



Evolve
Housing
+ Support

Consolidated Financial Statements

Year ended 31 March 2018

Company number: 4796537
Registered Charity number: 1099051
Homes England registration number: H4400

Evolve Housing + Support

Report and Financial Statements for the year ended 31 March 2018

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Evolve Housing + Support

Directors' Report for the year ended 31 March 2018

STRUCTURE, GOVERNANCE AND MANAGEMENT

Evolve Housing + Support ("Evolve") is a company limited by guarantee, a registered charity and a registered social landlord. It is governed by its Articles of Association.

The governing body of the organisation is the Board, which comprises not less than seven and not more than twelve members.

Board members are elected for a three year period and may be re-elected for up to two further three year periods. All members of the Board give their time voluntarily and receive no benefits from the organisation. Trustee liability insurance is arranged annually.

A regular appraisal exercise is carried out for Board Members by the Chair, together with an annual skills audit. Both of these allow gaps in the Board to be identified, to enable targeted recruitment. All members are given the opportunity to receive additional training. Current customers sit on our Customer Scrutiny Panel, which reports regularly to senior staff and the Board. A register is kept of the interests of Board members and specific declarations of interest are sought at every Board meeting.

The main responsibility of the Board is to formulate the strategic plans of the organisation along with the budget and financial monitoring. It receives regular reports on all aspects of the work of the group and meets formally at least quarterly. Away days are held annually with the Chief Executive and senior managers to discuss and plan future strategy based around a comprehensive business plan. The Board delegates the main day to day decisions to the Chief Executive and the Corporate Management Team.

The Board has established and formally constituted the Audit Committee as a sub-committee of the Board, with specific terms of reference and functions delegated by the Board and with Board members representing the Board's interest on the committee. The Chief Executive, the Director of Operations and the Director of Corporate Services attend all the Audit Committee meetings, as do other senior managers as appropriate.

The Board confirms that the organisation complies with the regulatory frameworks issued by its regulators - the Regulator of Social Housing and the Charity Commission. In addition the organisation has adopted the National Housing Federation's (NHF) Code of Governance 2015. The organisation complies with the relevant requirements of these frameworks.

Evolve was incorporated as a company limited by guarantee on 12 June 2003, under the name "South London YMCA". It was registered as a charity with the Charity Commission on 19 August 2003 and as a social landlord with the Regulator of Social Housing (formerly the Homes and Communities Agency) on 11 September 2003.

On 1 April 2017, Evolve acquired the shares in Grenfell Housing Association Limited (Grenfell) creating a wholly owned subsidiary. Grenfell was a company limited by guarantee and was established on 12 June 1985. It was registered under Co-operative and Community Benefit Societies Act (2014), number IP24871R with charitable status. The Society traded under the name of Grenfell. On 4 December 2017 the FCA certified the transfer of engagements from Grenfell to Evolve, and on 8 January 2018, Grenfell Housing Association Limited ceased to exist.

All transactions of Grenfell from 1 April 2017 are included in the annual accounts for Evolve for the year to 31 March 2018.

Grenfell provided accommodation and support to young single homeless people in the London Boroughs of Merton and Wandsworth and the Royal Borough of Kingston upon Thames, work which continues with Evolve.

Evolve Housing + Support

Directors' Report for the year ended 31 March 2018

OBJECTIVES AND ACTIVITIES

Purposes and Aims

The primary objects of Evolve are:

- to provide, improve and manage houses or hostels providing residential accommodation and associated amenities, facilities and services for people of all ages who are in need, hardship or distress by reason of their social, physical or economic circumstances;
- to relieve or assist in the relief of people of all ages who are in need, hardship or distress by reason of their social, physical or economic circumstances.

The organisation's aims are to reduce the levels of homelessness within the boroughs in which we work through the provision of supported accommodation and to support our customers to develop the skills and/or insight needed to live independently to the benefit of local communities. Our aims fully reflect the purposes that the organisation was set up to further.

We review our aims, objectives and activities each year. This review looks at what we have achieved and the outcomes of our work. It looks at the success of each key activity and the benefits they have brought to those groups of people we are set up to support. The review also helps us ensure our aims, objectives and activities remain focused on our stated purposes. We have referred to the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular, the Board considers how planned activities will contribute to the aims and objectives it has set.

How our activities deliver public benefit

Our main activity is the provision of supported housing and those who benefit from our services are described below. Our charitable activities focus on the support of homeless people and those at risk of homelessness, with the aim of supporting them to develop the skills and/or insight needed to live independently. The Directors have taken due regard of the Charity Commission guidance on public benefit and have satisfied themselves that the charitable activities undertaken by the organisation are for the furtherance of its charitable purposes and satisfy the requirements of public benefit.

Who uses and benefits from our services?

Whilst our objects are not geographically limited, our funding streams mean that the services we provide are primarily to the residents of the London Boroughs of Croydon, Lambeth, Lewisham and Bromley, and the Royal Borough of Kensington and Chelsea. We plan to expand these services into neighbouring boroughs as opportunities arise and our merger with Grenfell Housing Association has extended our services into the London Boroughs of Merton and Wandsworth and the Royal Borough of Kingston upon Thames.

Our core client group is homeless and vulnerable people of all ages. Our accommodation-based services cover a broad range of customer groups, including young people at risk, teenage parents, care leavers, young families with no recourse to public funds, single homeless adults, people with severe and enduring mental health needs and previously excluded rough sleepers with complex needs.

Access to our accommodation-based services is managed via the local authority which funds the particular service. This process ensures that our services continue directly to meet the needs of the boroughs in which we work.

During the year we have continued to provide our Work and Learning service and our Health and Wellbeing service to deliver focussed support and training to our customers.

In addition to our residential services we also run mentoring schemes for 11 to 15 year old children under attaining or at risk of exclusion from school and a peer support service to support severely disadvantaged people within the community to overcome multiple barriers to accessing training, volunteering and employment opportunities

Evolve Housing + Support

Directors' Report for the year ended 31 March 2018

STRATEGIC REPORT ACHIEVEMENTS AND PERFORMANCE

In order to ensure that Evolve's vision ("To make a lasting difference to lives and communities") and mission ("Providing excellent housing and support services") are kept at the forefront of our activities, both were reviewed again this year as part of our business planning process. During the same process the strategic objectives were revised and updated to ensure they accurately summarise the key priorities for the forthcoming year.

This report gives a snapshot of the many achievements and improvements in service provision for our customers during the year to 31 March 2018. The Directors have continued to deliver the transformation and modernisation of our services outlined in our Business Plan for 2016-2019, ensuring an ongoing improvement to our residential buildings, and the planning of new facilities and services that underpin this Plan.

The Directors acknowledge that the achievements of the year were only possible through the hard work of our staff and the commitment of our partners, including the London Boroughs of Croydon, Lambeth, Lewisham, Bromley, Merton and Wandsworth and the Royal Boroughs of Kensington and Chelsea and Kingston Upon Thames. Homes England, the Big Lottery Fund, BBC Children in Need, City of London Corporation City Bridge Trust, The Good Things Foundation, Street Smart, The Albert Hunt Trust, Santander, EY, Como/Mace, Pret a Manger, Centrale Shopping Centre Croydon, and many charitable trusts, groups and individuals also continue to support our work.

Operations

At 31 March 2018, Evolve provided 679 beds of supported housing in the London Boroughs of Croydon, Lambeth, Bromley, Merton and Wandsworth and the Royal Boroughs of Kensington and Chelsea and Kingston upon Thames.

As a result of our merger, we added 177 managed units to our accommodation services. Our supported lodging scheme in Lambeth was closed during the year and we disposed of a property which had previously provided 13 units of temporary accommodation. The funds generated from this sale will be reinvested in a new development.

The support we offer within our accommodation-based services is funded through local authority contracts, and we work to ensure that we are meeting the needs of our customers and the strategic needs of our commissioners. Our staff teams are equipped to work with and support the most vulnerable and complex people within the communities we serve, and have the flexibility to be able to change our service offering to meet new strategic needs if required.

Improving Quality

Customer involvement and co-production remains a strong aspect across all of our work. We ensure that customers are involved in the operational management of our services. Customer Champions attend staff meetings, participate in interview panels for staff, audit the quality of our services, act as peer mentors/advisors to other customers, peer facilitate group activities and participate in organisation wide project teams to review and improve the ways we work.

Our Customer Scrutiny Panel, a customer led group who undertake reviews of areas of our working practice and make recommendations for change, has completed its fifth review, on maintenance communication and has started on its sixth on complaints practice.

As well as investing in our customers, we also invest in developing our staff to achieve their full potential. We provide facilitated action learning sets to our managers, and reflective practice facilitated by a trained psychologist to frontline teams and managers

Our balanced scorecard system has been refreshed to include outcomes and additional co-production measures. We have reviewed our internal audit framework and now used the excellence model to audit and assess each area of a service's operations.

Evolve Housing + Support

Directors' Report for the year ended 31 March 2018

We participate in the Pan-London Homelessness Benchmarking Group, which comprises eight London based homelessness sector organisations that benchmark performance on a number of areas. We are also now part of the Small Providers Benchmarking Group (SPBM) to benchmark housing management metrics.

In our customer survey benchmarking, 85% of respondents stated that they were satisfied with the service provided by us, and 87% agreed that Evolve understands their needs. We are looking to improve these results over the coming year and increase the impact of our services.

Housing management continues to be an area of strength for us as evidenced by benchmarking data. We continue to be one of the top providers amongst charities working with homeless people in relation to both void management and rental income management, which both impact positively on our financial viability.

Community Services

Current funding for the Work + Learning programme, which has been supported by the Big Lottery Fund, comes to an end in Autumn 2018. Our fundraising strategy includes plans to secure unrestricted income, grant funding and corporate support in order to sustain this service. Customers engaged with the Work + Learning programme have reported increases in motivation and confidence, being better able to manage their own wellbeing and there has been an increase in engagement with training, volunteering, work placements and employment. This programme has developed a number of partnerships that have increased the opportunities available to our customers including our relationship with the Good Things Foundation which has enabled us to help deliver three phases of their ReBoot digital inclusion project.

Peer Circles, supported by The Big Lottery Fund and European Social Fund, supports severely disadvantaged people within the communities of South London to overcome multiple barriers to accessing training, volunteering and employment opportunities. The project is in partnership with St Giles Trust.

Health and Wellbeing is a counselling service provided for the customers of our accommodation-based services in-house by volunteer counsellors. The service is supported by the City of London Corporation City Bridge Trust and Streetsmart. We will be launching an enhanced Health and Wellbeing service with support from the Big Lottery Fund in September 2018, which will provide enhanced support and psychological expertise to customers and teams.

The Horizons mentoring project, which continues to be supported by BBC Children in Need, provides mentoring to 11–15 year olds under attaining at, or at risk of exclusion from, school. The project has completed a three year term funded by BBC Children in Need, and has been awarded a further two years support for provision in schools to support 11 – 15 year olds to deal with topics such as staying safe on-line and dealing with anxiety and stress.

FINANCIAL REVIEW

The Directors present the report and financial statements of the group for the year ended 31 March 2018. The statements are presented according to the requirements of the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords and FRS102.

The key financial results for the Evolve group for the year are shown below.

- Turnover for the year amounted to £12,179k compared with £9,935k for the year ended 31 March 2017.
- An operating surplus of £352k was recorded for the year compared with £714k for the previous year.
- Interest payable, less receivable, was £157k for the year compared with £160k for the previous year.

Going concern

After reviewing the Annual Budget and Business Plan, the Board considers that the organisation has adequate resources to continue in operational existence for the foreseeable future. Accordingly, we continue to adopt the going concern basis in preparing the accounts.

Evolve Housing + Support

Directors' Report for the year ended 31 March 2018

STRATEGIC REPORT (continued)

PLANS FOR THE FUTURE

Following the successful merger with Grenfell on 1 April 2017, the year under review was one of consolidation. However, the Board approved a new development strategy in June 2017. After identifying a suitable site in the London Borough of Croydon for a 50 unit modular development, we secured a grant of £3.9m towards the cost. Together with funds generated from the sale of our scattered stock and support from our bank, we are now actively developing our plans and aim to start on site in 2019.

Key objectives for the 2018/19 year are:

- Make Evolve the employer of choice;
- Break ground on the new Croydon development;
- Secure our long term future.

These objectives will be achieved by:

Inspiring our staff team to continue to develop, innovate and deliver excellent services:

- Review our pay and benefits structure;
- Introduce reflective practice;
- Focus on individual strengths and development.

Creating positive change for people and communities:

- Undertake an external evaluation of the new support model;
- Improve co-production;
- Deliver customer digital pathway.

Reaching more people – expanding what we do and where we do it:

- Start Croydon development on site;
- Expand Health and wellbeing services across all services;
- Deliver PR campaign.

Sustaining our future – by achieving our targets:

- Devise new 3 year business plan for 2019-2022;
- Regularly review and update seven year forecasts;
- Devise and deliver new digital strategy.

We will endeavour to increase our housing stock over the next three years through the purchase of buildings in which we operate services, or by developing new low cost accommodation for a variety of uses consistent with our mission.

Under our Development Strategy we plan to build affordable housing primarily for single people moving on from our existing services. We will also look to assist local authorities through the provision of family accommodation, particularly for those families currently living in unsuitable and expensive temporary accommodation.

Evolve Housing + Support

Directors' Report for the year ended 31 March 2018

STRATEGIC REPORT (continued)

Risk and Internal Control

In order to observe best practice and ensure that the highest form of good governance is followed, particularly in relation to the management of risk, internal auditors are engaged to carry out regular reviews. The Audit Committee have reviewed the internal audit arrangements and agreed to appoint specialist providers appropriate to the work required, with a view to having a minimum of two specialist reviews each year.

Policies and procedures have been put in place to ensure good governance and these are regularly reviewed and added to as required. Likewise detailed procedures covering all aspects of finance related systems and reporting have been developed to supplement the organisation's financial regulations.

The Board is responsible for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Board has considered the key risks facing the organisation. They consider that a major area of risk is the Government's benefit reform programme that could lead to large reductions in our major revenue streams. Rental income provides the major source of income to the organisation and our customers rely on benefits to pay their rent. Recent government policy announcements on the future funding of supported housing are welcome and appear to reduce the risks around this income stream.

The Board has also identified that a major area of risk relates to Supporting People funding, on which the organisation also relies heavily, particularly with regard to the arrangements for competitive tendering that all Local Authorities now follow. The risks inherent with this funding stream are addressed in a number of ways. We ensure that the quality of all our services is maintained to a very high standard and that all tender submissions are keenly priced. Good relations are maintained with local authorities, and staff work with their Council colleagues to ensure the continued strategic relevance of the organisation's services to the Councils' ongoing strategies. In addition, staff ensure that the Councils are kept fully briefed on the organisation's services and the importance of maintaining funding. We are also working to widen our income streams and thus reduce our reliance on this form of local authority funding.

The organisation's Statement on the System of Internal Controls is set out on page 10.

VALUE FOR MONEY

Board acknowledgement of responsibility

Evolve's board members accept their responsibility for knowing how Evolve's assets are used to further our aims and purposes. The Board and senior team regularly review the organisation's development and investment strategies with the aim of ensuring that we continue to make appropriate use of our assets in order to achieve further growth. A key aim for the Board is to demonstrate that we are maximising the return on our assets and investments, and achieving value for money.

Our approach

Promoting the delivery of more and better for less has been deeply embedded in our governance and management processes for many years and we strive to maintain and develop this ethos. This is how we see the reality of Value for Money (VfM) in our organisation. Our VfM strategy sets out our approach to managing our assets, creating social value, and improving our procurement processes in order to achieve our corporate objectives in the most cost effective way.

We have rigorous business planning and performance monitoring systems in place to drive continuous improvement and maximise the efficiency and quality of our services for customers. We are continually undertaking detailed work to establish the most efficient ways of delivering services, all focussed on achieving value for money. To achieve this aim we review all outcomes at both organisational and service levels.

We manage our resources to provide cost-effective, quality services to customers. At the same time we are focussed on finding new sources of income to improve services for our existing neighbourhoods and to invest in new neighbourhoods.

Evolve Housing + Support

Directors' Report for the year ended 31 March 2018

Evolve has a proven track record of being efficient and effective. As with many overarching themes, such as Risk Management and Health and Safety, success is predicated on value for money being embedded throughout the organisation and being intrinsic to what we do. We are efficient in our activities, and demonstrate a balanced approach to self-regulation.

Our annual VfM review is a key document. It has been prepared by senior management, approved by our Board and is published on our website. Each year, we review and refresh the actions identified in our VfM Strategy.

Value for Money at Evolve

The new Value for Money Standard and Code of Practice (effective from 1 April 2018) focuses on outcomes. It places value for money at the heart of the business, requiring registered providers to have an agreed approach to achieving value for money in meeting their strategic objectives.

The key strategic objectives of our 2016-19 Business Plan are:

- › Inspire our team to create positive change.
- › Reach more people
- › Sustain our future.

Each year, we develop a Corporate Plan for the year, to deliver those objectives. The key priorities for 2017-18 were:

- › To achieve a successful integration with our merger partner
- › To improve staff retention through organisational communication and HR strategies
- › To deliver stock rationalisation and agree a new development strategy.

Delivering value for money for our customers and key stakeholders is central to all our decisions to deliver the above objectives.

Under the Code of Practice effective from 1 April 2018, a suite of metrics has been developed to assess value for money and enable comparisons between organisations. Our calculated figures are shown in the table below. Median figures are taken from the Smaller Providers Benchmarking Group (SPBM) data for our peer group.

Metric	2016	2017	2018	SPBM 2017/18 Median
Headline social housing cost per unit (£'000)	£10.3	£11.0	£10.2	£8.9
EBITDA interest cover (%)	661%	720%	474%	613%
Operating Margin: social housing lettings (%)	5.85%	4.87%	2.29%	7.57%
Operating margin: organisation (%)	6.13%	5.27%	1.52%	5.16%
Return on capital employed (%)	0.92%	3.5%	3.18%	3.18%
Gearing (%)	38%	31%	22%	23%
Reinvestment	-	-	-	5.8%
New supply delivered	-	-	-	-

Many of our customers have complex needs and as a specialist supported housing provider it is to be expected that our service charge costs will be high because of the special additional services we need to provide, including higher staffing levels, greater security and monitoring equipment, etc. We continue to review all our costs to obtain maximum value for money whilst maintain the quality of our services to customers.

We have not developed any new properties over the last 3 years, concentrating instead on ensuring all our current properties provide the same high standard of accommodation. However, following Board agreement to our development strategy in June 2017 we are actively working on plans for a modular development of 50 units in Croydon. We have identified a suitable site and secured GLA finding for the project. Value for money is a key consideration in all decisions relating to this development.

Evolve Housing + Support

Directors' Report for the year ended 31 March 2018

We have deliberately allowed our gearing ratio to fall to ensure we have sufficient headroom to borrow the funds which will be required to complete our new development. We have the support of our bankers for our plans, and are confident that we have the resources to complete the project.

Communications

The contents of our VfM review and strategy are communicated to all staff via our corporate briefing processes and through team meetings, and copies are made available on our staff Intranet. As part of the corporate induction process, our approach to VfM is explained to all new staff. Our VfM review and strategy is also posted on our website (www.evolvehousing.org.uk) and is available from our head office at Kingston Road, South Wimbledon.

REDEVELOPMENT AND REGENERATION

We completed a £29m redevelopment of our housing stock between 2006 and 2015. This created over 300 new units on seven different sites in Croydon and Lambeth, providing flexible new units of the highest standard. Having successfully completed this much needed redevelopment of our old stock, we now want to build more new homes.

Our new provision will not be tied to the need to secure revenue top-up funding and we are proposing to do this through building low-cost, yet high quality accommodation, with sustainable rental income models.

RESERVES POLICY

The Directors have reviewed the reserves of the organisation. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. The review confirmed previous policy that, to allow the organisation to be managed efficiently and to provide a buffer for uninterrupted services, a general reserve representing between three and six months' unrestricted expenditure should be maintained. This would provide sufficient funds for the maintenance of the current activities of the organisation in the event of a significant drop in funding and also provide time to allow the Directors to consider changes in activities or new sources of funding. However it must be remembered that the majority of these reserves are held as fixed assets and, as such, could not be readily converted to cash.

During the year our reserves increased from £10,501k to £11,872k, as a result of our merger and the surplus recorded for the year.

DIRECTORS

All of the current board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the organisation's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BY ORDER OF THE BOARD

The Directors Report including the Strategic Report was approved by the Board on 13 September 2018 and signed on its behalf by:

Jenny Strudwick (Company Secretary)

Evolve Housing + Support

Statement of the Group's System of Internal Controls

The Board is at the centre of governance and is responsible, in particular, for ensuring that the organisation operates effectively and achieves its objectives. The Board acknowledges its ultimate responsibility for ensuring that the organisation has in place a sound system of internal controls that are appropriate to the various business environments in which it operates.

These controls focus on the significant risks that threaten the organisation's ability to meet its objectives and provide reasonable assurance with respect to:

- the reliability of key information and performance indicators used within the organisation or for publication;
- the maintenance of proper records;
- the safeguarding of assets against unauthorised use or disposition; and
- the organisation's compliance with relevant laws and regulations.

The Board is confident that procedures are in place that effectively identify all risks that might prevent the organisation achieving its objectives and which manage such risks and mitigate their effects. The organisation has management arrangements, resources, skills and systems that are appropriate to the circumstances, scale and scope of its operations and ensure that its activities are backed by proper systems of assurance for internal control.

The Board maintains a sound system of internal controls and conducts annual reviews of the effectiveness of the system. The review covers the whole range of controls including financial, operational and compliance controls and risk management. The key steps that the Board takes are to:

- identify/review the organisation's business objectives, the possible opportunities and the risks or threats to achieving those objectives;
- form/review the organisation's framework for managing the identified risks; and
- identify how the Board is to obtain assurance that the risk management policies adopted are adequate and operating effectively.

Assurance is obtained by:

- the identification and evaluation of applicable risks;
- the design of a system of controls; and
- the operation of those controls.

The organisation's risk management and risk identification activities provide assurance that the organisation is focusing on and addressing the key risks that threaten the attainment of the organisation's business objectives. Particular attention is paid to how the organisation's risk profile is changing over time. Such activities include the Corporate Management Team reviewing key risks at their regular meetings. Members of the Corporate Management Team regularly discuss these risks with service managers and their teams to ensure their full involvement in the risk management process.

The Board recognises that performance indicators have an important role in assurance by allowing the Board and the Audit Committee to assess whether the organisation is meeting its objectives. At Board meetings key performance indicators are reported on regularly.

Evolve Housing + Support

Statement of Directors' Responsibilities

The Directors (who are also the trustees of Evolve Housing + Support) are responsible for preparing the strategic report, annual report and the financial statements in accordance with applicable law and regulations.

Company law and social housing legislation requires the board to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the board 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 group and association and of surplus or deficit of the group and association for that period.

In preparing these financial statements, the board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed and the Statement of Recommended Practice: Accounting by registered providers of social housing 2014, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The board is responsible for keeping adequate accounting records that are sufficient to show and explain the group and association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board members are responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the board. The board responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent auditor's report to the members of Evolve Housing + Support

Opinion

We have audited the financial statements of Evolve Housing + Support ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial activities, the consolidated and Association balance sheets, the consolidated and Association statement of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2018 and of the Group's and the Association's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association'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.

Other information

The board are responsible for the other information. Other information comprises the information included in the consolidated financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Directors' Report and the Statement of Internal Controls and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent auditor's report to the members of Evolve Housing + Support

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

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

Responsibilities of the Directors

As explained more fully in the statement of director's responsibilities set out on page 13, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and the Association'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 board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

Philip Cliftlands (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick, West Sussex

20 September 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Evolve Housing + Support

Consolidated Statement of Comprehensive Income for the year ended 31 March 2018

	Note	2018 £	2017 £
Turnover	4	12,179,358	9,934,593
Operating costs	4	(12,520,142)	(9,784,162)
Other operating income	4	693,016	563,667
Operating surplus	4,8	352,232	714,098
Profit on disposal of fixed assets	11	447,215	-
Settlement of s75 pension debt	23	(242,666)	-
Other interest receivable and similar income	12	4,616	865
Interest payable and financing costs	13	(161,486)	(161,402)
Discount on loan balance	16	168,522	-
Total comprehensive income for the year		568,433	553,561

The notes on pages 20 to 37 form part of these financial statements.

All amounts derive from continuing activities.

Evolve Housing + Support

Consolidated Statement of Financial Activities for the year ended 31 March 2018

				Year Ended	Year Ended	
	<u>Notes</u>	<u>Housing activities</u> £	<u>Unrestricted activities</u> £	<u>Restricted activities</u> £	31 March <u>2018</u> £	31 March <u>2017</u> £
Income						
Grants and Donations	4	-	28,481	340,576	369,057	407,278
Charitable activities	4	12,179,358		50,446	12,229,804	9,934,593
Other trading activities	4	-	273,513	-	273,513	156,389
Interest receivable	12	-	4,616	-	4,616	865
		12,179,358	306,611	391,021	12,876,990	10,499,125
Expenditure						
Raising Funds	4	-	220,277	-	220,077	103,410
Charitable activities	4	11,787,559	21,516	336,411	12,145,497	9,620,566
Other trading activities	4	-	154,568	-	154,568	60,186
Interest payable	13	112,696	48,789	-	161,486	161,402
		11,900,256	444,961	336,411	12,681,628	9,945,564
Net income	8	279,102	(138,350)	54,610	195,362	553,561
Other recognised gains	16	-	168,522	-	168,522	-
Profit on disposal of fixed assets	11	447,215	-	-	447,215	-
Pension scheme buy out	23	-	(242,666)	-	(242,666)	-
Net movement in funds		726,317	(212,494)	54,610	568,433	553,561
Reconciliation of funds						
Opening balance as at 1 April 2017		4,409,531	6,033,681	57,866	10,501,078	9,947,517
Acquired on merger		-	802,074	-	802,074	-
Closing balance as at 31 March 2018		5,135,848	6,623,261	112,476	11,871,585	10,501,078

The notes on pages 20 to 37 form part of these financial statements.

The surplus for the period includes all gains and losses recognised in the period.

All amounts derive from continuing activities.

Evolve Housing + Support

Consolidated and Organisation Balance Sheets at 31 March 2018

Registered Company number: 4796537

	Note	Group and Evolve 2018 £	Evolve 2017 £
Fixed assets			
Tangible fixed assets – housing properties	14	30,415,549	31,034,208
Tangible fixed assets - other	15	2,639,002	221,996
		33,054,551	31,256,204
Current assets			
Debtors – receivable within one year	17	1,005,049	2,166,028
Cash and cash equivalents		3,908,072	1,272,372
		4,913,121	3,438,400
Creditors: amounts falling due within one year	18	3,447,399	2,231,911
Net current assets		1,465,722	1,206,489
Total assets less current liabilities		34,520,273	32,462,693
Creditors: amounts falling due after more than one year	19	22,648,688	21,961,615
Net assets		11,871,585	10,501,078
Funds and Reserves			
General Housing Reserve - Unrestricted		5,135,848	4,409,531
Non-Housing Reserves			
Unrestricted		6,623,261	6,033,681
Restricted		112,476	57,866
		11,871,585	10,501,078

As permitted by section 408 of the Companies Act 2006 no separate Statement of Comprehensive Income has been prepared for the parent company. The net income for the parent company was £576,021 (2017: £553,561).

The financial statements were approved by the Board of Directors and authorised for issue on 13 September 2018.

Karen Cooper
Chair

The notes on pages 20 to 37 form part of these financial statements.

Evolve Housing + Support

Consolidated statement of changes in reserves for the year ended 31 March 2018

	General Housing Reserve – Unrestricted	Non-Housing Reserve - Unrestricted	Non-Housing Reserve - Restricted	Total Reserves
	£	£	£	£
Balance at 1 April 2017	4,409,531	6,033,681	57,866	10,501,078
Surplus/(deficit) for the year	726,317	(212,494)	54,610	568,433
Acquisition of subsidiary	-	802,074	-	802,074
Balance at 31 March 2018	5,135,848	6,623,261	112,476	11,871,585

Consolidated statement of changes in reserves for the year ended 31 March 2017

	General Housing Reserve – Unrestricted	Non-Housing Reserve - Unrestricted	Non-Housing Reserve - Restricted	Total Reserves
	£	£	£	£
Balance at 1 April 2016	3,925,733	5,989,002	32,782	9,947,517
Surplus for the year	483,798	44,679	25,084	553,561
Balance at 31 March 2017	4,409,531	6,033,681	57,866	10,501,078

Evolve Housing + Support

Organisation statement of changes in reserves for the year ended 31 March 2018

	General Housing Reserve – Unrestricted	Non-Housing Reserve - Unrestricted	Non-Housing Reserve - Restricted	Total Reserves
	£	£	£	£
Balance at 1 April 2017	4,409,531	6,033,681	57,866	10,501,078
Surplus/(deficit) for the year	726,317	(204,906)	54,610	576,021
Transfer from subsidiary	-	794,486	-	794,486
Balance at 31 March 2018	5,135,848	6,623,261	112,476	11,871,585

Organisation statement of changes in reserves for the year ended 31 March 2017

	General Housing Reserve – Unrestricted	Non-Housing Reserve - Unrestricted	Non-Housing Reserve - Restricted	Total Reserves
	£	£	£	£
Balance at 1 April 2016	3,925,733	5,989,002	32,782	9,947,517
Surplus for the year	483,798	44,679	25,084	553,561
Balance at 31 March 2017	4,409,531	6,033,681	57,866	10,501,078

Evolve Housing + Support

Consolidated Statement of Cash Flows for the year ended 31 March 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Surplus for the financial year		576,023	553,561
Adjustments for:			
Depreciation of fixed assets - housing properties	14	910,081	911,577
Depreciation of fixed assets - other	15	95,904	98,662
Amortised government grants	5	(401,189)	(401,190)
Interest payable and finance costs	13	161,486	161,402
Interest receivable	12	(4,616)	(865)
Profit on the disposal of fixed assets - housing properties	11	(447,215)	-
Discount on loan balance	16	(168,522)	-
Pension scheme buy out	23	242,666	-
(Increase) / decrease in trade and other debtors		(339,021)	218,588
Increase / (decrease) in trade and other creditors		836,438	(252,148)
Net asset movement in subsidiary prior to full merger		7,597	-
Net cash generated from operating activities		1,469,632	1,289,587
Cash flows from investing activities			
Proceeds from disposal of fixed assets – housing properties		465,582	-
Balance of proceeds from sale of land		1,500,000	-
Purchases of fixed assets – housing properties	15	(19,696)	-
Purchases of fixed assets - other	15	(674,436)	(8,903)
Interest received	12	4,616	865
Net cash from investing activities		1,275,766	(8,038)
Cash flows from financing activities			
Interest paid	13	(161,486)	(161,402)
Repayment of loans - bank	21	(399,474)	(342,550)
Net cash used in financing activities		(560,960)	(503,952)
Net increase/(decrease) in cash and cash equivalents		2,184,438	777,597
Cash and cash equivalents at beginning of year		1,272,372	494,775
Cash and cash equivalents acquired through merger		451,262	
Cash and cash equivalents at end of year		3,908,072	1,272,372

The notes on pages 20 to 37 form part of these financial statements.

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018

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Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

1 Legal status

Evolve Housing + Support is a company limited by guarantee (company number 4796537) and a registered charity (number 1099051) and is registered with the Regulator of Social Housing as a social housing provider (number H4400).

2 Accounting policies

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Evolve Housing + Support includes FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland", the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015 and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- As permitted by Section 408 of the Companies Act 2006 no separate income statement has been presented for the parent company;
- As a result of the transfer of engagements, at the balance sheet date the group and parent balance sheets are the same;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements present the results of Evolve Housing + Support – Registered provider of social housing and its subsidiary ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

2 Accounting policies (continued)

Income

Income is measured at the fair value of the consideration received or receivable. Grant income is accounted for on an entitlement basis. The group generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting);
- Service charges receivable;
- Management fee income from managed services;
- Supporting People income;
- Charitable grants and donations;
- Letting income from non-accommodation space

Supported housing schemes

The group receives Supporting People grants from a number of London Boroughs. The grants received in the period as well as costs incurred by the group in the provision of support services have been included in the Statement of Comprehensive Income. Any excess of cost over grant received is borne by the group.

Service charges

The group calculates and charges service charges to its customers based on expenditure estimated each year as part of the annual budgeting process.

Management of units owned by others

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

Value Added Tax

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

Finance costs

Finance costs are charged to expenditure over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Pension costs

Contributions to the group's defined contribution pension schemes are expensed in the year in which they become payable. Contributions paid for the year were £104,960 (2017: £90,370).

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

2 Accounting policies (continued)

Tangible fixed assets - Housing Properties

Housing properties constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property represents the purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

Depreciation of housing property

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.

Land is not depreciated on account of its indefinite useful economic life.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

The cost of all other housing property (net of accumulated depreciation to date and impairment, where applicable) and components is depreciated over the useful economic lives of the assets on the following basis:

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life as follows:

Description	Economic useful life (years)
Structure	50
Kitchen	15
Bathroom	15
Roof coverings	45
External doors	25
Boiler	30
Electrics	40
External windows	25
Mechanical systems	35
Lifts	30

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease, when the lease and building elements are depreciated separately over their expected useful economic lives.

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

2 Accounting policies (continued)

Tangible fixed assets – Other

Other tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance costs are charged to expenditure during the period in which they are incurred.

Depreciation of other tangible fixed assets

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Description	Economic useful life (years)
Leasehold land and buildings	Lease term
Plant, machinery and vehicles	4
Fixtures, fittings, tools and equipment	5-10
Computers	4

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

Government grants

Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model as required by Housing SORP 2014. In applying this model, such grant has been presented as if it were originally recognised as income within the Statement of Comprehensive Income in the year it was receivable and is therefore included within brought forward reserves.

Grants received since the transition date in relation to newly acquired or existing housing properties are accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the balance sheet and released to the statement of comprehensive income on a systematic basis over the useful economic lives of the asset for which it was received.

Where social housing grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the Statement of Comprehensive Income.

Grants relating to revenue are recognised in the Statement of Comprehensive Income over the same period as the expenditure to which they relate once performance related conditions have been met.

Grants due from government organisations or received in advance are included as current assets or current liabilities.

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

2 Accounting policies (continued)

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Impairment of fixed assets

The housing property portfolio of the group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use. No properties have been valued at value in use – service potential (VIU-SP).

The group defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to the statement of comprehensive income.

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses

Recoverable amount of rental and other trade receivables

The group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

Loans, Investments and short term deposits

All loans, investments and short term deposits held by the group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instrument are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Cash and cash equivalents

Cash and cash equivalents in the group's Consolidated Balance Sheet consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

2 Accounting policies (continued)

Leased assets: Lessee

Where assets are financed by leasing agreements that give rights that approximate to ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to expenditure over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to expenditure over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to expenditure on a straight-line basis over the term of the lease.

Reserves

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds. Realised and unrealised gains and losses on assets held by these funds are also allocated to the fund.

3 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The Board have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH (Existing Use Value – Social Housing) or depreciated replacement cost. The Board have also considered impairment based on their assumptions to define cash or asset generating units.
- whether leases entered into by the group either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- the categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.
- what constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

3 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 14 and 15)*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as the condition of the asset and its future income generating potential are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

- *Rental and other trade receivables (debtors) (see note 17)*

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

4 Particulars of turnover, operating costs and operating surplus

Group	Turnover	Operating costs	Operating surplus
	2018 £	2018 £	2018 £
Social housing lettings (Note 5)	9,399,184	(7,954,814)	1,444,370
Other Social Housing Activities			
Charges for support services	188,751	(1,268,709)	(1,079,958)
Supporting people	2,591,423	(2,591,423)	-
	12,179,358	(11,814,946)	364,412
Activities other than Social Housing Activities			
Lettings	273,513	154,568	118,945
Other	419,503	550,628	(131,125)
	693,016	705,196	(12,180)
	12,872,374	(12,520,142)	352,232
Evolve	Turnover	Operating costs	Operating surplus
	2017 £	2017 £	2017 £
Social housing lettings (Note 5)	7,595,137	(6,924,160)	670,977
Other Social Housing Activities			
Charges for support services	49,449	(113,648)	(64,199)
Supporting people	2,290,007	(2,290,007)	-
	9,934,593	(9,327,815)	606,778
Activities other than Social Housing Activities			
Lettings	156,389	(60,186)	96,203
Other	407,278	(396,161)	11,117
	563,667	(456,347)	107,320
	10,498,260	(9,784,162)	714,098

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

5 Income and expenditure from social housing lettings

	Group Supported housing 2018 £	Evolve Supported housing 2017 £
Income		
Rents net of identifiable service charges	4,197,701	3,341,521
Service charge income	4,800,293	3,852,426
Amortised government grants	401,190	401,190
Turnover from social housing lettings	9,399,184	7,595,137
Expenditure		
Management	1,318,169	1,067,539
Service charge costs	3,950,307	3,477,602
Routine maintenance	177,879	191,552
Planned maintenance	93,967	84,806
Major repairs expenditure	829,699	583,823
Bad debts	147,659	168,831
Depreciation of housing properties:		
- annual charge	910,081	911,577
Other costs	527,053	438,430
Operating expenditure on social housing lettings	7,954,814	6,924,160
Operating surplus on social housing lettings	1,444,370	670,977
Void losses	420,514	305,971

6 Turnover from non-social housing lettings

	Group 2018 £	Evolve 2017 £
Conferencing and nursery facilities	273,513	156,389

7 Units of housing stock

	Group 2018 Number	Evolve 2017 Number
Supported Housing		
- Owned Units	435	448
- Supported Lodgings	-	15
Total owned	435	463
Supported Accommodation managed for others	244	67
Total managed accommodation	244	67
Total owned and managed accommodation	679	530

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

8 Operating surplus

	Group 2018 £	Evolve 2017 £
This is arrived at after charging/(crediting):		
Depreciation of housing properties:		
- annual charge	910,081	911,577
Depreciation of other tangible fixed assets	95,904	98,662
Profit on disposal of fixed assets	447,215	-
Operating lease charges – land & building	27,750	37,000
Auditor's remuneration:		
- fees payable to the group's auditor for the audit of the group's annual accounts	35,475	28,135
Internal Auditor's remuneration	2,287	13,479
Defined contribution pension cost	98,644	90,370

9 Employees

	Group 2018 £	Evolve 2017 £
Staff costs (including Executive Management Team) consist of:		
Wages and salaries	5,236,445	4,034,755
Social security costs	465,772	357,657
Cost of defined contribution scheme	104,960	90,370
Total staff costs - Group	5,807,177	4,482,782
Total staff costs – parent only	5,456,668	4,482,782

Included in staff costs is £50,865 redundancy costs paid to 6 staff (2017: £nil).

The average number of employees (including Executive Management Team) during the year, based on headcount, was as follows:

	Group 2018 No.	Evolve 2017 No.
Administration	24	19
Housing and Support	173	157
Charitable projects	8	8
	205	184

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

10 Directors' and senior executives' remuneration

The Directors (and members of the Board) are shown on page 1. Senior Executives are the Chief Executive and the Executive Management Team as disclosed on page 1.

	Group 2018 £	Evolve 2017 £
Executive management emoluments	349,254	324,842
Contributions to money purchase pension schemes	34,615	30,734
	383,869	355,576

None of the members of the Board received any emoluments (2017: nil).

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £95,800 (2017 - £95,000). Pension contributions of £9,500 (2017 - £ 9,500) were made to a money purchase scheme on his behalf.

As a member of the group personal pension plan, the pension entitlement of the Chief Executive is identical to those of other members.

There were 5 senior executives in the group's defined contribution pension scheme (2017 - 4).

The remuneration paid to staff (including Executive Management Team) earning over £60,000 upwards:

	Group 2018 No.	Evolve 2017 No.
£70,000 - £79,999	3	3
£80,000 - £89,999	-	-
£90,000 - £99,999	1	1

The total pension contributions paid on behalf members of staff earning over £60,000 were £32,000.

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

11 Profit on disposal of tangible fixed assets

	Group 2018	Evolve 2017
	£	£
Housing Properties:		
Net loss on disposal	-	-
Other fixed assets:		
Net profit on disposal	447,215	-
Profit on disposal of tangible fixed assets	447,215	-

12 Interest receivable and similar income

	Group 2018	Evolve 2017
	£	£
Interest receivable	4,616	865

13 Interest payable and financing costs

	Group 2018	Evolve 2017
	£	£
Bank loans and overdrafts	155,397	152,277
Bank charges	6,089	9,125
	161,486	161,402

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

14 Tangible fixed assets - Housing properties - Group	Freehold Land & Buildings £	Long Leasehold Land & Buildings £	Development £	Total Land & Buildings £
<i>Cost or valuation:</i>				
At 1 April 2017	36,567,868	691,361	-	37,259,229
Additions	-	-	19,696	19,696
Acquired on merger	-	416,290	-	416,290
Disposals	(28,851)	-	-	(28,851)
At 31 March 2018	36,539,017	1,107,651	19,696	37,665,364
<i>Depreciation:</i>				
At 1 April 2017	5,977,783	247,238	-	6,225,021
Charge for the year	863,778	46,303	-	910,081
Transferred on merger	-	126,197	-	126,197
Disposals	(10,484)	-	-	(10,484)
At 31 March 2018	6,831,077	419,738	-	7,250,815
Net book value at 31 March 2018	29,707,940	687,913	19,696	30,415,549
Net book value at 31 March 2017	30,590,085	444,123	-	31,034,208

The movement on fixed assets (housing properties) for Evolve only is not materially different to that disclosed above.

	2018 £	2017 £
Works to properties		
Improvements to existing properties capitalised	-	-
Major repairs expenditure to income and expenditure account	829,699	583,823
	829,699	583,823
Capital grant – Housing Properties	20,059,486	20,059,486

Impairment

The group considers £29,209,381 to represent separate cash generating units (CGU's) when assessing for impairment in accordance with the requirements of FRS102 and SORP 2014.

The Board considers the 1% cut to core rents, effective from 1 April 2017, to be a potential indicator of impairment and hence have carried out a review of the carrying value of the property assets in the annual statutory accounts. This review has confirmed that the Board do not consider the carrying value of the property assets in the annual statutory accounts to have been impaired.

Properties held for security

Evolve Housing & Support (registered social housing provider) had property with a net book value of £14,936,419 pledged as security at 31 March 2018 (2017 - £12,942,615).

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

15 Other tangible fixed assets - Group

	Non-Housing Freehold Land and Buildings £	Fixtures, fittings, equipment and vehicles £	Total other Fixed assets £
<i>Cost or valuation</i>			
At 1 April 2017	-	1,141,785	1,141,785
Additions	569,452	121,284	690,736
Acquired on merger	2,201,562	150,128	2,351,690
Disposals	-	-	
At 31 March 2017	2,771,014	1,413,197	4,184,211
<i>Depreciation</i>			
At 1 April 2017	-	919,789	919,789
Charge for year	21,980	73,924	95,904
Transferred on merger	394,685	134,830	529,515
Disposals	-	-	
At 31 March 2017	416,665	1,128,543	1,545,208
<i>Net book value</i>			
At 31 March 2018	2,354,349	284,653	2,639,002
At 31 March 2017	-	221,996	221,996

The movement on other fixed assets for Evolve only is not materially different to that disclosed above.

16 Subsidiary undertaking

On 1 April 2017, Evolve acquired the shares in Grenfell Housing Association Limited (Grenfell) creating a wholly owned subsidiary. Grenfell was a company limited by guarantee and was established on 12 June 1985. It was registered under Co-operative and Community Benefit Society Act (2014), number IP24871R with charitable status. The Society traded under the name of Grenfell. On 30 September 2017 all assets and liabilities of Grenfell were transferred to Evolve and the company became dormant. On 4 December 2017 the Financial Conduct Authority (FCA) certified the transfer of engagements from Grenfell to Evolve and on 8 January 2018, Grenfell Housing Association Limited ceased to exist.

All transactions in Grenfell from 1 April 2017 are included in the Consolidated Statement of Comprehensive Income (and Consolidated Statement of Financial Activities) accounts for the year to 31 March 2018. As at 31 March 2018, Evolve did not have any subsidiary undertakings, hence the balance sheet at that date is for Evolve only.

For the six months to 30 September 2017, Grenfell recorded a loss of £7,588. The net assets acquired by Evolve on full merger were not materially different to those acquired by the group on 1 April 2017.

Assets and liabilities acquired from Grenfell Housing and Training on 30 September 2018	£
Fixed Assets at net book value	2,076,277
Current assets	834,473
Current liabilities	(311,683)
Long term loan	(1,804,581)
Net assets acquired	<u>794,486</u>
Represented by	
Share capital	5
Charitable reserves	<u>794,481</u>
	<u>794,486</u>

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

The long term loan acquired was a 25 year loan from Futurebuilders England Limited, secured on the freehold property at 16-20 Kingston Road London SW19 1JZ, originally borrowed in 2007. An agreement was reached for Evolve to assume responsibility for this debt after a 10% discount to the outstanding balance was applied. The remaining term of the loan is 15 years, at a fixed interest rate of 3%.

	£
Loan balance outstanding at 30 September 2017	1,804,581
Discount agreed on transfer	180,458
Loan balance repayable by Evolve	<u>1,624,123</u>
Discount on loan	180,458
Fees	11,936
Net credit to Statement of Comprehensive Income	<u>168,522</u>

17 Debtors

	2018 £	2017 £
Due within one year		
Rent and service charge arrears	849,652	607,921
Less: Provision for doubtful debts	(287,768)	(246,263)
	<u>561,884</u>	<u>361,658</u>
Trade debtors	225,216	58,221
Other debtors	153,215	1,665,990
Prepayments and accrued income	64,734	80,159
	<u>1,005,049</u>	<u>2,166,028</u>

18 Creditors: amounts falling due within one year

	2018 £	2017 £
Loans and borrowings (note 21)	499,630	363,245
Trade creditors	669,168	301,456
Taxation and social security	121,213	101,143
Other creditors	374,503	62,322
Deferred capital grant (Note 20)	401,190	401,190
Accruals and deferred income	1,381,695	1,002,555
	<u>3,447,399</u>	<u>2,231,911</u>

The bank loans are repayable in instalments over 15 - 20 years. The bank loans are secured by fixed charges over the freehold properties at Stockwell Road, Alexandra House, Ingram Court, Burton-White House and Kingston Road. The loans bear interest at variable rates calculated at a margin above the London Inter Bank Offer Rate. On loan has an interest rate of 3% fixed over the term of the loan.

19 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Loans and borrowings (Note 21)	6,401,343	5,313,080
Deferred capital grant (Note 20)	16,247,345	16,648,535
	<u>22,648,688</u>	<u>21,961,615</u>

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

20 Deferred capital grant

	2018 £	2017 £
At 1 April	17,049,724	17,450,914
Grants received during the year	-	-
Released to income during the year	(401,189)	(401,190)
At 31 March	16,648,535	17,049,724
Total value of grants received	20,059,486	20,059,486

21 Loans and borrowings

Maturity of debt:

	2018 £	2017 £
In one year or less, or on demand	499,630	363,245
In more than one year but not more than two years	513,555	373,045
In more than two years but not more than five years	1,628,169	2,249,320
In more than five years	4,259,619	2,690,715
	6,900,973	5,676,325

22 Financial instruments

The organisation's financial instruments may be analysed as follows:

	2018 £	2017 £
Financial assets		
Financial assets measured at historical cost		
- Trade receivables	787,100	419,879
- Other receivables	217,949	1,746,149
- Cash and cash equivalents	3,908,072	1,272,372
Total financial assets	4,913,121	3,438,400
Financial liabilities		
Financial liabilities measured at amortised cost		
- Loans payable	6,900,973	5,676,325
Financial liabilities measured at historical cost		
- Trade creditors	784,342	301,456
- Other creditors	2,163,427	1,567,210
Total financial liabilities	9,848,742	7,544,991

Financial assets measured at amortised cost comprise trade debtors and other debtors.

Evolve Housing + Support

Notes forming part of the financial statements for the year ended 31 March 2018 (continued)

23 Pensions

Evolve provides a Defined Contribution Pension Scheme that is open to all employees.

Following the transfer all Grenfell engagements to Evolve and the TUPE transfer of staff, the pension deficit debt of Grenfell to the Social Housing Pension Scheme crystallised. The debt was valued as at 30 September 2017 and settled in June 2018 at a total cost of £242,666.

24 Operating leases

The group and the organisation had minimum lease payments under non-cancellable operating leases as set out below:

Amounts payable as Lessee

	2018 £	2017 £
Land and buildings		
Not later than 1 year	93,775	37,000
Within 1 - 2 years	38,420	-
	<u>132,195</u>	<u>37,000</u>

25 Related party disclosures

The ultimate controlling party of the group is the Board of Evolve Housing + Support.