Company Registration No. 06113307

EVOLUTION LENDING LIMITED
Annual Report and Financial Statements
For the period ended 31 March 2022

EVOLUTION LENDING LIMITED

REPORT AND FINANCIAL STATEMENTS

CONTENTS | Page

EVOLUTION LENDING LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Montgomery
S Brilus
K Pender
B Guvenc

REGISTERED OFFICE

9 Portland Street
Manchester
M1 3BE

BANKERS

NatWest PLC
250 Bishopsgate
London
EC2M 4AA

AUDITOR

Deloitte LLP
Statutory Auditor
The Hanover Building,
Corporation Street,
Manchester,
M4 4AH

EVOLUTION LENDING LIMITED

STRATEGIC REPORT

BUSINESS REVIEW

The audited financial statements for the period ended 31 March 2022 are set out on pages 11 to 22.

The principal activity of the Company is the provision of secured personal loans to customers who are resident in the UK and do not have access to high street credit. There is a continuing opportunity to offer appropriate lending solutions to customers requiring loans but who are unable to access credit either due to problematic historical credit records or insufficient equity. The Company is well placed to serve these segments of the market thanks to its access to capital,ongoing development of broker relationships and other marketing channels, and investment in operational resources.

The Company generated turnover of £20.8m (Mar 2021: £19.9m) and reported an operating profit of £8.4m (Mar 2021: £7.5m operating profit).

The Company's strategy is to grow the value of loan receivables whilst ensuring sustainable operating profits. This will be achieved by continuing to focus on offering a competitive range of products which meet the needs of each customer based on a detailed understanding of their financial circumstances. A key element of this strategy is to continue maintaining a market-leading customer service experience based upon encouraging clear communication, and which seeks to ensure that customers who are considered vulnerable are offered appropriate forbearance.

The Government subsequently introduced a number of financial support schemes to help individuals that had been directly or indirectly impacted by COVID-19. The activities of the Group are regulated by the Financial Conduct Authority ("FCA") which introduced guidance requiring firms to offer payment deferrals of up to 6 months to those individual customers requiring financial forbearance as a result of COVID-19. The payment deferred period ended on 31 July 2021.

Following the end of the payment deferral period, the growth in loan receivables resumed and the reported results were above initial expectations.

The Group has always been committed to the adherence of best practice and throughout the period the Group continued to review its operating procedures and structures to ensure that it meets the high standards required by the FCA.

KEY PERFORMANCE INDICATORS

The Company measures performance against several key financial and non-financial indicators, including new loan originations, profitability, and loan book size. There was a 28% growth in the loan book and 13% growth in profitability (from £3.0m in 2021 to £3.4m) The business scaled back new lending activity during 2020, however in 2021 lending returned to pre-pandemic levels and began to grow. Originations are back to pre-pandemic levels and begin to grow. Originations were up 222% on prior year (up 7% compared to pre pandemic 2019 levels).

SOCIAL RESPONSIBILITY

The Company has a social purpose to provide financial inclusion to homeowners in the UK who are underserved by mainstream lenders, and build better financial futures for customers by helping develop their credit profile.

The Company has considered its activities and their impact in all respects. The Company is committed to ensuring that it delivers value to its customers in a way that is both socially and environmentally acceptable and sustainable.

For customers in difficulty, financial pressure was eased as the business offered all customers in need of a payment deferral an interest free term extension of up to 6 months with no default interest or late payment fees.

For the community, the business continued to invest in a local charity which supports the Manchester community and its people.

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS & UNCERTAINTIES

The Company's financial instruments, other than short term debtors and creditors, comprise cash balances, secured loan facilities, and loan notes from the Parent undertaking, Evolution Money Group Limited. The Company does not trade in financial instruments, nor does it enter into any derivative transactions.

The main risks to the Company and the policies adopted by the Directors to minimise their effects on the Company, are as follows:

Interest rate, cash flow and liquidity risk

Liquidity risk is managed by the Company's treasury function through the drawdown of cash available under the Group's secured loan facility. The drawdown of cash is managed to achieve a balance between access to working capital and minimising borrowings to control interest costs. The Directors continuously monitor the available loan facility and the working capital requirements of the Group.

Interest rate risk exists on the Company's debt facilities, specifically as the interest rate charged is a fixed percentage over the Sterling Overnight Index Average (SONIA). This risk is considered low as all Evolution loans are variable rate products and the reference rate is the prevailing cost of funds.

Credit Risk

The Company has strong and effective control over credit risk whilst growing the customer base. It has robust underwriting processes which minimise the risk of delinquency and sound collection processes to manage arrears, including forbearance where a customer demonstrates that they are unable to maintain full contractual repayments.

Regulatory and taxation risk

The Directors continuously monitor the external environment and adapt business practice to ensure that such risks are effectively managed, and that business practice remains fully compliant with all relevant laws and regulations.

Brexit risk

The UK's EU referendum on 23 June 2016 resulted in a decision to leave the EU (Brexit) and the UK withdrew on 31 January 2020. Brexit has led to instability in the UK economy and capital markets, however, there has not been any significant impact on the Group to date. Potential consequences for the Group would most likely be in the event of a macroeconomic downturn, including the possibility of higher unemployment and increased living costs.

The Group has taken precautionary measures by tightening lending criteria; however, the non-standard financing sector has a higher degree of losses under normal conditions and therefore the impact of an economic decline will be comparatively lower. In July 2022, the Group completed a refinancing of its existing facilities into a 2-year warehouse facility (private securitisation) increasing the overall capital to a maximum of c.£290m.

EVOLUTION LENDING LIMITED

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS & UNCERTAINTIES (CONTINUED)

Cost-of-Living Crisis Risk

Rising oil prices, gas prices and the ongoing war in Ukraine present additional risks to the business given the impact of the resulting inflation on household budgets. There is a risk these pressures will result in customer delinquency and hence increase the credit risk on the associated receivables.

However, the receivable amounts presented on the balance sheet are net of any allowance for increased levels of doubtful debts specifically attributable to those customers directly or indirectly impacted by the Cost-of-Living Crisis. The Group maintains a robust inhouse collections process to ensure that fair customer outcomes are achieved, and appropriate levels of forbearance are offered. Due to the strength of the relationship between the Group and its customers, collection rates have remained strong throughout the period and are expected to remain so.

In addition, the business recently commissioned an external assurance report with a high-profile credit risk agency to apply extreme levels of inflation and interest rate increases to the portfolio. Although the results demonstrated a small uptick in the number of customers that would fall into a negative disposable income position, most customers in the portfolio would still maintain a positive disposable income position which is consistent with the Groups risk appetite and testament to the strength of the underwrite.

The economic uncertainty has resulted in an increase in the levels of demand as high street lenders begin to tighten underwriting criteria. The Group has strong access to capital and a unique underwriting process and is therefore well positioned to continue offering solutions to those customers who cannot access high street credit. In July 2022, the Group completed a refinancing of its existing facilities into a 2-year warehouse facility (private securitisation) increasing the overall capital to a maximum of c.£290m.

Approved by the Board of Directors and signed on behalf of the Board on 23 August 2022.

B Guvenc
Director
9 Portland Street
Manchester
M1 3BE

EVOLUTION LENDING LIMITED

DIRECTORS REPORT

DIRECTORS

The Directors who served during the year, and to the date of this report are set out below:

M Montgomery
S Brilus
K Pender
B Guvenc

The Directors present their annual report on the affairs of the Company, together with the audited financial statements and the auditor's report, for the period ended 31 March 2022.

Information about the use of financial instruments by the Company is given in note 10

DIRECTORS' INDEMNITIES

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

GOING CONCERN

Having considered the impact of the factors outlined below, including cash flow and liquidity requirements of the company, and the company's forecasts which reflect the economic uncertainty arising from the Cost-of-Living crisis and Brexit, the Directors expect that the Company will continue to trade for a period of at least twelve months from the date of approval of the financial statements and the Company will be able to meet its liabilities as they fall due. Accordingly, the financial statements have been prepared on a going concern basis of accounting.

The following points demonstrate how the company will continue as a going concern during this period of increased economic uncertainty:

- c.£490k of cash balances as at 30 June 2022
- Significant levels of headroom across both Senior and Mezzanine facilities
- In July 2022, the Group completed a refinancing of its existing facilities into a 2-year warehouse facility (private securitisation) increasing the overall capital to a maximum of c.£290m.
- The business is already observing year-on-year growth
- Stress built into budgets showing a profitable business with no cash required from shareholders and adequate debt facility headroom.

FUTURE DEVELOPMENTS

The directors have adjusted new business forecasts to reflect a conservative estimate of the increased opportunity seen from the tightening of high street lending criteria. The company observes a good level of opportunity in a benign economic environment, however, so the directors now anticipate a significant increase in lending opportunities due to the current economic instability, linked with the company's unique underwriting methodology.

The Group has strong levels of liquidity, supportive funding partners, a scalable platform and diversified routes to market, and is therefore very well positioned in the marketplace to capitalise on any new business opportunities.

Investment in new technologies which will improve process efficiency for both consumers and the Group will be sought by the business.

EVOLUTION LENDING LIMITED

DIRECTORS REPORT (CONTINUED)

DIVIDENDS

The Company did not pay a dividend during the financial period (prior period: nil), and no dividends are currently proposed.

ENVIROMENTAL, SOCIAL AND GOVERNANCE

Evolution has developed an ESG strategy and has made some positive progress in this area. Specifically, Evolution has undertaken a carbon footprint audit and developed an Environmental Management System, resulting in the achievement of being Green Small Business Certified. In terms of Diversity, Equity and Inclusion, Evolution has undertaken a survey of all employees and have committed to undertaking Diversity, Equity, and Inclusion awareness sessions with employees.

In future, Evolution will produce an Impact Report which will contain a balanced and comprehensive analysis of the impact the business has had in making a material positive impact on society and the environment, proportionate to the size and complexity of the business.

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.

APPROVAL OF REDUCED DISCLOSURES

The Company, as a qualifying entity, has taken advantage of certain disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Further details of reduced disclosures can be found in note 1.

Approved by the Board of Directors and signed on behalf of the Board on 23 August 2022.

B Guvenc
Director
9 Portland Street
Manchester
M1 3BE

EVOLUTION LENDING LIMITED

DIRECTOR'S 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 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 FRS 102 "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 then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have 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.

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Evolution Lending Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 12.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVOLUTION LENDING LIMITED (CONTINUED)

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
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 considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- We presume a risk of material misstatement due to fraud related to revenue recognition: We tested the accuracy and completeness of the underlying loan data used in the EIR model, we ensured the revenue recognised in the FRS 102 accounts is as calculated in the EIR models, we determined an appropriate method of selecting items and the extent of the tests of details; and
- We presume a risk of material misstatement due to fraud of a regulated deposit taker, credit union or lending business related to loan loss provisioning: We evaluated and concluded on the adequacy of the provision for loan losses for all loans not identified as doubtful debt, we determined an appropriate method of selecting items and the extent of the tests of details on the provision for loans, we selected items for testing and examined the audit evidence.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in

making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.
In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing correspondence with the FCA.

Report on other legal and regulatory requirements

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

David Heaton

David Heaton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, UK
23 August 2022.

EVOLUTION LENDING LIMITED

PROFIT AND LOSS ACCOUNT
Period ended 31 March 2022

	Note	12 Month Period to 31 Mar 22 £	12 Month Period to 31 Mar 21 £
TURNOVER	1	20,797,971	19,902,313
Administrative expenses		(12,488,267)	(12,381,255)
OPERATING PROFIT		8,309,704	7,521,058
Interest payable and similar charges	4	(4,925,236)	(4,564,795)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	3,384,468	2,956,263
Tax due on profit on ordinary activities	6	(643,049)	(561,690)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,741,419	2,394,573

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.

There is no other comprehensive income for the current or preceding financial year, as such no statement of other comprehensive income has been presented.

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

EVOLUTION LENDING LIMITED

BALANCE SHEET
Period ended 31 March 2022

	Note	31-Mar-22 £	31-Mar-21 £
CURRENT ASSETS			
Debtors due within one year	7	8,791,418	6,991,103
Cash at bank and in hand		489,649	2,501,985
		9,281,067	9,493,088
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(4,672,801)	(2,739,998)
NET CURRENT ASSETS		4,608,266	6,753,090
Debtors due after one year	7	117,911,225	91,381,240
TOTAL ASSETS LESS CURRENT LIABILITIES		122,519,491	98,134,330
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	9	(105,433,568)	(80,269,146)
NET ASSETS EXCLUDING SHAREHOLDER LOAN NOTES		17,085,923	17,865,184
FINANCED BY:			
Creditors: Amounts falling due after more than one year	9	5,000,000	8,520,680
Called up share capital	11	10	10
Profit and loss account		12,085,913	9,344,494
CAPITAL EMPLOYED		17,085,923	17,865,184

Company registration number: 06113307

These financial statements were approved by the Board of Directors on 23 August 2022.

Signed on behalf of the Board of Directors

Ben Guvenc
Director

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

EVOLUTION LENDING LIMITED

STATEMENT OF CHANGES IN EQUITY
Period ended 31 March 2022

	Share Capital & Premium	Profit and Loss	Total
	£	£	£
Balance at 01 April 2020	10	6,949,921	6,949,931
Changes in equity			
Profit for the financial period	-	2,394,573	2,394,573
Balance at 31 March 2021	10	9,344,494	9,344,504
Changes in equity			
Profit for the financial period	-	2,741,419	2,741,419
Balance at 31 March 2022	10	12,085,913	12,085,923

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 March 2022

1. ACCOUNTING POLICIES

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

General information and basis of accounting

Evolution Lending Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2.

The financial statements are prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions and related party exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Evolution Money Group Limited. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

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 at 31 March 2022 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:-

- c.£490k of cash balances as at 30 June 2022
- Significant levels of headroom across both Senior and Mezzanine facilities
- In July 2022, the Group completed a refinancing of its existing facilities into a 2-year warehouse facility (private securitisation) increasing the overall capital to a maximum of c.£290m.
- The business is already observing year-on-year growth
- Stress built into budgets showing a profitable business with no cash required from shareholders and adequate debt facility headroom.

Having considered the impact of the points detailed above, including cash flow and liquidity requirements of the Company, and the company's forecasts which reflect the economic uncertainty arising from the Increased cost of living and Brexit, the directors expect that the business will continue for a period of at least twelve months from the date of approval of the financial statements and the company will be able to meet its liabilities as they fall due. Accordingly, the financial statements have been prepared on a going concern basis of accounting.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business net of any applicable VAT. Turnover on customer receivables consists of interest and net customer fees. Net customer fees are the sum of upfront fees charged to each customer less any introduction commission or fees paid by the business. Interest and net fee income is incorporated into the total value of the loan and is spread over the expected life of the loan in line with the Effective Interest Rate ("EIR").

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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

The net loans and receivables are measured at amortised cost using the effective interest rate method. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, and minus any reduction (directly or through the use of an allowance account) for impairment or un-collectability. The amount of impairment loss is calculated on a portfolio basis by reference to arrears stages.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Trade debtors and trade creditors are measured at undiscounted cost in accordance with FRS102 section 11.14, as these are due within one year.

Debt instruments are subsequently measured at amortised cost using the effective interest method.

Impairment of receivables

The Group regularly assesses whether there is evidence that financial assets are impaired. Financial assets are impaired and impairment losses recognised if, and only if, there is objective evidence of impairment of one or more loss events that have occurred after the initial recognition of assets and prior to the reporting date and that have had an impact on the estimated future cash flows of the financial assets that can be reliably estimated. For loans and receivables, the amount of the loss is recognised as the difference between the loan's carrying amount and the present value of estimated cash flows, discounted at the original effective interest rate. Impairment losses and any subsequent reversals are recognised in the income statement.

The business provides for customers in the 1-29dpd bucket based on the propensity for these accounts to flow through to charge-off in a 12month period. Due to the relatively low volume of customers that continue through to default from this position, the business considers the1-29dpd bucket to be "technical" arrears and therefore attributes this to IBNR. Variances in roll rates after the balance sheet date will impact the level of impairment charges recognised.

Borrowing

Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are stated subsequently at amortised cost.

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 Directors 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Period ended 31 March 2022

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, 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.

The following are the key sources of estimating uncertainty that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

No critical accounting judgements have been made in the process of applying the Company's accounting policies that would have a significant effect on the amounts recognised in the financial statements.

Key source of estimation uncertainty – *impairment of loan receivables*

Determining whether loan receivables are impaired requires an estimation of the amount the Company expects to recover in future. The calculation requires the entity to estimate the future cash flows expected to arise from the loan book. The amount of impairment loss is calculated on a portfolio basis by reference to arrears stages and the roll rates on propensity to charge-off. The anticipated recoverability of each impaired loan is derived from historic performance and discounted to present value using the effective interest rate over an estimated collection period.

The provision for the period ending 31 March 2022 was £3.7m (£4.6m 2021), which includes a specific provision for the increased cost of living of £690K which has been estimated to reflect any anticipated uplift in losses. Note that the 2021 balance included a Covid-19 uplift, which is not present in the current year balance.

3. STAFF COSTS

The Company did not employ any staff directly in the current or prior year, 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. There were no Directors' emoluments for the year as the Directors were remunerated through Evolution Money Limited.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	12 Month Period to 31-Mar-22	12 Month Period to 31-Mar-21
	£	£
Bank interest	4,732,374	4,376,044
Interest on loan note from parent company	192,862	188,757
	4,925,236	4,753,552

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

There were no audit fees/non audit fees for the year as these were borne and not recharged through Evolution Money Limited.

There are no operating lease commitments as these are paid through Evolution Money Limited.

6. TAXATION

The Finance Act 2013 which was substantively enacted in July 2013, included provisions to amend the rate of Corporation Tax rate to 19% for the years starting the 1 April 2017. The corporation tax rate remained at 19% for 2022. Deferred taxation is measured at the tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Analysis of the tax charge

The tax due on the profit on ordinary activities for the year was as follows:

	12 Month Period to 31-Mar-22	12 Month Period to 31-Mar-21
	£	£
Uk Corporation Tax due	643,049	561,690
Total current tax due	643,049	561,690

Variance on tax is explained below:

	12 Month Period to 31-Mar-22	12 Month Period to 31-Mar-21
	£	£
Profit on ordinary activities before tax	3,384,468	2,956,262
Profit on ordinary activities multiplied by the applicable rate of corporation tax in the UK of 19% (to 31 Mar 2021: 19%)	643,049	561,690
Total tax charge for the period	643,049	561,690

On 3 March 2021, the Chancellor announced plans to increase the corporation tax rate from 19% to 25% with effect from 1 April 2023. The main corporation tax rate has not yet been substantively enacted. The effect of the rate change on the recognised balance is not expected to be material.

7. DEBTORS

	31 Mar 2022 Group	31 Mar 2021 Group
	£	£
Gross amounts receivable from secured loan customers	130,467,769	102,271,700
Allowance for doubtful debts	(3,765,126)	(4,633,675)
Net amount receivable from secured loan customers	126,702,643	97,638,025
Amounts owed from group	-	734,318
	126,702,643	98,372,343

Included within amounts due from customers is an amount of £117,911,225 (2021: 91,381,240) which is due after more than one year.

Amounts receivable from unsecured loan customers are classified as loans and receivables and are therefore measured at amortised cost.

Movement in the allowance for doubtful debts:

	31 Mar 2022 Group	31 Mar 2021 Group
	£	£
Balance at the beginning of the period	4,633,675	3,016,368
Utilisation of prior year allowance	(2,297,702)	(604,666)
Net Impairment recognised in the year	1,429,153	2,221,973
Balance at the end of the period	3,765,126	4,633,675

In determining the recoverability of a loan receivable, the Company considers any change in the credit quality of the loan receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

The impairment charge for the year is included within administrative expenses.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 Mar 2022 Group	31 Mar 2021 Group
	£	£
Corporation tax	372,688	419,117
Amounts owed to group	3,948,829	1,993,157
Accruals and deferred income	351,284	327,723
	4,672,801	2,739,997

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Period ended 31 March 2022

9. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	31 Mar 2022 Group	31 Mar 2021 Group
	£	£
Revolving bank loans	105,433,568	80,269,146
Loan notes	5,000,000	8,520,680
	110,433,568	88,789,826

Under the terms of the revolving bank loans and intercreditor agreement, the loans from the parent undertaking, Evolution Money Group Limited cannot be repaid until the bank facility has been repaid in full. 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.

The revolving bank loans and loan notes are repayable as follows:

	31 Mar 2022 Group	31 Mar 2021 Group
	£	£
Between two and five years	105,433,568	80,269,146
Loan notes from parent undertaking	5,000,000	8,520,680

The revolving bank loans incur interest at market rates and are secured by a fixed and floating charge over the assets of the Company.

10. FINANCIAL INSTRUMENTS

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the shareholder through the optimisation of the debt and equity balance.

The Company's overall strategy remains unchanged from 31 March 2021.

As part of the bank funding arrangement the Company is required to maintain a minimum tangible net worth and interest cover ratio.

Categories of financial instruments

	31 Mar 2022	31 Mar 2021
	£	£
Financial assets		
Cash and bank balances	489,649	2,501,985
Net Loans and receivables	126,702,642	97,638,025
Financial Liabilities		
Bank Loan	105,433,568	80,269,146
Loan Notes	177,838	5,330,680

10. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives

The Directors monitor and manage the financial risks relating to the operations of the Company. These risks include market risk, credit risk, liquidity risk and cash flow interest rate risk.

Market risk

The Company's activities expose it primarily to the financial risks of changes in interest rates on its debt instruments that are linked to the Bank of England base rate. In order to reduce its exposure to this risk the Company continues to assess rates offered on loans made to customers taking into account anticipated changes in wholesale interest rates and the consumer credit environment. There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

The Company does not undertake transactions denominated in foreign currencies and is not exposed to any foreign currency risk.

Credit risk management

Credit risk refers to the risk that a customer will default on its contractual obligations resulting in financial loss to the Company. The Company has robust underwriting processes which minimise the risk of delinquency and sound collection processes to manage arrears, including forbearance where a customer demonstrates that they are unable to maintain full contractual payments.

Loan receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of loans receivable.

The Company does not have any significant credit risk exposure to any single customer or any group of customers having similar characteristics. The Company defines customers as having similar characteristics if they are related entities.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk as no other credit enhancements are held.

Gross Loan Book Group	**31-Mar-22**	**31-Mar-21**
	£	**£**
Up to date	118,759,256	92,733,753
	118,759,256	**92,733,753**
Up to one month past due and impaired	4,669,794	2,821,925
Greater than one month past due and impaired	5,296,519	5,282,433
	128,725,568	**100,838,110**

10. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Directors, who have established an appropriate liquidity risk management framework for the management of the Company's short, medium, and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities, and borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	1-3 years	3+ years	Total
	£	£	£
31 March 2021			
Bank loan	(80,269,146)	-	(80,269,146)
Loan Receivables	25,785,512	71,852,514	97,638,026
Loan notes from parent undertaking	(8,520,680)		(8,520,680)
	(63,004,314)	71,852,514	8,848,200
31 March 2022			
Bank loan	(105,433,568)	-	(105,433,568)
Loan Receivables	47,547,504	81,178,064	128,725,568
Loan notes from parent undertaking	(5,000,000)		(5,000,000)
	(62,886,064)	81,178,064	18,292,000

11. CALLED UP SHARE CAPITAL

	31 Mar 2022	31 Mar 2021
	£	£
Allotted and called up:		
10 ordinary shares of £1 each	10	10

12. ULTIMATE CONTROLLING PARTY

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