Evolution (Shinfield) LLP

Annual report and Financial statements

For the year ended 31 March 2019

Registered number: OC399478

Evolution (Shinfield) LLP

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Evolution (Shinfield) LLP

Members and professional advisers

Members

Galliford Try Homes Limited
North Housing Limited

Registered office

Cowley Business Park
Cowley
Uxbridge
Middlesex
England
UB8 2AL

Independent auditors

PricewaterhouseCoopers LLP
The Atrium
1 Harefield Road
Uxbridge
Middlesex
UB8 1EX

Bankers

HSBC Bank plc
165 Highstreet
Southampton
SO14 2NZ

Solicitors

Osborne Clarke LLP
2 Temple Back East
Temple Quay
Bristol
BS1 6EG

Evolution (Shinfield) LLP
Strategic report for the year ended 31 March 2019

The members present their strategic report of Evolution (Shinfield) LLP ("the LLP"), for the year ended 31 March 2019.

Review of business

The LLP's principal activity is the building and selling of residential houses and apartments in Shinfield, Berkshire.

The LLP was formed as a joint venture between Galliford Try Homes Limited and North Housing Limited.

The site at Shinfield was acquired on 9 November 2015. There were 67 (2018: 52) legal completions in the year generating revenue of £25,167,000 (2018: £22,055,000). It is anticipated that the site development will be completed in November 2026.

Principal risks, uncertainties and key performance indicators

The business and the execution of the LLP's strategy are subject to a number of risks and uncertainties. The key business risks and uncertainties affecting the LLP are considered to relate to the strength and volatility of the UK housing market. This includes changes to the UK housing market and the economic cycle affecting consumer confidence and the availability of mortgage finance. The members monitor Government and Industry data on housing prices, sales volumes and construction commencement data thus enabling anticipation of market changes and facility to adjust build programmes, sales releases and purchaser incentives accordingly. Given the straightforward nature of the business, the members are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

General

The LLP's profit for the financial year was £3,037,000 (2018: £2,896,000), which has been added to reserves. The LLP had net assets of £4,674,000 (2018: £1,637,000) as at 31 March 2019.

For and on behalf of all the members

AJ Duxbury
Director of Galliford Try Homes Limited
7/11/2019

Evolution (Shinfield) LLP
Members' report for the year ended 31 March 2019

The members present their report and audited financial statements of Evolution (Shinfield) LLP ("the LLP"), registered number OC399478 for the year ended 31 March 2019.

Future developments

The LLP plans to complete the development of its site as set out in the strategic report. Unless any further sites are acquired, the LLP will then cease to trade.

Brexit

The members maintain a continual review of the potential effects on our business of the UK leaving the European Union, under various scenarios. We consider that a controlled departure under the terms of a withdrawal agreement between the UK and the EU will have no significant direct impact, with supply chains and overseas labour able to adjust over time as detailed future arrangements become clear. If the UK leaves without a deal, the biggest impact we foresee is the effect on our market of a potential decline in consumer confidence and economic activity in general. We believe our business planning is as prepared as possible for this uncertainty. We have also considered the effects on our supply chain, and engaged with our suppliers. We continue to keep this complex matter under review.

Dividends

The members do not recommend the payment of a dividend (2018: £Nil).

Financial risk management

The LLP's operations expose it to a variety of financial risks, including the effects of credit risk, liquidity risk, cash flow risk and interest rate risk. The potential impact of these financial risks is monitored by members during board meetings.

Where appropriate, credit checks are made prior to the acceptance of a new customer and these are reviewed on a periodic basis together with ongoing checks in respect of existing customers. Reviews of the debtors ledger are carried out with the finance and sales teams and action initiated, as appropriate, to collect any overdue amounts, thus optimising the LLP's liquidity position.

The rates of interest earned or paid on the cash balances and loans and overdrafts are monitored on an ongoing basis with regular reviews of the banking arrangements. Deposits, loans and overdrafts are made with reference to these facilities, in conjunction with projections of future cash requirements.

Members

The present members of the LLP are set out on page 1, all of whom served throughout the period from incorporation and up to the date of signing the financial statements.

Statement of members' responsibilities in respect of the financial statements

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

Company law, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the members to prepare financial statements for each financial year. Under that law the members have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, as applied to limited liability partnerships, the members 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 limited liability partnership and of the profit or loss of the limited liability partnership for that period.

Statement of members' responsibilities in respect of the financial statements (continued)

In preparing the financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statement;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the limited liability partnership will continue in business.

The members are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the limited liability partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations.

Disclosure of information to auditors

In the case of each members in office at the date the Members' Report is approved:

- so far as they are aware, there is no relevant audit information of which the LLP's auditors are unaware: and
- the members have taken all the steps that they ought to have been taken as a member in order to make themselves aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

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

The report of the members was approved by the board of members on 7/11/2019 and signed on its behalf by:

AJ Duxbury
Director of Galliford Try Homes Limited
7/11/2019

Independent auditors' report to the members of Evolution (Shinfield) LLP

Report on the audit of the financial statements

Opinion

In our opinion, Evolution (Shinfield) LLP's financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

We have audited the financial statements, included within the Annual report and Financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2019; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership'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 the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the limited liability partnership's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the limited liability partnership's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

Independent auditors' report to the members of Evolution (Shinfield) LLP (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the members for the financial statements

As explained more fully in the Statement of members' responsibilities in respect of the financial statements set out on page 3-4, the members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The members are also responsible for such internal control as they 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 members are responsible for assessing the limited liability partnership'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 members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the limited liability partnership, 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.

We have no exceptions to report arising from this responsibility.

Radek Vik (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
7 November 2019

Evolution (Shinfield) LLP
Income statement for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Revenue		**25,167**	22,055
Cost of sales		**(20,976)**	(17,979)
Gross profit		**4,191**	4,076
Administrative expenses		**(9)**	(5)
Operating profit		**4,182**	4,071
Finance costs	4	**(1,145)**	(1,175)
Profit for the financial year before members' remuneration and profit shares available for discretionary division among members		**3,037**	2,896

There are no recognised gains and losses other than those shown in the income statement above.

There is no material difference between the results shown in the income statement above and their historical cost equivalents for the financial year stated above.

All results are derived from continuing operations.

Evolution (Shinfield) LLP

Statement of comprehensive income for the year ended 31 March 2019

	2019 **£'000**	2018 £'000
Profit for the financial year	3,037	2,896
Total comprehensive income	**3,037**	2,896

There is no other comprehensive income in the year. Total comprehensive income therefore equals the profit for the year.

Evolution (Shinfield) LLP
Balance sheet as at 31 March 2019

	Note	2019 £'000	2018 £'000
Assets			
Current assets			
Developments	7	**44,665**	55,686
Trade and other receivables	8	**248**	334
Cash and cash equivalents	9	**425**	972
Total current assets		**45,338**	56,992
Total assets		**45,338**	56,992
Liabilities			
Current liabilities			
Trade and other payables	10	**(14,585)**	(29,772)
Total current liabilities		**(14,585)**	(29,772)
Net current assets		**30,753**	27,220
Non-current liabilities			
Trade and other payables	12	**(26,079)**	(25,583)
Total non-current liabilities		**(26,079)**	(25,583)
Total liabilities		**(40,664)**	(55,355)
Net assets attributable to members		**4,674**	1,637
Equity			
Members' capital	13	**–**	–
Accumulated profits		**4,674**	1,637
Total equity		**4,674**	1,637
Total members' interests			
Amounts due from members		**–**	–
Loans and other debts due to members		**(23,082)**	(23,501)
		(23,082)	(23,501)

The notes on pages 12 to 23 are an integral part of these financial statements.

The financial statements on pages 7 to 23 were approved by the members on 4/11/2019 and signed on its behalf by AJ Duxbury, a director of Galliford Try Homes Limited:

AJ Duxbury
Director of Galliford Try Homes Limited
Member of Evolution (Shinfield) LLP
LLP registered number: OC399478

Evolution (Shinfield) LLP

Statement of changes in equity for the year ended 31 March 2019

	Members' capital £'000	Accumulated (losses) /profits £'000	Total equity £'000
As at 01 April 2017	–	(1,259)	(1,259)
Total comprehensive income and profit for the year	–	2,896	2,896
As at 31 March 2018 / 01 April 2018	–	1,637	1,637
Total comprehensive income and profit for the year	–	3,037	3,037
At 31 March 2019	**–**	**4,674**	**4,674**

Evolution (Shinfield) LLP
Statement of cash flows for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Continuing operations			
Operating profit		**4,182**	4,071
Net cash generated from operations before changes in working capital		**4,182**	4,071
Decrease in developments	7	**11,021**	5,955
Decrease / (increase) in trade and other receivables	8	**86**	(132)
Decrease in trade and other payables	10	**(15,417)**	(6,093)
Net cash (used in)/generated from operations		**(128)**	3,801
Net cash (used in)/generated from operating activities		**(128)**	3,801
Cash flows from financing activities			
Decrease in borrowings[1]	14	**(419)**	(3,982)
Net cash used in financing activities		**(419)**	(3,982)
Net decrease in cash and cash equivalents		**(547)**	(181)
Cash and cash equivalents at 01 April 2018 / 01 April 2017		**972**	1,153
Cash and cash equivalents at 31 March 2019 / 31 March 2018		**425**	972

[1] Net changes in liabilities as a result of financing activities purely relates to a decrease in loan from LLP's JV partners (note 14).

1. Accounting policies

General Information

Evolution (Shinfield) LLP ('the LLP') is an LLP incorporated, and domiciled in England and Wales (Registered number: OC399478). The address of the registered office is Evolution (Shinfield) LLP, Cowley Business Park, Cowley, Uxbridge, Middlesex, UB8 2AL.

The financial statements are measured and presented in pounds sterling as that is the currency of the primary economic environment in which the LLP operates. The amounts stated are denominated in thousands (£'000).

Basis of preparation

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis under the historical cost convention unless stated otherwise. The LLP has consistently applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, and endorsed by the EU, relevant to its operations and effective on 01 April 2018.

(a) New standards, amendments and interpretations:

New standards, amendments and interpretations that became mandatory for the first time for the financial year beginning 01 April 2018 are listed below.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with customers
- Amendments to IFRS 2 Share-based payments
- Amendments to IFRS 4 Insurance contracts
- Amendments to IAS 40 Investment property
- Annual improvements 2015-2017

Above new standards and amendments do not have a material effect on the LLP except as described below:

• IFRS 9 - 'Financial instruments'

The LLP has adopted IFRS 9 Financial Instruments using the modified retrospective method for the first time in the year ended 31 March 2019. There was no material impact on adoption of this new standard.

1. Accounting policies (continued)

(a) New standards, amendments and interpretations (continued):

- IFRS 15 Revenue from contracts with customers

The LLP has adopted the standard from 1 April 2018 using the cumulative effect approach. As a result the LLP has reviewed its opening equity position as at 1 April 2018 but concluded that the only material adjustment to its financial statements is in respect of revenue associated with the sale of part exchange properties, which will result in an equivalent increase in both revenue and cost of sales and therefore no overall change to equity. Further detail and analysis on the LLP's revenue can be found in note 2 and on the LLP's adoption of IFRS 15, in note 18.

In line with the requirements of the standard with regards to the transition option adopted, the LLP has not restated its comparative information which continues to be reported under previous standards, IAS 11 and IAS 18. To aid comparability, as required by IFRS 15, the LLP has also stated any differences in its results for the year to 31 March 2019 under IAS 11 and IAS 18 (in note 18).

IFRS 15 provides a single, principles based five-step model to be applied to all sales contracts as outlined below. It is based on the transfer of control of good and services to customers (based on the satisfaction of identified individual performance obligations) and replaces the separate models for goods, services and construction contracts. The five steps are:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determines the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

As a result of this new standard the LLP has reviewed its accounting policies in respect of revenue recognition (where applicable) and this is detailed in note 2.

(b) New standards, amendments and interpretations not yet adopted

The IASB and IFRIC issued the following standards, amendments and interpretations with an effective date after the year end of these financial statements.

- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to the following standards:
  - IAS 28 Long-term interests in associates and joint ventures
  - IAS 1 & IAS 8 Definition of Material
  - IAS 19 Plan Amendment, Curtailment or Settlement
  - IFRS 3 Business Combinations
  - IFRS 9 Prepayment features with negative compensation
- Annual improvements 2015-2017

Apart from IFRS 16, the LLP does not expect the other standards above to have material impact on the LLP's financial statements.

- IFRS 16 - 'Leases'

IFRS 16 is effective for periods commencing on or after 1 January 2019. The standard eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lessee accounting model. This new standard, will require the Company to recognise a long term depreciating right of use asset and corresponding lease liability for all leases with exceptions for short-term and low-value leases.

1. Accounting policies (continued)

(b) New standards, amendments and interpretations not yet adopted (continued)

The LLP has assessed the impact the new standard would have on these financial statements and has identified that no adjustments would be required. The LLP will continue to monitor the impact of this standard but it is not expected that any material impact will result.

Critical accounting estimates and judgments

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities which are not readily apparent from other sources. 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 revision and future periods if the revision affects both current and future periods. There are no critical judgements in applying the entity's accounting policy.

Material estimates and assumptions are made in particular with regards to establishing the following policies:

(i) Estimation of costs to complete and loss provisions

In order to determine the profit and loss that the LLP is able to recognise on its developments and in a specific period, the LLP has to allocate total costs of the developments between the proportion completing in the period and the proportion to complete in a future period. The assessment of the total costs to be incurred requires a degree of estimation. However, the LLP has established internal controls to review and ensure the appropriateness of estimates made.

Revenue and profit

Revenue is recognised when the LLP transfers control of goods or services to customers. Revenue comprises the fair value of the consideration received or receivable net of rebates, discounts and value added tax. Where consideration is subject to variability, the LLP estimates the amount receivable. Revenue recognised is constrained to the amount which is highly probable not to result in a significant reversal in future periods. The LLP's revenue relates to one class of business and is all generated in the UK.

Where a modification to an existing contract occurs, the LLP assesses the nature of the modification and whether it represents a separate performance obligation required to be satisfied or whether it is a modification to the existing performance obligation.

Revenue and profit are recognised as follows which should be read in conjunction with the LLP's new accounting policy applied from 1 April 2018 as detailed in note 1:

Revenue is recognised as follows:

The LLP sells private housing units and associated land, inclusive of customer options, incentives and warranties. In most instances, the contract with the customer is assessed to only contain one performance obligation. Revenue from the sale of individual private housing units, net of incentives, is recognised at the point of legal completion. Contract consideration for private house sales may include part exchange properties at fair value. The onwards sale of part exchange properties is recognised as revenue, on legal completion.

1. Accounting policies (continued)

Revenue and profit (continued)

Sales of land where title transfers prior to construction beginning (or at 'golden brick') are considered to be a distinct performance obligation. Revenue from land sales is recognised at a point in time, being the unconditional exchange of contracts or at 'golden brick', provided that the Company does not retain legal title to the land.

Revenue from affordable housing development is recognised over time. Development of multiple units on the same site (inclusive of design and construction activities contracted for at the same time, and mobilisation activities) is considered to be a single performance obligation. Where a contract comprises units across multiple sites, typically each site will represent a distinct performance obligation. Revenue is accounted for on an over time basis. The amount of revenue recognised is calculated based on the output method.

Finance income and cost

Interest income and expense is recognised on a time proportion basis using the effective interest method.

Dividends

Final dividend distribution to the LLP's members is recognised as a liability in the LLP's financial statements in the year in which the dividends are approved by the LLP's members. Interim dividends are recognised when paid.

Income tax

LLP's are not subject to income tax. Any tax liabilities arising on profits made by the LLP are paid by its members.

Inventories and developments

Inventories are valued at the lower of cost and net realisable value. Work in progress is valued at the lower of cost, including direct costs and directly attributable overheads, and net realisable value.

Where a development is in progress, net realisable value is assessed by considering the expected future revenues and the total costs to complete the development including direct costs and directly attributable overheads. To the extent that the LLP anticipates selling a development in its current state then net realisable value is taken as open market value at the balance sheet date less any anticipated selling costs.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. The LLP applies the IFRS 9 simplified approach to measuring expected credit losses which uses lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The LLP has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on historical payment profiles, adjusted to reflect the current and forward looking information.

1. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less. Bank overdrafts are also included as they are an integral part of the LLP's cash management.

Bank deposits with an original term of more than three months are classified as short-term deposits where the cash can be withdrawn on demand and the penalty for early withdrawal is not significant.

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the credit term and charged to finance costs using the effective interest rate.

2. Revenue

The LLP has changed its accounting policy in relation to revenue as a result of application of IFRS 15.

Revenue and profit are recognised as follows which should be read in conjunction with the LLP's new accounting policy applied from 1 April 2018 as detailed in note 1 accounting policies:

2. Revenue (continued)

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms	Nature of change in accounting policy
Private development	Individual customers obtain control of a unit once the sale is legally complete (unconditional sale). This is typically the same time that the customer has paid. Revenue is therefore recognised on the sale of individual units (net of incentives), at a point in time. Contracts for onward sale of part exchange properties are entered into with a different customer and therefore represent separate revenue contracts.	Under IAS 18 revenue was recognised when the risks and rewards were transferred to the customer which was assessed to be at legal completion. Under IFRS 15, there is no change to the point of revenue recognition as the performance obligation is deemed to be satisfied at the point when legal title is transferred to the purchaser. Under IAS18, part exchanged properties are recognised at fair value as revenue and in inventory and subsequent sale proceeds on disposal of the part exchange property are presented net, against cost of sales. Under IFRS15, these unit sales represent separate revenue contracts and are therefore recognised separately within revenue, at the point of legal completion.
Unit sales to Registered Providers/ Investors in the Private Rented Sector (PRS)	This represents sales of (affordable) housing units to Housing Associations and other Registered Providers/PRS, treated as a single performance obligation (subsequent to the transfer of land - see below). The LLP receives payments from the customer during the building of the units (based on a schedule of value that reflects the timing and performance of service delivery), indicating that the customer controls all the work in progress as the house is being built. The units are built on the customer land. Therefore, revenue on performance obligations to construct these units is recognised over time (the period of construction) based on an output model (certification of work done to date). Un-invoiced amounts are presented as contract assets. Management do not expect a financing component to exist in respect of these contracts.	These contracts were previously accounted for under IAS 11 and as such were recognised over time when certain milestones in the development were reached. There is no change to the timing of revenue recognition under IFRS 15, as the conditions of the sale dictate that the revenue should continue to be recognised over time.
Land sales	The sale of land, whether or not in conjunction with the sale of a number of housing units, is assessed to be a distinct performance obligation to the sale of any related units and control is deemed to pass to the customer on the unconditional exchange of contracts. Revenue is therefore recognised at a point in time (unconditional exchange of contracts).	These contracts were previously accounted for under IAS 18 and as such were recognised at unconditional exchange. There is no change to the timing of revenue recognition under IFRS 15, as the conditions of the sale dictate that the revenue should continue to be recognised at a point in time.

2. Revenue (continued)

Disaggregation of revenue

As part of the implementation of IFRS 15 on 1 April 2018, the LLP has assessed the appropriate presentation of the disaggregation of its revenue streams (analysing the varying risk profiles and effect of economic factors on the nature, amount, timing and uncertainty of revenue). The revenue disaggregation below represents the Company's underlying revenue based on its different revenue stream.

Timing of revenue recognition	Total £'000
Over time – Affordable housing	5,162
At a point in time – Commercial developments	20,005

Transaction price allocated to the remaining performance obligations

The table below includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2020 £'000	**2021 £'000**	**2022 £'000**	**Total £'000**
Housebuilding and land sales	**854**	**–**	**761**	**1,615**

The amount of revenue recognised during the year from performance obligations satisfied (or partially satisfied) in previous years amount to £nil.

3. Employees and members

There were no employees during the year (2018: nil). The members did not receive any remuneration for their services during the year (2018: £nil).

4. Finance costs

	2019 £'000	2018 £'000
Interest payable and similar charges		
- to related parties	**(1,076)**	(1,018)
- other interest and similar charges	**(69)**	(157)
Total finance costs	**(1,145)**	(1,175)
Net finance cost	**(1,145)**	(1,175)

5. Profit on ordinary activities before taxation

The following items have been included in arriving at the profit on ordinary activities before taxation:

	2019 £'000	2018 £'000
Developments recognised as cost of sales	**20,976**	17,979

5. Profit on ordinary activities before taxation (continued)

Services provided by the LLP's auditors

During the year, the LLP obtained the following services from the LLP's auditors at costs as detailed below:

	2019 £'000	2018 £'000
Fees payable to the LLP's auditors for the audit of the financial statements	**7**	7

6. Distribution to members

There were 2 members during the year (2018: 2).

Profits are allocated in line with the proportion of limited liability partnerships that each member owns. There was no profit distribution in the year (2018: £nil).

The requirement for distributions is agreed with the members. This enables the limited liability partnership to make distributions to the members.

7. Developments

	2019 £'000	2018 £'000
Land	**35,952**	47,937
Work in progress	**8,520**	7,206
Part exchange properties	**193**	543
	44,665	55,686

8. Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	**187**	287
Amounts owed by related parties	**24**	–
Recoverable value-added tax	**37**	47
	248	334

Amounts owed by related parties do not bear interest, have no fixed date of repayment and are repayable on demand.

The LLP has no overdue trade receivables.

The LLP's maximum exposure to credit risk is the receivables and financial borrowings balances, but no significant concentration of credit risk.

There was no contract assets or accrued income as at 31 March 2019.

9. Cash and cash equivalents

	2019 £'000	2018 £'000
Cash and cash equivalents	**425**	972

The effective interest rate received on cash balances is nil% (2018: nil%).

10. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	**82**	126
Land Creditor	**–**	8,600
Other creditors	**12,693**	14,566
Contract liabilites[1]	**1,204**	–
Accrued liabilities and deferred income[1]	**606**	6,480
	14,585	29,772

[1] The LLP adopted IFRS 15 Revenue from Contracts with Customers on 1 January 2018 using the modified retrospective method with the cumulative effect of initial application recognised as an adjustment to opening equity (note 2).

The land payable reflects the deferred payments on land acquisitions and are secured by legal charge over the land. Other creditors relate to section 106 fees which are unsecured.

Accruals and deferred income include £nil (2018: £4,990) deferred income. The contract liability as at 31 March 2019 was £1,203,862.

Significant changes in the contract liabilities balances during the year are as follows:

	2019 Contract liabilities £'000
Revenue recognised in income statement	**3,786**
	3,786

11. Financial Instruments

The business and the execution of the LLP's strategy are subject to a number of risks and uncertainties. The key business risks and uncertainties affecting the LLP are considered to relate to the strength and volatility of the UK housing market. This includes changes to the UK housing market and the economic cycle affecting consumer confidence and the availability of mortgage finance. The members monitor Government and Industry data on housing prices, sales volumes and construction commencement data thus enabling anticipation of market changes and facility to adjust build programmes, sales releases and purchaser incentives accordingly. Given the straightforward nature of the business, the members are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Capital risk management

The LLP's objectives when managing capital are to safeguard the LLP's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

11. Financial Instruments (continued)

Financial risk factors

(a) *Market risk*

(i) *Foreign exchange risk*

All material activities of the LLP take place within the UK and consequently there is little direct exchange risk.

(ii) *Price risk*

The LLP is affected by the level of UK house prices. These are in turn affected by factors such as mortgage availability, employment levels, interest rates, consumer confidence.

(iii) *Interest rate risk*

The LLP's income and operating cash flows are substantially independent of changes in market interest rates.

The LLP's interest rate risk arises from movement in cash and cash equivalents and long-term borrowings. Borrowings issued at variable rates expose the LLP to cash flow interest rate risk.

(b) *Credit risk*

Credit risk arises from cash and cash equivalents, deposits and borrowings with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The LLP has a credit risk exposure to the providers of its banking facilities. These are primarily provided by HSBC Bank plc and management does not expect any material losses from non-performance of any counterparties, including in respect of receivables not yet due.

(c) Liquidity risk

In accordance with IFRS 9 'Financial instruments: recognition and measurement', the LLP has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives have been identified.

Fair value of financial instruments

The LLP's financial instruments comprise of cash and cash equivalents trade and other receivables excluding prepayments, financial liabilities – borrowings, trade and other payables excluding deferred income, VAT and social security taxes.

There is no difference between the book value and the fair value of the LLP's financial assets and financial liabilities.

12. Other non-current liabilities

	2019	2018
	£'000	£'000
Amounts owed to related parties	**26,079**	25,583
	26,079	25,583

Interest is charged on the loan from related parties at a rate of 3.5% (2018: 3.5%) above Bank of England base rate per annum. The loans are repayable when the LLP has surplus funds, and must be fully repaid by the completion of the development.

There was no contract liability or deferred income payable in more than one year as at 31 March 2019.

13. Members' capital

	2019 £'000
Subscribed capital	
As at 01 April 2018	–
Capital subscribed	–
At 31 March 2019	**–**

14. Related party transactions

At the end of the year, there was £23,081,704 (2018: £23,500,895) loan payable due to both Linden Limited £11,184,014 (2018: £12,355,447), a subsidiary of Galliford Try Homes Limited, and Home Group Developments Limited £11,897,690 (2018: £11,145,447), a sister company of North Housing Limited. The accrued loan interest payable at the end of the year was £1,498,848 (2018: £1,104,709) for Linden Limited and £1,498,848 (2018: £977,122) for Home Group Developments Limited.

At the end of the year, £551,972 was owed to Linden Limited (2018: £1,439,345) in respect of residual amounts due on the development costs paid on behalf of the LLP.

At the end of the year, there was a trading balance of £24,411 owed by Linden Limited to the LLP.

During the year Linden Limited received project management and corporate services fees of £537,505 (2018: £537,505).

15. Guarantees and contingent liabilities

Disputes arise in the normal course of business, some of which lead to litigation or arbitration procedures. The members make proper provision in the financial statements when they believe a liability exists. Whilst the outcome of disputes and arbitration is never certain, the members believe that the resolution of all existing actions will not have a material adverse effect on the LLP's financial position.

16. Post balance sheet events

No matters have arisen since the year end that requires disclosure in the financial statements.

17. Controlling party

Evolution (Shinfield) LLP is jointly owned by Galliford Try Homes Limited and North Housing Limited with both companies sharing equal control.

18. Impact of the adoption of IFRS 15 Revenue from Contacts with Customers

The LLP has adopted IFRS 15 from 01 April 2018 and as a result, has changed its accounting policy for revenue recognition as detailed in note 1. The LLP has applied IFRS 15 using the cumulative effect method of initially applying the new standard as an adjustment to the opening balance of equity as at 01 April 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. The details of any changes are set out below.

(i) Part exchange properties – historically, under IAS 18, the purchase and sale of part exchange properties was treated as a linked transaction with the sale of the new build unit, and as such the net impact of the purchase and sale of a part exchange property was recognised in cost of sales. Under IFRS 15, this is now a separate transaction as it can no longer be linked with the sale of the new build house (see updated accounting policy, note 2). Accordingly, these sales are now recorded in revenue rather than as a reduction to cost of sales. However, this accounting change results in equivalent but offsetting increases in revenue and cost of sales and therefore no change in operating profit or net assets.

18. Impact of the adoption of IFRS 15 Revenue from Contacts with Customers (continued)

(ii) The LLP's notes to the accounts (specifically 'trade and other receivables', 'trade and other payables' and 'other non-current liabilities') are impacted as a result of moving away from IAS 11 balance sheet captions to those prescribed by IFRS 15. The main reclassification adjustment is in relation to the accrued income balances which were previously presented within 'Prepayments and accrued income' and deferred income balances which were previously presented within 'Accruals and deferred income' for contracts that were ongoing at that time in line with the requirements of IAS 11, have now been presented within 'Contract assets' or 'Contract liabilities' as appropriate.

Impact on the financial statements on transition at 01 April 2018

As noted above, the only adjustment to the income statement and balance sheet on the adoption of IFRS 15 was to revenue and cost of sales in respect of accounting for part exchange properties. Consequently, the cumulative effect on the changes made to the LLP's income statement for the year 31 March 2018 is to increase revenue by £2,481,000 with an equal increase in cost of sales (see adjustment (i) above). However, this resulted in no change to the operating profit for the year to 31 March 2018, nor the net assets and the balance sheet as at 31 March 2018.

Impact on LLP's income statement for the year ended 31 March 2019

The LLP's income statement for the year ended 31 March 2019 is only impacted by the change in accounting for part exchange properties with sales now recorded in revenue rather than as a reduction in cost of sales. The LLP would have recognised £1,782,500 less revenue (and an equivalent reduction in cost of sales) in the year ended 31 March 2019, if it were to continue to apply previous accounting standards. There was no other impact on the Company's consolidated income statement.

Impact on LLP's balance sheet at 31 March 2019

There was no impact on the LLP's net assets and balance sheet as at 31 March 2019 resulting from the adoption of IFRS 15.