Company Registration No. 08423025

DARWIN LOAN SOLUTIONS LIMITED
Annual Report and Consolidated Financial Statements
For the period ended 31 March 2020

DARWIN LOAN SOLUTIONS LIMITED
REPORT AND FINANCIAL STATEMENTS

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DARWIN LOAN SOLUTIONS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Montgomery
S Brilus
R Russel-Fisher

REGISTERED OFFICE

9 Portland Street
Manchester
M1 3BE

BANKERS

NatWest PLC
250 Bishopsgate
London
EC2M 4AA

AUDITOR

Deloitte LLP
Statutory Auditor
2 Hardman Street
Manchester
M3 3HF
United Kingdom

DARWIN LOAN SOLUTIONS LIMITED

STRATEGIC REPORT

BUSINESS REVIEW

The audited financial statements for the period ended 31 March 2020 are set out on pages 10 to 25.

The change in the financial period end, from December to March means these accounts represent a 15 month period which is comparable to a 12 month period for 2018.

The principal activity of the Group is the provision of secured 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 Group 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 Group withdrew from the unsecured personal loan market in May 2019 in order to focus on the secured market.

The Group generated turnover of £32.8m (2018: £25.5m) and earned an operating profit of £11.8m (2018: £9.5m 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 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.

Due to the COVID-19 pandemic, the UK Government imposed a nationwide lockdown on the 23rd March 2020. The Group quickly adapted and homeworking was established for 100% of the workforce.

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.

Due to the close proximity of lockdown to the period ending 31 March 2020, the reported results remain broadly in line with expectations, with the exception of impairment provisioning which includes an estimation of future losses as a result of COVID-19.

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 Financial Conduct Authority ("FCA").

SUBSEQUENT EVENTS

COVID-19 is considered to be an adjusting event as the UK lockdown was imposed within the financial reporting period ending 31 March 2020. The key consideration for the business is the estimation of appropriate impairment levels under the FRS102 incurred loss model. The results have been adjusted to take account of the impact on those customers adversely affected by the economic uncertainty triggered by the COVID-19 lockdown.

From 20 March 2020 to 31 July 2020 approximately 20% of existing customers had requested a payment deferral period. As at 1 August 2020 more than 50% of these customers had returned to full contractual payments with the majority of the remainder still within their initial or extended payment deferral period. Of those customers who had completed the payment deferral period but not resumed payment, the vast majority had already been in arrears prior to COVID-19 and were therefore already displaying signs of financial distress.

Due to the close proximity of the UK lockdown and the period ending 31 March 2020, the business has delayed estimating the impairment provisioning requirement for as long as possible to gather as much data as possible on post period-end customer performance. Taking this into consideration, the business has applied a COVID-19 provisioning uplift of £796k together with a normalised provision of £4,647k.

The UK's decision to leave the European Union (Brexit) has led to instability in the UK economy and capital markets, and therefore presents a risk to the business, the impact of which will be discussed in the Directors Report.

KEY PERFORMANCE INDICATORS

The business measures performance against a number of key indicators. These include new business lending within Evolution Lending Limited which grew by 23% in value in the first 12 months of 2019 compared with the same period in the prior year.

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.

Approved by the Board of Directors and signed on behalf of the Board on 28 September 2020.

R Russel-Fisher
Director
9 Portland Street
Manchester
M1 3BE

DARWIN LOAN SOLUTIONS LIMITED

DIRECTOR'S REPORT

DIRECTORS

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

M Montgomery
S Brilus
R Russel-Fisher

The Directors present their report and the audited financial statements for the period ended 31 March 2020.

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.

PRINCIPAL RISKS & UNCERTAINTIES

The Group's financial instruments, other than short term debtors and creditors, comprise cash balances, secured loan facilities, 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 and Group, 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

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.

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 31st 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.

The Group has reached agreement with its lenders to protect future capital requirements by refinancing all facilities to increase commitment and extend maturity to July 2022.

COVID-19 Risk

The COVID-19 global pandemic and the UK government's subsequent lockdown and evolving response to the pandemic has presented additional levels of risk for the Group.

The credit risk on loan receivables has increased due to the weakening of the economy, however, the 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 COVID-19. 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 deferral period.

DARWIN LOAN SOLUTIONS LIMITED

DIRECTOR'S REPORT (CONTINUED)

COVID-19 Risk (continued)

The economic uncertainty has resulted in a short term reduction in originations, however, the Group anticipates an increase in the levels of demand in the event that 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.

The Group has committed loan facilities through to July 2022 and strong cash reserves, therefore the availability of capital does not present a risk to the Group.

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, the Directors expect that the Group 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.

- £6.4m of cash balances as at 31 July 2020
- Committed debt facilities through to July 2022
- Significant levels of headroom across both Senior and Mezzanine facilities
- Modified facilities to allow for those customers in payment holidays
- Strong collections from customers exiting payment holidays and also those customers that have not been affected by COVID-19
- Less than 10% of the book remain in a payment holiday as of 31 July 2020
- Stressed financial forecasts demonstrating that the business can absorb an increase in losses whilst continuing to originate
- The ability to maintain 100% business as usual functionality in the event another lockdown is imposed

FUTURE DEVELOPMENTS

The directors have adjusted new business forecasts to reflect a more cautious exit from the lockdown period. The company observes a good level of opportunity in a benign economic environment, however, 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.

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

DIVIDENDS

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

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 Section 418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board on 28 September 2020.

R Russel-Fisher

R Russel-Fisher
Director
9 Portland Street
Manchester
M1 3BE

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 DARWIN LOAN SOLUTIONS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 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 of Darwin Loan Solutions Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated profit and loss account;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 21

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 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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DARWIN LOAN SOLUTIONS LIMITED (CONTINUED)

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
- 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, United Kingdom
28th September 2020

DARWIN LOAN SOLUTIONS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Period ended 31 March 2020

	Note	15 Month Period to 31 Mar 20 £000	12 Month Period to 31 Dec 2018 £000
TURNOVER	1	32,791	25,502
Administrative expenses		(20,983)	(16,008)
OPERATING PROFIT		11,808	9,494
Interest payable and similar charges	4	(8,742)	(6,424)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	3,066	3,070
Tax due on profit on ordinary activities	6	(782)	(1,156)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR ATTRIBUTABLE TO EQUITY HOLDER		2,284	1,914

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.

DARWIN LOAN SOLUTIONS LIMITED

CONSOLIDATED BALANCE SHEET
Period ended 31 March 2020

	Note	15 Month Period to 31 Mar 20 £000	12 Month Period to 31 Dec 2018 £000
FIXED ASSETS			
Tangible assets	7	362	353
Intangible assets	7	1	1
		363	354
CURRENT ASSETS			
Debtors due within one year	9	18,778	9,803
Cash at bank and in hand		3,838	2,756
		22,616	12,559
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(2,960)	(3,584)
NET CURRENT ASSETS		19,656	8,975
Debtors due after one year	9	95,990	95,706
TOTAL ASSETS LESS CURRENT LIABILITIES		116,009	105,035
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	(96,196)	(84,983)
PROVISION FOR LIABILITIES & CHARGES	12	(51)	(33)
NET ASSETS EXCLUDING SHAREHOLDER LOAN NOTES		19,762	20,019
CAPITAL AND RESERVES			
Creditors: Amounts falling due after more than one year	11	12,031	14,572
Called up share capital		-	-
Share Premium	16	119	119
Profit and loss account		7,612	5,328
SHAREHOLDERS' FUNDS		19,762	20,019

Company registration number: 08423025

These financial statements were approved by the Board of Directors on 28 September 2020.

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
Period ended 31 March 2020

	Note	15 Month Period to 31 Mar 20 £000	12 Month Period to 31 Dec 2018 £000
CURRENT ASSETS			
Debtors: due within one year	9	10,633	13,116
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(966)	(789)
NET CURRENT ASSETS		9,667	12,327
TOTAL ASSETS LESS CURRENT LIABILITIES		9,667	12,327
NET ASSETS		9,667	12,327
CAPITAL AND RESERVES			
Creditors: Amounts falling due after one year	11	10,221	12,761
Called up share capital	16	119	119
Profit and loss account		(673)	(553)
SHAREHOLDERS' FUNDS		9,667	12,327

The Company loss for the year was £119,729 (2018: (£553,171)

Company registration number: 08423025

These financial statements were approved by the Board of Directors on 28 September 2020.

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

STATEMENT OF CHANGES IN EQUITY
Period ended 31 March 2020

GROUP	Share Capital & Premium £000	Profit and Loss £000	Total £000
Balance at 01 January 2018	119	3,414	3,533
Changes in equity			
Share premium	-	-	-
Profit for the financial year	-	1,914	1,914
Balance at 31 December 2018	119	5,328	5,447
Changes in equity			
Profit for the financial year	-	2,284	2,284
Balance at 31 March 2020	119	7,612	7,731

COMPANY	Share Capital & Premium £000	Profit and Loss £000	Total £000
Balance at 01 January 2018	119	-	119
Changes in equity			
Share premium	-	-	-
Loss for the financial period	-	(553)	(553)
Balance at 31 December 2018	119	(553)	(434)
Changes in equity			
Preferred shares	-	-	-
Loss for the financial period	-	(120)	(120)
Balance at 31 March 2020	119	(673)	(554)

DARWIN LOAN SOLUTIONS LIMITED

CASH FLOW STATEMENT
Period ended 31 March 2020

	Note	15 Month Period to 31 Mar 20 £000	12 Month Period to 31 Dec 2018 £000
Net cash flows from operating activities	17	1,449	(12,968)
Cash flows from investing activities			
Purchase of equipment		(298)	(282)
Net cash flows from investing activities		(298)	(282)
Cash flows from financing activities			
Proceeds on the issue of shares		-	-
New loans raised		8,486	20,103
Interest paid		(8,556)	(5,906)
Net cash flows from financing activities		(70)	14,197
Net increase in cash and cash equivalents		1,081	947
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		3,838	2,756
Cash equivalents		-	-
Cash and cash equivalents		3,838	2,756

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

DARWIN LOAN SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 March 2020

1. ACCOUNTING POLICIES

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

Accounting convention

Darwin Loan Solutions 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 Group'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 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 at 31 March 2020 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

- £6.4m of cash balances as at 31 July 2020
- Committed debt facilities through to July 2022
- Significant levels of headroom across both Senior and Mezzanine facilities
- Modified facilities to allow for those customers in payment holidays
- Strong collections from customers exiting payment holidays and also those customers that have not been affected by COVID-19
- Less than 10% of the book remain in a payment holiday as of 31 July 2020
- Stressed financial forecasts demonstrating that the business can absorb an increase in losses whilst continuing to originate
- The ability to maintain 100% business as usual functionality in the event another lockdown is imposed

Having considered the impact of the points detailed above, including cash flow and liquidity requirements of the company, and the company's forecasts, 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.

Basis of consolidation

The consolidated accounts reflect the state of affairs of Darwin Loan Solutions Limited and its subsidiaries as at 31 March 2020 .

The Consolidated Financial Statements incorporate the Financial Statements of the Company and the entities controlled by the Company (its subsidiaries) made up to 31 March. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Group companies are eliminated on consolidation.

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 £0.1m loss (2018: £0.5m).

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 received and upfront arrangement fees. Interest and arrangement 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 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 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, 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 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.

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.

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

Tangible fixed assets are measured at historical at cost. 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:

Fixture and Fittings	5 years straight line
Computer equipment & software	3 years straight line

Intangible fixed assets

Intangible fixed assets are in relation to intellectual property which are measured at historical cost. These assets are assessed annually for signs of impairment and revalued accordingly.

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.

Pensions

The Group operate a defined contribution retirement benefit scheme for all qualifying employees.

1. ACCOUNTING POLICIES (CONTINUED)

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.

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

Critical judgements and key sources 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.

The provision for the period ending 31 March 2020 was £4,647k, and a further impairment provision of £796k has been estimated to reflect any anticipated uptick in losses due to COVID-19.

The COVID-19 provisioning requirement at the period ending 31 March 2020 has been estimated by reference to those customers that had requested a payment holiday throughout March and April 2020. Customers entering into a payment holiday from 1 May 2020 are not considered to have suffered a loss event at the period ending 31 March 2020, and therefore no further provision has been recognised against these accounts. This judgement is not material to the financial statements.

The additional impairment provision has been estimated by reference to the collections performance of those customers that have exited a payment holiday as of 31 July 2020.

In addition, provisioning adjustments have been made by reference to the risk associated with the employment sector of each customer still in a payment holiday. The anticipated unemployment levels by sector have been taken from a reputable market source.

If the assumptions made in the estimation of the COVID-19 provision were to deteriorate by 2x, an additional impairment provision of £1,405k would be required.

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:

	15 Month Period to 31 Mar 20 £000	12 Month Period to 31 Dec 2018 £000
Wages and salaries	6,624	5,978
Social security costs	699	616
Pension	358	245
	7,681	6,839

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

	15 Month Period to 31 Mar 20 Number	12 Month Period to 31 Dec 2018 Number
Administrative staff	143	169

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

	15 Month Period to 31 Mar 20 £000	12 Month Period to 31 Dec 2018 £000
Directors' emoluments	1,151	816

The emoluments of the highest paid director were as follows:

	15 Month Period to 31 Mar 20 £000	12 Month Period to 31 Dec 2018 £000
Directors' emoluments	529	366

4. INTEREST PAYABLE AND SIMILAR CHARGES

	15 Month Period to 31 Mar 20 £000	12 Month Period to 31 Dec 2018 £000
Bank interest	8,336	5,851
Interest on discounted bond	220	55
Interest capitalised on discounted bond	186	518
	8,742	6,424

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	15 Month Period to 31 Mar 20 £000	12 Month Period to 31 Dec 2018 £000
Operating lease rentals:		
Land and buildings	200	200
Other	10	10
Depreciation – owned assets	289	220
Fees payable to the Company's auditor for the audit of the Company and the Group	74	62

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

	15 Month Period to 31 Mar 20 £000	12 Month Period to 31 Dec 2018 £000
Current tax due on profit on ordinary activities:		
UK corporation tax due	757	707
Adjustment in respect of prior periods	7	452
Total current tax due	764	1,159
Deferred taxation (note 12)	18	(3)
Tax on profit on ordinary activities	782	1,156

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:

	15 Month Period to 31 Mar 20 £000	12 Month Period to 31 Dec 2018 £000
Profit on ordinary activities before tax	3,066	3,070
Profit on ordinary activities multiplied by the applicable rate of corporation tax in the UK of 19% (to 31 Dec 2018: 19%)	583	583
Effects of:		
Expenses not deductible for tax purposes	161	37
Adjustment in respect of prior years	7	452
Capital allowances greater than depreciation	13	(23)
Impact of change in rates	-	1
Research and Development Adjustment	(77)	-
Tax on Discounted Bond	77	109
Total tax charge for the period	764	1,159
Deferred taxation	18	(3)
Total tax charge for the period	782	1,156

The Finance Act 2013 which was substantively enacted in July 2013, included provisions to amend the rate of UK corporation tax to 20% with effect from 1 April 2015. At Summer Budget 2015, the government announced legislation setting the Corporation Tax rate at 19% for the years starting the 1 April 2017. 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 AND INTANGIBLE FIXED ASSETS

The £650 intangible asset balance relates to intellectual property.

The movement in the year was as follows:

	Computer Equipment £000	Fixtures & fittings £000	Total £000
Cost			
At 01 January 2019	915	450	1,365
Additions	281	17	298
At 31 March 2020	1,196	467	1,663
Depreciation			
At 01 January 2019	608	404	1,012
Charge for the year	262	28	289
At 31 March 2020	870	432	1,301
Net book value			
At 31 March 2020	326	35	362
At 31 December 2018	307	46	353

8. INVESTMENTS

COMPANY

	Shares in subsidiary undertakings
Cost	£000
At 31 March 2020	-

Investment in subsidiary undertakings is £30.

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 9 Portland Street Manchester M1 3BE	100% Ordinary	Provision of secured loans to consumers
Progressive Money Limited 9 Portland Street Manchester M1 3BE	100% Ordinary	Provision of unsecured loans to consumers
Evolution Money Limited 9 Portland Street Manchester M1 3BE	100% Ordinary	Provision of marketing and administrative services to Evolution Lending Limited and Progressive Money Limited.

9. DEBTORS

	31 Mar 2020 Group £000	31 Mar 2020 Company £000	31 Dec 2018 Group £000	31 Dec 2018 Company £000
Gross amounts receivable from customers	119,997	-	110,116	-
Allowance for doubtful debts	(5,443)		(4,791)	
Net amount receivable from customers	114,554	-	105,325	-
Prepayments & accrued income	214	-	184	-
Issue of Share Premium	-		-	-
Loan notes to subsidiary undertaking	-	10,632	-	13,116
	114,768	10,632	105,509	13,116

Included within amounts due from customers is an amount of £95,989,591 (31 Dec 2018: £95,706,392) which is due after more than one year.

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

Movement in the allowance for doubtful debts

	31 Mar 2020 Group £000	31 Mar 2020 Company £000	31 Dec 2018 Group £000	31 Dec 2018 Company £000
Balance at the beginning of the period	4,791	-	2,945	-
Net Impairment recognised in the year	652	-	1,846	-
Balance at the end of the period	5,443	-	4,791	-

In determining the recoverability of a loan receivable, the Group 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 is included in administrative expenses.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 Mar 2020 Group £000	31 Mar 2020 Company £000	31 Dec 2018 Group £000	31 Dec 2018 Company £000
Corporation tax	273	5	687	464
Other taxes	337	-	299	-
Social Security	316	-	178	-
Accruals and deferred income	2,034	961	2,420	325
	2,960	966	3,584	789

11. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	31 Mar 2020 Group £000	31 Mar 2020 Company £000	31 Dec 2018 Group £000	31 Dec 2018 Company £000
Revolving bank loans	96,196	-	84,983	-
Loan notes	7,031	5,221	9,758	7,948
Deep discounted loan notes	5,000	5,000	4,814	4,814
	108,227	10,221	99,555	12,762

12. PROVISION FOR LIABILITIES AND CHARGES

Deferred Tax Liability	31 Mar 2020 Group £000	31 Mar 2020 Company £000	31 Dec 2018 Group £000	31 Dec 2018 Company £000
Deferred tax liability:				
Capital allowances in excess of depreciation	51	-	33	-
Movement in the year				
At 1 January	33	-	36	-
Movement in provision (note 6)	18	-	(3)	-
Balance carried forward	51	-	33	-

13. OPERATING LEASE COMMITMENTS

The following future minimum lease payments are committed to be paid under operating leases:

Company	31 Mar 2020 Land and buildings £000	31 Mar 2020 Other £000	31 Dec 2018 Land and buildings £000	31 Dec 2018 Other £000
- within one year	58	8	200	10
- between one and five years	-	-	58	8
	58	8	258	18

14. CONTINGENT LIABILITIES

The Company is party to cross guarantee agreements with its subsidiary undertakings in respect of secured loans made to subsidiary Companies. As at 31 March 2020 the balance on the secured loan was £96,196,056 (£000: £84,983,309). This loan is secured on a fixed and floating charge over the assets of the Group.

15. FINANCIAL INSTRUMENTS

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 December 2018.

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

Categories of financial instruments

	31 Mar 2020 £000	31 Dec 2018 £000
Financial assets		
Cash and bank balances	3,838	2,756
Net loans and receivables	114,554	105,325
Financial liabilities		
Bank Loan	96,196	84,983
Loan Notes	7,031	9,758
Trade Creditors	246	277
Discounted Bond	5,000	4,814

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

The carrying value is a reasonable approximation for fair value for all trade debtors and trade creditors.

Net loans and receivables and the discounted bond are both measured at amortised cost.

15. FINANCIAL INSTRUMENTS (CONTINUED)

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 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 are linked to the Bank of England base rate. In order to reduce its exposure to this risk the Group 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 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.

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 other credit enhancements are held.

Financial assets and other credit exposures

	Maximum credit risk	
	31 Mar 2020	31 Dec 2018
	£000	£000
Loan receivables	114,554	105,325
Cash and bank balances	3,838	2,756

The Group does not hold any collateral or other credit enhancements to cover this credit risk. The Group reserves the right to enforce sale of the security properties held against the loan book.

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.

	1-3 years £000	3+ years £000	Total £000
31 December 2018			
Bank loan	(84,983)	-	(84,983)
Loan Receivables	37,263	68,062	105,325
	(47,720)	68,062	20,342
31 March 2020			
Bank loan	(96,196)	-	(96,196)
Loan Receivables	34,752	79,802	114,554
	(61,444)	79,802	18,358

16. CALLED UP SHARE CAPITAL

	31 Mar 2020 £000	31 Dec 2018 £000
Allotted and called up:		
Called up, allotted and fully paid:		
359 Ordinary shares of 10p each	-	-
1,600 Preferred Ordinary shares of 1p each	-	-
Share Premium	119	119

17. RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED BY OPERATIONS

	31 Mar 2020 £000	31 Dec 2018 £000
Operating profit	11,808	9,494
Depreciation and amortisation	290	218
Operating cash flow before movement in working capital	12,098	9,712
Increase in debtors	(9,261)	(22,178)
Decrease in creditors	(210)	366
Tax Paid	(1,178)	(869)
Cash generated by operations	1,449	(12,969)

18. ANALYSIS OF CASH FLOWS

	31 Mar 2020 £000	31 Dec 2018 £000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(298)	(282)
Financing		
Increase in loans and interest paid	(70)	14,197

19. ANALYSIS OF NET DEBT

	31 Dec 2018 £000	Cash flow £000	Non-cash changes £000	31 Mar 2020 £000
Net cash:				
Cash at bank and in hand	2,756	1,082	-	3,838
Debt:				
Debt due after one year	(99,555)	(8,486)	(186)	(108,227)
Net debt	(96,799)	(7,404)	(186)	(104,389)

The non-cash change relates to the interest on the discounted bond which has been capitalised.

20. ULTIMATE CONTROLLING PARTY

The Company is controlled by T J O'Neill, the majority shareholder. The loan from BE Insurance Limited relates to the discounted bond. 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
T J O'Neill	
Balance outstanding at start of year	(8,782)
Balance outstanding at end of year	(6,327)
Maximum balance outstanding during year	(8,782)
BE Insurance Limited	
Balance outstanding at start of year	(3,865)
Balance outstanding at end of year	-
Maximum balance outstanding during year	(3,865)

TJ O'Neill owns interests in other companies which are not subsidiaries of Darwin Loan Solutions Limited. During the period ended 31 March 2020 the company had transactions of £Nil (2018: £Nil) with other related parties. As at 31 March 2020 there were no amounts in Debtors or Creditors in respect of this company.

21. SUBSEQUENT EVENTS

COVID-19 is considered to be an adjusting event as the UK lockdown was imposed within the financial reporting period ending 31 March 2020. The key consideration for the business is the estimation of appropriate impairment provisioning levels under the FRS102 incurred loss model. The results have been adjusted to consider those customers impacted by the economic uncertainty triggered by the COVID-19 lockdown.

In the application of the Group's critical judgements and key sources of estimation uncertainty, as detailed in note 2, COVID-19 has been specifically considered in relation to the impairment of loan receivables. A further impairment provision of £796k has been estimated to reflect the anticipated increase in losses due to COVID-19.

The COVID-19 provisioning requirement at the period ending 31 March 2020 has been estimated by reference to those customers that had requested a payment holiday throughout March and April 2020. Customers entering into a payment holiday from 1 May 2020 are not considered to have suffered a loss event at the period ending 31 March 2020, and therefore no further provision has been recognised against these accounts. This judgement is not material to the financial statements.

The additional impairment provision has been estimated by reference to the collections performance of those customers that have exited a payment holiday as of 31 July 2020.

In addition, provisioning adjustments have been made by reference to the risk associated with the employment sector of each customer still in a payment holiday. The anticipated unemployment levels by sector have been taken from a reputable market source.

The Group has performed comparatively well throughout the lockdown period, which is predominantly attributable to the quality and depth of the initial underwrite followed by a strong relationship that the business establishes with each customer. The Group has worked personally with each customer through regular contact to ensure appropriate levels of forbearance are offered and fair customer outcomes are achieved.

As at 31 August 2020, the number of customers in a payment holiday was sub 10% and the majority of customers that had exited a payment holiday had resumed full contractual repayments. On this basis, the Group considers that the COVID-19 provisioning approach taken is prudent, however the logic is well balanced and therefore provides a good level of assurance in the current climate.