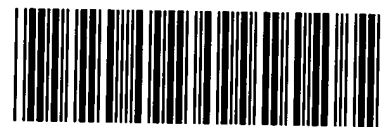


**DARWIN LOAN SOLUTIONS LIMITED**

**Report and Consolidated Financial  
Statements**

**For the year ended 31 December 2015**



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**DARWIN LOAN SOLUTIONS**  
**REPORT AND FINANCIAL STATEMENTS**  
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# **DARWIN LOAN SOLUTIONS 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  
280 Bishopgate  
London  
EC2M 4RB

Shawbrook Bank Limited  
8 Nelson Mandela Place  
Glasgow  
G2 IBY

### **AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Manchester  
United Kingdom

# **DARWIN LOAN SOLUTIONS LIMITED**

## **DIRECTORS' REPORT**

The Directors present their report and the audited financial statements for the year ended 31 December 2015.

### **DIRECTORS**

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

M Beaver  
S Brilus  
R Russel-Fisher

### **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.

### **DIVIDENDS**

The Company did not pay a dividend during the financial year (2014: £nil)

### **GOING CONCERN**

The details of the Group's borrowing facilities are detailed in note 11 to the financial statements. The Group has a policy of continually reviewing its current and future borrowing requirements. 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.

### **AUDITOR**


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

Each of the Directors at the date of approval of this report confirms that:

- 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 S418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board on 8<sup>th</sup> July 2016.



R Russel-Fisher  
Director  
8 St John Street  
Manchester  
M3 4DU

# **DARWIN LOAN SOLUTIONS LIMITED**

## **STRATEGIC REPORT**

### **BUSINESS REVIEW**

The audited financial statements for the year ended 31 December 2015 are set out on pages 7 to 23.

The principal activity of the Group is the provision of secured and unsecured personal loans to customers who do not have access to high street credit. Consumer confidence has gathered strength during the year, reporting the highest level of growth in consumer finance since 2006, and therefore there is a growing 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 Group is well placed thanks to its access to capital, development of broker relationships and investment in operational resources to serve these segments of the market.

The Group generated turnover of £10.99m (2014: £8.98m) and earned operating profit of £4.27m (2014: £3.66m profit)

The Group'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 the 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 Group has always been committed to the adherence to best practice and during 2015 the Group continued to review its operating procedures and structures to ensure that it meets the high standards required by the Financial Conduct Authority ("FCA").

### **KEY PERFORMANCE INDICATORS**

The business measures performance against a number of key indicators. These include increasing new business lending volumes which grew by 32% year on year, improving operating profit levels which increased by 16.8% and ensuring appropriate levels of cost as a proportion of income which in the current year rose from 59.3% to 61.1%. The latter increase reflects the investment by the business in the infrastructure and resourcing of the business in order to meet continued expansion plans.

### **PRINCIPAL RISKS & UNCERTAINTIES**

The Group's financial instruments, other than short term debtors and creditors, comprise cash balances a secured loan facility and loan notes from shareholders and a related party. The Group does not trade in financial instruments nor does it enter into any derivative transactions.

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

#### **Interest rate and liquidity risk**

Interest rate and liquidity risk are managed by the Group'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 constantly monitor the available loan facility and the working capital requirements of the Group.

#### **Credit risk**

The Group has strong and effective control over credit risk while 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 payments.

#### **Regulatory and taxation risk**

In the forthcoming year the directors expect the level of regulation including tax to increase, particularly in relation to regulatory responsibility moving to the FCA.

The Directors constantly 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.

# **DARWIN LOAN SOLUTIONS LIMITED**

## **STRATEGIC REPORT (CONTINUED)**


### **SOCIAL RESPONSIBILITY**

The Group has considered its activities and their impact in all respects. The Group is committed to ensuring that it delivers value to its customers in a way that is both socially and environmentally acceptable and sustainable. The Group similarly has a socially responsible approach to employment policies with family-friendly working being introduced wherever possible. It is the Group's policy to consider all employment applications, and to provide access to training, and offer career development and promotion opportunities to employees.

### **FUTURE DEVELOPMENTS**

The Directors expect that new lending activity in both secured second charge mortgage loans and unsecured loans will continue to grow over the forthcoming year through the ongoing development of acquisition channels and the investment in business infrastructure. The business is well placed to take advantage of the forecast growth in the consumer lending market, in particular the expected increase in its target segments.

The Group will seek to invest in technologies which will improve process efficiency for both consumers and the business.

Approved by the Board of Directors and signed on behalf of the Board on  July 2016.



R Russel-Fisher  
Director  
8 St John Street  
Manchester  
M3 4DU

## **DARWIN LOAN SOLUTIONS LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including 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 DARWIN LOAN SOLUTIONS LIMITED**

We have audited the financial statements of Darwin Loan Solutions Limited for the year ended 31 December 2015 which comprise the consolidated profit and loss account, the consolidated and Company balance sheets, the consolidated cash flow statement, the reconciliation of net cash flow to movement in net debt, and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (FRS 102).

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 auditor**

As explained more fully in the Statement of Directors' Responsibilities, 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 Group's and the parent 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 Group's and the parent Company's affairs as at 31 December 2015 and of the Group's 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.

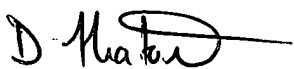
### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.



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

8 July 2016



# **DARWIN LOAN SOLUTIONS LIMITED**

## **CONSOLIDATED PROFIT AND LOSS ACCOUNT** **Year Ended 31 December 2015**

		<b>31 December 2015 £000</b>	<b>31 December 2014 £000</b>
	<b>Note</b>		
<b>TURNOVER</b>	1	10,994	8,980
Other administrative expenses		(6,722)	(5,321)
<b>OPERATING PROFIT</b>		4,272	3,659
Interest payable and similar charges	4	(2,676)	(2,132)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	1,596	1,527
Tax charge on profit on ordinary activities	6	(348)	(349)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR ATTRIBUTABLE TO EQUITY HOLDER</b>		1,248	1,177

All results are derived from continuing activities.

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

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

# DARWIN LOAN SOLUTIONS LIMITED

## CONSOLIDATED BALANCE SHEET As at 31 December 2015

	Note	2015 £000	2014 £000
<b>FIXED ASSETS</b>			
Tangible assets	7	404	160
<b>CURRENT ASSETS</b>			
Debtors			
- due within one year	9	6,533	4,526
- due after one year	9	38,801	28,044
Cash at bank and in hand		2,513	2,029
		47,847	34,599
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	10	(2,272)	(1,310)
<b>NET CURRENT ASSETS</b>		45,575	33,289
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		45,979	33,449
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	11	(27,357)	(19,756)
<b>PROVISION FOR LIABILITIES &amp; CHARGES</b>	12	(73)	(23)
<b>NET ASSETS</b>		18,549	13,670
<b>CAPITAL AND RESERVES</b>			
Creditors: Amounts falling due after more than one year	11	16,628	12,883
Called up share capital	16	-	-
Profit and loss account		1,921	787
<b>SHAREHOLDERS' FUNDS</b>		18,549	13,670

Company registration number: 08423025

These financial statements were approved by the Board of Directors on 8 July 2016.

Signed on behalf of the Board of Directors



R Russel-Fisher

Director

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

# DARWIN LOAN SOLUTIONS LIMITED

## COMPANY BALANCE SHEET

As at 31 December 2015

	Note	2015 £000	2014 £000
<b>FIXED ASSETS</b>			
Investments	8	-	-
<b>CURRENT ASSETS</b>			
Debtors			
- due after one year	9	16,758	12,963
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	10	(130)	(80)
<b>NET CURRENT ASSETS</b>		16,628	12,883
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		16,628	12,883
<b>NET ASSETS</b>		16,628	12,882
<b>CAPITAL AND RESERVES</b>			
Creditors: Amounts falling due after one year	11	16,628	12,883
Called up share capital	16	-	-
<b>SHAREHOLDERS' FUNDS</b>		16,628	12,883

Company registration number: 08423025

These financial statements were approved by the Board of Directors on 8<sup>th</sup> July 2016.

Signed on behalf of the Board of Directors



R Russell-Fisher

Director

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

# DARWIN LOAN SOLUTIONS LIMITED

## STATEMENT OF CHANGES IN EQUITY Year Ended 31 December 2015

### GROUP

	Share Capital £000	Profit and Loss £000	Total £000
Balance at 31st December 2013	-	1,324	1,324
Changes on transition to FRS 102		(1,714)	(1,714)
Balance at 1st January 2014 (restated)	-	(390)	(390)
Changes in equity			
Profit for the financial year	-	1,177	1,177
Balance at 31st December 2014	-	787	787
Changes in equity			
Profit for the financial year	-	1,248	1,248
Movement in relation to the merger of the Darwin Loan Solutions Limited and Progressive Money Limited (see note 18)	-	(114)	(114)
Balance at 31st December 2015	-	1,921	1,921

### COMPANY

	Share Capital £000	Profit and Loss £000	Total £000
Balance at 31st December 2013	-	-	-
Changes on transition to FRS 102		-	-
Balance at 1st January 2014 (restated)	-	-	-
Changes in equity			
Profit for the financial year	-	-	-
Balance at 31st December 2014	-	-	-
Changes in equity			
Profit for the financial year	-	-	-
Loss acquired with subsidiary	-	-	-
Balance at 31st December 2015	-	-	-

# DARWIN LOAN SOLUTIONS LIMITED

## CONSOLIDATED CASH FLOW STATEMENT

Year Ended 31 December 2015

	Note	Year ended 2015 £000	Year ended 2014 £000
Net cash outflow from operating activities	15	(6,278)	(7,187)
Returns on investments and servicing of finance	16	(2,307)	(1,804)
Taxation		(36)	(426)
Capital expenditure and financial investments	16	(428)	(111)
Net cash outflow before financing		(9,049)	(9,528)
Financing	16	9,208	10,428
Increase in cash in the period	17	159	900

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Year Ended 31 December 2015

	Note	Year ended 2014 £000	Year ended 2014 £000
Increase in cash in the period	16	159	900
Cash inflow from increase in debt financing	16	(9,208)	(10,428)
Change in net debt resulting from cash flows		(9,049)	(9,528)
Cash acquired with subsidiaries	18	325	-
Loan notes acquired with subsidiaries	18	(1,770)	-
Bond interest capitalised	16	(368)	(329)
Movement in net debt in the period		(10,862)	(9,857)
Net debt brought forward		(30,610)	(20,753)
Net debt carried forward	16	(41,472)	(30,610)

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

# DARWIN LOAN SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2015

### 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**

The Group is incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 3 to 4.

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 prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 22.

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

#### **Going concern**

As outlined in the Directors' Report, these financial statements have been prepared on a going concern basis, with the details of the group's borrowing facilities outlined in note 11 to the financial statements. The Group has a policy of continually reviewing its current and future borrowing requirements. 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.

#### **Basis of consolidation**

The consolidated accounts reflect the state of affairs of Darwin Loan Solutions Limited and its subsidiaries as at 31 December 2015.

No profit and loss account is presented for the Company, as permitted by section 408 of the Companies Act 2006. The retained result for the year in the accounts of the parent company was £nil (2014: £nil).

#### **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 VAT. Turnover on customer receivables consists of interest received and upfront arrangement fees. Interest and arrangement fee income is incorporated into the total value of the loan and is spread over the life of the loan in line with the Effective Interest rate ("EIR").

#### **Financial Instruments**

Financial assets and financial liabilities are recognised when the Group 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 Group after deducting all of its liabilities.

The amounts due from customers 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, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, 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 and points paid or received 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.

# DARWIN LOAN SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2015

### **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 EIR basis in the profit and loss account over the term of such instruments at a constant rate on the carrying value.

### **Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter:

Fixtures and fittings	5 years straight line
Computer equipment & software	3 years straight line

### **Investments**

Investments in subsidiaries are stated at historical cost. The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the assets against the higher of realisable value and value in use.

### **Operating lease commitments**

Rentals paid under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

### **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 consider 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 at the balance sheet date.

## **2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group'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 Group's accounting policies and that have the most 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 Group 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. 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.

## DARWIN LOAN SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

Year Ended 31 December 2015

#### 3. STAFF COSTS

The Company did not incur any staff costs or Directors' emoluments during the year. The staff costs incurred by the Group during the period were as follows:

	2015 £000	2014 £000
Wages and salaries	3,680	2,917
Social security costs	299	216
	<u>3,979</u>	<u>3,133</u>

The average monthly number of persons employed by the Group including Directors during the year were:

	2015 Number	2014 Number
Administrative staff	<u>102</u>	<u>80</u>

Directors' emoluments incurred by the Group during the year were as follows:

	2015 £000	2014 £000
Directors' emoluments	<u>443</u>	<u>346</u>

The emoluments of the highest paid director were as follows:

	2015 £000	2014 £000
Directors' emoluments	<u>253</u>	<u>238</u>

#### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £000	2014 £000
Bank interest	2,258	1,755
Interest on discounted bond	50	48
Interest capitalised on discounted bond	368	329
	<u>2,676</u>	<u>2,132</u>



# DARWIN LOAN SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2015

### 5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2015 £000	2014 £000
Operating lease rentals:		
Land and buildings	211	93
Other	6	4
Depreciation – owned assets	188	96
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	40	31

There were no Audit fees for the Company in respect of the year as these were borne through another Group Company. There were no fees paid in the current year to the auditors in respect of other services.

### 6. TAXATION

#### Analysis of the tax charge

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

	2015 £000	2014 £000
<b>UK Corporation tax</b>		
Current year tax charge on the profit for the year	299	348
Adjustments in respect of previous periods	(1)	(26)
Total current tax	298	322
Deferred taxation (note 12)	50	27
Tax charge on profit on ordinary activities	348	349

#### 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:

	2015 £000	2014 £000
Profit on ordinary activities before tax	1,596	1,527

# DARWIN LOAN SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year Ended 31 December 2015

### 6. TAXATION (CONTINUED)

Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%)	323	328
Effects of:		
Expenses not deductible for tax purposes and current year losses not recognised	26	25
Adjustment in respect of previous years	(1)	(26)
Capital allowances less than depreciation	(50)	(4)
Impact of change in rate	-	(1)
	<u>298</u>	<u>322</u>
Total tax charge for the period	298	322

The Finance Act 2013 which was substantively enacted in July 2013, included provisions to reduce the rate of UK corporation tax to 20% with effect from 1 April 2015. 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.

### 7. TANGIBLE FIXED ASSETS GROUP

	Fixtures and fittings £000	Computer equipment & software £000	Totals £000
<b>Cost</b>			
At 1 January 2015	58	277	335
Additions	330	103	433
	<u>388</u>	<u>380</u>	<u>768</u>
At 31 December 2015	388	380	768
<b>Depreciation</b>			
At 1 January 2015	19	157	176
Charge for the year	98	91	188
	<u>116</u>	<u>248</u>	<u>364</u>
At 31 December 2015	116	248	364
<b>Net book value</b>			
At 31 December 2015	<u>272</u>	<u>132</u>	<u>404</u>
At 31 December 2014	<u>40</u>	<u>120</u>	<u>160</u>

### 8. INVESTMENTS COMPANY

	Shares in subsidiary undertakings £000
<b>Cost</b>	
At 31 December 2015	<u>-</u>

# DARWIN LOAN SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2015

### 8. INVESTMENTS (CONTINUED)

Darwin Loan Solutions Limited is the Ultimate Holding Company of the following entities:

Name of company	Class of shares and proportion held.	Nature of business
Evolution Lending Limited	100% Ordinary	Provision of secured loans to consumers
Progressive Money Limited	100% Ordinary	Provision of unsecured loans to consumers
Evolution Money Limited	100% Ordinary	Provision of marketing and administrative services to Evolution Banking Limited.

### 9. DEBTORS

	2015 Group £000	2015 Company £000	2014 Group £000	2014 Company £000
Gross amounts receivable from secured loan customers	46,305	-	33,711	-
Allowance for doubtful debts	(1,179)	-	(1,306)	-
Net amount receivable from secured loan customers	45,126	-	32,405	-
Prepayments & accrued income	208	-	6	-
Loan notes to subsidiary undertaking	-	16,758	-	12,963
Tax receivable	-	-	159	-
	<u>45,334</u>	<u>16,758</u>	<u>32,570</u>	<u>12,963</u>

Included within amounts due from customers is an amount of £38,801,243 (2014: £28,044,220) which is due after more than one year.

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

Ageing of past due but not impaired receivables:

Movement in the allowance for doubtful debts

	2015 Group £000	2015 Company £000	2014 Group £000	2014 Company £000
Balance at the beginning of the period	1,306	-	514	-
Net Impairment recognised in the year	(199)	-	730	-
Amounts recovered during the year	72	-	62	-
Balance at the end of the period	<u>1,179</u>	<u>-</u>	<u>1,306</u>	<u>-</u>

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.

# DARWIN LOAN SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year Ended 31 December 2015

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

	2015 Group £000	2015 Company £000	2014 Group £000	2014 Company £000
Corporation tax	110	-	-	-
Accruals and deferred income	2,162	130	1,310	80
	<u>2,272</u>	<u>130</u>	<u>1,310</u>	<u>80</u>

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

	2015 Group £000	2015 Company £000	2014 Group £000	2014 Company £000
Revolving bank loans	27,357	-	19,756	-
Loan notes	13,208	13,208	9,831	9,831
Deep discounted loan notes	3,420	3,420	3,052	3,052
	<u>43,985</u>	<u>16,628</u>	<u>32,639</u>	<u>12,883</u>

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

	2015 Group £000	2015 Company £000	2014 Group £000	2014 Company £000
Between two and five years	43,985	16,628	32,639	12,883
	<u>43,985</u>	<u>16,628</u>	<u>32,639</u>	<u>-</u>

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

### 12. PROVISION FOR LIABILITIES AND CHARGES

	2015 Group £000	2015 Company £000	2014 Group £000	2014 Company £000
<b>Deferred Tax Liability</b>				
Deferred tax liability:				
Capital allowances in excess of depreciation	<u>73</u>	<u>-</u>	<u>23</u>	<u>-</u>
Movement in the year				
At 1 January	23	-	(4)	-
Charge to the profit and loss account (note 5)	<u>40</u>	<u>-</u>	<u>27</u>	<u>-</u>
Balance carried forward	<u>73</u>	<u>-</u>	<u>23</u>	<u>-</u>

## DARWIN LOAN SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2015

#### 13. OPERATING LEASE COMMITMENTS

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

	Land and buildings		Other	
	2015 £000	2014 £000	2015 £000	2014 £000
Expiry date				
Within one year	201	63	9	-
Between two and five years	614	-	6	10
	<u>815</u>	<u>63</u>	<u>15</u>	<u>10</u>

#### 14. CONTINGENT LIABILITIES

The Company is party to cross guarantee agreements with its subsidiary undertakings in respect of secured loans made to a subsidiary Company. As at 31 December 2015 the balance on the secured loan was £27,357,451 (2014: £19,755,934). This loan is secured on a fixed and floating charge over the assets of the Group.

#### 15. FINANCIAL INSTRUMENTS

##### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising shareholder value through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2014.

As part of the bank funding arrangement the Group is required to maintain a minimum tangible net worth and maximum gearing ratio.

##### Categories of financial instruments

	2015 £000	2014 £000
<b>Financial assets</b>		
Cash and bank balances	2,513	2,029
Net loans and receivables	45,126	32,564
<b>Financial liabilities</b>		
Bank Loan	27,357	19,756

No reclassification of financial assets or liabilities was carried out in the current or prior year.

##### Financial risk management objectives

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

##### Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates on its debt instruments that's are linked to the Bank of England base rate. In order to manage its exposure to this risk, the Group has the option of increasing the interest rates charged on its loans made to customers. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

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

## DARWIN LOAN SOLUTIONS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2015

#### 15. FINANCIAL INSTRUMENTS (CONTINUED)

##### Credit risk management

Credit risk refers to the risk that a customer will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group does not have any significant credit risk exposure to any single customer or any group of customers having similar characteristics. The Group 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 Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

##### Financial assets and other credit exposures

	<u>Maximum credit risk</u>	
	<u>2015</u>	<u>2014</u>
	£	£
Loan receivables	46,305	33,711

The Group does not hold any collateral or other credit enhancements to cover this credit risk.

##### 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 Group's short, medium and long-term funding and liquidity management requirements. The Group 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 Group'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 Group 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 Group may be required to pay.

# DARWIN LOAN SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) Year Ended 31 December 2015

### 15. FINANCIAL INSTRUMENTS (CONTINUED)

	<u>1-3 years</u>	<u>3+ years</u>	<u>Total</u>
	£	£	£
<b>31 December 2014</b>			
Bank loan	17,469	2,287	19,756
Loan notes	-	-	-
Discounted loan notes	-	-	-
	<u>17,469</u>	<u>2,287</u>	<u>19,756</u>
<b>31 December 2015</b>			
Bank loan	23,815	3,542	27,357
Loan notes	-	-	-
Discounted loan notes	-	-	-
	<u>23,815</u>	<u>3,542</u>	<u>27,357</u>

### 16. CALLED UP SHARE CAPITAL

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
<b>Called up, allotted and fully paid:</b>		
359 Ordinary shares of 10p each	<u>-</u>	<u>-</u>

### 17. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
Operating profit for the year	4,271	4,911
Depreciation charges	188	96
Increase in debtors	(11,445)	(11,920)
Decrease/(increase) in creditors	708	(274)
<b>Net cash outflow from operating activities</b>	<u>(6,278)</u>	<u>(7,187)</u>

### 18. ANALYSIS OF CASH FLOWS

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
<b>Returns on investments and servicing of finance</b>		
Interest paid	<u>(2,307)</u>	<u>(1,804)</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	<u>(428)</u>	<u>(111)</u>
<b>Financing</b>		
Increase in loans	<u>9,208</u>	<u>10,428</u>

# DARWIN LOAN SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year Ended 31 December 2015

### 19. ANALYSIS OF NET DEBT

	31 December 2014 £000	Cash flow £000	Acquisition £000	Non-cash changes £000	31 December 2015 £000
<b>Net cash:</b>					
Cash at bank and in hand	2,029	159	325	-	2,513
<b>Debt:</b>					
Debt due after one year	(32,639)	(9,208)	(1,770)	(368)	(43,985)
<b>Net debt</b>	<u>(30,610)</u>	<u>(9,050)</u>	<u>(1,445)</u>	<u>368</u>	<u>(41,472)</u>

### 20. BUSINESS COMBINATION

On 6<sup>th</sup> November 2015, Progressive Money Limited became a wholly owned subsidiary of Darwin Loan Solutions Limited, remaining under the common control of the major shareholder of Darwin Loan Solutions Limited, Mr TJ O'Neill. In accordance with merger accounting, the full current and prior year results of Progressive Money Limited should be included within the Group accounts. As Progressive Money Limited only commenced trading during 2014 this approach has not been adopted since the values involved are deemed to be immaterial. The results of Progressive Money Limited have been included in the Group accounts from the merger date only.

### 21. ULTIMATE CONTROLLING PARTY AND RELATED PARTIES

The Company is controlled by T J O'Neill, the majority shareholder. The Company has not disclosed those balances arising from transactions with its 100% owned subsidiaries.

The following loans from related parties existed during the year:

	£000
<b>T J O'Neill</b>	
Balance outstanding at start of year	(8,848)
Balance outstanding at end of year	(11,887)
Maximum balance outstanding during year	<u>(11,887)</u>
<b>P Nicholson</b>	
Balance outstanding at start of year	(983)
Balance outstanding at end of year	(1,321)
Maximum balance outstanding during the year	<u>(1,321)</u>
<b>BE Insurance Limited</b>	
Balance outstanding at start of year	(3,052)
Balance outstanding at end of year	(3,420)
Maximum balance outstanding during the year	<u>(3,420)</u>

The terms of the above loans notes are detailed in note 11.

TJ O'Neill and P Nicholson each received a salary of £15,000 (2014: £15,000) during the year from a subsidiary of the Group.



# DARWIN LOAN SOLUTIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Year Ended 31 December 2015

### 22. EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the Company and Group have presented the financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

#### *Reconciliation of equity*

	At 1 January 2014 £000	At 31 December 2014 £000
Equity reported under previous UK GAAP	13,960	16,468
<b>Adjustments to equity on transition to FRS 102</b>		
1 Adjustment to income recognition using EIR	(2,184)	(3,346)
2 Adjustment to parent loan notes using EIR	(82)	(171)
3 Adjustment to tax	469	719
Equity reported under FRS 102	12,163	13,670

#### *Reconciliation of profit or loss for 2014*

Note	£
<b>Profit for the financial year under previous UK GAAP</b>	2,091
1 Adjustment to income recognition using EIR	(1,253)
2 Adjustment to parent loan notes using EIR	89
3 Adjustment to tax	250
<b>Profit for the financial year under FRS 102</b>	1,177

#### *Notes to the reconciliation of profit or loss and equity for 2014*

##### 1 Adjustment to income recognition using EIR

Under old UK GAAP, advances to customers were measured at amortised cost using an inherent rate of interest. Customer fees were recognised in full at the point the loan was issued, and associated broker fees were capitalised and expensed over the period of the loan.

On transition to FRS 102, customer fees are no longer capitalised, instead an effective yield is calculated using both the fees earned and direct costs associated with each customer advance. Interest is then recognised using the effective rate on both the loan advance and broker fee over the contractual life.

##### 2 Adjustment to parent loan notes using EIR

Under old UK GAAP, the interest on parent loan notes was accrued on a straight-line basis over the contractual agreement of the financial instrument.

On transition to FRS 102, this interest is now accrued using an effective interest rate based on the timing of cash flows over the contractual life of the financial instrument.

##### 3 Adjustment to tax

The impact of note 1 and 2 has resulted in the deferral of profit; this has ultimately reduced the corporation tax liability previously reported.