

Evolution Morpeth LLP

Annual report and Financial statements

For the year ended 31 March 2018

Registered number: OC400305

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Evolution Morpeth LLP

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Evolution Morpeth LLP

Members and professional advisers

Members

Linden Limited
North Housing Limited

Registered office

Cowley Business Park
Cowley
Uxbridge
Middlesex
England
UB8 2AL

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Bankers

Barclays Bank plc
15 Colmore Row
Birmingham
B3 2WN

Solicitors

DAC Beachcroft
100 Fetter Lane
London
EC4A 1BN

Evolution Morpeth LLP

Strategic report for the year ended 31 March 2018

The members present their strategic report of Evolution Morpeth LLP ("the LLP"), for the year ended 31 March 2018.

Review of business

The LLP's principal activity is the building and selling of residential apartments and houses in Morpeth. The LLP was formed as a joint venture between Linden Limited and North Housing Limited.

The site at Morpeth was acquired on 30 June 2015. There were 27 (2017: 53) legal completions in the year generating revenue of £8,550,000 (2017: £8,512,000). It is anticipated that the site development will be completed in June 2024.

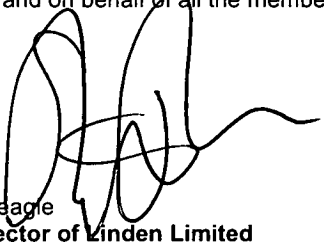
Principal risks, uncertainties and key performance indicators

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 £654,000 (2017 restated: £661,000), which will be reduced from reserves. The LLP had net assets of £699,000 (2017 restated: £45,000).

For and on behalf of all the members



S Teagle
Director of Linden Limited
14 December 2018

Evolution Morpeth LLP

Members' report for the year ended 31 March 2018

The members present their report and audited financial statements of Evolution Morpeth LLP ("the LLP"), registered number OC400305 for the year ended 31 March 2018.

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.

Dividends

The members do not recommend the payment of a dividend (2017: £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. 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 statements;
- 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 LLP will continue in business.

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

Evolution Morpeth LLP

Members' Report for the year ended 31 March 2018 (continued)

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.

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.

Disclosure of information to auditors

Each of the members at the date of the approval of this annual report confirms that:

- so far as they are aware, there is no relevant audit information of which the LLP's auditors are unaware: and
- the member has taken all the steps that he /she ought to have been taken as a member in order to make himself / herself 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.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

The members' report was approved by the board of members on 14 December 2018 and signed on its behalf by:



S Teagle
Director of Linden Limited
14 December 2018

Independent auditors' report to the members of Evolution Morpeth LLP

Report on the audit of the financial statements

Opinion

In our opinion, Evolution Morpeth LLP's financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2018 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 2018; 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

We have nothing to report in respect of the following matters in relation to which 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.

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.

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 Morpeth 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.

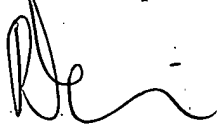
Other required reporting

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

14 December 2018

Evolution Morpeth LLP
Income statement for the year ended 31 March 2018

	Note	2018 £'000	*Restated 2017 £'000
Revenue		8,550	8,512
Cost of sales		(7,118)	(7,049)
Gross profit		1,432	1,463
Administrative expenses		(8)	(6)
Operating profit		1,424	1,457
Finance (costs)/income	3	(770)	(796)
Profit for the financial year before members' remuneration and profit shares available for discretionary division among members		654	661

*For restatement details refer to note 1 of these financial statements

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 Morpeth LLP

Statement of comprehensive income for the year ended 31 March 2018

	2018 £'000	*Restated 2017 £'000
Profit for the financial year	654	661
Total comprehensive income	654	661

*For restatement details refer to note 1 of these financial statements

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

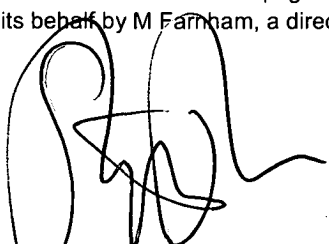
Evolution Morpeth LLP
Balance sheet as at 31 March 2018

	Note	2018 £'000	*Restated 2017 £'000	*Restated 2016 £'000
Assets				
Current assets				
Developments	6	29,187	32,097	29,501
Trade and other receivables	7	34	375	43
Cash and cash equivalents	8	236	1,090	128
Total current assets		29,457	33,562	29,672
Total assets		29,457	33,562	29,672
Liabilities				
Current liabilities				
Trade and other payables	9	(7,356)	(8,750)	(1,506)
Total current liabilities		(7,356)	(8,750)	(1,506)
Net current assets		22,101	24,812	28,166
Non-current liabilities				
Trade and other payables	11	(21,402)	(24,767)	(28,782)
Total non-current liabilities		(21,402)	(24,767)	(28,782)
Total liabilities		(28,758)	(33,517)	(30,288)
Net assets/(liabilities) attributable to members		699	45	(616)
Equity				
Members' capital	12	—	—	—
Accumulated profits/(loss)		699	45	(616)
Total equity/(deficit)		699	45	(616)
Total members' interests				
Loans due to members	13	15,747	17,047	17,387
		15,747	17,047	17,387

*For restatement details refer to note 1 of these financial statements

The notes on pages 12 to 19 are an integral part of these financial statements.

The financial statements on pages 7 to 19 were approved by the members on 14 December 2018 and signed on its behalf by M Farnham, a director of Linden Limited:


S Teagle
Director of Linden Limited
Member of Evolution Morpeth LLP
LLP registered number: OC400305

Evolution Morpeth LLP
Statement of changes in equity for the year ended 31 March 2018

	Members' capital £'000	Accumulated (loss)/profits £'000	Total (deficit)/equity £'000
As at 01 April 2016	—	(130)	(130)
Restatement adjustment (see note 1)	—	(486)	(486)
Restated as at 01 April 2016	—	(616)	(616)
Total comprehensive income and profit for the financial year	—	661	661
As at 31 March 2017	—	45	45
Total comprehensive expense and loss for the financial year	—	654	654
At 31 March 2018	—	699	699

Evolution Morpeth LLP

Statement of cash flows for the year ended 31 March 2018

	Note	2018 £'000	*Restated 2017 £'000
Cash flows from operating activities			
Continuing operations			
Operating profit		1,424	1,457
Net cash generated from operations before changes in working capital		1,424	1,457
Decrease / (increase) in developments	6	2,910	(2,596)
Decrease / (increase) in trade and other receivables	7	341	(332)
(Decrease) / increase in trade and other payables	9	(4,229)	2,773
Net cash generated from operations		446	1,302
Net cash generated from operating activities		446	1,302
Cash flows from financing activities			
Decrease in borrowings ¹	13	(1,300)	(340)
Net cash from financing activities		(1,300)	(340)
Net (decrease)/increase in cash and cash equivalents		(854)	962
Cash and cash equivalents at 01 April 2017 / 01 April 2016		1,090	128
Cash and cash equivalents at 31 March 2018 / 31 March 2017		236	1,090

*For restatement details refer to note 1 of these financial statements

¹ Net changes in liabilities as a result of financial activities is purely a decrease in loan from the LLP's JV partners (note 13).

Evolution Morpeth LLP

Notes to the financial statements for the year ended 31 March 2018

1. Accounting policies

General Information

Evolution Morpeth LLP ('the LLP') is an LLP incorporated, and domiciled in England and Wales (Registered number: OC400305). The address of the registered office is Evolution Morpeth 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, and financial assets and liabilities (including derivative financial instruments) at fair value through profit and loss. 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 1 April 2017.

(a) New standards, amendments and interpretations:

The Company has adopted IAS 7 (Amendment) 'Statement of cash flows' for the first time in the year ended 31 March 2018. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The LLP has addressed this requirement by providing a foot note under Statement of cashflows.

There are no new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 April 2017 that have a material impact on the Company's financial position, presentation or disclosures in the financial statements.

(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. The Company's assessment of the impact of these new standards and interpretations is set out below;

• IFRS 9 - 'Financial instruments'

IFRS 9 is effective for periods beginning on or after 1 January 2018. The standard addresses the classification, measurement, impairment and derecognition of financial assets and liabilities, introducing new rules for hedge accounting and a new impairment model for financial assets.

The Company has reviewed its financial assets and liabilities and is not expecting a material change in its financial statements resulting from the adoption of this new standard.

Evolution Morpeth LLP

Notes to the financial statements for the year ended 31 March 2018 (continued)

1. Accounting policies (continued)

- IFRS 15 - 'Revenue from contracts with customers'

IFRS15 is effective for periods beginning on or after 1 January 2018. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and sets out new revenue recognition criteria, using a five-step model to apportion revenue to individual performance obligations, within a contract. The new standard is based on the principal that revenue is recognised when control of a good or service transfers to a customer.

The Company has assessed the effects of applying the new standard on its financial statements. Currently, the Company recognises revenue at the fair value of the consideration received or receivable on the legal completion of a residential property whilst housing association sales are recognised over time; both of these policies are consistent with the new standard and are therefore not expected to change. Revenues associated with the sale of part exchange properties are currently included as a reduction in cost of sales. Applying IFRS15 will result in an increase to both revenue and cost of sales although there will be no impact on the reported profit from operations or the Company's cashflows.

- 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.

The Company has yet to assess the full impact of this standard although it is expected that the implementation of this standard will increase both the assets and liabilities of the Company but not have a material impact on its net assets.

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.

Evolution Morpeth LLP

Notes to the financial statements for the year ended 31 March 2018 (continued)

1. Accounting policies (continued)

Revenue and profit

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue comprises the fair value of the consideration received or receivable net of rebates, discounts and value added tax. The LLP's revenue relates to one class of business and is almost all generated in the UK.

Revenue and profit are recognised as follows:

House building and land sales

Revenue from private housing sales is recognised at legal completion, net of incentives. Revenue from land sales is recognised on the unconditional exchange of contracts. Profit is recognised by reference to the expected result of each site. Contracting development sales for affordable housing are accounted for as construction contracts.

Construction contracts

Revenue comprises the value of construction executed during the year and contracting development sales for affordable housing. The results for the year include adjustments for the outcome of contracts, executed in both the current and preceding years.

(a) Fixed price contracts - Revenue is recognised based upon an internal assessment of the value of works carried out. This assessment is arrived at after due consideration of the performance against the programme of works, measurement of the works, detailed evaluation of the costs incurred and comparison to external certification of the work performed. The amount of profit to be recognised is calculated based on the proportion that costs to date bear to the total estimated costs to complete. Revenue and profit are not recognised in the income statement until the outcome of the contract is reasonably certain. Adjustments arise from claims by customers or third parties in respect of work carried out and claims and variations on customers or third parties for variations on the original contract. Provision for claims against the LLP is made as soon as it is believed that a liability will arise, but claims and variations made by the LLP are not recognised in the income statement until the outcome is capable of being reliably measured. Provision will be made against any potential loss as soon as it is identified.

Amounts recoverable on contracts and payments on account are calculated as cost plus attributable profit less any foreseeable losses and cash received to date and are included in receivables or payables as appropriate.

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.

Evolution Morpeth LLP

Notes to the financial statements for the year ended 31 March 2018 (continued)

1. Accounting policies (continued)

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 provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the LLP will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (typically more than 30 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within cost of sales.

When a trade receivable is uncollectible, it is written off against the impairment provision for trade receivables. Subsequent recoveries of amounts previously written off are credited against cost of sales in the income statement. Short term trade receivables do not carry any interest and are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

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.

Prior year restatement

There has been a change in accounting policy during the year. This has resulted in interest from related party loans being expensed through the Income Statement instead of being capitalized on the Balance Sheet in the current and prior year. This change has resulted in a prior year restatement with interest being recorded under Finance Costs instead of Cost of Sales. The change in accounting policy has been made to align Evolution Morpeth LLP's definition of a qualifying asset as per IAS 23 with the rest of Galliford Try Plc group. Under the new accounting policy, interest expense is not capitalized as the underlying asset is not considered a qualifying asset anymore.

2. Employees and members

There were no employees during the year (2017: nil). The members did not receive any remuneration for their services during the year (2017: £nil).

Evolution Morpeth LLP**Notes to the financial statements for the year ended 31 March 2018 (continued)****3. Finance costs**

	2018 £'000	Restated 2017 £'000
Interest payable and similar charges		
- other interest and similar charges	(770)	(796)
Total finance costs	(770)	(796)
Net finance cost	(770)	(796)

4. Profit on ordinary activities before taxation

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

	2018 £'000	Restated 2017 £'000
Developments recognised as cost of sales	7,118	7,049

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:

	2018 £'000	2017 £'000
Fees payable to the LLP's auditors for the audit of the financial statements	7	6

5. Distribution to members

There were nil members during the year (2017: nil).

Profits are allocated in line with the proportion of limited liability partnerships that each member owns. There was no profit distribution in the year (2017: £nil).

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

6. Developments

	2018 £'000	Restated 2017 £'000
Land	18,343	20,340
Work in progress	10,844	11,524
Part exchange properties	–	233
	29,187	32,097

7. Trade and other receivables

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade receivables	–	192
Recoverable value-added tax	34	33
Prepayments and accrued income	–	150
	34	375

Evolution Morpeth LLP

Notes to the financial statements for the year ended 31 March 2018 (continued)

7. Trade and other receivables (continued)

Trade receivables are reviewed for impairment. The LLP has no overdue trade receivables in terms of payment.

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

8. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash and cash equivalents	236	1,090

The effective interest rate received on cash balances is nil% (2017: nil%)

9. Trade and other payables

	2018 £'000	2017 £'000
Trade payables	160	377
Land Creditor	3,834	3,836
Amounts owed to related parties	78	73
Other creditors	402	1,444
Accrued liabilities and deferred income	2,882	3,020
	7,356	8,750

Amounts owed to joint venture partners are non-interest bearing, unsecured and repayable on demand.

Developments of £nil (2017: £nil) have been pledged as security for land payables. Other payables are unsecured. Accruals and deferred income include £2,550 (2017: £2,553) deferred income.

10. 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.

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.

Evolution Morpeth LLP

Notes to the financial statements for the year ended 31 March 2018 (continued)

10. Financial Instruments (continued)

(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 Barclays 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 IAS 39 '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 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.

11. Other non-current liabilities

	2018 £'000	2017 £'000
Development land payables	3,886	7,720
Amounts owed to related parties	17,516	17,047
	21,402	24,767

Amounts owed to related parties includes loan amounts from Galliford Try Partnerships Limited an affiliate of its members, Linden Limited and Home Group Developments Limited, a sister company of its other member North Housing Limited. Please refer to note 13 for further details. Interest is payable on these loans at 3.5% above the Bank of England base rate.

Accruals and deferred income include £nil (2017: £nil) deferred income.

Evolution Morpeth LLP

Notes to the financial statements for the year ended 31 March 2018 (continued)

12. Members' capital

	2018 £'000
Subscribed capital	
As at 01 April 2017	–
Capital subscribed	–
At 31 March 2018	–

Both Linden Limited and North Housing Limited each contributed £1 worth of members' capital upon the signing of the LLP agreement, total members' capital is therefore £2.

13. Related party transactions

At the end of the year, there was £15,746,928 (2017: £17,046,928) loan payable due to both Galliford Try Partnerships Limited, an affiliate of its member Linden Limited £7,873,509 (2017: £8,523,509) and Home Group Developments North Limited, a sister company of its other member North Housing Limited, £7,873,418 (2017: £8,523,418). Loan payable interest of £1,769,164 (2017: £1,120,830) was accrued to the year end between both of the related parties.

At the end of the year, £78,057 was owed to Galliford Try Partnerships Limited (2017: £72,511) in respect of residual amounts due on the management fees, labour and sale costs.

During the year Galliford Try Partnerships Limited received fees for project management services of the Joint Venture of £278,819 (2017: £278,819).

14. Guarantees and contingent liabilities

Linden Limited and North Housing Limited have entered into financial guarantees and counter indemnities in respect of bank and performance bond issued in the normal course of business amounting to £nil (2017: £nil).

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.

15. Post balance sheet events

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

16. Controlling party

Evolution Morpeth LLP is jointly owned by Linden Limited and North Housing Limited with both companies sharing equal control.