

Registration number: 04679177

Evolution Markets Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022



Evolution Markets Limited

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Evolution Markets Limited

Company Information

Directors	P J Zaborowsky A Freebairn M Karavias
Company secretary	Reed Smith Corporate Services Limited
Registered office	The Broadgate Tower Third Floor 20 Primrose Street London EC2A 2RS
Bankers	HSBC Bank Plc 60 Queen Victoria Street London EC4N 4TR
Auditors	CLA Evelyn Partners Limited 45 Gresham Street London EC2V 7BG

Evolution Markets Limited

Strategic Report for the Year Ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

Principal activity

The principal activity of the company is that of energy brokerage. The company is authorised and regulated by the Financial Conduct Authority ('FCA') and the National Futures Association ('NFA').

Fair review of the business and future developments

The results of the company show a turnover of £13,682,047 (2021 - £13,522,293), and a pre-tax profit of £1,377,448 (2021 - £1,798,112).

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The principal risks facing the company are detailed in note 1 (going concern section) and note 20 of the financial statements.

Evolution Markets Limited

Strategic Report for the Year Ended 31 December 2022

Section 172 statement

Section 172 of the Companies Act 2006 requires the directors to consider the interests of stakeholders, and the reputation of the company, in their decisions. In this respect, during regular meetings and planning processes, the directors of the company continually review and consider the impact of their current activities and future plans on these stakeholders, which include its shareholders, employees regulators (FCA and NFA), suppliers and customers, and also on the company's reputation. The directors also consider what is most likely to promote the long-term success of the company for its members, whilst balancing the need to act fairly between these stakeholders.

Communication with stakeholders is approached as:

Shareholders - information is regularly provided to the shareholders by management and through direct engagement by the directors.

Employees- the UK directors have continual interaction and regular assessments with the company's employees so that both the employees' and company's interests and needs are met, as far as possible. The directors continue to enhance their methods of engagement with the current staff and recruitment processes for potential staff.

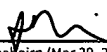
Suppliers and customers - the directors strive to work fairly and responsibly with these stakeholders so that all parties are paid within the stipulated credit terms and are treated fairly and courteously. Suppliers are selected to ensure that they provide the best goods and services to the company, and extensive due diligence checks are carried out on potential customers. The directors are aware and ensure that good relationships are forged and maintained with customers by themselves and staff, as this is crucial to the company's success.

Regulators (FCA and NFA) - the company regularly submits reports to the FCA and NFA regarding the financial performance, position and capital adequacy of the company. The directors ensure that the company's compliance function is fully compliant with its regulatory responsibilities and reporting requirements to the regulators, which includes regular visits and close monitoring by an external compliance consultant.

The directors hold regular meetings and discussions regarding the future long-term strategy for the company. In particular, during the last few years they have implemented the setting up of new desks to expand the company's customer base and increase the company's turnover and, in time, its profits. In addition, desk assessments are held twice a year to review the performance of each brokerage which includes current performance as well as a review of future goals and objectives.

The directors always ensure that the stakeholder interests and company's reputation are taken into account when performing all of its business activities enumerated above.

Approved and authorised by the Board on 29 March 2023 and signed on its behalf by:


Aidan Freebairn (Mar 29, 2023 15:54 GMT+1)
A Freebairn
Director

Evolution Markets Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Director of the company

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

A O Ertel (resigned 27 March 2023)

P J Zaborowsky

A Freebairn

M Karavias

Financial risk management

The company's operations expose it to a variety of financial risks, which, together with the company's strategy for managing those risks, are detailed in note 20 of the financial statements.

Operational risks

Operational risks to the business may arise from inadequate information technology and compliance systems, staffing, access to office facilities and external events. Management continually reviews these areas and ensure that proper procedures and robust systems are in place to limit these risks.

Results for the year and dividends

The profit for the year, after taxation, amounts to £1,068,374 (2021: £1,462,488). The company paid out dividends of £1,725,000 for the current year (2021: £nil).

Going concern

Based on forecasts, projections, management strategies and growth plans, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the company continues to adopt the going concern basis in preparing its financial statements.

Disclosure of information to the auditors

In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant audit information of which the company and group's auditor was unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company and group's auditor was aware of that information.

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

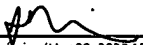
Evolution Markets Limited

Directors' Report for the Year Ended 31 December 2022

Reappointment of auditors

The auditors CLA Evelyn Partners Limited are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved and authorised by the Board on 29 March 2023 and signed on its behalf by:


Aidan Freebairn (Mar. 29, 2023 15:54 GMT+1)
A Freebairn
Director

Evolution Markets Limited

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), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has 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.

Evolution Markets Limited

Independent Auditor's Report to the Members of Evolution Markets Limited

Opinion

We have audited the financial statements of Evolution Markets Limited (the 'company') for the year ended 31 December 2022, which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, 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 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 2022 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 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 original financial statements were 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 and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Financial Statements. 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.

Evolution Markets Limited

Independent Auditor's Report to the Members of Evolution Markets Limited

Opinion on other matter prescribed by the Companies Act 2006

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.

Matters on which we are required to report by exception

In the light of our 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, set out on page 6, 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 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.

Evolution Markets Limited

Independent Auditor's Report to the Members of Evolution Markets Limited

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 obtained a general understanding of the company's legal and regulatory framework through enquiry of management in respect of their understanding of the relevant laws and regulations. We obtained an understanding of the entity's policies and procedures in relation to compliance with relevant laws and regulations and how management identify breaches of the applicable Financial Conduct Authority (FCA) rules. We also drew on our existing understanding of the company's industry and regulation.

We understand that the company complies with requirements of the framework through:

- The Directors managing and overseeing a compliance function
- The Directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly and would be considered at Board meetings
- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change
- Internal compliance reviews and reporting.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the company's ability to conduct its business and where failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the company:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements; and
- Regulatory requirements arising from the company's authorisation by the Financial Conduct Authority and the National Futures Association.

To gain evidence about compliance with the significant laws and regulations above we reviewed the company's breaches register, reviewed board meeting minutes, inspected correspondence with the FCA and NFA relating to the year and obtained written management representations regarding the adequacy of procedures in place.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were the risk of manipulation of the financial statements through manual journal entries and incorrect recognition of revenue. These areas were communicated to the other members of the engagement team who were not present at the discussion.

The procedures we carried out to gain evidence in the above areas included;

- Testing of a sample of revenue transactions to underlying documentation; and
- Testing of a sample of manual journal entries, selected through applying specific risk assessments based on the company's processes and controls surrounding manual journal entries.

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

Evolution Markets Limited

Independent Auditor's Report to the Members of Evolution Markets Limited

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.

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

Guy Swarbreck

Guy Swarbreck (Mar 29, 2023 16:33 GMT+1)

Guy Swarbreck
Senior Statutory Auditor, for and on behalf of
CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants
45 Gresham Street
London
EC2V 7BG

29 March 2023

Evolution Markets Limited

Income Statement for the Year Ended 31 December 2022

	Note	2022 £	2021 £
Turnover	3	<u>13,682,047</u>	<u>13,522,293</u>
Gross profit		13,682,047	13,522,293
Administrative expenses		<u>(12,284,971)</u>	<u>(11,703,209)</u>
Operating profit	4	<u>1,397,076</u>	<u>1,819,084</u>
Other interest receivable and similar income	5	8,044	268
Interest payable and similar expenses	6	<u>(27,672)</u>	<u>(21,240)</u>
		<u>(19,628)</u>	<u>(20,972)</u>
Profit before tax		1,377,448	1,798,112
Tax on profit	10	<u>(309,074)</u>	<u>(335,624)</u>
Profit for the financial year		<u><u>1,068,374</u></u>	<u><u>1,462,488</u></u>

The above results were derived from continuing operations.

The notes on pages 16 to 32 form an integral part of these financial statements.

Evolution Markets Limited

Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £	2021 £
Profit for the year		<u>1,068,374</u>	<u>1,462,488</u>
Total comprehensive income for the year		<u><u>1,068,374</u></u>	<u><u>1,462,488</u></u>

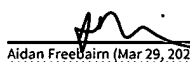
Evolution Markets Limited

(Registration number: 04679177)

Statement of Financial Position as at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	11	528,297	36,147
Investments	12	<u>1</u>	<u>858</u>
		<u>528,298</u>	<u>37,005</u>
Current assets			
Debtors	13	2,436,070	3,823,520
Cash and cash equivalents		<u>3,616,638</u>	<u>4,014,792</u>
		6,052,708	7,838,312
Creditors: Amounts falling due within one year	14	<u>(3,678,800)</u>	<u>(4,716,485)</u>
Net current assets		<u>2,373,908</u>	<u>3,121,827</u>
Total assets less current liabilities		2,902,206	3,158,832
Creditors: Amounts falling due after more than one year	14	<u>(400,000)</u>	<u>-</u>
Net assets		<u>2,502,206</u>	<u>3,158,832</u>
Capital and reserves			
Called up share capital	16	634,724	634,724
Profit and loss account		<u>1,867,482</u>	<u>2,524,108</u>
Total equity		<u>2,502,206</u>	<u>3,158,832</u>

Approved and authorised by the Board on 29 March 2023 and signed on its behalf by:


Aidan Freebairn (Mar 29, 2023 15:54 GMT+1)

A Freebairn
Director

The notes on pages 16 to 32 form an integral part of these financial statements.

Evolution Markets Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £	Profit and loss account £	Total £
At 1 January 2022	634,724	2,524,108	3,158,832
Profit for the year	-	1,068,374	1,068,374
Total comprehensive income	-	1,068,374	1,068,374
Dividends	-	(1,725,000)	(1,725,000)
At 31 December 2022	634,724	1,867,482	2,502,206
	Share capital £	Profit and loss account £	Total £
At 1 January 2021	634,724	1,061,620	1,696,344
Profit for the year	-	1,462,488	1,462,488
Total comprehensive income	-	1,462,488	1,462,488
At 31 December 2021	634,724	2,524,108	3,158,832

Evolution Markets Limited

Statement of Cash Flows for the Year Ended 31 December 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
Profit for the year		1,068,374	1,462,488
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	30,145	24,953
Write down of investment		857	-
Finance income	5	(8,044)	(268)
Finance costs	6	27,672	21,240
Income tax expense	10	309,074	335,624
		<u>1,428,078</u>	<u>1,844,037</u>
Working capital adjustments			
Decrease/(increase) in debtors	13	1,383,915	(2,066,163)
(Decrease)/increase in creditors	14	<u>(305,526)</u>	<u>1,932,512</u>
Cash generated from operations		2,506,467	1,710,386
Income taxes paid	10	<u>(637,698)</u>	<u>-</u>
Net cash flow from operating activities		<u>1,868,769</u>	<u>1,710,386</u>
Cash flows from investing activities			
Interest received	5	8,044	268
Acquisitions of tangible assets		<u>(522,295)</u>	<u>(15,819)</u>
Net cash flows from investing activities		<u>(514,251)</u>	<u>(15,551)</u>
Cash flows from financing activities			
Interest paid	6	(27,672)	(21,240)
Dividends paid	18	<u>(1,725,000)</u>	<u>-</u>
Net cash flows from financing activities		<u>(1,752,672)</u>	<u>(21,240)</u>
Net (decrease)/increase in cash and cash equivalents		(398,154)	1,673,595
Cash and cash equivalents at 1 January		<u>4,014,792</u>	<u>2,341,197</u>
Cash and cash equivalents at 31 December		<u>3,616,638</u>	<u>4,014,792</u>

The notes on pages 16 to 32 form an integral part of these financial statements.

Evolution Markets Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

The Broadgate Tower

Third Floor

20 Primrose Street

London

EC2A 2RS

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. There were no material departures from that standard.

Basis of preparation

These financial statements have been prepared using the historical cost convention.

Group accounts not prepared

The financial statements present information about the company and not its group. The company has taken advantage of the exemption not to produce consolidated financial statements in accordance with s.402 of the Companies Act 2006 as, in accordance with s.405 of the Companies Act 2006, subsidiary undertakings may be excluded from consolidation if, in the opinion of the directors, their inclusion is not material for the purpose of giving a true and fair view.

Going concern

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

Key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Evolution Markets Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Foreign currency transactions and balances

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates ('the functional currency').

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

Current tax is recognised for the amount of tax payable in respect of the taxable profit for current or past reporting periods.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except as indicated otherwise. Deferred tax is only 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. Deferred tax liabilities are presented within provision or liabilities and deferred tax assets within debtors.

The current and deferred tax charges are calculated on the basis of tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for fees from the provision of agency brokerage services in the ordinary course of the company's activities. Turnover is shown net of value added tax and other sales tax or duty.

The company recognises revenue at trade date, when the right to revenue has been transferred to the company. Contingent sales are only recognised once all criteria have been fulfilled.

Tangible assets

Tangible assets is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Asset class

Office equipment - 33% straight line basis

Investments in subsidiaries

Investments in subsidiaries are held at cost less any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Evolution Markets Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

The company has adopted the amendment to FRS 102 'Covid-19-related rent concessions'. During the year, the company received a rent concession due to the Covid-19 pandemic totalling £11,942. This has been treated as a variable lease payment and recognised in the profit and loss over the period that the change in lease payments intended to compensate.

Share capital

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

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Financial instruments

Classification

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. Basic financial assets include trade and other receivables, cash and bank balances. Basic financial liabilities include trade and other payables, and loans from group companies.

Recognition and measurement

These assets and liabilities are initially recognised at transaction price and then subsequently measured at amortised cost less impairment. Amortised cost is measured using the effective interest method applied to expected future cash flows over the life of the instrument. Financial assets are derecognised when the contractual rights to cash flows expire, are settled or are transferred and the transfer meets certain conditions. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires, or when an exchange between an existing borrower and lender results in substantially different terms or a substantial modification.

Impairment

Impairment is assessed at each period end and any impairment loss is recognised in profit or loss.

Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that effect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. In the directors' view there are no material judgements or estimates in the preparation of these financial statements.

Evolution Markets Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

3 Turnover

The turnover and loss before tax are attributable to the one principal activity of the company.

The analysis of the company's turnover for the year by market is as follows:

	2022	2021
	£	£
UK	5,247,572	5,102,354
Europe	4,212,928	5,120,732
Rest of world	4,221,547	3,299,207
	<u>13,682,047</u>	<u>13,522,293</u>

Evolution Markets Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

4 Operating profit/(loss)

Arrived at after charging/(crediting)

	2022 £	2021 £
Depreciation expense	30,145	24,953
Foreign exchange (losses)/gains	(300,520)	92,924
Operating lease expense - property	<u>167,756</u>	<u>129,412</u>

5 Other interest receivable and similar income

	2022 £	2021 £
Interest income on bank deposits	<u>8,044</u>	<u>268</u>

6 Interest payable and similar expenses

	2022 £	2021 £
Interest on loan from parent	<u>27,672</u>	<u>21,240</u>

7 Staff costs

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

	2022 £	2021 £
Wages and salaries	8,916,090	8,546,947
Social security costs	1,246,765	1,145,329
Pension costs, defined contribution scheme	<u>30,481</u>	<u>27,912</u>
	<u>10,193,336</u>	<u>9,720,188</u>

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

	2022 No.	2021 No.
Administration	9	7
Brokers	15	15
Directors	<u>4</u>	<u>4</u>
	<u>28</u>	<u>26</u>

Evolution Markets Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £	2021 £
Remuneration	5,103,372	4,986,813
Contributions paid to money purchase schemes, in respect of 2 directors	2,642	2,636
	<u>5,106,014</u>	<u>4,989,449</u>

In respect of the highest paid director:

	2022 £	2021 £
Remuneration	3,484,643	2,745,930
Company contributions to money purchase pension schemes	1,321	1,318
	<u>3,485,964</u>	<u>2,747,248</u>

9 Auditors' remuneration

	2022 £	2021 £
Audit of the financial statements	<u>36,510</u>	<u>21,915</u>
Other fees to auditors		
Audit-related assurance services	3,000	8,120
Taxation compliance services	8,125	3,650
	<u>11,125</u>	<u>11,770</u>

10 Taxation

Tax charged in the income statement

	2022 £	2021 £
Current taxation		
UK corporation tax	305,539	332,159
Deferred taxation		
Arising from origination and reversal of timing differences	<u>3,535</u>	<u>3,465</u>
Tax in profit and loss account	<u>309,074</u>	<u>335,624</u>

Evolution Markets Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2021 - the same as the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	2021 £
Profit before tax	<u>1,377,448</u>	<u>1,798,112</u>
Corporation tax at standard rate	261,715	341,641
Effect of expense not deductible in determining taxable profit (tax loss)	53,705	32,546
Effect of tax losses	-	(40,773)
Deferred tax expense (credit) from unrecognised tax loss or credit	3,535	3,465
Tax increase (decrease) from effect of capital allowances and depreciation	(9,862)	(548)
Tax increase (decrease) from other short-term timing differences	<u>(19)</u>	<u>(707)</u>
Total tax charge	<u>309,074</u>	<u>335,624</u>

Deferred tax

Deferred tax assets and liabilities

Depreciation in excess of capital allowances £nil (2021- £3,535).

Evolution Markets Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

11 Tangible assets

	Office equipment £	Leasehold improvements £	Total £
Cost or valuation			
At 1 January 2022	194,934	11,588	206,522
Additions	202,733	319,562	522,295
Disposals	<u>-</u>	<u>(11,588)</u>	<u>(11,588)</u>
At 31 December 2022	<u>397,667</u>	<u>319,562</u>	<u>717,229</u>
Depreciation			
At 1 January 2022	158,787	11,588	170,375
Charge for the year	30,145	-	30,145
Eliminated on disposal	<u>-</u>	<u>(11,588)</u>	<u>(11,588)</u>
At 31 December 2022	<u>188,932</u>	<u>-</u>	<u>188,932</u>
Carrying amount			
At 31 December 2022	<u>208,735</u>	<u>319,562</u>	<u>528,297</u>
At 31 December 2021	<u>36,147</u>	<u>-</u>	<u>36,147</u>

Evolution Markets Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

12 Investment in subsidiary

	2022 £	2021 £
Cost and carrying value at 31 December 2022 and 2021	1	858
Subsidiaries		£
Fair value		
At 1 January 2022		858
Fair value adjustments		(857)
At 31 December 2022		1

Details of undertaking

Details of the investments in subsidiary undertakings are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2022	2021
Subsidiary undertaking				
Evolution Markets 2 Limited	England and Wales	1 ordinary £1 share	100%	100%
Evolution Markets Europe CY Ltd	Cyprus	1,000 ordinary €1 shares	100%	100%

Evolution Markets 2 Limited is dormant. Its registered address is 38 Threadneedle Street, London, EC2R 8AY.

Evolution Markets Europe CY Ltd is dormant. Its registered address is 84 Spyrou Kyprianou, 4004, Limassol, Cyprus.

At the year end, Evolution Markets Europe CY Ltd was in the process of being dissolved and therefore it has been revalued in the accounts to £nil.

13 Debtors

	Note	2022 £	2021 £
Trade debtors		1,724,067	3,332,498
Other debtors		509,453	34,393
Prepayments		202,550	453,094
Deferred tax assets	10	-	3,535
Total current trade and other debtors		2,436,070	3,823,520

Other debtors includes £198,000 (2021 - £nil) which is due after more than one year.

Evolution Markets Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

14 Creditors

	Note	2022 £	2021 £
Due within one year			
Subordinated loan from parent (note 23)		-	400,000
Trade creditors		174,152	141,276
Amount due to related party	23	-	108,970
Social security and other taxes		114,905	146,481
Outstanding defined contribution pension costs		5,568	5,672
Other payables		525,061	30,456
Accrued expenses		2,859,114	3,551,471
Corporation tax	10	-	332,159
		<u>3,678,800</u>	<u>4,716,485</u>
Due after one year			
Subordinated loan from parent (note 23)		<u>400,000</u>	<u>-</u>

15 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £30,481 (2021 - £27,912).

Contributions totalling £5,568 (2021 - £5,672) were payable to the scheme at the end of the year and are included in creditors.

Evolution Markets Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

16 Share capital and reserves

Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>634,724</u>	<u>634,724</u>	<u>634,724</u>	<u>634,724</u>

Profit and loss account

This reserve relates to cumulative retained earnings less amounts distributed to shareholders.

17 Obligations under leases and hire purchase contracts

Finance leases and hire purchase agreements

The total of future minimum lease payments is as follows:

	2022	2021
	£	£
Not later than one year	183,937	-
Later than one year and not later than five years	<u>346,813</u>	<u>-</u>
	<u>530,750</u>	<u>-</u>

Operating leases

The total of future minimum lease payments is as follows:

	2022	2021
	£	£
Not later than one year	243,694	143,298
Later than one year and not later than five years	<u>885,500</u>	<u>11,942</u>
	<u>1,129,194</u>	<u>155,240</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £129,412 (2020 - £117,480).

18 Dividends

The directors are not proposing a final dividend (2021 - £Nil) .

Interim dividends paid

	2022	2021
	£	£
Interim dividend of £3 (2021 - £Nil) per each Ordinary £1 shares	<u>1,725,000</u>	<u>-</u>

Evolution Markets Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

19 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil (2021 - £Nil).

Contingent liabilities

The company had no contingent liabilities at the year end (2021 - £nil).

Evolution Markets Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

20 Financial instruments, principal risks and risk management

The company's principal financial instruments comprise bank balances, trade and other creditors and trade and other debtors. The main purpose of these instruments is to raise funds and provide finance for the company's operations.

Categorisation of financial instruments

The carrying value of financial assets and liabilities, measured at amortised cost, are detailed below:

	2022	2021
	£	£
Trade and other debtors	2,233,520	3,366,891
Cash at bank	<u>3,616,638</u>	<u>4,014,792</u>
	<u>5,850,158</u>	<u>7,381,683</u>
Trade and other creditors	(3,563,895)	(4,236,988)
Subordinated loan	<u>(400,000)</u>	<u>(400,000)</u>
	<u>(3,963,895)</u>	<u>(4,636,988)</u>

Evolution Markets Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

The company does not hold any financial instruments at fair value.

Risks

The company's operations expose it to a variety of financial risks that includes the effects of changes in credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of these risks.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

The principal risk facing the company is a potential downturn in the energy market. However, in the directors' opinion and based on recent experience of the markets, this is a manageable risk.

Market risk

Market risk is generally comprised of price risk, interest risk and foreign exchange risk. The company does not hold any financial instruments at fair value.

Price risk

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company has no exposure to equities securities price risk as it holds no listed or material other equity investments.

Interest rate risk

The company's interest rate risk arises from a subordinated loan from the parent company. The interest rate on this loan is directly linked to the US prime rate, which can vary.

FRS 102 requires financial institutions to provide a sensitivity analysis for each type of market risk for which it is exposed. As there is no price risk, and a small interest rate risk, a sensitivity analysis is not provided for these two risks.

Foreign exchange risk

The company is subject to foreign exchange risk and seeks to mitigate that risk through strict monitoring of all foreign currency assets, which include cash and trade debtors.

The company does have exposure to foreign currency rate risk, as it has cash and trade debtors denominated in US dollars and euros. A sensitivity analysis shows the effect of a 10% exchange rate rise on those assets denominated in foreign currencies at the year end, would be to increase total equity and profit by £196,530. Conversely, a 10% fall would result in a £196,530 decrease in total equity and profit.

Credit risk

Trade and other debtors are managed in respect of credit and cash flow by policies concerning the credit offered to customers and the regular monitoring of the amounts outstanding for both time and credit limits. A maturity analysis and carrying value of trade debtors and other receivables are given below:

Evolution Markets Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

	< 1 mth	1-3 mths	4-6 mths	> 6 mths	Carrying amount 2022
Trade debtors	732,860	803,290	107,211	80,706	1,724,067
Other debtors and amounts owed by group undertakings	211,358	-	-	198,000	409,358
	<u>944,218</u>	<u>803,290</u>	<u>107,211</u>	<u>278,706</u>	<u>2,133,425</u>

Liquidity risk

The company actively maintains all of its investments in cash and short term investments, thereby mitigating liquidity risk. In respect of bank balances, the liquidity risk is managed by maintaining continuity of funding and prompt collection of debts. Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Cash flow risk

The company maintains interest bearing assets, which include cash balances which earn interest at a fixed rate.

21 Capital

The company manages its capital and cash flows by ensuring that debtors pay within credit terms and the company does not enter into contractual obligations that it cannot meet. The directors and management review performance, expenditure and capital requirements on a monthly basis.

The company is required to maintain sufficient capital under FCA and NFA regulations.

Under FCA rules it must maintain capital in excess of its own funds threshold requirement. At 31 December 2022, it exceeded its £1,234,096 funds requirement by £2,902,203. The subordinated loan was treated, under FCA rules, as capital for this calculation.

In addition, the company, as an introducing broker, is registered with the NFA and the CFTC and, accordingly, is subject to the net minimum capital rules under the Commodity Exchange Act. Under these rules, the company is required to maintain minimum net capital of no less than £37,420 (US \$45,000). At 31 December 2022, the company's adjusted net capital was £888,331 which exceeded the minimum requirement by £850,91. In accordance with NFA rules, the subordinated loan was treated as satisfactory subordinated debt and not equity capital.

The company calculates its regulatory capital requirements and its actual capital on a monthly basis, and it also prepares an annual cash flow and rolling budget, to ensure that it has resources in excess of its capital requirements for the next 12 months.

The company met its capital requirements at all times during 2022.

Evolution Markets Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

22 Parent and ultimate parent undertaking

The company's immediate parent is Evolution Markets Green House Gas LLC, incorporated in United States of America.

The ultimate parent is Xpansiv Limited, incorporated in Australia. Xpansiv Limited's audited annual reports are publicly filed with the Australian Securities and Investments Commission.

On 5 January 2023, Xpansiv Limited acquired (indirectly) 100% of Evolution Markets Limited, and is the ultimate controlling party. Up until this date, the ultimate controlling party was Evolution Markets Inc, which was incorporated in the United States of America.

Evolution Markets Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

23 Related party transactions

Summary of transactions with parent

During the year, Evolution Markets Inc charged the company £197,702 (2021 - £196,883) management charges and recharged expenses of £5,843 (2021 - £71,929) and interest of £27,672 (2021 - £21,240). Evolution Markets Inc received £159,341 (2021- £nil) net commission on behalf of the company during the year.

In 2015, Evolution Markets Inc provided a loan of £400,000 to the company which was due to mature on 15 September 2018. On 2 May 2018, the loan term was extended until 5 September 2020; on 3 June 2020 the loan was extended and was due to mature on 15 September 2022; and on 7 September 2022 the loan was extended and due to mature on 15 September 2027. Interest is charged at a rate equal to the US prime rate plus 2% per annum and £27,672 (2021 - £21,240) interest was charged during 2022. The loan qualifies as a subordinated loan under FCA and NFA regulations.

At the year end the company owed £nil (2021 - £108,970) to Evolution Markets Inc, excluding the loan.

Summary of transactions with other related parties

During the year, Evolutions Market Futures Inc received £4,300 (2021 - £10,888) net commissions on behalf of the company.

At the year end the company owed £nil (2021 - £nil) to Evolution Market Futures Inc.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, controlling and directing the activities of the company. In the opinion of the board, the company's key management are the directors of the company. Compensation due to key management personnel for the year amounted to £5,103,372 (2021 - £4,986,812).