

Registered Number 08706370

**Evolution (Woking) Limited**

Annual Report and Financial Statements  
For the year ended  
30 June 2018



# **Evolution (Woking) Limited**

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# Evolution (Woking) Limited

## COMPANY INFORMATION

<b>Directors</b>	Peter N Bowden Howard P Dawson Ian R Johnson
<b>Company Number</b>	08706370
<b>Registered Office</b>	Premier House 52 London Road Twickenham England TW1 3RP
<b>Independent auditors</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

# **Evolution (Woking) Limited**

## **STRATEGIC REPORT**

The Strategic Report of Evolution (Woking) Limited (the "Company") is prepared in accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

### **1 Principal activities**

The principal activities of the Company are the design, construction, financing and maintenance of 224 new-build affordable homes complete with landscaping, children's play area, as well as all associated infrastructure including two new substations, a pumping station and new integrated road network in accordance with the terms of an agreement with Woking Borough Council. This agreement together with a loan facilities agreement, a construction contract, a housing management contract, a responsive repairs, cyclical maintenance and renewal contract and other related contracts were signed on 15 November 2013. The concession period runs for a period of 25 years from the handover of the last unit.

The Company is a private company limited by shares and is incorporated in England and Wales. The address of its registered office is Tempsford Hall, Sandy, Bedfordshire, SG19 2BD.

### **2 Business review and future developments**

There have been no significant issues in relation to the construction of the new-build affordable homes and the housing management subcontractor has undertaken appropriate levels of mobilisation to now operate the entire site which is fully occupied. The loan was fully drawn down at the end of the construction phase.

### **3 Principal risks and uncertainties**

The principal risk at 30 June 2018 is defects risk. Defects risk is addressed through inspections undertaken by the Independent Certifier and the Employers Agent at the end of the 12 months Defects period. Service performance and operational risk is managed through the payment mechanism and is managed through on-site attendance for both management and maintenance personnel.

### **4 Key performance indicators**

The Company's results are measured by the directors in comparison to the original financial model agreed as part of the financial close on 15 November 2013. Variances from the model are highlighted and reported to the board on a monthly basis. Service availability performance indicators start in the operational phase and are not applicable during the year ended 30 June 2018.

### **5 Results**

The profit for the financial year dealt with in the financial statements is £28k (2017: £144k)

# Evolution (Woking) Limited

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The profit for the financial year dealt with in the financial statements is £28k (2017: £144k)

# Evolution (Woking) Limited

## STRATEGIC REPORT (Continued)

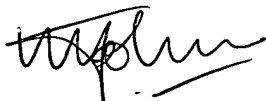
### 6 Going concern

The financial statements have been prepared on a going concern basis, notwithstanding net liabilities of £8,894k (2017: £9,783k), in part generated by an accounting adjustment to fair value the swap instrument. The directors believe this to be appropriate for the following reasons.

The business of the Company is to deliver a 25 year PFI (Private Finance Initiative) contract on behalf of Woking Borough Council, and the going concern basis should be assessed over the life of the contract rather than at any particular point in time. The directors' financial projections show that the Company is expected to make profits in every remaining year of the contract. The finance in place (see Note 10) ensures that the Company will continue to meet its financial obligations as they arise.

Based on this undertaking, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

On behalf of the board:



Ian R Johnson  
Director

Date: 28 January 2019

Registered Office:  
Premier House  
52 London Road  
Twickenham  
England  
TW1 3RP

# Evolution (Woking) Limited

## DIRECTORS' REPORT

The directors present their Directors' report and the audited financial statements for the year ended 30 June 2018.

### 1 Dividends

The directors do not recommend the payment of a dividend (2017: £nil)

### 2 Directors

The directors of the Company who served during the year and to the date of this report were as follows:

Peter N Bowden  
Samantha Horne (appointed 9 August 2018, resigned 18 January 2019)  
Aftab Rafiq (resigned 6 June 2018)  
Phillippa J W Prongué (resigned 6 June 2018)  
Rita K Akushie (resigned 3 August 2018)  
Howard P Dawson (appointed 22 November 2018)  
Ian R Johnson (appointed 22 November 2018)

### 3 Disclosure of information to auditors

As far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware and each of us has taken all the steps that he or she ought to have taken in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of such information

### 4 Independent auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

In accordance with section 419 of the Companies Act 2006 the Company has taken advantage of small companies' exemption for preparing strategic report and reduced disclosure within the Directors' Report.

### 5 Future development

A discussion of future developments is included in the strategic report.

### 6 Going concern

A discussion of going concern is included in the strategic report.

# Evolution (Woking) Limited

## DIRECTORS' REPORT (continued)

### 7 Statement of Directors' responsibilities in respect of the Directors' report and financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, 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 company will continue in business.

The directors 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.

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.

#### Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

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

On behalf of the Board



**Ian R Johnson**  
Director

Date: 28 January 2019



# ***Independent auditors' report to the members of Evolution (Woking) Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Evolution (Woking) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 30 June 2018; the profit and loss account, the statement of comprehensive income, the cash flow statement, 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.

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### **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 company 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.

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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### **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 directors 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, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

## **Evolution (Woking) Limited**

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.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors 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 directors 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 directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

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## Other required reporting

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### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

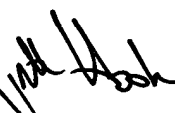
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified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

We have no exceptions to report arising from this responsibility.

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### Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Jonathan Hook (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP

28 January 2019

## Evolution (Woking) Limited

### PROFIT AND LOSS ACCOUNT for the year ended 30 June 2018

	Note	2018 £000	2017 £000
Turnover		1,749	4,007
Other Operating charges		<u>(1,231)</u>	<u>(3,322)</u>
Operating profit	2	518	685
Interest receivable and similar income	3	2,625	2,578
Interest payable and similar expenses	4	<u>(3,110)</u>	<u>(3,081)</u>
Profit before taxation		33	182
Tax on profit	6	<u>(5)</u>	<u>(38)</u>
Profit for the financial year		<u><u>28</u></u>	<u><u>144</u></u>

The profit reported above relates to continuing activities.

The notes on pages 14 to 19 form part of these financial statements.

# Evolution (Woking) Limited

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2018

	<b>2018</b> <b>£000</b>	2017 £000
Profit for the financial year	<u>28</u>	<u>144</u>
Fair value movements in cash flow hedging instruments	<b>1,037</b>	2,557
Tax on fair value movements in cash flow hedging instruments	<u>(176)</u>	<u>(574)</u>
Total items that may be reclassified subsequently to the profit and loss account	<b>861</b>	1,983
Total comprehensive income for the year	<u><b>889</b></u>	<u>2,127</u>

The notes on pages 14 to 19 form part of these financial statements.

# Evolution (Woking) Limited

## BALANCE SHEET As at 30 June 2018

	Note	2018 £000	2017 £000
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	2,318	2,335
Debtors: amounts falling due after more than one year	8	36,789	36,932
Total debtors		39,107	39,267
Cash at bank and in hand		3,924	4,217
Total assets		43,031	43,484
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	9	(12,618)	(13,145)
<b>Total assets less current liabilities</b>		30,413	30,339
Creditors: amounts falling due after more than one year	10	(39,307)	(40,122)
<b>Net liabilities</b>		(8,894)	(9,783)
<b>Capital and reserves</b>			
Called up share capital	11	100	100
Cash flow hedge reserve		(8,569)	(9,430)
Profit and loss account		(425)	(453)
<b>Total shareholders' deficit</b>		(8,894)	(9,783)

The financial statements were approved by the board on 28 January 2019 and were signed on its behalf by:



**Ian R Johnson**  
Director

The notes on pages 14 to 19 form part of these financial statements.

## Evolution (Woking) Limited

### STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2018

	Called up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total shareholders' deficit £000
Balance at 01 July 2017	100	(9,430)	(453)	(9,783)
Profit for the financial year	-	-	28	28
Other comprehensive income	-	861	-	861
<b>Total comprehensive income for the year</b>	-	861	28	889
<b>Balance at 30 June 2018</b>	<b>100</b>	<b>(8,569)</b>	<b>(425)</b>	<b>(8,894)</b>

The notes on pages 14 to 19 form part of these financial statements.

# **Evolution (Woking) Limited**

## **CASH FLOW STATEMENT for the year ended 30 June 2018**

	Note	<b>2018 £000</b>	2017 £000
Net cash inflow/(outflow) from operating activities	14	<b>931</b>	(1,798)
<b>Returns on investments and servicing of finance</b>			
Interest received		<b>2,625</b>	2,578
Interest paid and bank charges		<b>(3,077)</b>	(3,038)
Net cash outflow from returns on investments and servicing of finance		<b>(452)</b>	(460)
Net cash inflow/(outflow) before financing		<b>479</b>	(2,258)
<b>Financing</b>			
Decrease in Term loan		<b>(724)</b>	(1,932)
Decrease in sub-debt loan		<b>(48)</b>	-
Increase in Residual value loan		-	7,200
Net cash (outflow)/inflow from financing		<b>(772)</b>	5,268
(Decrease)/increase in cash		<b>(293)</b>	3,010
Cash at the start of the year		<b>4,217</b>	1,207
Cash at the end of the year		<b>3,924</b>	4,217

The notes on pages 14 to 19 form part of these financial statements.



# Evolution (Woking) Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2018

### 1 Accounting policies

#### *Basis of preparation*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006. The financial statements have been prepared on a going concern basis, reflecting the directors' assessment that the going concern assumption is applicable based on the company's financial position.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

#### (i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets' original effective interest rate. The impairment loss is recognised in the statement of comprehensive income. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in statement of comprehensive income.

Financial assets are derecognised when (i) the contractual rights to the cash flows from the asset expire or are settled, or (ii) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (iii) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

#### (ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank overdrafts, and bank loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

# Evolution (Woking) Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2018 (Continued)

### 1 Accounting policies (continued)

#### (iii) Hedging arrangements

The Company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the income statement.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

#### *Contract receivable*

Costs incurred in construction have been accounted for under section 2.8 of FRS 102. Costs comprise direct payments to the contractor, attributable initial project costs and interest costs incurred over the construction period on borrowings to fund construction.

The contract receivable is repaid over the concession period and revenue is apportioned between a deemed interest charge and turnover. This deemed interest charge is based upon the value of the financial debt outstanding and is included within interest receivable.

#### *Taxation*

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future or a right to pay less tax in the future have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

#### *Turnover*

Turnover represents the services' share of the management services income received by the Company for the provision of a PFI asset to the customer. This income is received over the life of the concession period. Management service income is allocated between turnover, finance debtor interest and reimbursement of the finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

The Company's principal business activities are that described in the Strategic Report, and accordingly all turnover is derived in the UK.

#### *Going concern*

The financial statements have been prepared on a going concern basis, notwithstanding net liabilities of £8,894k (2017: £9,783k). The directors believe this to be appropriate for the following reasons.

The business of the Company is to deliver a 25 year PFI contract on behalf of Woking Borough Council, and the going concern basis should be assessed over the life of the contract rather than at any particular point in time. The directors' financial projections show that the Company is expected to make profits in every remaining year of the contract. The finance in place (see Note 10) ensures that the Company will continue to meet its financial obligations as they arise.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

# Evolution (Woking) Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2018 (Continued)

### 2. Operating profit

	2018 £000	2017 £000
Operating profit is arrived at after charging		
Auditors' remuneration:		
Audit of the financial statements	<u>10</u>	<u>10</u>
	10	10

Evolution (Woking) Limited also pays the audit fee for its parent Company Evolution (Woking) Holdings Limited. The fee is deemed to be £1,000 (2017:£1,000) and is included within the £10,000 (2017:£10,000) shown above.

### 3 Interest receivable and similar income

	2018 £000	2017 £000
Interest receivable on finance debtor	<u>2,625</u>	<u>2,578</u>
	2,625	2,578

### 4 Interest payable and similar expenses

	2018 £000	2017 £000
Interest payable on term loans	798	849
Interest payable on equity bridge loan	-	55
Interest payable on residual value loan	649	527
Interest payable on sub-ordinated loan	462	231
Commitment fees	8	52
Swap fees	1,149	1,257
Letter of credit	(8)	41
Arrangement fee	33	43
Agency fee	<u>19</u>	<u>26</u>
	3,110	3,081

### 5 Directors and employees

The directors were not directly remunerated for their services during 2018 (2017: £nil).

The Company has no employees (2017: nil).

# Evolution (Woking) Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2018 (Continued)

### 6 Tax on profit

	2018 £000	2017 £000
<b>a) Analysis of tax charge in the year</b>		
Total current tax	-	-
Deferred tax	(5)	(38)
	<u>(5)</u>	<u>(38)</u>

### b) Factors affecting the current tax charge

The tax charge is higher (2017: higher) than the standard rate of corporation tax in the UK for the year ended 30 June 2018 of 19.75% (2017: 20%).

The differences are explained below:

	2018 £000	2017 £000
Profit before taxation	33	182
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	(6)	(36)
Effects of:		
Amounts charged directly to equity or otherwise transferred	(197)	(505)
Deferred tax credited directly to equity	176	574
Impact of change in tax rate	22	(71)
Total tax charge for the year	<u>(5)</u>	<u>(38)</u>

### c) Factors that may affect the future tax charges

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2017. These include reductions to the main rate to reduce the rate to 19% from 1 April 2018 and to 17% from 1 April 2020.

The deferred tax balance as at the year- end has been recognised at 17% (2017:17%).

### 7 Debtors: amounts falling due within one year

	2018 £000	2017 £000
Trade Debtors	450	306
Deferred tax origination and reversal of timing difference	84	89
Deferred tax on fair value of cash flow hedge reserve	1,755	1,932
Prepayments and accrued income	29	8
	<u>2,318</u>	<u>2,335</u>

### 8 Debtors: amounts falling due after more than one year

	2018 £000	2017 £000
Financial asset	<u>36,789</u>	<u>36,932</u>

# Evolution (Woking) Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2018 (Continued)

### 9 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Fair value of swap instrument	10,324	11,361
Trade creditors	81	13
VAT payable	67	56
Unamortised issue costs	(33)	(33)
Base credit facility	797	724
Subordinated loan	52	49
Accruals and deferred income	1,330	975
	<b>12,618</b>	<b>13,145</b>

The Company entered into interest rate swaps to receive interest at 1 month LIBOR during construction (6 month LIBOR during operational phase) and pay fixed interest rate. The swaps mature in line with respective loan facilities from the bank.

The Company has the following financial instruments

Notional Principal (£)	Maturity	Fixed Interest rate	Fair value (£)
21,973,713	15.11.2037	3.439%	(4,142,465)
15,000,000	15.11.2038	3.956%	(6,181,396)

The instruments are used to hedge the Company's exposure to interest rate movements on the bank loan.

Cash flows on both the loan and the interest rate swaps were paid monthly during construction and was change to 6 monthly in operational phase. During 2018, a hedging gain of £1,037,000 (2017: £2,557,000) was recognised in other comprehensive income for changes in the fair value of the interest rate swap.

### 10 Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Base credit facility	21,177	21,974
Residual value facility	15,000	15,000
Subordinated loan	3,750	3,801
Less: unamortised issue costs	(620)	(653)
	<b>39,307</b>	<b>40,122</b>

Borrowing consists of:

Base credit facility is granted by Norddeutsche Landesbank Girozentrale (London Branch) and is secured on the assets of the Company. The loan facility is for a total value of £24,630,175 (2017:£24,630,175) and the outstanding balance at 30 June 2018 is £21,973,713 (2017:£22,697,568). The term loan facility is repayable from 31 December 2017 to 31 March 2039. Amounts repayable are due as follows:

	£000
Within 1 year	797
In more than one year but not more than 2 years	871
In more than 2 years but not more than 5 years	2,754
In more than 5 years	17,552
	<b>21,974</b>

Residual value facility is granted by Norddeutsche Landesbank Girozentrale (London Branch) and is secured on the assets of the Company. The loan facility is for a total value of £15,000,000 and was fully drawn at 30 June 2018 (2017: £15,000,000). The facility is repayable as a bullet repayment on 15 November 2038.

# Evolution (Woking) Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2018 (Continued)

### 11 Called up share capital

	2018 £000	2017 £000
Authorised; allotted, called up and fully paid 100,000 (2017: 100,000) Ordinary shares of £1 each	100	100

### 12 Related party disclosures

During the year, the Company entered into transactions in the ordinary course of business, with Kier Project Investment Limited and Kier Partnership Homes Limited (whose ultimate holding company is Kier Group plc). There were also transactions with Thames Valley Housing Association Limited. The relationship with these companies is described in Note 13. Transactions entered into during the year and balances outstanding at 30 June 2018 and 30 June 2017, are as follows:

	Purchases		Amounts outstanding At 30 June	
	2018 £000	2017 £000	2018 £000	2017 £000
Kier Partnership Homes	191	2,385	-	-
Kier Project Investment Limited	50	64	-	-
Thames Valley Housing Association Limited	563	640	-	-
	<b>804</b>	<b>3,089</b>	<b>-</b>	<b>-</b>

### 13 Ultimate parent company

As at 30 June 2018, the Company is a wholly owned subsidiary of Evolution (Woking) Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales. The share capital of Evolution (Woking) Holdings Limited is held 100% by Thames Valley Housing Association Limited.

Evolution (Woking) Holdings Limited and Thames Valley Housing Association Limited are all incorporated in the United Kingdom and registered in England and Wales.

### 14 Net cash outflow from operating activities

	2018 £000	2017 £000
Operating profit	518	685
Increase in debtors	(165)	(145)
Decrease/(increase) in contract receivable	143	(2,389)
Increase in creditors	435	51
Net cash inflow/(outflow) from operating activities	931	(1,798)