Company Registration No. 03770985 (England and Wales)

NEWLYN PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020

Verallo

Century House
Wargrave Road
Henley-on-Thames
Oxfordshire
RG9 2LT

NEWLYN PLC

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NEWLYN PLC

COMPANY INFORMATION

Directors	Mr. D. Smith Ms. M. Coyne Mr. T. Durant Ms. M. Fenner Ms. C. Vickers Mr. A. White Ms. L. Sargent
Secretary	Mr. I. Whittingham
Company number	03770985
Registered office	Century House Wargrave Road Henley-on-Thames Oxfordshire RG9 2LT
Auditor	Verallo (formerly Taylorcocks Thames Valley LLP) Century House Wargrave Road Henley-on-Thames Oxfordshire RG9 2LT

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

Fair review of the business

The company continues to focus on its core activity, being debt recovery and enforcement services.

As reported in the company's profit and loss account on page 10, turnover has decreased 35.2% from £20,349,229 in 2019 to £13,195,347 in 2020. Profit after tax has decreased from£4,597,462 in 2019 to £2,337,955 in 2020. These figures demonstrate a strong, solid performance in a very difficult trading year that saw the world affected by Covid-19.

Principal risks and uncertainties

The UK and the world are currently going through a pandemic of unprecedented proportions which is influencing the worlds trading markets. The management team are continually monitoring the key risks facing the company, together with assessing the controls used for managing these risks. The board of directors are meeting on a weekly basis to formally review and document the principal risks facing the business, the industry as a whole and its client base.

Economic downturn - the company has always acknowledged the importance of maintaining close relationships with its key customers to be able to identify the early signs of potential trading changes. In these current times this relationship has become even more important, in needing to understand the approach the clients are taking to deal with the pandemic. The company has also put into place robust cost cutting measures as well as performance monitoring protocols which has enabled it to continue to function and maintain its service delivery to clients. Sales trends in its major markets are constantly reviewed to enable early action to be taken in the event of sales declining. The position from the review is that due to the nature of our client base, Local Authorities will not go into liquidation, administration or cease to trade. This enables us to make decisions and act based on a secure client trading position. The board believe that the actions and decisions it has taken whilst being difficult will result in the company retaining its cash reserves and being able to bounce back to trading levels pre-Covid-19.

Competitor pressure - the market in which the company operates is highly competitive and with the pandemic, the directors believe the market will be subject to amalgamations and takeovers. Reducing the number of competitors but also at the same time increasing the size of some of the competition, therefore competitor pressure could result in losing sales. The company manages this risk by providing quality services, maintaining strong relationships with its key customers and being flexible with its services and their delivery.

Loss of key personnel - this would present significant operational difficulties for the company. Management seeks to ensure that key personnel are appropriately remunerated to ensure that good performance is recognised.

Key performance indicators

Management use a range of performance measures to monitor and manage the business. The KPIs used to determine the progress and performance of the company are set out below.

Turnover Turnover has decreased by 35.2% compared to the prior year.

Gross profit margin

The company's gross profit margin has decreased in the year from 43.87% to 33.4%, as a result of increased costs for the call centre.

Financial position at the reporting date

The balance sheet shows that the company's net assets at the period end have increased from £5,270,227 to £6,133,789, indicating the strong management within the company during a challenging year for all.

Other information and explanations

At the time of approving the financial statements, the UK market in which the company trades, and all the world's markets are affected by the COVID-19 pandemic. This is having a significant and detrimental impact on the social and financial economies of the world. The UK Government has introduced a range of measures to tackle the virus, some of which have an impact on logistics and the operations of the company's customers. However, the company continues to operate during this period, operating within the restrictions imposed by governments and having robust management controls in place which have seen the company maintain its trading stance and industry position. Delivering a service with a flexible approach is going to be key in maintaining and even increasing market position as the industry emerges from the effects of the pandemic. The directors are confident that the company has the strategies and adequate resources to contend with the additional difficulties that arise from the COVID-19 pandemic responses during 2020. All cash reserves were maintained, a remarkable achievement in the circumstances. The company won new business in significant areas of the market place including large core city Local Authorities and after only a 9 month moratorium on the groups bank loan repayments; the group has resumed the instalment payments as previously agreed. The board are very proud of this performance in extremely difficult trading circumstances.

On behalf of the board

Mr. D. Smith
Director

24 June 2021

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

Principal activities
The principal activity of the company continued to be that of debt collection services.

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

Mr. D. Smith
Ms. M. Coyne
Mr. T. Durant
Ms. M. Fenner
Ms. C. Vickers
Mr. A. White
Ms. L. Sargent

Results and dividends
The results for the year are set out on page 10.

Ordinary dividends were paid amounting to £1,500,000. The directors do not recommend payment of a further dividend.

Statement of directors' responsibilities
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 applicable UK Accounting Standard have been followed, subject to any material departures disclosed and explained in the financial statements.
- 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.

Auditor
In accordance with the company's articles, a resolution proposing that Verallo (formerly Taylorcocks Thames Valley LLP) be reappointed as auditor of the company will be put at a General Meeting.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going Concern
As stated in note 1.2 the directors have reviewed the impact of COVID-19 on the operations and financial position of the company and have a reasonable expectation that the company has adequate resources to continue to adopt the going concern basis of accounting in preparing the financial statements.

On behalf of the board

Mr. D. Smith
Director

24 June 2021

Opinion

We have audited the financial statements of Newlyn PLC (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 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.

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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 the directors' report.

We have nothing to report in respect of the following matters where 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; or

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the 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. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and its management.

Our approach was as follows:

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations;
- We considered the legal and regulatory frameworks directly applicable to the financial statements reporting framework (FRS 102 and the Companies Act 2006) and the relevant tax compliance regulations in the UK;
- We considered the nature of the industry, the control environment and business performance, including the key drivers for management's remuneration;
- We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit;
- We considered the procedures and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included: testing manual journals; reviewing the financial statement disclosures and testing to supporting documentation; performing analytical procedures; and enquiring of management, and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-re
. 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.

Michelle Hewitt-Dutton FCCA (Senior Statutory Auditor)
For and on behalf of Verallo (formerly Taylorcocks Thames Valley LLP)

Statutory Auditor
Office: Henley-on-Thames

29 June 2021

NEWLYN PLC

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	13,195,347	20,349,229
Cost of sales		(8,784,166)	(11,421,713)
Gross profit		4,411,181	8,927,516
Administrative expenses		(2,209,333)	(3,651,092)
Other operating income		557,557	97,349
Operating profit	4	2,759,405	5,373,773
Interest receivable and similar income	7	4,069	8,108
Profit before taxation		2,763,474	5,381,881
Tax on profit	8	(425,519)	(784,419)
Profit for the financial year		2,337,955	4,597,462

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 14 to 27 form part of these financial statements

NEWLYN PLC

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Tangible assets	**10**		456,278		672,223
Current assets					
Debtors	**11**	6,565,499		5,791,708	
Cash at bank and in hand		3,607,852		3,571,973	
		10,173,351		9,363,681	
Creditors: amounts falling due within one year	**12**	(4,495,187)		(4,716,605)	
Net current assets			5,678,164		4,647,076
Total assets less current liabilities			6,134,442		5,319,299
Provisions for liabilities					
Deferred tax liability	**13**	26,260		49,072	
			(26,260)		(49,072)
Net assets			6,108,182		5,270,227
Capital and reserves					
Called up share capital	**15**		51,000		51,000
Profit and loss reserves			6,057,182		5,219,227
Total equity			6,108,182		5,270,227

The financial statements were approved by the board of directors and authorised for issue on 24 June 2021 and are signed on its behalf by:

Mr. D. Smith
Director

Company Registration No. 03770985

The notes on pages 14 to 27 form part of these financial statements

NEWLYN PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2019		51,000	3,621,765	3,672,765
Year ended 31 December 2019:				
Profit and total comprehensive income for the year		-	4,597,462	4,597,462
Dividends	9	-	(3,000,000)	(3,000,000)
Balance at 31 December 2019		51,000	5,219,227	5,270,227
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	2,337,955	2,337,955
Dividends	9	-	(1,500,000)	(1,500,000)
Balance at 31 December 2020		51,000	6,057,182	6,108,182

The notes on pages 14 to 27 form part of these financial statements

1 Accounting policies

Company information

Newlyn PLC is a private company limited by shares incorporated in England and Wales. The registered office is Century House, Wargrave Road, Henley-on-Thames, Oxfordshire, RG9 2LT.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary a mounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Newlyn Group Holding Ltd. These consolidated financial statements are available from its registered office, Century House, Wargrave Road, Henley-on-Thames, RG9 2LT.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The financial statements have been prepared on a going concern basis, which assumes the company will continue in operational existence, and will be able to meet its liabilities as they fall due, for a period of at least twelve months from the date of approval of the financial statements. The directors have reviewed the continued impact of COVID-19 on the operations and financial position of the company and have a reasonable expectation that the company has adequate resources to continue to adopt the going concern basis of accounting in preparing the financial statements.

1 Accounting policies (Continued)

1.3 Turnover

Turnover represents revenue earned (excluding value added tax) under contracts to provide professional services from bailiff and related activities.

Bailiff service income is recognised on remittance of fees to the clients' debtors, as it is only at this point that the economic benefits are guaranteed to flow to the company.

Rent receivable is recognised on the accruals basis. Rent received in advance is carried forward as deferred income and released to the income statement in the period to which it relates.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	33% on reducing balance/33% straight line
Fixtures and fittings	15% on reducing balance
Motor vehicles	33% on reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1 Accounting policies **(Continued)**

1.6 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

1 Accounting policies **(Continued)**

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1 Accounting policies (Continued)

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

The company operates a money purchase (defined contribution) pension scheme. Contributions payable to the scheme are charged to the profit and loss account in the period to which they relate. The contributions are invested separately from the company's assets.

1.12 Leases

1 Accounting policies (Continued)

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.13 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Assessing indicatiors of impairment

In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no material indicators of impairments identified during the current financial year other than in respect of bad and doubtful trade debtor balances recognised in the financial statements

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Recoverability of receivables

When needed management will establish a provision for receivables which are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the aging of the receivables and past experiences of recoverability.

Determining residual and useful economic life of tangible assets.

The company depreciates tangible assets over their estimated useful lives. The estimation on the useful live of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programs.

Judgement is applied by management when determining the residual values for tangible fixed assets. When determining the residual value management aim to assess the amount that the company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

Added Value

Some of the contractual agreements between Newlyn PLC and the local councils, include a contractual obligation to provide added value.
These engagements do not specify a cash value, therefore a degree of estimation is required to quantify the cost of these obligations, based on previous experience of the costs of these components over the life of the agreement. Any amendment is made through the profit and loss on an annual basis.

Legal Provision

Management are aware that the risk of litigation against the company is high in the sector they operate in. As such, they employ the use of legal professionals to ensure accurate estimation of the potential exposure they may face in relation to such legal proceedings.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2020	2019
	£	£
Turnover analysed by class of business		
Debt Collection	13,195,347	20,349,229

3 Turnover and other revenue (Continued)

	2020	2019
	£	£
Other significant revenue		
Interest income	4,069	8,108
Grants received	521,648	-
Rent received	23,333	40,000

	2020	2019
	£	£
Turnover analysed by geographical market		
United Kingdom	13,195,347	20,349,229

4 Operating profit

	2020	2019
Operating profit for the year is stated after charging/(crediting):	£	£
Government grants	(521,648)	-
Fees payable to the company's auditor for the audit of the company's financial statements	18,100	19,750
Depreciation of owned tangible fixed assets	239,707	293,775
Profit on disposal of tangible fixed assets	(19,827)	(18,689)
Operating lease charges	111,573	165,083

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was 72 (201 9 - 88)

	2020	2019
	Number	Number
Director's	7	8
Bailiff's	13	15
Admin	47	53
Sales & Marketing	5	12
Total	72	88

5 Employees (Continued)

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	2,895,526	3,633,737
Social security costs	258,574	413,170
Pension costs	44,685	49,257
	3,198,785	4,096,164

6 Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	857,031	1,233,557
Company pension contributions to defined contribution schemes	8,776	12,556
	865,807	1,246,113

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 7 (2019 - 8). The directors are also considered to be the key management personnel.

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2020	2019
	£	£
Remuneration for qualifying services	187,955	185,230

7 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Interest on bank deposits	4,069	8,108

8 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	497,061	772,811
Benefit arising from a previously unrecognised tax loss or credit	(48,730)	-
Total current tax	448,331	772,811
Deferred tax		
Origination and reversal of timing differences	(22,812)	11,608
Total tax charge	425,519	784,419

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£	£
Profit before taxation	2,763,474	5,381,881
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	525,060	1,022,557
Tax effect of expenses that are not deductible in determining taxable profit	29,038	14,802
Adjustments in respect of prior years	-	(14,075)
Group relief	(79,849)	(238,865)
Research and development tax credit	(48,730)	-
Taxation charge for the year	425,519	784,419

9 Dividends

	2020	2019
	£	£
Final paid	1,500,000	-
Interim paid	-	3,000,000
	1,500,000	3,000,000

10 Tangible fixed assets

	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2020	1,403,345	78,025	485,223	1,966,593
Additions	47,384	-	-	47,384
Disposals	(220,273)	(9,000)	-	(229,273)
At 31 December 2020	1,230,456	69,025	485,223	1,784,704
Depreciation and impairment				
At 1 January 2020	924,573	34,922	334,875	1,294,370
Depreciation charged in the year	183,847	6,409	49,451	239,707
Eliminated in respect of disposals	(198,638)	(7,013)	-	(205,651)
At 31 December 2020	909,782	34,318	384,326	1,328,426
Carrying amount				
At 31 December 2020	320,674	34,707	100,897	456,278
At 31 December 2019	479,272	43,103	149,848	672,223

11 Debtors

	2020	2019
Amounts falling due within one year:	£	£
Trade debtors	3,713,238	2,728,332
Corporation tax recoverable	84,868	-
Amounts owed by group undertakings	2,665,000	2,925,510
Other debtors	7,087	6,112
Prepayments and accrued income	95,306	131,754
	6,565,499	5,791,708

Included within trade debtors is an amount of £2,221,680 (2019 - £1,958,757), that relates to designated client money (note 13).

The bank holds a £50,000 bond against the client money balance by way of security.

12 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	2,422,564	2,165,040
Amounts owed to group undertakings	77,439	787,205
Corporation tax	-	335,459
Other taxation and social security	957,305	395,103
Other creditors	126,140	44,672
Accruals and deferred income	911,739	989,126
	4,495,187	4,716,605

Included within trade creditors is an amount of £2,221,680 (2019 - £1,958,757) that relates to designated client money (note 12).

The bank holds a £50,000 bond against the client money balance by way of security.

13 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2020	Liabilities 2019
Balances:	£	£
Accelerated capital allowances	26,260	49,072

	2020
Movements in the year:	£
Liability at 1 January 2020	49,072
Credit to profit or loss	(22,812)
Liability at 31 December 2020	26,260

The deferred tax liability set out above is expected to reverse and relates to accelerated capital allowances that are expected to mature.

14 Retirement benefit schemes

	2020	2019
Defined contribution schemes	**£**	**£**
Charge to profit or loss in respect of defined contribution schemes	44,685	49,257

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

15 Share capital

	2020	2019	2020	2019
Ordinary share capital	**Number**	**Number**	**£**	**£**
Issued and fully paid				
Ordinary Shares of £1 each	51,000	51,000	51,000	51,000

16 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020	2019
	£	**£**
Within one year	155,200	155,200
Between two and five years	656,000	486,654
In over five years	1,351,200	1,260,000
	2,162,400	1,901,854

17 Related party transactions

The company has taken advantage of the exemption conferred by paragraph 33.1A of FRS 102 "Related Party Disclosures" not to disclose transactions with other group entities, whose voting rights are 100%controlled within the group, and where consolidated financial statements of the group are publicly available.

During the year the company entered into transactions with three related parties, by virtue of mutual directors. At the year end the company owed a related party £3,666 (2019: £3,921).

18 Directors' transactions

Throughout the year the directors maintained a loan account with the company. At the balance sheet date, the company owed the directors £nil (2019- £32).

19 Ultimate controlling party

The ultimate controlling party of the entity is Newlyn Group Holding Ltd, the parent company.

The registered office of Newlyn Group Holding Ltd is Century House, Wargrave Rd, Henley-on-Thames RG9 2LT.