other financial liabilities include trade payables and other short-term monetary liabilities. These are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

Loans from group companies are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method. The difference between the fair value of the loan on initial recognition and the amount of the proceeds is credited directly to equity as a capital contribution.

Revenue

Revenue represents net fees receivable in respect of debt servicing contracts and other litigation services. Amounts are recognised when services are provided and invoiced and are stated excluding value added tax.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Employee benefit costs

The Company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to the income statement in the period to which they relate.

MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)

Notes to the financial statements for the year ended 31 December 2020 (continued)

2. Revenue

| | 2020 | 2019 |
|-----------------------------|------------------|------------------|
| | £ | £ |
| <u>Revenue comprises:</u> | | |
| Litigation servicing income | 6,246,023 | 6,879,671 |
| Other litigation income | <u>1,842</u> | <u>14,482</u> |
| | <u>6,247,865</u> | <u>6,894,153</u> |

3. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

| | 2020 | 2019 |
|------------------------------|---------------|---------------|
| | £ | £ |
| Lease rentals – other leases | 6,467 | 6,443 |
| Auditors' remuneration | <u>19,600</u> | <u>15,800</u> |

Auditors' remuneration comprises:

| | 2020 | 2019 |
|---|--------------|--------------|
| | £ | £ |
| Audit of the statutory financial statements | 12,700 | 8,000 |
| Other audit services (regulatory returns) | <u>6,900</u> | <u>7,800</u> |

4. Information regarding employees and directors

| | 2020 | 2019 |
|---|------------|------------|
| | No. | No. |
| <u>Staff numbers</u> | | |
| Average number of employees (including executive directors) | <u>127</u> | <u>123</u> |

| | £ | £ |
|-----------------------|------------------|------------------|
| <u>Staff costs</u> | | |
| Wages and salaries | 3,478,699 | 3,253,616 |
| Social security costs | 294,107 | 289,772 |
| Pension contributions | <u>131,791</u> | <u>115,696</u> |
| | <u>3,904,597</u> | <u>3,659,084</u> |

Directors' remuneration

| | £ | £ |
|-----------------------------|----------------|----------------|
| Salary and benefits in kind | 148,098 | 131,470 |
| Pension contributions | <u>10,823</u> | <u>6,123</u> |
| | <u>158,921</u> | <u>137,593</u> |

There is one director for whom retirement benefits are accruing under a defined contribution pension scheme.

The disclosures above relate to Directors who are remunerated by the Company. Directors who are directors of the immediate parent are not remunerated in their capacity as directors of the Company. The emoluments of other directors are paid for by other group companies which make no recharge to this company. It is not possible to make an accurate apportionment of their emoluments to group companies.

MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)

Notes to the financial statements for the year ended 31 December 2020 (continued)

5. Taxation

(a) Analysis of tax charge

| | 2020 £ | 2019 £ |
|---|----------------|----------------|
| Current tax: | | |
| Corporation tax | <u>209,473</u> | <u>333,496</u> |
| Total tax charge in statement of comprehensive income | <u>209,473</u> | <u>333,496</u> |

(b) Factors affecting the total tax charge

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

| | 2020 £ | 2019 £ |
|--|------------------|------------------|
| Profit before tax | <u>1,101,542</u> | <u>1,792,568</u> |
| Expected tax (credit)/charge based on the hybrid standard rate of UK corporation tax of 19.00% | 209,474 | 333,496 |
| Which was affected by: | | |
| Expenses not deductible for tax | - | - |
| Rate differential on loss carry-back | <u>-</u> | <u>-</u> |
| Total tax charge in statement of comprehensive income | 209,474 | 333,496 |

(c) Factors that may affect future tax charges

The Finance Act 2016, which reduced the main rate of UK corporation tax to 19% effective from 1 April 2017, was enacted on 6 September 2016. The Finance Act 2017 has not resulted in any further changes to the main rate of UK corporation tax.

6. Debtors: Amounts falling due within one year

| | 2020 £ | 2019 £ |
|------------------------------------|-------------------|-------------------|
| Amounts owed by group undertakings | 18,783,746 | 14,122,577 |
| Trade debtors | 4,461 | 9,515 |
| Other debtors | 5,457 | 5,488 |
| Corporation tax recoverable | - | - |
| Prepayments and accrued income | <u>28,585</u> | <u>25,176</u> |
| | <u>18,822,250</u> | <u>14,162,755</u> |

Amounts due from group undertakings are unsecured, have no fixed repayment date, are interest free and are repayable on demand. The Company considers that the carrying financial assets included above are a reasonable approximation of the fair value due to their short term nature.

MORTIMER CLARKE SOLICITORS LIMITED (REGISTERED NUMBER: 06211733)

Notes to the financial statements for the year ended 31 December 2020 (continued)

7. Creditors: Amounts falling due within one year

| | 2020 | 2019 |
|------------------------------------|-------------------|-------------------|
| | £ | £ |
| Trade creditors | 3,288,745 | 4,297,371 |
| Amounts owed to group undertakings | 13,619,149 | 9,303,414 |
| Social security and other taxes | 76,460 | 74,336 |
| Other creditors | 1,033,163 | 423,887 |
| Accrued expenses | <u>317,030</u> | <u>393,997</u> |
| | <u>18,334,547</u> | <u>14,493,005</u> |

Amounts due to group undertakings are unsecured, have no fixed repayment date, are interest free and are repayable on demand. The Company considers that the carrying amounts of the financial liabilities included above are a reasonable approximation of the fair value due to their short term nature. Trade Creditors largely relate to Client Cash due to Cabot, which is held for 14 days

8. Secured debts

A debenture over the assets of the Company is held by the Royal Bank of Scotland in relation to the direct debit facility the company has with the bank. There were no debts in relation to this at either 2020 or 2019 year ends.

9. Called up share capital

| Allotted, issued and fully paid: | | Nominal value: | 2020 | 2019 |
|----------------------------------|----------|-------------------|----------|----------|
| Number: | Class: | | £ | £ |
| 2 | Ordinary | £1 | <u>2</u> | <u>2</u> |

10. Contingent Liabilities

The Company is party to guarantees in relation to borrowings within the Group. For details around such funding please refer to the Group consolidated financial statements.

11. Ultimate controlling party

At the year end the immediate parent Company is Cabot Financial Debt Recovery Services Limited, a Company registered in England and Wales, which owns the entirety of the issued share capital of the Company.

At the year end the ultimate parent Company is Encore Capital Group Inc ("Encore"), a Company incorporated in Delaware, United States, whose financial statements are available on their website.

The group accounts in which the Company is included is the group headed by Encore Capital Group Inc ("Encore"). Copies of the group financial statements are available on request from the Company's registered office.

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