

Evolution Capital Investment Limited

**Annual Report
For the year ended 31 December 2010**

Registered Number: 3359805

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Evolution Capital Investment Limited

DIRECTORS' REPORT

For the year ended 31 December 2010

The directors of Evolution Capital Investment Limited ("ECIL" or the "Company") present their report together with the audited financial statements for the year ended 31 December 2010

Principal activities and review of business

ECIL is the wholly owned private equity investment entity for The Evolution Group Plc (the "parent company" or the "group")

The Company does not intend to make any further investments in private equity owned companies but will seek to maximise value from the remaining portfolio of assets held

Given the straight forward nature of the business the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business

The Company is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office is 9th Floor, 100 Wood Street, London, EC2V 7AN

Outlook

The Company's Directors do not foresee any change in the principal activities of the Company over the coming year

Results and dividends

The carrying value of the remaining investment portfolio is £32,000 (2009 £99,000). During the year the Company made a profit after taxation of £51,000 (2009 profit £305,000). The directors do not recommend the payment of a dividend (2009 nil)

Directors

The Directors of the Company, who held office since 1 January, unless otherwise stated, are as shown below

	Date of appointment	Date of resignation
Alex Snow	-	-
Andrew Westenberg	15 June 2010	-
Paul Horwood	15 June 2010	-

Company Secretary

	Date of appointment	Date of resignation
Tony Lee	-	-

Principal risks and uncertainties

As a non-trading entity, the Company's only risk is exposure to fair value movements on its investment portfolio. Before the Company's adoption of International Financial Reporting Standards ("IFRSs") all un-listed investments were fully provided. Thus any changes to fair value may now only be realised through reserves. Upon disposal of such investments, this fair value uplift would be reversed into the Statement of Comprehensive Income.

Further disclosures on the principal risks and uncertainties impacting the Company and on the Company's risk management policies and objectives have been given in note 2 to the financial statements

Evolution Capital Investment Limited

DIRECTORS' REPORT (continued)
For the year ended 31 December 2010

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 International Financial Reporting Standards (IFRS) as adopted by the European Union 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.

Directors' disclosures to the auditors

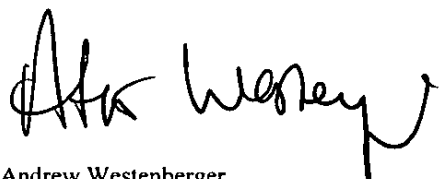
In accordance with the provisions of Section 418 of the Companies Act 2006, having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware, and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP ("PwC") will be proposed for re-appointment in accordance with section 487 Companies Act 2006. PwC have expressed their willingness to continue in office under the Companies Act 2006 section 487(2) and they will automatically be reappointed as auditors 28 days after these accounts are sent to the members unless the members exercise their rights under the Companies Act 2006 to prevent their re-appointment.

BY ORDER OF THE BOARD



Andrew Westenberger
Finance Director
24 May 2011

Registered Number. 3359805

Evolution Capital Investment Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EVOLUTION CAPITAL INVESTMENT LIMITED

We have audited the financial statements of Evolution Capital Investment Limited for the year ended 31 December 2010 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on 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 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

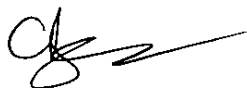
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.



Carl Sizer (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
24 May 2011

Evolution Capital Investment Limited**STATEMENT OF COMPREHENSIVE INCOME**

	Note	Year ended 31/12/2010 £'000	Year ended 31/12/2009 £'000
Profit on disposal of available-for-sale investments	3	51	313
Operating expenses	4	<u>-</u>	<u>(8)</u>
Profit before tax		51	305
Tax expense	7	-	-
Profit for the year		<u>51</u>	<u>305</u>
Other comprehensive income			
Fair value changes taken to equity during the year on available-for-sale financial assets	9	(67)	52
Other comprehensive (expense) / income for the year		<u>(67)</u>	<u>52</u>
Total comprehensive (expense) / income for the year		<u>(16)</u>	<u>357</u>

The notes on pages 7 to 13 form an integral part of these financial statements

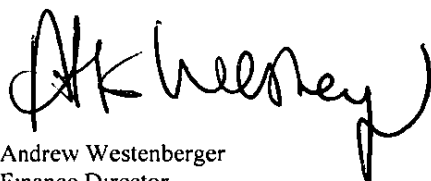
Evolution Capital Investment Limited

BALANCE SHEET

	Note	31/12/2010 £'000	31/12/2009 £'000
ASSETS			
Current assets			
Trade and other receivables	8	117	107
Available-for-sale financial assets ("AFS")	9	32	99
Total current assets		<u>149</u>	<u>206</u>
Total assets		<u>149</u>	<u>206</u>
LIABILITIES			
Current liabilities			
Trade and other payables	10	6	47
Total current liabilities		<u>6</u>	<u>47</u>
Total liabilities		<u>6</u>	<u>47</u>
Net Assets		<u>143</u>	<u>159</u>
EQUITY			
Capital and reserves attributable to equity shareholders			
Share capital	11	-	-
Available-for-sale and other reserves		32	99
Retained earnings		111	60
Total equity		<u>143</u>	<u>159</u>

The notes on pages 7 to 13 form an integral part of these financial statements

The financial statements on pages 4 to 13 were approved by the Board of Directors on 24 May 2011 and were signed on its behalf by



Andrew Westenberger
Finance Director

Evolution Capital Investment Limited

STATEMENT OF CHANGES IN EQUITY
As at 31 December 2010

	Note	Available-for-sale and other reserves £'000	Retained (deficit) / earnings £'000	Total equity £'000
2010				
Balance at 1 January		99	60	159
Profit for the period		-	51	51
Revaluation of available-for-sale investments	9	(67)	-	(67)
Total comprehensive (expense) / income for the period		(67)	51	(16)
Balance at 31 December		32	111	143
2009				
Balance at 1 January		47	(245)	(198)
Profit for the period		-	305	305
Revaluation of available-for-sale investments	9	52	-	52
Total comprehensive income for the period		52	305	357
Balance at 31 December		99	60	159

The notes on pages 7 to 13 form an integral part of these financial statements

Evolution Capital Investment Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. ACCOUNTING POLICIES

The Company is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office is 9th Floor, 100 Wood Street, London, EC2V 7AN.

The principal accounting policies adopted in the preparation of these financial statements are set out below. Except as explained below, these policies have been consistently applied to the years presented.

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale ("AFS") financial assets at fair value through the profit or loss.

The Company has not prepared a Cashflow Statement since it did not have any cash flows during the year nor does it have any bank accounts. All transactions undertaken by the Company are carried out through the intercompany accounts with the Evolution Group Plc (the "Parent Company" or the "Group") undertakings with no cash settlement taking place.

The financial statements of the Company have been prepared on a going concern basis.

Critical accounting estimates and judgements

There are no critical accounting estimates or judgements made that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting year.

Significant accounting policies

Changes in accounting policies and disclosures

a) New and amended standards adopted by the Company

i) The Company has adopted the following new and amended IFRS as of 1 January 2010:

- IAS 38 (amendment), 'Intangible assets' defines a prepayment as being recognised only if payment has been made in advance of receiving the right to goods or receipt of services. The Company's historical accounting policy for intangible assets was in line with these amendments, therefore there has been no impact to the Company's Financial Statements, and
- IAS 36 (amendment), 'Impairment of assets' clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments'. There has been no impact to the Company's Financial Statements resulting from this amendment.

ii) The following new interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but are not currently relevant for the Company:

- IFRS 2 (amendment), 'Group cash-settled share based payment transactions' provides a clear basis to determine the classification of share based payment awards in both consolidated and separate financial statements. The Company does not have any employees or enter into any share based payment transactions,
- IFRS 3 (revised), 'Business combinations' the standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill and non-controlling interests may be calculated on a gross or net basis. All transaction costs will be expensed. During the financial year, there have been no Business Combinations transactions entered into by the Company,

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

1. ACCOUNTING POLICIES (continued)

- IFRIC 9, 'Reassessment of embedded derivatives and IAS39, Financial instruments Recognition and measurement, effective 1 July 2009 This is not currently relevant to the Company, as it does not currently have any embedded derivatives,
- IFRIC 17, 'Distributions of non cash assets to owners', effective for annual periods beginning on or after 1 July 2009 This is not currently applicable to the Company, as it has not made any non-cash distributions,
- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009 This is not relevant to the Company, as it has not received assets from customers,
- IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations' This is not currently applicable to the Company, as it does not have any non-current assets held-for-sale or discontinued operations, and
- IAS 1 (amendment), 'Presentation of financial statements' The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current This is not currently applicable to the Company as there has been no settlement of liability by an issue of equity

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

- IFRS 9, 'Financial Instruments', issued in November 2009 This standard is the first step in the process to replace IAS 39, 'Financial instruments recognition and measurement' IFRS 9 introduces new requirements for classifying and measuring financial assets and may affect the Company's accounting for its financial assets The standard is not applicable until 1 January 2013 but is available for early adoption However, the standard has not yet been endorsed by the EU The Company is yet to assess the full impact of IFRS 9, although initial indications are that the effects will not prove to be material
- Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009 This standard supersedes IAS 24 'Related party disclosures' The standard has not yet been endorsed by the EU The amendments to this standard will not materially effect the Company's Financial Statements
- Amendments to IAS 32 'Financial Instruments Presentation' The amendments to this standard apply to the classification of rights issues and are applicable to periods beginning on or after 1 February 2010 These changes will not materially affect the Company

Financial assets and liabilities

Fair value of financial instruments

For available-for-sale investments that are quoted in active markets, fair values are determined by reference to the current quoted bid/offer price Where available-for-sale investments are not quoted in active markets, as in the case of the majority of the Company's portfolio, fair valuation represents a significant challenge for the Company In the majority of cases, there is a lack of evidence as to trading activity with which to base a valuation on Furthermore, where evidence may exist, the investments are not generating meaningful revenues, nor do they have material contracts in the pipeline This makes the use of traditional valuation techniques (such as discounted cash flow models) very difficult The Directors, having previously fully provided against the historical valuation of these investments, review evidence of trading and other available market information, on a case by case basis, when considering whether or not the valuation remains appropriate

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables Evidence that an impairment of the asset may be required includes ageing of the debt beyond 180 days, persistent lack of communication and internal awareness of third party trading difficulties

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

1 ACCOUNTING POLICIES (continued)

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income within operating expenses.

Trade and other payables

Trade and other payables are recognised initially at fair value, which is the agreed market price at the time goods or services are provided and are subsequently measured at amortised cost using the effective interest rate. The Company accrues for all goods and services consumed but as yet unbilled at amounts representing management's best estimate of fair value.

Current and deferred taxes

Current taxes are computed on a basis of the tax laws enacted or substantially enacted at the Balance Sheet date.

Deferred taxes are computed using the liability method, on temporary differences between the bases of assets and liabilities and their carrying amounts in financial statements. The deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which tax losses or deductible temporary differences can be utilised.

2 MANAGEMENT OF FINANCIAL RISK

Financial Risks include equity price, credit and liquidity risks. This section outlines the exposures to each of these risks at 31 December 2010 and describes the risk management processes relating to them.

Risk Management Framework

The Company's Board is responsible for approving all risk management policies and for determining the overall risk appetite for the Company. The Parent Company Audit Committee is responsible for reviewing the Company's internal control and risk management systems.

The Parent Company's Directors have delegated to a sub-committee, the Risk Committee, the responsibility for setting the risk management policies applied by all Group companies including the Company. The purpose of the Risk Committee is to monitor and assess all types of risk within the Group and to ensure that internal controls are properly established so that the Group's risk exposure is commensurate with the wishes of the Board. The Risk Department has day-to-day responsibility for monitoring, mitigating and reporting risks within the Company and for escalating issues to senior management. The Treasury Department is responsible for managing liquidity.

Equity Price Risk

The Company is exposed to equity market risk in respect of its equity holdings. This comprises available-for-sale financial assets. The Board continues to review the performance of existing available-for-sale financial assets in the Company's portfolio and realises these investments when deemed appropriate. Note 9 summarises the available-for-sale investments at the year-end date and the disposals and fair value movements made in the year. The Company does not seek to hedge this exposure.

Credit Risk

The Company has no exposure to any third party credit risk and all receivables are with other Group companies. The Company has financial assets subject to credit risk in the form of available-for-sale investments of £32,000 (2009: £99,000). At the balance sheet date these are neither past due nor impaired and the remaining investments were sold at the beginning of 2011.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

2. MANAGEMENT OF FINANCIAL RISK (continued)

Management of Liquidity Risk

The Company seeks to manage its liquidity risk to ensure sufficient liquidity is available to meet foreseeable needs and maintain profitability. The Company is fully supported by its Parent Company, The Evolution Group Plc, for any day to day cash requirements through the use of intercompany recharges. However due to the Company's principal activities, its only cash requirements are to settle its audit and taxation expenses. The Company deems there is sufficient liquidity for the near future. The Company's liabilities in the form of trade and other payables are due to be settled within 1 year.

3 PROFIT ON DISPOSAL OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 £'000	2009 £'000
Proceeds on disposal of available-for-sale financial assets	51	313
Fair value of investments at date of disposal	-	-
	<u>51</u>	<u>313</u>
Reversal of fair value reserve on disposal	-	-
Profit on disposal of available-for-sale financial assets	<u>51</u>	<u>313</u>

4. OPERATING EXPENSES

The following items have been included in arriving at operating profit

	2010 £'000	2009 £'000
Operating expenses		
Auditors' remuneration (note 5)	-	8
	<u>-</u>	<u>8</u>

5. AUDITORS' REMUNERATION

During the year, the Company obtained the following services from the Company's auditors at costs as detailed below

	2010 £'000	2009 £'000
Audit services:		
Fees payable to the Company's auditor for - statutory audit in respect of the Company	-	5
Fees payable to the Company's auditor for other services.		
Services relating to taxation	-	3
	<u>-</u>	<u>8</u>

Fees for audit services above include all amounts payable to the Company's auditors in their capacity as such. The Company's 2010 audit fee of £5,000 has been borne by another group company.

Taxation services include compliance services such as tax return preparation and advisory services such as consultation on tax matters, tax advice relating to transactions and other tax planning and advice.

Evolution Capital Investment Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

6 EMPLOYEES AND DIRECTORS

Average employee numbers during the year were nil (2009 nil)

The Directors did not receive any emoluments in respect of their services to the Company during the year (2009 £nil)

7 TAX EXPENSE

	2010 £'000	2009 £'000
Current tax:		
Corporation tax	-	-
Tax expense	<u>-</u>	<u>-</u>

The tax assessed for the year is lower (2009 lower) than the average rate of corporation tax in the UK (28%)

Factors affecting the tax charge for the year are explained below

	2010 £'000	2009 £'000
Profit before tax	51	305
Profit multiplied by the average rate of corporation tax in the UK of 28% (2009 28%)	14	85
Effects of Losses utilised in the year	(14)	(85)
Total tax expense	<u>-</u>	<u>-</u>

There is a potential deferred tax asset at 31 December 2010 of £6,060,000 (2009 £6,221,000), relating to provisions against investments and losses carried forward. The decrease can be explained by the disposal of two company investments and the subsequent utilization of part of the deferred tax asset. The potential deferred tax asset is not recognised within the accounts as the Company is uncertain as to whether future profits will arise on its legacy portfolio investments.

8. TRADE AND OTHER RECEIVABLES

	2010 £'000	2009 £'000
Amounts due from group undertakings	117	107
	<u>117</u>	<u>107</u>

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

Evolution Capital Investment Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 £'000	2009 £'000
At 1 January	99	47
Revaluation (deficit) /surplus transferred to equity	(67)	52
At 31 December	<u>32</u>	<u>99</u>
Available for sale investments include the following		
Listed securities		
- Equity securities – Non-UK	32	99
	<u>32</u>	<u>99</u>

The Company does not have any investments greater than 20% of the issued share capital in any company. The Company's investments are stated at fair value with any unrealised movements passing through fair value reserves. Upon disposal, any fair value reserve element relating to the disposed asset is reversed through the statement of comprehensive income.

10 TRADE AND OTHER PAYABLES

	2010 £'000	2009 £'000
Amount due to group undertakings	-	36
Accruals	6	11
	<u>6</u>	<u>47</u>

The Group undertakings above relate to The Evolution Group Plc ("EVG") and Evolution Group Services Limited ("EVGS"). Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

11 SHARE CAPITAL

	2010 £	2009 £
Authorised:		
1,000 (2009: 1,000) ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted and paid:		
2 (2009: 2) ordinary shares of £1 each	<u>2</u>	<u>2</u>

12. CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of operating profit to net cash from operating activities

	2010 £'000	2009 £'000
Cash generated from operating activities		
Profit before tax	51	305
<i>Changes in working capital</i>		
Increase in trade and other receivables	(10)	(21)
Decrease in trade and other payables	(41)	(284)
Cash generated from operating activities	<u>-</u>	<u>-</u>

Evolution Capital Investment Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

13 CAPITAL COMMITMENTS AND CONTINGENCIES

There were no capital commitments or contingent liabilities at 31 December 2010 (2009 nil)

14 RELATED PARTY TRANSACTIONS

i) Intra-group trading

The following table shows the balances (owed to) or owed by other Group undertakings at year end

	2010 £'000	2009 £'000
Evolution Securities Limited	-	107
The Evolution Group Plc	117	(15)
Evolution Group Services Limited	-	(21)
	<u>117</u>	<u>71</u>

The Company, by virtue of it being a subsidiary of The Evolution Group Plc, may transact with the group service company, Evolution Group Services Limited ("EVGS") As a result all operating expenses are settled by EVGS with subsequent intercompany recharging

ii) Key management compensation

There is no compensation paid to key management for their services to this Company Key management are defined as the Directors of the Company

15. POST BALANCE SHEET EVENTS

Since the year end the Company sold its remaining investment, realising a profit on disposal of £51,000

16. ULTIMATE HOLDING COMPANY

The ultimate holding company and the controlling party is The Evolution Group Plc, a company incorporated in Great Britain and registered in England and Wales The Evolution Group Plc's statutory accounts are available from the Company Secretary, 9th Floor, 100 Wood Street, London, EC2V 7AN