

**EVOLUTION BANKING LIMITED**

**Report and Financial Statements**

**For the year ended 31 December 2013**

TUESDAY



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**EVOLUTION BANKING LIMITED  
REPORT AND FINANCIAL STATEMENTS 2013**

**CONTENTS**

**Page**

<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Directors' responsibilities statement</b>	<b>3</b>
<b>Independent auditor's report</b>	<b>4</b>
<b>Profit and loss account</b>	<b>5</b>
<b>Balance sheet</b>	<b>6</b>
<b>Notes to the financial statements</b>	<b>7</b>

# **EVOLUTION BANKING LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

M Beaver  
S Brilus  
R Russel-Fisher

### **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 present their report and the audited financial statements for the year ended 31 December 2013.

### **PRINCIPAL ACTIVITY**

The principal activity of the Company is the provision of secured personal loans.

### **REVIEW OF THE BUSINESS AND FUTURE PROSPECTS**

The audited financial statements for the year ended 31 December 2013 are set out on pages 5 to 12. The Directors are satisfied with the financial performance and believe that the Company is well positioned for the future.

On 12 April 2013 the entire share capital of the company was acquired by Darwin Loan Solutions Limited, a company under the control of its then majority shareholder, TJ O'Neill.

### **DIRECTORS**

The Directors who served during the year under review and thereafter were:

M Beaver

S Brilus

R Russel-Fisher

(Appointed 15 April 2013)

### **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.

In April 2013 the Company, signed a Revolving Credit Facility and this was amended and extended on 15 May 2014. These facilities secure further funding for the growth of the business. 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 a Strategic Review.

### **DIVIDENDS**

The Company did not pay a dividend during the financial year (2012: nil).

### **AUDITOR**


A resolution for the reappointment of the auditor will be proposed at the next Annual General Meeting.

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 are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Approved by the Board of Directors and signed on behalf of the Board on 26 June 2014.

  
S Brilus  
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 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.

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

We have audited the financial statements of Evolution Banking Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 14. 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 Directors Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Directors Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 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.


## **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 Strategic Report and Directors Report.

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

27 JUNE 2014

# EVOLUTION BANKING LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 December 2013

	Note	2013 £	2012 £
<b>TURNOVER</b>	1	7,385,637	2,715,187
Administrative expenses		(4,678,570)	(2,344,386)
<b>OPERATING PROFIT</b>		2,707,067	370,801
Interest receivable and other income	3	-	51
Interest payable	4	(1,064,123)	(272,647)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	1,642,944	98,205
Tax on profit on ordinary activities	6	(380,595)	(35,151)
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>	12	1,262,349	63,054

All results are derived from continuing operations.

There are no recognised gains and losses for the current 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 2013

	Note	2013 £	2012 £
<b>CURRENT ASSETS</b>			
Debtors			
- due within one year	7	5,079,587	1,255,256
- due after one year	7	18,952,268	8,364,700
Cash at bank and in hand		1,127,844	441,399
		<u>25,159,699</u>	<u>10,061,355</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	8	<u>(1,968,898)</u>	<u>(975,905)</u>
<b>NET CURRENT ASSETS</b>		23,190,801	9,085,450
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		23,190,801	9,085,450
<b>CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR</b>	9	<u>(9,327,453)</u>	<u>-</u>
<b>NET ASSETS</b>		<u>13,863,348</u>	<u>9,085,450</u>
<b>FINANCED BY:</b>			
Creditors: Amounts falling due after more than one year	9	12,636,188	9,120,639
Called up share capital	11	10	10
Profit and loss account	12	1,227,150	(35,199)
<b>CAPITAL EMPLOYED</b>	13	<u>13,863,348</u>	<u>9,085,450</u>

Company registration number: 6113307

These financial statements were approved by the Board of Directors on 26 June 2014.

Signed on behalf of the Board of Directors



R Russel-Fisher  
Director

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



# EVOLUTION BANKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

### 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 believe that the presentation of subordinated loan notes as capital employed 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.

#### 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.

#### Borrowings

Interest bearing loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit and loss account over the term of such instruments at a constant rate on the carrying value.

#### 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 (continued)

Year ended 31 December 2013

### 2. STAFF COSTS

From 1 September 2012 the Company did not employ any staff directly, but instead was a party to an originating and servicing agreement with a related party, Evolution Money Limited under which that company provides administrative and marketing services. The cost of staff employed by the Company during the period was as follows:

	2013 £	2012 £
Wages and salaries	-	779,780
Social security costs	-	66,249
	<u>-</u>	<u>846,029</u>

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

	2013 £ Number	2012 £ Number
Administrative staff	<u>-</u>	<u>23</u>

Directors' emoluments for the period of employment by the Company were as follows:

	2013 £	2012 £
Directors' emoluments	<u>-</u>	<u>66,053</u>

There were no Directors emoluments for the year as the Directors were remunerated through another Group Company.

### 3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2013 £	2012 £
Other interest	<u>-</u>	<u>51</u>

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £	2012 £
Bank interest	609,218	237
Interest on loan notes from related parties	118,356	272,410
Interest on loan notes from parent company	336,549	-
	<u>1,064,123</u>	<u>272,647</u>

# EVOLUTION BANKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2013

### 5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2013 £	2012 £
Depreciation – owned assets	-	10,009
Rent –operating lease	-	20,388
Fees payable to the Company's auditor for the audit of the Company's annual accounts	-	12,000
Non-audit fees payable to the Company's auditor	-	-
	<u>          </u>	<u>          </u>

There were no audit fees for the year as these were paid through another Group company.

### 6. TAXATION

#### Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year/period was as follows:

	2013 £	2012 £
Current tax:		
UK corporation tax	381,984	2,433
Adjustment to prior years	(1,389)	-
	<u>          </u>	<u>          </u>
Total current tax charge	380,595	2,433
Deferred taxation	-	32,718
	<u>          </u>	<u>          </u>
Tax on profit on ordinary activities	<u>380,595</u>	<u>35,151</u>

#### Factors affecting the tax charge

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

	2013 £	2012 £
Profit on ordinary activities before tax	<u>1,642,944</u>	<u>98,205</u>
Profit on ordinary activities multiplied by the applicable rate of corporation tax in the UK of 23.25% (2012: 24.5%)	381,984	24,060
Effects of:		
Expenses not deductible for tax purposes	-	10,984
Adjustment to prior years	(1,389)	-
Impact of change in rates	-	1,415
Capital allowances greater than depreciation	-	(1,308)
Utilisation of trading losses brought forward	-	(32,718)
	<u>          </u>	<u>          </u>
Current tax charge	<u>380,595</u>	<u>2,433</u>

# EVOLUTION BANKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2013

### 7. DEBTORS

	2013 £	2012 £
Amounts receivable from secured loan customers	22,794,277	9,152,523
Prepayments & accrued income	1,237,578	467,433
	<u>24,031,855</u>	<u>9,619,956</u>

Included within amounts due from customers is an amount of £18,031,413 (2012: £8,006,484) which is due after more than one year. Included within prepayments & accrued income is an amount of £920,855 (2012: £358,216) which is due after more than one year.

### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £	2012 £
Amounts owed to related party	-	949,472
Amounts owed to group companies	1,496,431	-
Corporation tax	383,028	2,433
Accruals and deferred income	89,439	24,000
	<u>1,968,898</u>	<u>975,905</u>

### 9. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2013 £	2012 £
Revolving loan	9,327,453	-
Loan notes from parent undertaking	12,636,188	-
Loan notes from shareholders	-	6,831,324
Loan notes from related party	-	2,289,315
	<u>21,963,641</u>	<u>9,120,639</u>

During the year new interest free loans of £2,500,001 (2012: £6,000,096) were received from the shareholders. In addition during the year ended 31 December 2013 capitalised interest of £118,356 (2013: £272,410) accrued on the loan from BE Insurance Limited, a Company in which the shareholders hold a beneficial interest.

Under the terms of the Revolving Credit Facility and intercreditor agreement signed on 19 April 2013, the Loans from shareholders and related parties were novated to the parent Company, Darwin Loan Solutions Limited, and cannot be repaid until the bank facility has been repaid in full. The loans from the shareholders and related party in their prior year are now shown as loans from the parent undertaking.

In order to present a true and fair view, these loan notes are presented on the balance sheet as amounts falling due after more than one year within capital employed as the Directors believe that the presentation of subordinated loan notes as capital employed best reflects the financial position of the Company.

# EVOLUTION BANKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2013

### 9. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR (continued)

The Revolving Credit Facility is repayable as follows:

	2013 £	2012 £
Between two and five years	9,327,453	-

The Revolving Credit Facility incurs interest at market rates is secured by a fixed and floating charge over the assets of the Company.

### 10. OPERATING LEASE COMMITMENTS

The following annual payments are committed to be paid under operating leases:

	Land and buildings	
	2013 £	2012 £
Expiry date		
- between one and two years	92,820	-
- between two and five years	-	67,698
	92,820	67,698

### 11. CALLED UP SHARE CAPITAL

	2013 £	2012 £
Allotted and called up:		
10 ordinary share of £1 each	10	10

### 12. PROFIT AND LOSS ACCOUNT

	£
At 1 January 2013	(35,199)
Retained profit for the year	1,262,349
At 31 December 2013	1,227,150

### 13. RECONCILIATION OF MOVEMENT IN CAPITAL EMPLOYED

	2013 £	2012 £
Profit for the financial year	1,262,349	63,054
Additional loans received in the year	3,515,549	8,289,410
Net increase to capital employed	4,777,898	8,352,464
Opening capital employed	9,085,450	732,986
Closing capital employed	13,863,348	9,085,450

# EVOLUTION BANKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2013

### 14. ULTIMATE CONTROLLING PARTY

The Company is a 100% subsidiary of Darwin Loan Solutions Limited, a company under the control of T J O'Neill. The Company's results are included in the consolidated group accounts of Darwin Loan Solutions Limited which are available to the public from Companies House, Crown Way, Cardiff. The Company has not disclosed those balances arising from transactions with Darwin Loan Solutions Limited or its fellow 100% owned subsidiaries.

In order to finance the growth of the Company, during the current and previous year the Company has borrowed the following amounts from the shareholders and BE Insurance Limited, a Company in which the shareholders hold a beneficial interest. On 19 April 2013, the entire issued share capital of the Company was acquired by Darwin Loan Solutions Limited and the loans previously borrowed from the shareholders and BE Insurance Limited were novated to Darwin Loan Solutions Limited and replaced by an inter company loan from Darwin Loan Solutions to Evolution Banking Limited.

	£
<b>T J O'Neill</b>	
Balance outstanding at start of the year	(6,148,192)
Balance outstanding at end of the year	-
Maximum balance outstanding during the year	<u>(8,398,193)</u>
<b>P Nicholson</b>	
Balance outstanding at start of the year	(683,132)
Balance outstanding at end of the year	-
Maximum balance outstanding during the year	<u>(933,132)</u>
<b>BE Insurance Limited</b>	
Balance outstanding at start of the year	(2,289,315)
Balance outstanding at end of the year	-
Maximum balance outstanding during the year	<u>(2,500,000)</u>

The Company is party to an originating and servicing agreement with a related party, Evolution Money Limited under which that company provides administrative and marketing services. The value of services provided during the year was £4,678,570 and the amount outstanding in creditors at 31 December 2013 was £1,464,746.