

Company Registration No. 08423025

DARWIN LOAN SOLUTIONS LIMITED

**Annual Report and Consolidated Financial
Statements**

For the period ended 31 March 2021

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DARWIN LOAN SOLUTIONS LIMITED
REPORT AND FINANCIAL STATEMENTS

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DARWIN LOAN SOLUTIONS LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

M Montgomery
S Brilus
R Russel-Fisher (resigned 30 Oct 2020)
B Guvenc (appointed 1 Oct 2020)
K Pender (appointed 1 Oct 2020)

REGISTERED OFFICE

9 Portland Street
Manchester
M1 3BE

BANKERS

NatWest PLC
250 Bishopsgate
London
EC2M 4AA

AUDITOR

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

DARWIN LOAN SOLUTIONS LIMITED

STRATEGIC REPORT

BUSINESS REVIEW

The audited financial statements for the period ended 31 March 2021 are set out on pages 11 to 29.

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 to focus on the secured market.

The Group generated turnover of £22.7m (15-month period to Mar 2020: £32.8m) and earned an operating profit of £10.7m (15-month period to Mar 2019: £11.8m operating 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 during the financial year and the subsequent UK nationwide lockdowns imposed by the Government, the Group quickly adapted its strategy and homeworking was established for 100% of the workforce.

The Government introduced a number of financial support schemes during 2020 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 impact of the COVID-19 pandemic and government lockdowns, the reported results were below initial expectations due to a temporary scale back in originations and an increase in 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 FCA.

KEY PERFORMANCE INDICATORS

The Group measures performance against several key financial and non-financial indicators, including new loan originations, profitability, and loan book size.

Despite cautiously scaling back on new lending activity at the start of the COVID-19 pandemic, the business reported an uptick in year-on-year profitability. This was predominantly due the sale of the non-performing unsecured book in Progressive Money Limited, and the Group also released a proportion of the prior year COVID provision following a reassessment of incurred impairment. The cautious measures adopted at the start of the pandemic resulted in a 67% reduction in new business activity and a 10% reduction in loan book size, however the trajectory of both KPI's at the end of the financial year demonstrate a quick recovery to surpass pre-COVID levels.

DARWIN LOAN SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

SOCIAL RESPONSIBILITY

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

The 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.

Despite the COVID-19 challenges faced throughout the financial year, the business continued to put customers and staff at the heart of the organisation.

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

For those customers needing to speak to the business, the successful deployment of home working ensured that the longest wait to speak to an operator at the height of the pandemic was under 4 minutes.

For employees of the business, financial reassurance was provided to all furloughed staff who continued to receive 100% of their gross salary throughout the year by way of a business top-up.

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

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

Liquidity risk is 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 continuously monitor the available loan facility and working capital requirements of the Group.

Interest rate risk exists on The Group's debt facilities, specifically as the interest rate charged is a fixed percentage over the London Inter Bank Offer Rate (LIBOR). This risk is considered low as all Evolution loans are variable rate products and the reference rate is the prevailing cost of funds.

Credit risk

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

Regulatory and taxation risk

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

DARWIN LOAN SOLUTIONS LIMITED

STRATEGIC REPORT (CONTINUED)

Brexit risk

The UK's EU referendum on 23 June 2016 resulted in a decision to leave the EU (Brexit) and the UK withdrew on 31 January 2020.

Brexit has led to instability in the UK economy and capital markets, however, there has not been any significant impact on the Group to date.

Potential consequences for the Group would most likely be in the event of a macroeconomic downturn, including the possibility of higher unemployment and increased living costs.

The Group has taken precautionary measures by tightening lending criteria; however, the non-standard financing sector has a higher degree of losses under normal conditions and therefore the impact of an economic decline will be comparatively lower.

The Group has reached an agreement with its lenders to protect future capital requirements by refinancing all facilities to increase commitment and extend maturity to July 2023.

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 period.

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 debt facilities through to July 2022 with an extension to July 2023 having been credit approved, and strong cash reserves therefore the availability of capital does not present a risk to the Group.

Approved by the Board of Directors and signed on behalf of the Board on 13 August 2021.



B Guvenc
Director
9 Portland Street
Manchester
M1 3BE

DARWIN LOAN SOLUTIONS LIMITED

DIRECTORS' REPORT

DIRECTORS

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

M Montgomery

S Brilus

R Russel-Fisher (resigned 30 Oct 2020)

B Guvenc (appointed 1 Oct 2020)

K Pender (appointed 1 Oct 2020)

The Directors present their report and the audited financial statements for the period ended 31 March 2021.

DIRECTORS' INDEMNITIES

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

GOING CONCERN

Having considered the impact of the factors outlined below, including cash flow and liquidity requirements of the company, and the company's forecasts which reflect the economic uncertainty arising from the COVID-19 pandemic and Brexit, 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.

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

- £1.4m of Group cash balances as at 30 June 2021
- Committed debt facilities through to July 2022 with an extension to July 2023 having been credit approved
- 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 1% of the book in a payment holiday as at 30 June 2021
- 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 of imposed government lockdowns

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.

DARWIN LOAN SOLUTIONS LIMITED

DIRECTORS' REPORT (CONTINUED)

DIVIDENDS

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

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 13 August 2021.

A handwritten signature in black ink, consisting of a stylized 'B' followed by a long, sweeping horizontal stroke.

B Guvenc
Director
9 Portland Street
Manchester
M1 3BE

DARWIN LOAN SOLUTIONS LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DARWIN LOAN SOLUTIONS LIMITED

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 of Darwin Loan Solutions Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

Conclusions relating to going concern

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

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

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

Other information

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

DARWIN LOAN SOLUTIONS LIMITED

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

Other information (continued)

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

We have nothing to report in this regard.

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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

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

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

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

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

DARWIN LOAN SOLUTIONS LIMITED

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

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

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

Matters on which we are required to report by exception

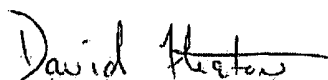
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



David Heaton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, UK
13 August 2021

DARWIN LOAN SOLUTIONS LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

Period ended 31 March 2021

| | Note | 12 Month Period to 31 Mar 21 £000 | 15 Month Period to 31 Mar 20 £000 |
|--|------|--|--|
| TURNOVER | 1 | 22,716 | 32,791 |
| Other Operating Income | 3 | 913 | - |
| Other administrative expenses | | (12,889) | (20,983) |
| OPERATING PROFIT | | 10,740 | 11,808 |
| Interest payable and similar charges | 5 | (5,026) | (8,742) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 6 | 5,714 | 3,066 |
| Tax due on profit on ordinary activities | 7 | (1,017) | (782) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR ATTRIBUTABLE TO EQUITY HOLDER | | 4,697 | 2,284 |

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.

DARWIN LOAN SOLUTIONS LIMITED

CONSOLIDATED BALANCE SHEET

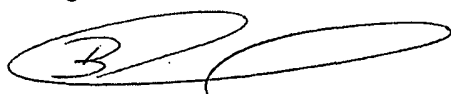
Period ended 31 March 2021

| | Note | 31 Mar 2021 £000 | 31 Mar 2020 £000 |
|--|------|---------------------|---------------------|
| FIXED ASSETS | | | |
| Tangible assets | 8 | 198 | 362 |
| Intangible assets | 8 | 1 | 1 |
| | | <u>199</u> | <u>363</u> |
| CURRENT ASSETS | | | |
| Debtors due within one year | 10 | 8,625 | 18,378 |
| Cash at bank and in hand | | 3,374 | 3,838 |
| | | <u>11,999</u> | <u>22,616</u> |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 11 | <u>(3,931)</u> | <u>(2,960)</u> |
| NET CURRENT ASSETS | | 8,068 | 19,656 |
| Debtors due after one year | 10 | 96,496 | 95,990 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>104,763</u> | <u>116,009</u> |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 12 | <u>(81,981)</u> | <u>(96,196)</u> |
| PROVISION FOR LIABILITIES & CHARGES | 13 | <u>(23)</u> | <u>(51)</u> |
| NET ASSETS EXCLUDING SHAREHOLDER LOAN NOTES | | <u>22,759</u> | <u>19,762</u> |
| CAPITAL AND RESERVES | | | |
| Creditors: Amounts falling due after more than one year | 12 | 10,331 | 12,031 |
| Called up share capital | | - | - |
| Share Premium | 17 | 119 | 119 |
| Profit and loss account | | 12,309 | 7,612 |
| SHAREHOLDERS' FUNDS | | <u>22,759</u> | <u>19,762</u> |

Company registration number: 08423025

These financial statements were approved by the Board of Directors on 13 August 2021.

Signed on behalf of the Board of Directors



B Guvenc
Director

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

DARWIN LOAN SOLUTIONS LIMITED**COMPANY BALANCE SHEET**
Period ended 31 March 2021

| | Note | 31 Mar 2021 £000 | 31 Mar 2020 £000 |
|---|------|---------------------|---------------------|
| CURRENT ASSETS | | | |
| Debtors | | | |
| - due within one year | 10 | 9,089 | 10,633 |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 11 | (1,147) | (966) |
| NET CURRENT ASSETS | | 7,942 | 9,667 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 7,942 | 9,667 |
| NET ASSETS | | 7,942 | 9,667 |
| CAPITAL AND RESERVES | | | |
| Creditors: Amounts falling due after one year | 12 | 8,520 | 10,221 |
| Called up share capital | 17 | 119 | 119 |
| Profit and loss account | | (697) | (673) |
| SHAREHOLDERS' FUNDS | | 7,942 | 9,667 |

The company loss for the year was £24,384 (2020: loss £119,729).

Company registration number: 08423025

These financial statements were approved by the Board of Directors on 13 August 2021.

Signed on behalf of the Board of Directors



B Guvenc
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 2021

| GROUP | Share Capital & Premium £000 | Profit and Loss £000 | Total £000 |
|-------------------------------|---------------------------------------|----------------------------|---------------|
| Balance at 01 January 2019 | 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 |
| Changes in equity | | | |
| Profit for the financial year | - | 4,697 | 4,697 |
| Balance at 31 March 2021 | 119 | 12,309 | 12,428 |

| COMPANY | Share Capital & Premium £000 | Profit and Loss £000 | Total £000 |
|-------------------------------|---------------------------------------|----------------------------|---------------|
| Balance at 01 January 2019 | 119 | (553) | (434) |
| Changes in equity | | | |
| Loss for the financial period | - | (120) | (120) |
| Balance at 31 March 2020 | 119 | (673) | (554) |
| Changes in equity | | | |
| Loss for the financial period | - | (24) | (24) |
| Balance at 31 March 2021 | 119 | (697) | (578) |

DARWIN LOAN SOLUTIONS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
Period ended 31 March 2021

| | Note | 31 Mar 2021 £000 | 31 Mar 2020 £000 |
|--|------|---------------------|---------------------|
| Net cash flows from operating activities | 18 | 20,532 | 1,449 |
| Cash flows from investing activities | | | |
| Purchase of equipment | | (55) | (298) |
| Net cash flows from investing activities | | (55) | (298) |
| Cash flows from financing activities | | | |
| Bank loans repaid | | (14,215) | (10,176) |
| Bank loans raised | | - | 21,389 |
| Loan notes repaid | | (1,700) | (2,727) |
| Interest paid | | (5,026) | (8,556) |
| Net cash flows from financing activities | | (20,941) | (70) |
| Net decrease/increase in cash and cash equivalents | | (464) | 1,081 |
| Reconciliation to cash at bank and in hand: | | | |
| Cash at bank and in hand | | 3,374 | 3,838 |
| Cash equivalents | | - | - |
| Cash and cash equivalents | | 3,374 | 3,838 |

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

DARWIN LOAN SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 March 2021

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 2021 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

- £1.4m of Group cash balances as at 30 June 2021
- Committed debt facilities through to July 2022 with an extension to July 2023 having been credit approved
- 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 1% of the book remain in a payment holiday as of 30 June 2021
- 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 and the company's forecasts which reflect the economic uncertainty arising from the COVID-19 pandemic and Brexit, the directors expect that the business will continue for a period of at least twelve months from the date of approval of the financial statements and the company will be able to meet its liabilities as they fall due. Accordingly, the financial statements have been prepared on a going concern basis of accounting.

Basis of consolidation

The consolidated accounts reflect the state of affairs of Darwin Loan Solutions Limited and its subsidiaries as at 31 March 2021.

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 affect 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 £0.02m loss (2019: £0.12m).

DARWIN LOAN SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Period ended 31 March 2021

1. ACCOUNTING POLICIES (CONTINUED)

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").

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.

DARWIN LOAN SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Period ended 31 March 2021

1. ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets

Tangible fixed assets are measured at historical 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 operates a defined contribution retirement benefit scheme for all qualifying employees

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.

DARWIN LOAN SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Period ended 31 March 2021

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 2021 was £5.98m, which includes a provision of £2.3m to reflect any anticipated uptick in losses due to COVID-19.

The COVID-19 provisioning requirement at the period ending 31 March 2021 has been estimated by reference to those customers that had requested a payment holiday up until 31 March 2021.

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 March 2021.

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.

3. OTHER OPERATING INCOME

| | 12 Month Period to 31 Mar 21 £000 | 15 Month Period to 31 Mar 20 £000 |
|------------------------|--|--|
| Other Operating Income | 913 | - |

All other operating income to 31 March 2021 relates to income from the Coronavirus Job Retention Scheme (2020: £nil). 78 employees were placed on furlough at some point during the year.

DARWIN LOAN SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Period ended 31 March 2021

4. 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:

| | 12 Month Period to 31 Mar 21 £000 | 15 Month Period to 31 Mar 20 £000 |
|-----------------------|--|--|
| Wages and salaries | 4,868 | 6,624 |
| Social security costs | 513 | 699 |
| Pension | 264 | 358 |
| | <u>5,645</u> | <u>7,681</u> |

During the period to 31 March 2021 government grants totalling £913,835 were received as part of the support measures offered by the UK government in response to the COVID-19 pandemic. Staff costs net of these government grants were £4,731,272

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

| | 12 Month Period to 31 Mar 21 Number | 15 Month Period to 31 Mar 20 Number |
|----------------------|--|--|
| Administrative staff | <u>119</u> | <u>143</u> |

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

| | 12 Month Period to 31 Mar 21 £000 | 15 Month Period to 31 Mar 20 £000 |
|-----------------------|--|--|
| Directors' emoluments | <u>804</u> | <u>1,151</u> |

The emoluments of the highest paid director were as follows:

| | 2021 £000 | 2020 £000 |
|-----------------------|--------------|--------------|
| Directors' emoluments | <u>285</u> | <u>529</u> |

DARWIN LOAN SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Period ended 31 March 2021

5. INTEREST PAYABLE AND SIMILAR CHARGES

| | 12 Month Period to 31 Mar 21 £000 | 15 Month Period to 31 Mar 20 £000 |
|---|--|--|
| Bank interest | 4,837 | 8,336 |
| Interest on discounted bond | 189 | 220 |
| Interest capitalised on discounted bond | - | 186 |
| | <u>5,026</u> | <u>8,742</u> |

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

| | 12 Month Period to 31 Mar 21 £000 | 15 Month Period to 31 Mar 20 £000 |
|--|---|---|
| Operating lease rentals: | | |
| Land and buildings | 315 | 200 |
| Other | 13 | 10 |
| Depreciation – owned assets | 220 | 289 |
| Fees payable to the Company's auditor for the audit of the Company and the Group | <u>79</u> | <u>74</u> |

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.

Income of £1,289,392 (2020: £NIL) is included within administrative expenses in respect of the sale of non-performing loans by Progressive Money Limited to a third party, which effectively reverses bad debt provisions already recognised on the assets being sold. Also, since May 2019, new loans have not been originated by Progressive Money Limited. The administration and associated cost has therefore reduced when compared to the prior financial year as the book is in run-off. The combination of these factors led to a change in total administration expenses from £5,732k cost in 2020 to £64k of income in 2021.

DARWIN LOAN SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Period ended 31 March 2021

7. TAXATION

Analysis of the tax charge

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

| | 12 Month Period To 31 Mar 2021 £000 | 15 Month Period to 31 Mar 20 £000 |
|---|---|---|
| Current tax due on profit on ordinary activities: | | |
| UK corporation tax due | 1,156 | 757 |
| Adjustment in respect of prior periods | (111) | 7 |
| Total current tax due | 1,045 | 764 |
| Deferred taxation (note 13) | (28) | 18 |
| Tax on profit on ordinary activities | 1,017 | 782 |

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:

| | 12 Month Period to 31 Mar 21 £000 | 15 Month Period to 31 Mar 20 £000 |
|---|--|--|
| Profit on ordinary activities before tax | 5,714 | 3,066 |
| Profit on ordinary activities multiplied by the applicable rate of corporation tax in the UK of 19% (to 31 Mar 2019: 19%) | 1,086 | 583 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 6 | 161 |
| Adjustment in respect of prior years | (111) | 7 |
| Capital allowances greater than depreciation | 28 | 13 |
| Research and Development Adjustment | - | (77) |
| Tax on Discounted Bond | 36 | 77 |
| Total tax charge for the period | 1,045 | 764 |
| Deferred taxation | (28) | 18 |
| Total tax charge for the period | 1,017 | 782 |

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.

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

DARWIN LOAN SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Period ended 31 March 2021

8. TANGIBLE AND INTANGIBLE FIXED ASSETS

The £650 intangible asset balance relates to intellectual property.

The movement in tangible fixed assets in the year was as follows:

| | Computer equipment £ | Fixtures & fittings £ | Total £ |
|-----------------------|----------------------------|-----------------------------|------------|
| Cost | | | |
| At 1 March 2020 | 1,196 | 467 | 1,663 |
| Additions | 28 | 27 | 55 |
| Disposals | (392) | (37) | (429) |
| At 31 March 2021 | 832 | 457 | 1,289 |
| Depreciation | | | |
| At 1 March 2020 | 870 | 431 | 1,301 |
| Charge for the year | 197 | 21 | 218 |
| Disposals | (392) | (37) | (429) |
| At 31 March 2021 | 675 | 415 | 1,090 |
| Net book value | | | |
| At 31 March 2021 | 157 | 42 | 199 |
| At 31 March 2020 | 326 | 36 | 362 |

9. INVESTMENTS

COMPANY

Shares in subsidiary undertakings

| | |
|------------------|------|
| Cost | £000 |
| At 31 March 2021 | - |

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

DARWIN LOAN SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Period ended 31 March 2021

10. DEBTORS

| | 31 Mar 2021 Group | 31 Mar 2021 Company | 31 Mar 2020 Group | 31 Mar 2020 Company |
|--|----------------------|------------------------|----------------------|------------------------|
| | £000 | £000 | £000 | £000 |
| Gross amounts receivable from secured loan customers | 109,540 | - | 119,997 | - |
| Allowance for doubtful debts | (5,985) | - | (5,443) | - |
| Net amount receivable from secured loan customers | 103,555 | | 114,554 | - |
| Prepayments & accrued income | 1,566 | - | 214 | - |
| Loan notes to subsidiary undertaking | - | 9,089 | - | 10,632 |
| | <u>105,121</u> | <u>9,089</u> | <u>114,768</u> | <u>10,632</u> |

Included within amounts due from customers is an amount of £96,495,902 (31 Mar 2020: £95,989,591) 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 2021 Group | 31 Mar 2021 Company | 31 Mar 2020 Group | 31 Mar 2020 Company |
|--|-------------------------|---------------------------|-------------------------|---------------------------|
| | £000 | £000 | £000 | £000 |
| Balance at the beginning of the period | 5,443 | - | 4,791 | - |
| Utilisation of prior year allowance | (986) | - | - | - |
| Net Impairment recognised in the year | <u>1,528</u> | <u>-</u> | <u>652</u> | <u>-</u> |
| Balance at the end of the period | <u>5,985</u> | <u>-</u> | <u>5,443</u> | <u>-</u> |

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.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31 Mar 2021 Group | 31 Mar 2021 Company | 31 Mar 2020 Group | 31 Mar 2020 Company |
|------------------------------|----------------------|------------------------|----------------------|------------------------|
| | £000 | £000 | £000 | £000 |
| Corporation tax | 832 | (7) | 273 | 5 |
| Other taxes | 282 | - | 337 | - |
| Social Security | 270 | - | 316 | - |
| Accruals and deferred income | <u>2,547</u> | <u>1,154</u> | <u>2,034</u> | <u>961</u> |
| | <u>3,931</u> | <u>1,147</u> | <u>2,960</u> | <u>966</u> |

DARWIN LOAN SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Period ended 31 March 2021

12. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

| | 31 Mar 2021 Group £000 | 31 Mar 2021 Company £000 | 31 Mar 2020 Group £000 | 31 Mar 2020 Company £000 |
|----------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|
| Revolving bank loans | 81,981 | - | 96,196 | - |
| Loan notes | 5,331 | 3,520 | 7,031 | 5,221 |
| Deep discounted loan notes | 5,000 | 5,000 | 5,000 | 5,000 |
| | <u>92,312</u> | <u>8,520</u> | <u>108,227</u> | <u>10,221</u> |

13. PROVISIONS FOR LIABILITIES AND CHARGES

| | 2021 Group £000 | 2021 Company £000 | 2020 Group £000 | 2020 Company £000 |
|--|-----------------------|-------------------------|-----------------------|-------------------------|
| Deferred Tax Liability | | | | |
| Deferred tax liability: | | | | |
| Capital allowances in excess of depreciation | <u>23</u> | <u>-</u> | <u>51</u> | <u>-</u> |
| Movement in the year | | | | |
| At 1 April 2020 | 51 | - | 33 | - |
| Charge to the profit and loss account (note 7) | <u>(28)</u> | <u>-</u> | <u>18</u> | <u>-</u> |
| Balance carried forward | <u>23</u> | <u>-</u> | <u>51</u> | <u>-</u> |

14. OPERATING LEASE COMMITMENTS

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

| | 31 Mar 2021 Land and buildings £000 | 31 Mar 2021 Other £000 | 31 Mar 2020 Land and buildings £000 | 31 Mar 2020 Other £000 |
|------------------------------|--|------------------------------|--|------------------------------|
| Company | | | | |
| - within one year | 315 | 5 | 58 | 8 |
| - between one and five years | <u>946</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>1,261</u> | <u>5</u> | <u>58</u> | <u>8</u> |

15. 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 2021 the balance on the secured loan was £81,981,187 (2020: £96,196,056). This loan is secured on a fixed and floating charge over the assets of the Group.

DARWIN LOAN SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Period ended 31 March 2021

16. 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 March 2020.

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

Categories of financial instruments

| | 31 Mar 2021 £000 | 31 Mar 2020 £000 |
|------------------------------|---------------------|---------------------|
| Financial assets | | |
| Cash and bank balances | 3,374 | 3,838 |
| Net loans and receivables | 103,555 | 114,554 |
| Financial liabilities | | |
| Bank Loan | 81,981 | 96,196 |
| Loan Notes | 5,331 | 7,031 |
| Trade Creditors | 237 | 246 |
| Discounted Bond | 5,000 | 5,000 |

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.

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.

DARWIN LOAN SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Period ended 31 March 2021

16. FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets and other credit exposures

| | <u>Maximum credit risk</u> | |
|------------------------|----------------------------|-------------|
| | 31 Mar 2021 | 31 Mar 2020 |
| | £000 | £000 |
| Loan receivables | 103,555 | 114,554 |
| Cash and bank balances | 3,374 | 3,838 |

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.

| | <u>1-3 years</u> | <u>3+ years</u> | <u>Total</u> |
|----------------------|------------------|-----------------|---------------|
| | £000 | £000 | £000 |
| 31 March 2020 | | | |
| Bank loan | (96,196) | - | (96,196) |
| Loan Receivables | 34,752 | 79,802 | 114,554 |
| | <u>(61,444)</u> | <u>79,802</u> | <u>18,358</u> |
| 31 March 2021 | | | |
| Bank loan | (81,981) | - | (81,981) |
| Loan Receivables | 29,404 | 74,151 | 103,555 |
| | <u>(52,577)</u> | <u>74,151</u> | <u>21,574</u> |

DARWIN LOAN SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Period ended 31 March 2021

17. CALLED UP SHARE CAPITAL

| | 31 Mar 21 £000 | 31 Mar 20 £000 |
|--|-------------------|-------------------|
| Called up, allotted and fully paid: | | |
| 359 Ordinary shares of 10p each | - | - |
| 1,600 Preferred Ordinary shares of 1p each | - | - |
| Share Premium | 119 | 119 |

18. RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED BY OPERATIONS

| | 31 Mar 21 £000 | 31 Mar 20 £000 |
|--|-------------------|-------------------|
| Operating profit | 10,740 | 11,808 |
| Depreciation and amortisation | 220 | 290 |
| Operating cash flow before movement in working capital | 10,960 | 12,098 |
| Increase in debtors | 9,646 | (9,261) |
| Decrease in creditors | 412 | (210) |
| Tax Paid | (486) | (1,178) |
| Cash generated/used by operations | 20,532 | 1,449 |

19. ANALYSIS OF CASH FLOWS

| | 31 Mar 21 £000 | 31 Mar 20 £000 |
|--|-------------------|-------------------|
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (55) | (298) |
| Financing | | |
| Increase in loans and interest paid | (20,941) | (70) |

20. ANALYSIS OF NET DEBT

| | 31 Mar 20 £000 | Cash flow £000 | 31 Mar 21 £000 |
|--------------------------|-------------------|-------------------|-------------------|
| Net cash: | | | |
| Cash at bank and in hand | 3,838 | (464) | 3,374 |
| Debt: | | | |
| Debt due after one year | (108,227) | 15,915 | (92,312) |
| Net debt | (104,389) | 15,451 | (88,938) |

DARWIN LOAN SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Period ended 31 March 2021

21. 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 | (6,327) |
| Balance outstanding at end of year | (4,798) |
| Maximum balance outstanding during year | (6,327) |

TJ O'Neill owns interests in other companies which are not subsidiaries of Darwin Loan Solutions Limited. During the period ended 31 March 2021 the company had transactions of £Nil (2019: £Nil) with other related parties. As at 31 March 2021 there were no amounts in Debtors or Creditors in respect of this company.