

EVOLUTION BANKING LIMITED

Report and Financial Statements

For the 10 month period ended

31 December 2011

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EVOLUTION BANKING LIMITED
REPORT AND FINANCIAL STATEMENTS 2011

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**EVOLUTION BANKING LIMITED
REPORT AND FINANCIAL STATEMENTS 2011**

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

TJ O'Neill
M Beaver
S Brilus

COMPANY SECRETARY

P Nicholson

REGISTERED OFFICE

8 St John Street
Manchester
M3 4DU

BANKERS

Royal Bank of Scotland PLC
1 Spinningfields Square
Manchester
M3 3AP

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester
United Kingdom

EVOLUTION BANKING LIMITED

DIRECTORS REPORT

The Directors presents their report and the audited financial statements for the 10 month period ("the period") ended 31 December 2011

PRINCIPAL ACTIVITY

The Company commenced trading in May 2011 with a principal activity of the provision of unsecured and secured personal loans

CHANGE OF YEAR END

On 23 May 2012 the Company changed its financial year end to 31 December from 29 February 2012 and therefore this report and financial statements are for the 10 month period ended 31 December 2011

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The audited financial statements for the period ended 31 December 2011 are set out on pages 5 to 12. The Company commenced trading in May 2011 and has made initial losses during its set up phase. As the loan book matures, the business is expected to trade profitably.

DIRECTORS

The Directors who served during the period under review and thereafter were

TJ O'Neill

M Beaver

(Appointed 30 August 2011)

S Brilus

(Appointed 30 August 2011)

GOING CONCERN

The current economic environment presents increased risks and uncertainties for businesses in general. However, given the nature of the Company's business activities, the current economic climate provides it with significant opportunities.

The Company has net liabilities, but these are expected to reduce and it has received written confirmation of the continuing support of the shareholders. The Directors have considered the future liquidity of the Company and its ability to meet its liabilities as they fall due and has a reasonable expectation that facilities will continue to be secured for the foreseeable future and has therefore adopted a going concern basis in preparing the financial statements.

SMALL COMPANIES' EXEMPTION

This Company qualifies as small in accordance with the provisions of section 382 (3) of the Companies Act 2006 and is therefore exempt from the requirement to present an enhanced business review.

DIVIDENDS

The Company was unable to pay a dividend during the financial period.

AUDITOR

Deloitte LLP were appointed auditors of the Company on 8 June 2012. A resolution for the reappointment of the auditor will be proposed at the next AGM.

In the case of each of the persons who are Directors of the Company at the date when this report was approved

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Approved by the Directors and signed on 26 June 2012

TJ O'Neill

Director

8 St John Street

Manchester M3 4DU



EVOLUTION BANKING LIMITED

DIRECTORS RESPONSIBILITIES STATEMENT

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 Director has 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 he is 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 judgments and accounting estimates that are reasonable and prudent,
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVOLUTION BANKING LIMITED

We have audited the financial statements of Evolution Banking Limited for the 10 month period ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Director's Responsibilities Statement, the director is 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.

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of its loss for the 10 month period 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period 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, or
- the Directors were not entitled to advantage of the small companies exemption in preparing the Directors Report.



Stephen Williams (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom

26 JUNE 2012

EVOLUTION BANKING LIMITED

PROFIT AND LOSS ACCOUNT

10 month period ended 31 December 2011

		10 months ended 31 December 2011 £	Year ended 28 February 2011 £
	Note		
TURNOVER	1	129,631	-
Administrative expenses		(243,523)	-
OPERATING LOSS		(113,892)	-
Interest payable	3	(17,079)	-
(LOSS)/RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(130,971)	-
Tax on (loss)/result on ordinary activities	5	32,718	-
(LOSS)/RESULT FOR THE FINANCIAL YEAR AFTER TAXATION	11	(98,253)	-

All results are derived from continuing operations

There are no recognised gains and losses for the current financial period or preceding financial year, other than as stated above. Therefore, no statement of total recognised gains and losses has been presented.

The accompanying notes are an integral part of these financial statements.

EVOLUTION BANKING LIMITED

BALANCE SHEET

As at 31 December 2011

	Note	31 December 2011 £	28 February 2011 £
FIXED ASSETS			
Tangible assets	6	26,492	-
CURRENT ASSETS			
Debtors	7	788,918	10
Cash at bank and in hand		13,206	-
		<u>802,124</u>	<u>10</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(95,630)	-
NET CURRENT ASSETS		<u>706,494</u>	<u>10</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>732,986</u>	<u>10</u>
FINANCED BY:			
Creditors Amounts falling due after more than one year	9	831,229	-
Called up share capital	10	10	10
Profit and loss account	11	(98,253)	-
CAPITAL EMPLOYED	12	<u>732,986</u>	<u>10</u>

Company registration number 6113307

These financial statements were approved by the Board of Directors on 26 June 2012

Signed on behalf of the Board of Directors

TJ O'Neill
Director



The accompanying notes are an integral part of these financial statements

EVOLUTION BANKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 2011

1 ACCOUNTING POLICIES

The principal accounting policies, all of which have been applied consistently throughout the current period and preceding year are set out below

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable law and United Kingdom accounting standards. In accordance with the exemption granted for small companies under FRS 1 Cash flow statements (revised 1996), the Company has not presented a cash flow statement as it qualifies as small in accordance with the provisions of section 382 (2) of the Companies Act 2006 and is therefore exempt from preparing a cash flow statement. The Directors have presented the balance sheet in line with the requirements of a Format 2, Capital Employed balance sheet as they feel that this presentation best reflects the financial position of the Company.

Going concern

As outlined in the Director's Report, these financial statements have been prepared on a going concern basis. The Company receives the continuing support of its shareholders, and the Directors have a reasonable expectation that facilities will continue to be secured for the foreseeable future and have therefore adopted a going concern basis in preparing the financial statements.

Turnover

Turnover on customer receivables consists of interest calculated on a daily basis. Other fees are recognised at the time the charges are made to customers.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset (less estimated residual value) on a straight line basis over its expected useful life, as follows:

Computer equipment	33% on cost
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Amount receivable from customers

All customer receivables are recognised at the amount loaned to the customer plus directly attributable fees charged to the customer less customer repayments plus interest charges incurred in the period in accordance with the loan agreement less any deduction for impairment. The amount of impairment loss is calculated on a portfolio basis by reference to arrears stages.

Introducer fees incurred in issuing loans are amortised to the profit and loss account over the period of the loan. The unamortised balance of issue costs is held in prepayments and accrued income.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, or to receive more, tax. Deferred tax assets are recognised only to the extent that the director considers that it is more likely than not that there will be a suitable taxable profit from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

EVOLUTION BANKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 2011

2. STAFF COSTS

	10 months 31 December 2011 £	Year ended 28 February 2011 £
Wages and salaries	149,257	-
Social security costs	15,833	-
	<u>165,090</u>	<u>-</u>

The average monthly number of employees, including Directors, during the period/year was as follows

	10 months 31 December 2011 Number	Year ended 28 February 2011 Number
Administrative staff	<u>6</u>	<u>-</u>

Directors' emoluments for the period/year were as follows

	10 months 31 December 2011 £	Year ended 28 February 2011 £
Directors' emoluments	<u>30,747</u>	<u>-</u>

Information regarding the highest paid Director is as follows

	10 months 31 December 2011 £	Year ended 28 February 2011 £
Emoluments and benefits in kind	<u>30,747</u>	<u>-</u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	10 months 31 December 2011 £	Year ended 28 February 2011 £
Bank interest	175	-
Interest on loan notes	16,904	-
	<u>17,079</u>	<u>-</u>

EVOLUTION BANKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS Period ended 31 December 2011

4. (LOSS)/RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION

The (loss)/result on ordinary activities before taxation is stated after charging

	10 months 31 December 2011 £	Year ended 28 February 2011 £
Depreciation – owned assets	2,758	-
Fees payable to the Company's auditor for the audit of the Company's annual accounts	3,600	-
	<u>6,358</u>	<u>-</u>

5. TAXATION

Analysis of the tax credit

The tax credit on the (loss)/result on ordinary activities for the period/year was as follows

	10 months 31 December 2011 £	Year ended 28 February 2011 £
Current tax	-	-
UK corporation tax	-	-
Deferred taxation (note 7)	(37,767)	-
Tax on (loss)/result on ordinary activities	<u>(37,767)</u>	<u>-</u>

Factors affecting the tax credit

The tax assessed for the period/year is different than the standard rate of corporation tax in the UK. The difference is explained below

	10 months 31 December 2011 £	Year ended 28 February 2011 £
(Loss)/result on ordinary activities before tax	<u>(130,971)</u>	<u>-</u>
(Loss)/result on ordinary activities multiplied by the applicable rate of corporation tax in the UK of 26%	(34,052)	-
Effects of		
Expenses not deductible for tax purposes	26	-
Impact of change in rates	1,573	-
Capital allowances greater than depreciation	(6,888)	-
Trading losses carried forward	39,341	-
Current tax credit	<u>-</u>	<u>-</u>

EVOLUTION BANKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS Period ended 31 December 2011

6. TANGIBLE FIXED ASSETS

The movement in the period was as follows

	Computer equipment Total £
Cost	
At 1 March 2011	-
Additions	29,250
At 31 December 2011	<u>29,250</u>
Depreciation	
At 1 March 2011	-
Charge for year	<u>2,758</u>
At 31 December 2011	<u>2,758</u>
Net book value	
At 31 December 2011	<u>26,492</u>
At 28 February 2011	<u>-</u>

7. DEBTORS

	31 December 2011 £	28 February 2011 £
Amounts receivable from customers	724,101	-
Prepayments & accrued income	32,099	10
Deferred tax asset	32,718	-
	<u>788,918</u>	<u>10</u>
Deferred tax		
	31 December 2011 £	28 February 2011 £
Deferred tax asset		
Corporation tax losses carried forward	39,341	-
Capital allowances claimed in excess of depreciation	(6,888)	-
Corporation tax losses carried forward	<u>32,718</u>	<u>-</u>
Balance brought forward	-	-
Movement in provision (note 5)	<u>32,718</u>	<u>-</u>
Balance carried forward	<u>32,718</u>	<u>-</u>

Included within amounts due from customers is an amount of £525,861 which is due after more than one year. The deferred tax asset is expected to be recovered against trading profits earned in the current year.

EVOLUTION BANKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 2011

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2011 £	28 February 2011 £
Trade creditors	39,315	-
Other taxes and social security	16,144	-
Accruals and deferred income	40,171	-
	<u>95,630</u>	<u>-</u>

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2011 £	28 February 2011 £
Amounts owed to shareholders	<u>831,229</u>	<u>-</u>

10. CALLED UP SHARE CAPITAL

	31 December 2011 £	28 February 2011 £
Allotted and called up: 10 ordinary share of £1 each	<u>10</u>	<u>10</u>

11. PROFIT AND LOSS ACCOUNT

	£
At 1 March 2011	-
Retained loss for the period	<u>(93,204)</u>
At 31 December 2011	<u>(93,204)</u>

12. RECONCILIATION OF MOVEMENT IN CAPITAL EMPLOYED

	31 December 2011 £	28 February 2011 £
(Loss)/result for the financial period	(98,253)	-
Shareholder loans	<u>831,229</u>	<u>-</u>
Net increase to capital employed	732,976	-
Opening capital employed	<u>10</u>	<u>-</u>
Closing capital employed	<u>732,986</u>	<u>-</u>

EVOLUTION BANKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 2011

13. ULTIMATE CONTROLLING PARTY AND RELATED PARTIES

The Company was under the control of T J O'Neill, the Chairman and majority shareholder, throughout the current and preceding year. The following loans from shareholders existed during the period ended 31 December 2011

	£
T J O'Neill	
Balance outstanding at start of period	-
Balance outstanding at end of period	(748,115)
Maximum balance outstanding during period	<u>(748,115)</u>
P Nicholson	
Balance outstanding at start of period	-
Balance outstanding at end of period	(83,124)
Maximum balance outstanding during the period	<u>(83,124)</u>