Gentoo Group Limited

Annual Report and Accounts for the year ended 31 March 2014

Registered number: 04039205

Homes & Communities Agency (HCA) Registration Number: L4313

Contents

Chairman's Review 2014

Having completed my first full year as Chairman of the Group I can reflect on a year of significant change and transformation for Gentoo. As a Group we continue to embrace the aspirational vision to improve the Art of Living beyond our imagination. Our activity therefore covers a broad spectrum of business and society. There are many aspects of our work that are inspirational and that continue to motivate me and the Board to steer the Group towards the vision. To enhance the Board's capability I have been delighted to welcome four new board members during the year. Hunada Nouss, Mary Coyle, John Dannell and Richard Beevers all bring a wealth of experience across a range of sectors and will significantly enhance the capacity and experience of the Board.

The wider business environment is now starting to recover from recession but this has also led to a significant re-shaping of the economy with the public sector continuing to rationalise as a result of austerity measures. This has led to differential impacts across our activities. People impacts continue to be felt through welfare reform changes. I am delighted however that through the commitment and dedication of our staff, the impacts have not been as severe as predicted. The way that our staff have responded in an individually focussed way to the needs of our customers is inspirational.

As a Group we will continue to ensure that our customers are given every opportunity to improve their lives and overcome some of the challenges that are now facing them. We continue to demonstrate our capability in the fields of community sustainability and social investment. I am delighted that our expertise and standing have again been acknowledged with high profile awards and accolades from nationally significant bodies. These include being the number one company in Stonewall's Workplace Equality Index, achieving Gold standard in the Business in The Community Corporate Responsibility Index and securing 19th place in The Sunday Times 100 Best Not-For-Profit Organisation to Work for 2014. This can only be achieved through the passion and commitment of our staff and I am delighted and proud that such high standards continue to be achieved.

Across our scope of activity, Gentoo Sunderland has continued to perform strongly and is benefitting from the integration of the wider people functions contained within Gentoo Living. The delivery of property services in a single division will also bring economies of scale and focus to our asset strategy. We will also continue to deliver the Group's renewal programme drawing on innovative design and environmental standards to deliver more new homes across the Group. Our track record continues to grow with over 1,800 new homes, including 1,400 social rented homes now developed in the City. We also continue to maintain our properties at our Amenity A standard, ensuring that the Government's Decent Homes standard continues to be fully met across the City. We will continue to push forward our development programme with an exciting and innovative bid currently awaiting consideration from the Homes and Communities Agency.

Within our wider activity, construction and development are now starting to see recovery from the low point of a very deep recession. We are now seeing the effects of that in Gentoo Homes and Gentoo Construction who are now both securing new work and generating surplus for the Group. Sales have been boosted by the Help to Buy programme but we will continue to be cautious in our approach to new housing markets ensuring that we have a balanced appetite to risk and return.

We continue to develop our Genie product with further discussions taking place with institutional investors and the Treasury. Our input to both the Lyons review of housing and the Government's Review of Local Authority Housing Supply has made the point that more radical approaches to land use, equity share and investment will be needed in order to address the chronic shortage of new housing supply. We believe that innovative approaches such as Genie can be central to the reinvention of the property supply model and will therefore continue to develop the Genie approach and concept.

Romag is continuing to develop the Roof Integrated and Building Integrated PV products which are generating increasing interest from the house building industry. Our credibility in rail glass manufacturing has been further enhanced by the securing of supply contracts for Hitachi for the new plant that will be built in Newton Aycliffe.

West of Scotland Housing Association have also completed their first full year of constitutional partnership with the Group and I am delighted at the progress being made in working towards our shared vision and common goals.

Whilst there have been many causes for optimism during the year we have also had to address some operational and regulatory concerns. We have already taken measures to enhance our approach to risk and value for money. We will also ensure that all of the Group's activity continues to deliver an excellent service to our customers in a way that is sustainable and transparent to customers and stakeholders.

I feel confident that we have the strength, skills and expertise to develop the Group further as it looks to consolidate its core activity. We will continue to innovate and develop our concepts and would like to thank the board and staff for their continued energy and drive to improve the Art of Living.

John Walker
Chairman
Gentoo Group

Chief Executive's Review 2014

The review of the year is once again set in the context of a business and policy environment that is challenging but within which there are some positive signs beginning to emerge. We cannot ignore the impacts of the Government's austerity programme and how that has affected many areas of our operation. Our diversity and ability to adapt however has meant that we have still been able to make significant progress on our key agendas with a strong and fully funded forward programme.

During the course of the year we have made a number of significant changes to the Group to reflect the intention to focus on our core vision and mission. This has meant re-shaping the way we structure and deliver our activity to make sure we are both culturally aligned and maximising performance across the Group.

Our core purpose is framed around improving people's lives and generating wealth – whether that be financial, social or environmental. We have therefore brought all of our people functions under a single Culture and Vision directorate in order that we can provide integrated, whole life solutions to our current and potential customers. This will build on the strong financial performance of Gentoo Sunderland but enhance it with the integration of the broader spectrum of people based programmes within Gentoo Living.

We are generating increasing numbers of life changing programmes and stories that demonstrate the difference that can be made in people's lives when a range of people based solutions are brought together. This is increasingly essential when faced with austerity measures and funding models that are based on fragmented and increasingly remote service providers. Our focus on people will ensure that we are creative, innovative and passionate about making a difference to people's lives and communities. We will look at ways of helping and enabling customers to optimise their income and earnings.

In re-shaping the activities of the Group we have also brought together our property activity into a single directorate with the aim of creating significant economies of scale and a rounded approach to the delivery of our asset strategy. This includes integrating our maintenance, development and facilities management activity to maximise our resources and strengthen our asset base.

Our approach to environmental sustainability continues to be embedded across the Group through Gentoo Green and our Planet Smart initiatives. This is making a significant difference to customers through a range of initiatives including fuel poverty, health, carbon footprint, fleet and transport, design and retrofit initiatives.

West of Scotland Housing Association also joined the Group in April 2013 and we are looking forward to building on a successful first year of operation with further development and growth aspirations in Scotland.

The integration of our People, Planet and Property activity is all part of our drive to focus on our core purpose and to ensure that all of the Group's activity is vision and mission driven.
During the year we have seen increased regulatory engagement with a sector wide focus on Value for Money in particular. It was disappointing that our Governance rating was

downgraded to a G2 rating by the Homes and Communities Agency (HCA) but measures are already in place to rectify this and ensure that our approach to Value for Money is robust, embedded and transparent.

Increasingly the regulator is promoting a risk based approach to diverse activity and we are therefore continuing to review all of our business activity to ensure it is culturally aligned and delivering against our business principles. We are also contributing to the ongoing debate within the sector on the definition of diverse activity and how this is managed and funded.

Our business model has looked to generate surplus from a range of diverse activity from which we can cross subsidise to deliver against our core purpose. Our performance this year has been mixed with good performance by Gentoo Construction and Gentoo Homes balanced against weaker performance by Astley and Romag due primarily to adverse trading conditions. Astley has therefore been rationalised and brought under the management of Gentoo Construction. Romag will continue to be streamlined and look to focus on its more profitable business streams. The environmental business opportunities were also severely affected by Government policy changes on ECO and we have therefore consolidated all of our environmental activity within Gentoo Green.

Our drive towards the delivery of our core purpose is based on making a real difference to people's lives and to wider society. The fragmentation of public services coupled with rising disaffection with mainstream politics means that a new paradigm may be needed. We believe that cause driven movements will become an increasingly important part of society. Gentoo will therefore be at the forefront of developing new engagement and delivery models aimed at providing people focussed and integrated solutions that are not reliant on traditional service commissioning or funding models.

Our work on developing the Genie concept is one example of innovation but we are also looking at new approaches to health, wellbeing, financial inclusion, volunteering, community safety, property design and land assembly. In addition business needs to adopt a new role. Business has become the most fundamental institution in society and needs to step forward into authentic and ethical leadership. Within Gentoo we are therefore transforming our approach to leadership to create leaders that can transform business and society. On a broader stage we will also continue to promote the voice of business as an agent of social change and ensure that Gentoo is at the forefront of creating new business models through which people and communities can prosper.

Peter Walls
Group Chief Executive
Gentoo Group

Our Ethos

At Gentoo we pride ourselves on challenging conventions to positively improve lives. Our vision is to improve what we call 'the Art of Living' beyond our imagination. This is about enabling our customers and communities to fulfil their potential by living the life they aspire to live.

Despite a challenging operating environment, the last year has seen the Group undertake some exciting projects. We have continued to innovate and find new ways of doing things to drive us towards our vision.

Our portfolio is diverse, but we focus on three key areas to maximise our impact: People, Planet and Property. The Group comprises a number of divisions who work collectively as one to ensure efficiency and value for our customers. We have been busy with a range of activity throughout the year and this report outlines just some of the highlights.

People

Our aim is to inspire and empower enriched ways of living. We recognise that all people are unique and seek to create personalised solutions to address their own challenges.

Our service offer focuses on:

- Enabling people to fulfil their aspirations through work and learning, financial wellbeing, personal development and health and wellbeing.
- Enabling successful communities through volunteering, community empowerment, and safety and support programmes.
- Ensuring that our services respond to the needs of individuals and communities and that social and economic benefits are generated from our actions.

For us, success is measured not just in monetary terms but also in terms of social and environmental impact. We aim to maximise value in everything we do.

The impact of the external environment and the Government's austerity measures has continued to make its mark this year and we have taken a number of positive steps to support our customers to help minimise the impact on individuals. Through the offer of benefit entitlement checks; debt advice; fuel switching and efficiency information; access to our employment and enterprise services; and money management, we can ensure customers receive the maximum amount of advice and income available to them. A core group of front-line income and support staff have also received additional training to be able to provide advice to customers around Welfare Reform, benefit entitlement and budgeting.

To complement this, we officially launched our formal partnership with leading UK debt charity StepChange, an exciting partnership offering even more support to our customers who find themselves in debt. The service will sit alongside existing face-to-face specialist services delivered by Gentoo and our partners, enabling customers to benefit from free debt advice service with quick, same day responses and online tools to enable information to be accessed 24-hours a day.

The demands on foodbanks have also seen a huge increase this year and the Group has now partnered with the Sunderland Foodbank. Gentoo has become a distributor of vouchers for the foodbank and staff have been identified to carry out this role. Our staff are always very generous in donating to worthy causes and campaigns were organised for staff to 'bring a tin to work' to help keep the foodbank's supplies replenished. The Foodbank is used on a regular basis by some customers and has proven to be vital in critical situations.

Wellbeing in terms of health is also very important to the Group. As an organisation it's paramount that we support individuals living with dementia when considering our aging population and the increasing prevalence rates of the disease. We recognise that a person centered approach is vital as we manage and provide support to older residents and their families across Sunderland. To mark National Dementia Awareness Week the Group hosted a Memory Event, in association with the national Alzheimer's Society, to raise awareness and encourage people to talk to each other about their concerns.

'Give us all you've got' is one of the Group's values and volunteering is just one of the ways staff demonstrate this. Gentoo took part in national Good Deed Day in February. Twenty-nine students from Sunderland University, 10 employees from Barclays Bank, and 92 members of our staff made it one of the largest co-ordinated volunteering projects aimed at supporting communities in the North East. The impact from this wave of volunteering was felt across communities and there was a fantastic neighbourly atmosphere as improvements were made to an incredible seven community buildings in just one day.

We are committed to supporting communities to create sustainable environments with excellent facilities where people are not only proud to live but also feel safe. Through our volunteering programme, we actively encourage staff to give their time to Art of Living activities such as befriending someone who is lonely or isolated, reading in schools or distributing food bank supplies.

The Group's Genfactor talent competition has gone from strength to strength. The contest gives young people in the community the chance to showcase their talents on the big stage with the aim of finding the next star and building self-confidence. November saw the fifth year of the competition and hundreds of acts auditioned, of whom 12 made it through to the final and performed in front of a panel of judges with the hope of scooping this year's crown.

Gentoo also welcomed 27 apprentices this year to fill a range of roles throughout the Group ranging from business administration, health and social care, to joinery. All apprentices complete 'BE', an innovative programme unique to Gentoo which encourages self-discovery, individual strength, wellbeing, emotional resilience and learning curiosity. The programme aims to have a positive impact on personal behaviour, relationships, motivation and outlook on life and is all about people having the opportunity, support and skills to make their lives better.

Not only taking apprentices on ourselves, we have scaled up opportunities by engaging our supply chain and asking them to pledge to take on an apprentice too. We support our suppliers as part of our apprenticeship framework which includes a contractual agreement with Sunderland College through which Gentoo fully delivers NVQ level 2 and level 3 qualifications in a range of subjects.

We recognise that our staff are our biggest asset and want to understand what makes them tick. We are aiming to be a values driven organisation which means we place our values at the heart of everything we do. To imbed this philosophy within the Group, we have been working with the Leadership Group on several projects to lay the foundations and understand the fundamentals, as well as starting values conversations with staff, describing the importance of values, how they drive an organisation and what this means in practice.

Our investment in staff has been recognised with a number of high profile accolades this year, marking Gentoo as a great employer. In April, the Group's responsible business efforts were recognised with a gold standard in Business in the Community's annual benchmark of responsible business management, the Corporate Responsibility Index (CR Index) along with a national Big Tick in the Education category at their annual Responsible Business Awards for our work with Academy 360.

We were also delighted to reach number one in Stonewall's Workplace Equality Index 2014 meaning the Group is officially Britain's best employer for Lesbian, Gay and Bisexual staff (LGB), tackling discrimination and promoting a healthy and supportive workplace. This recognition was complemented by our 19th placing in The Sunday Times 100 Best Not-For-Profit Organisation to Work for 2014. It's vital we invest our time and effort to listen to what our employees have to say as this has a far reaching impact into the wider community and for our customers.

Finally, this year saw the Group being awarded gold status from the NHS Better Health at Work Awards for the North East region, recognising our efforts to actively promote workplace health. Throughout the year, Gentoo employees along with their families and the wider community, were involved in a number of events and activities under our 'Happy, Healthy, Here' banner, all with the aim of making Gentoo a great place to be.

Planet

Gentoo is committed to improving how people live, both now and in the future, and this means being smart about the resources we use today. The consequences arising from a changing climate are still to be fully understood. Yet finding ways to reduce waste, use energy more efficiently and stem the rise in domestic energy bills, is well within our grasp.

Our Planet goals are wide ranging. We are aiming for our direct operations to be carbon neutral by 1 April 2016. This will be supported by the implementation of our sustainability programme, Planet Smart, across the Group. We also want to increase customer awareness and engagement in energy saving measures to enable them to realise the financial and environmental benefits. Finally, we will continue on the journey towards being a low carbon business.

Environmental sustainability is central to delivering our Art of Living vision and through our Planet Smart initiative we aim to encourage our staff and external stakeholders to think about how we reduce impacts on the planet. We have assessed and developed metrics to better monitor our energy use within the Group.

This year has seen Planet Smart become further embedded within the business as we progress towards our targets, we are finding new ways to engage our customers in Sunderland, building new relationships nationally, and establishing a real presence for the Nuru Fund in the UK and Africa.

The Group's internal Planet Smart targets or Pledges exceeded their overall target of 107.7 tonnes of carbon dioxide equivalent (tCO2e) saving with a total reduction of 178.20 tCO2e reported at the end of the year. This was due mainly to office and depot energy savings with further actions in place to reduce office energy consumption. Complementing this activity, this year saw Gentoo lease seven Nissan LEAF vehicles over a two year period, from local car dealership Benfield Motors to use as energy efficient pool cars. It's anticipated that the LEAF will cover 12,000 miles a year, saving 25 tonnes of carbon dioxide emissions - a huge amount considering just one tonne weighs the same as ten baby elephants! As well as helping the Group be more Planet Smart they are proving to be more economical with 100 miles of travel costing just £2.29 to charge - that is 2p per mile. Overall, since our baseline direct operations footprint in 2010/11, we have achieved a reduction of 1,039 tCO2e, equating to nearly a quarter of our total footprint.

The overarching local engagement programme was designed to target customers who were identified as being at risk from various austerity measures. The end of year performance has shown we engaged with 3,977 of these customers. We're always looking for new ways to make a positive difference and we jumped at the chance to support Big Energy Saving Week and spread the Planet Smart message. Originally set up by the Citizen's Advice Bureau, Big Energy Saving Week is a campaign that promotes behavioural interventions into reducing household energy consumption and saving money. Wanting to spread the message as wide as possible we organised a number of customer-focused energy saving workshops across Sunderland, where we encouraged more Planet Smart ways of living, as well as providing customers with information on switching to the best domestic energy tariff.

We've also helped our customers be more Planet Smart and improve their Art of Living through our solar photovoltaic (PV) programme. Solar PV panels generate renewable electricity to be used in the home. By the end of the year we had invested £10.3m installing solar PV on in 2,800 homes, saving our customers an average of £96 on their annual energy bills.

On a national scale, Gentoo's influence programme is primarily focused around exercising our strategic influence to bring about change at a national level and to influence government departments and political groups to become more Planet Smart. Part of these actions included the roll out of the 'Warm Homes = Healthy Homes' programme.

We have worked with a number of partners across academia, health services, local government agencies and the supply chain on this type of work. For example, this year the Group has been working with Bangor University and Nottingham City Homes undertaking a three year study involving customers of retro-fitted homes to determine whether warm homes result in health improvements. The Quality Adjusted Life Year (QALY) measurement survey expects to show that spending on energy efficient improvements improves the quality and/or length of someone's life and, at the same time, are an effective use of NHS resources.

Boiler on Prescription is our new trailblazing pilot project which allows GPs to prescribe specific home improvements to patients with medical conditions worsened by living in damp conditions. Funded by the Clinical Commissioning Group (CCG), it is hoped that

lung conditions such as Chronic Obstructive Pulmonary Disease (COPD) will be improved, resulting in increased patient comfort and less need for medical intervention. To date, six properties have been taken forward for Boiler on Prescription energy efficient measures. The GP will measure the patient's health improvements and, crucially, savings to the NHS will be recorded and evidenced.

Finally, on a global perspective, the Group has focused on people living in Africa who are exposed to the negative aspects of harsh living conditions. The Nuru Fund is a charitable body created by Gentoo to enable families and communities in East Africa to address a dual problem: the lack of access to electricity and the unsafe, expensive, off grid alternative of kerosene lamps. It is estimated that around 85 per cent of the population in Africa has no access to electricity. A single kerosene lamp emits one tonne of carbon over five years and inhaling kerosene fumes is equivalent to smoking 40 cigarettes a day. Through a small customised loan, the fund allows households to purchase solar lamps that can also power mobile phones. Up until the end of March we had raised £24,130, distributed 364 lamps, 14.2 tCO2e had been reduced and the wellbeing of 1,820 individuals improved.

Property

We aim to transform the built environment by caring about the planet, positively impacting on people's lives and building long lasting partnerships.

As a Group, we understand every aspect of the property world from managing, improving and repairing, to design, restoration and new build, on a small or large scale. Environmental, quality and space standards along with innovative design are important factors to us and these are high standards we strive to maintain throughout every project.

The Group launched a number of new homes developments this year with sites across the region from as far south as Guisborough to as far north as Prudhoe. Geographical areas include: South Shields; Houghton le Spring; Annitsford; Prudhoe; Marton; Durham; Fenham; and further sites in Sunderland.

In the last year, we launched seven new developments, opened six new show homes and helped 83 customers move into the home of their dreams.

To us a home is about more than just bricks and mortar, it's about creating somewhere fit for the future, where our customers can have everything they need to live their life to its full potential. When planning our developments we look at what we can do to help make it the best it can be for our customers, whether that's communal space for the community, Planet Smart initiatives or just listening to what they want.

Wanting to build on our experience in building low-carbon, sustainable homes, the Group has begun working with developer Carillion-Igloo to build 76 new low energy homes in the Ouseburn Valley area of Newcastle to build to Level 4 of the Code for Sustainable Homes. The Malings development will also promote more sustainable ways of low-energy living with shared allotments, outdoor clothes drying, easy storage of cycles, recycling areas and ultra-fast broadband.

Work has also continued on 143 brand new homes in Ryhope, Sunderland. As well as being hugely beneficial to local shops and businesses, the site is a huge boost to affordable housing in the area as most of the new homes are allocated for social rent except for a bespoke bungalow being built for an owner/occupier with specific health requirements.

The first phase of houses will be level 5 energy efficiency standard. This is a highly efficient rating of new build property meaning that they will be highly insulated, include 'smart' gas and electric meters and integrated PV panels. Not only does this make the properties more Planet Smart it helps keep residents' fuel bills down. Our second extra care development is also currently under construction in Doxford Park and this together with the surrounding accommodation of bungalow and apartments will provide fantastic homes and support for our more mature customers. This is a great boost for Sunderland. As a Group, we recognise the importance of combining physical, social and economic regeneration. As well as our investment into housing in the City, we continue our comprehensive social investment programme to innovatively tackle social and economic issues within neighbourhoods and we will continue to work to improve housing in Sunderland.

Two of our construction sites were given a Silver Award in this year's Considerate Constructors Scheme (CCS) National Site Awards - Ryhope Village, Sunderland and an affordable housing development in Ashington, Northumberland, which has been built for Bernicia Group. We model ourselves on high standards and we're delighted these two sites have received this recognition. It's thanks to the dedication of the passionate staff we have across all our sites. Working as a team with the Considerate Constructors Scheme, our subcontractors, supply chain partners and all stakeholders enables us to manage our construction work so it is a positive experience for everyone, minimises disruption to our neighbours and brings added value for People, Planet and Property while we are creating high quality new buildings together.

Our property work has received recognition with a number of prestigious awards this year. Our BRE accredited PassivHaus Houghton le Spring development won two Royal Institute of Chartered Surveyors (RICS) Awards: Design and Innovation and Best Residential Development. Best Social Housing Development was also awarded to Gentoo for Centrepoint, Dundas Street, Sunderland at the Building Excellence Awards 2013.

All this whilst still providing the increasing services needed to manage, maintain and improve over 34,000 homes and the neighbourhoods within which they are located.

Finally, this year saw the first anniversary of the Group's partnership with West of Scotland Housing Association. With shared values and a strong cultural fit, the collaboration is going from strength to strength with a lot of mutual learning and working towards joint goals.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2014

Principal Activities
Details of the principal activities can be found on page 33.

Business Model
Details of the key work streams undertaken to deliver our services can be found on page 14.

Business review and results
Peformance for the year can be found on page 16.

KPIs
Details of the KPIs used and measured can be found on pages 16 and 17.

Future Development
Details of the Group's aims and objectives can be found within the Operating and Financial Review on page 15.

Principal risks and Uncertainties
Details of the principal risks and uncertainties can be found on page 24.

By order of the Board:

Approved by the Board of Members and signed on its behalf by:

John Walker
Chairman
4 September 2014

Operating and Financial Review
31 March 2014

Activities

Gentoo Group is a people, planet and property business with a number of subsidiary companies, offering a variety of products and services:

- **Gentoo Sunderland Limited** – a Registered Provider of social housing in Sunderland
- **West of Scotland Housing Association** – a Registered Provider of social housing in Scotland
- **Gentoo Homes Limited** – a residential property development company
- **Gentoo Construction Limited** – a design and build and repairs and maintenance contractor
- **Astley Facades Group** - providers of external envelope and facade solutions both for new build construction and the refurbishment of existing stock
- **Gentoo Genie Limited** – a provider of Home Purchase Plans
- **Genie Homeplan Limited** - a trust Company that holds the legal title for assets subject to Home Purchase Plans administered and provided by Gentoo Genie Limited
- **Genie Admin Limited** – which will administer Home Purchase Plans provided by Gentoo Genie Limited
- **Gentoo Care Limited** – a provider of care services
- **Romag Limited** – a provider of PV and specialist glass
- **Romag PPM Limited** – a provider of leased assets to Romag Limited
- **Gentoo Group Limited** – a provider of Group functions and centralised head office services to the rest of the Group
- **Gentoo Living** – our social investment, independence and enterprise division
- **Gentoo Green** – our environmental sustainability division
- **Gentoo Art of Living** – registered under the Industrial and Provident Societies Act 1965
- **Nuru Fund** – registered under the Industrial and Provident Societies Act 1965

Each of our subsidiaries and divisions have produced their own business plan and set their own operational targets. As we do not have shareholders, we do not distribute dividends. Instead, we aim to reinvest any profits made in accordance with our core strategic aims.

Aims and Objectives

The Group's Business Strategy sets out the high level priorities for the Group including the Vision, Mission and Values, Strategic Priorities, Business Streams and Business Principles for the Group. The strategic priorities for the Group are set out under three main headings: Deliver the Group's core activity; Governance and Viability; and Partnerships and Growth. Objectives are then set out both against these three headings and within the subsidiary business plans. The Group will deliver its strategic priorities against a framework of four business principles that emphasise the importance of culture and performance in delivering the Group's vision and purpose.

Business Principle 1 – Cultural alignment
The activities of the Group will be aligned to the Group's culture strategy and culture well and will be driven by transformational leaders and experienced by inspired and empowered people. The Group's culture can be simply stated by 'the way we do things round here'. Cultural alignment is fundamental to all of the Group's activity and will be monitored alongside Group and individual performance.

Business Principle 2 – Brand strength
The Group has built a strong brand and the Group's activities must operate within and look to enhance the Gentoo brand. Brand strength will be under pinned by quality, innovation and service excellence across the whole of the Gentoo offer. Staff will be brand ambassadors in all that they do, seeking to deliver against the vision and mission and ensure that brand and culture are in alignment.

Business Principle 3 – Customer focussed products and services
The Group's offer to current and potential customers will be built around their requirements and aspirations and will give customers an excellent experience in all of their relationships with Gentoo. Customer metrics will be tracked across all of our activity making use of net promoter score, customer satisfaction and customer effort indicators and will be benchmarked internally and externally.

Business Principle 4 – Profitable, sustainable and scalable business model
The offers that the Group brings to the market will operate within the framework of the Group business model, be capable of growth, be financially sustainable and operate within value for money and robust risk management procedures. Activity will be measured both at a Group and a subsidiary level through the Gendex performance monitoring framework and through budget and business plan reporting.

Performance for the year

Financial performance headlines

The Group's income and expenditure account and balance sheet are shown on pages 49 and 51 of these accounts. 2013-14 includes the results of West of Scotland Housing Association and also a full trading year for Astley Facades.

On the 1 April 2013 Gentoo Group Limited entered into a strategic partnership with West of Scotland Housing Association Limited, a Registered Provider. There are strict criteria under UK GAAP, FRS6 that must be satisfied in order for such a partnership to be brought into the Group under merger accounting rules rather than acquisition accounting rules. Although both Gentoo and West of Scotland Housing Association (WSHA's) view the partnership in substance as a merger, the merger criteria are not satisfied from an accounting perspective. This is predominantly due to the relative sizes of Gentoo and the significantly smaller WSHA, and Gentoo's ability to set Group Strategy and the Group Business Plan to which WSHA must adhere. Therefore, this strategic partnership has been recognised using acquisition accounting which has resulted in an exceptional item, negative goodwill, in the Group results of £12.8m which equates to the net book value of WSHA and its subsidiary as at 1 April 2013 as no consideration was given.

Turnover of £209.5m has been achieved (2013: £175.2m) and surplus, excluding the WSHA exceptional item, for the year is £5.0m (2013: £1.7m surplus) which exceeded our business plan. The valuation of our housing stock, which is independently assessed on an annual basis by FPD Savills, has increased by £34.1m. Stock loss through 'Right to Buy' and 'Right to Acquire' has increased with 94 properties sold during the year. As at 31 March 2014 the Group managed 34,192 properties of which 32,526 were owned by the Group with an average 'existing use value' of £34,352 per unit.

The table below summarises the overall results:

	2013/14	2012/13	2011/12	2010/11	2009/10
Financial performance	**£m**	**£m**	**£m**	**£m**	**£m**
Turnover	209.5	175.2	175.1	144.0	144.0
Cost of sales	(64.3)	(47.7)	(56.6)	(35.5)	(39.8)
Operating costs	(117.1)	(100.8)	(119.0)	(86.8)	(98.7)
Operating Surplus	28.1	26.7	(0.5)	21.7	5.5
Exceptional – West of Scotland Housing Association	12.8	-	-	-	-
Net interest charges	(23.4)	(23.1)	(21.8)	(24.1)	(24.2)
Surplus/(loss) on sale of assets	0.4	(0.4)	0.5	0.3	2.2
Taxation	-	(1.5)	1.3	-	(0.5)
Surplus/(deficit) for the year	17.9	1.7	(20.5)	(2.1)	(17.0)

Financial position

	2013/14	2012/13	2011/12	2010/11	2009/10
	£m	**£m**	**£m**	**£m**	**£m**
Stock valuation	998.1	964.0	944.6	911.0	910.7
Revaluation and capital contribution reserves	534.0	505.6	488.9	445.0	549.8
Net debt	(638.0)	(588.3)	(575.1)	(566.1)	(529.9)

Housing management performance indicators

	2013/14	2012/13	2011/12	2010/11	2009/10
	%	%	%	%	%
Current tenant rent arrears as a % of rent due (incl voids)	2.9	2.8	1.9	2.0	2.0
Void loss	0.9	0.9	0.9	1.3	1.3

Non Financial performance

	2013/14	2012/13	2011/12	2010/11	2009/10
	No.	No.	No.	No.	No.
Stock numbers	32,526	29,232	29,412	29,620	29,494
Demolitions	85	215	271	278	137
New build	156	23	308	135	112
RTB / RTAs	94	106	20	20	23

Source: Internal systems

Value for Money (VfM)

Our focus on VfM and continuous improvement remains a key element of our business strategy, and is reflected in the business principles contained within that strategy. VfM is embedded both within the Group Business Strategy and the Group Business Planning process.

Our definition of Value for Money (VfM) is connected to our mission and vision. The word 'wealth' in our mission isn't just about financial wealth and corporate profit, it is also about recognising the resources available in the community in the shape of individuals' skills and maximising the opportunities to use those skills to make our customers' lives better.

Our approach to VfM is to consider economy, efficiency, and effectiveness in everything we do, whilst having regard to quality of service. That means we are concerned with costs but we also focus on the social and environmental impacts of our choices and what we do.

At Gentoo we have a continued commitment to Value for Money (VfM). To capture this we have reviewed our VfM Strategy to refresh our focus and ensure we continue to deliver best value for our customers and stakeholders. We know we can't achieve VfM by working in isolation, so we are committed to engaging and working with our customers, boards, stakeholders and staff.

To ensure that we deliver improvements in VfM across all of our work, we have changed the way that VfM is governed. Progress against our strategy is measured by the Group's Risk and Audit committee, and our performance on VfM will also be independently scrutinised by our Customer Panels and the Ustoo customer scrutiny group.

VfM is embedded both within the Group Business Strategy and the Group Business Planning process. This ensures that all business decisions are taken within a robust and accountable framework that takes into account VfM and risk. This also includes strategic review of all business plans and budgets by our Group Board, including implications of business plan assumptions and robust scenario modelling and testing.

We aim to be transparent in our management of our services and to this end publish an annual report to customers each year which, together with the Value for Money self-assessment, clearly set out how we are doing. In addition, we have worked with our customers to understand their top priorities so we can focus our efforts in the right direction.

Staff are supported to identify opportunities to improve VfM in their areas and we are improving our VfM training for staff and boards to give them the tools and knowledge they need. Our appraisal system for both senior staff and board members also makes sure that everyone understands and is able to carry out their role in relation to VfM.

Overall Position

The Group has grown and diversified its operations significantly since its inception. This growth has largely been achieved through the acquisition of existing businesses which were aligned to the Group's 'profit for purpose' objective within the business strategy and fell within the Group's risk appetite.

Changes in UK and Global economic and market environments together with unforeseen changes of emphasis in government policy (e.g. Green Deal and Eco) and a review of the Group's business strategy and risk appetite have led to a decision to undertake a strategic review of all of these non-core activities.

The activities are being reviewed by a governance taskforce established by the Group Chairman and Group Chief Executive reporting to the Group Board. A number of actions have already been taken to mitigate and resolve profitability and performance issues within each of the activities. The strategic review will be completed by December 2014 to ensure all on-going activities are aligned to the Group's vision, mission and risk appetite, are capable of being profitable and sustainable, minimise any risk to the core social housing assets and deliver value for money.

In order to ensure our future sustainability we will also be reviewing our financial strategy and business structure in the coming year.

Value for Money Self-assessment

The Homes and Communities Agency sets out their expectations of us in the Regulatory framework for Social Housing in England and our annual self- assessment report, which can be found on our website, sets out how we are complying with that standard. Highlights of that report for 2013/14 are as follows:

- Prior to being able to access social housing grants for replacement purposes, we undertook a rigorous appraisal of all of our neighbourhoods and where financially viable we committed to bring all of those homes up to Amenity A standard (exceeding the Decent Homes Standard) by 2010. Our investment plan focussed on the modernisation of sustainable homes and ensured broader social, economic and environmental improvements directly benefitting the local community. We have invested over £536m in modernisation expenditure since 2001, improving the long term quality of our stock. We took the decision to demolish around 4,000 unsustainable properties and to date we have replaced these with 1,322 new homes for rent, supported by a sales programme. We will continue to invest in our stock to protect our physical assets as part of our proactive approach outlined above.

- During 2013/14, we invested £4.8m in Living and Green agendas in addition to core housing management, and even after this the Group has reported profit after tax (excluding an exceptional item of £12.8m) of £5.0m.
- We completed a review of the Group funding position with our advisors which has confirmed that we have approximately £50m of headroom within our existing facilities. We are completing a strategic review as to how this headroom could be invested to achieve our business goals whilst generating additional sustainable income.
- We have made £1.1m efficiency savings across the Group, which has been used to maintain a level of service for our older and younger persons housing support services in an environment of reduced grant income.

Some of our Group Achievements in 2013/14

- We re-financed our Solar PV Portfolio by working with the social enterprise company Empower Community. Having invested £9m initially, and generating £1.45m income from feed in tariffs, the deal enabled us to access additional capital of £8.8m to re-invest in extending the scheme, allowing us to fit solar PV to 2,324 properties for effectively nil cost.
- We have launched an improved version of the Genie product and have achieved a total of 74 completions for customers who would otherwise have been unable to achieve home ownership. In developing Genie, tight cost control has been exercised and the overall cost to Gentoo Group was reduced by 14% as compared to the 2012/13 position.
- As a result of actions taken under the review of non-core activities, staff savings of £0.5m and other savings of £0.2m have been achieved within the Group.
- We restructured the Group property activity into one division. This will minimise risk and ensure focus on our vision and mission, while placing all commercial construction work into one area. This will enable a refresh of our asset management and investment strategy across all of our property assets.
- The inclusion of West of Scotland Housing Association into Gentoo Group has enabled efficiencies of £66k to be realised by streamlining back office services.
- We continue to use our Social Return on Investment (SROI) assessments with a planned programme that includes all of Gentoo Living activities. An example of achievement this year is that for every £1 invested in the Young Person's Service, a social value worth £4.53 was created. In total, over a five year period, £2.5m worth of social value has been created.
- Gendex, our Key Performance Indicator (KPI) dashboard, has been presented to Group Board each quarter in 2013/14. It makes sure that we can see the impact and value of our actions on the results of the business, and allows us to compare

the performance of each company and division in the Group across common measures.

- The Group's business planning and budgeting process has been reviewed to give a greater focus on performance monitoring, VfM and risk.
- We reviewed our service model to achieve savings which we then re-used to address more pressing housing management issues. Two examples of this are;
  - We reshaped the way we deliver services to customers in Sunderland, including the closure of two of our offices without impacting on front line services, achieving a potential full year saving of £139k.
  - We responded to customer preferences and offered the Customer Annual Report online instead of printing and posting which achieved a saving of £25k.
- We have established a cross cutting Welfare Reform Impact Team which reports to Board, enabling us to minimise financial exposure for the Group. The team carried out scenario modelling, and their work has enabled us to mitigate the financial risks to the Group arising from the 'bedroom tax', resulting in an arrears increase of only £168,492 against a potential exposure of £2.81m. The team has also worked with customers to help them receive over 400 Discretionary Housing Payments worth a total of £223,022 which was paid directly to their rent accounts, and worked with partners including support agencies such as FISCUS, Age UK, Credit Unions and Step Change to assist customers to manage their finances.
- The modernisation programme for Gentoo Sunderland's housing stock delivered a range of low carbon and efficiency initiatives, targeting our worst performing properties in terms of thermal efficiency with a view to protecting our assets and reducing customers' energy bills.
- We reviewed our Emergency Out-of-Hours Service resulting in the number of emergency out of hours jobs raised reducing by 20% saving just over £40,000.
- The new build programme delivered by Gentoo Homes achieved a year on year growth of 277% within a minimal overhead growth of 17%. Gentoo Homes also exceeded their business plan profit forecast by 28%, allowing the Group to re-invest £407k into Art of Living activity.

Return on assets

The VfM standard expects all providers to understand the return on its assets employed, and have a strategy for optimising the future returns.

Our current portfolio, excluding land, is as follows:

Portfolio	EUV-SH or Market Value £m	Book Value £m	Turnover £m	Gross Yield EUV-SH or Market value %	Gross Yield Book Value %
Social Housing lettings	1,061.4	888.8	130.5	12.3%	14.68%
Market Rent	5.9	5.0	0.3	4.92%	5.74%

Rent to Buy	6.3	5.4	0.3	4.34%	5.12%
Mortgage Rescue	1.6	0.8	0.1	6.73%	13.67%
Commercial	7.0	4.8	0.4	6.11%	8.98%

We will continue to invest in our social housing assets based on stock condition surveys, replacing components on a condition led basis to maximise asset life. In 2012/13 we reviewed the asset lives of our components and have reflected this review within our Investment plan. We will continue to review financial options for individual schemes and properties to support decision making to retain, convert or dispose of stock.

Our aim is to continue to manage the non-social property assets in such a way as to maximise the financial return to the Group. This is through maximising occupancy, sales, rent reviews and implementation of the terms of the various grant assisted schemes.

In terms of our 'people assets', staff turnover at Gentoo is very low. Research shows that a company with low turnover is productive and whilst there are risks of stagnation in low turnover organisations, we can gain comfort from our continuing high performance in the Times Top 100 survey that our employees remain motivated by working at Gentoo.

We are proud to be named as Stonewall's number one gay friendly employer. The Top 100 list is based on the results of Stonewall's Workplace Equality Index. We believe that in order to make the business great, people have to be themselves. This rating gives us evidence that people can be themselves and helps informs our people policy and plans.

Our social and environmental impact

Gentoo's mission is about making a fundamental difference to people's lives and making society a better place to live. In pursuit of this mission, the social agenda is key and we therefore believe that a key component of our work is around addressing societal Art of Living issues such as poverty, loneliness, disempowerment, equality, and empathy.

In pursuing this mission, last year, we provided services to support our customers to achieve their Art of Living, delivering the following:

- The 233 young people who were supported through the Young Person's Team reported feeling safer and more empowered as a result of their involvement.
- 282 people benefitted from supporting and safeguarding services, 97% of those accessing the Victim Support Service declared that they felt safer as a result of the support they received.
- We supported 2,600 people through our Health and Wellbeing services to assist them to reduce falls and prevent hospital admissions, generally improving their quality of life.
- The 343 people who experienced the Be Programme reported having a greater ability to make informed decisions about their lives and an improved feeling of wellbeing.

- Under the work and learning programme we supported 2,160 customers to increase their skills, improve their resilience and make them more employable.
- We awarded 120 Aspire Grants during the year reaching over 12,100 beneficiaries.
- We placed 218 people into work experience opportunities across Gentoo Group, equating to approximately 6,480 hours.
- We assisted over 2,300 customers to identify £600,000 in unclaimed benefits identified and gave advice on more than £1 million of debt.

Another key component of our mission relates to the environmental agenda. Over the past year we have saved £170,000 through our green initiatives. These are permanent year on year savings which will allow us to continue to invest in our Art of Living activities to deliver on our mission.

We completed a pilot in Spring 2014 building eight properties to exceed the Government's proposed 2016 sustainable standard for energy performance, investing an additional £250 per property to improve thermal efficiency, along with installing a solar PV system costing £6,000 to generate renewable energy. We have projected this investment will save each household £447 in year 1 and in addition, the PV panels will generate an income of £467 for Gentoo per property in the first year. Gentoo will recoup the cost of this £6,250 additional investment in each property within approximately 13 years.

The Group's investment in Solar PV and retrofit projects has benefited our customers at little or no cost to the Group. Research shows that households will save between £96 and £300 per year as a result of these projects, adding to their Art of Living and contributing to our mission.

How we compare

We are keen to understand how we are performing in relation to our peers and to this end, are members of the Housemark benchmarking club. We have also undertaken informal benchmarking outside of that club with organisations such as the Northern Housing Consortium and other registered providers. The tables below summarises some of our key performance indicators and where we sit in respect of our peers.

Financial VfM analysis	**Gentoo Group 13-14**	**Gentoo Group 12-13**	**Benchmarking Position (Q3 Forecast vs 12-13 peers)**
Operating cost per home	£2,925	£2,809	n/a
Growth in turnover	19.5%	0.1%	2nd quartile
Adjusted net leverage	52%	54%	4th quartile
Weighted average cost of capital	3.8%	3.9%	2nd quartile

Housing Management VfM analysis	**Gentoo Group 13-14**	**Gentoo Group 12-13**	**Benchmarking Position (Q3 Forecast vs 12-13 peers)**
Current tenant rent arrears as a % of rent due (excl voids)	*3.34%*	3.14 %	2nd quartile
Rent Collected as a % of rent due	*100.8%*	99.6%	1st quartile
Relet times – social housing properties	38.70	32.67	3rd quartile
Housing Management cost per property	*£420.24*	£354.78	2nd quartile
Residents who feel their rent provides good VfM.	84.4%	-	1st quartile

Overall our performance compares favourably with our peers, although the benchmarking data does help to identify areas where improvements can be made. We are using this information to focus our business improvement work and using our approach to lean reviews to ensure we reduce waste. By improving our operational performance, we will be able to re-invest resources in delivering the Group's vision and mission.

In terms of re-let times, we changed the way we monitor this for 2013/14 and this figure now includes major work as well as standard re-let work. We feel this is more transparent and allows us to get to the root cause of issues. We will use this more transparent approach to make improvements during the coming year.

Our aspiration is to achieve top quartile performance in all areas of housing management activity and we will focus our future efforts to achieve this. It is pleasing to note that residents feel their rent provides good value for money and that in general terms, performance for Gentoo Sunderland customers is good. We are reviewing our approach to how we re-let empty houses to ensure customer, cost and quality are at the heart of what we are doing.

Our responsive repairs service provision and management costs have been on the rise and are relatively high compared to our peers. There are a number of reasons for this. On average we complete 8.1 repairs per property each year to protect our investment which is much higher than other organisations, and we need to improve on completing repairs on the first visit. This is a priority for the coming two years.

We have also seen a 21% rise in void property turnover in Sunderland due largely to welfare reform moves, which has had an impact on our service. The Sunderland void team has tried a number of different approaches to deal with the unpredictable peaks in demand, including using sub-contractors and agency staff, as well as streamlining the way we work. This is still an ongoing improvement project.

We know we can always improve and have ambitious plans to improve both our approach and our performance. These plans are available on our website.

Future Development

The criticisms we received for our VfM statement last year have seen us revisit our VfM strategy and ensure we produce a more thorough statement this year. Our refreshed strategy will give us focus for the coming three years and the steps we have taken to manage its implementation will ensure our success going forward.

The new strategy has nine objectives and they will ensure that VfM remains at the heart of the Group's activities. Our Board is committed to this and have identified a number of actions that they expect to see delivered. They will receive six monthly reports to track progress. This strategy is directly connected to the Group's vision, mission and strategic priorities.

Conclusion

Achieving VfM and complying with the requirements of the HCA Governance Standard are of critical importance to the Group and we believe our current performance and future plans will ensure we continue to comply.

A significant amount of our current performance demonstrates good VfM, but it is clear that we have work to do to ensure that we have an in-depth knowledge of all elements of our spend. Over the coming two-three years we are committed to understanding all of our costs and values and working towards achieving VfM in everything we do. This will ensure that we can focus our efforts on delivering our vision and mission. Our VfM strategy and refocused approach will ensure success and our statement and future years' statements will enable our stakeholders to track how we are doing.

Key risks

We feel that the key risks we face as a Group are as follows:

- Weak Housing Market/Residential Property Prices.
  A continued downturn in the housing market, particularly in the North East region, would impact on our margins and our ability to sell. It could also have an impact upon carrying value of assets leading to future impairment. We continue to develop a number of innovative tools to mitigate the problems associated with reduced demand and mortgage lending, including working in partnership with mortgage lenders to find ways to access lending. In addition, to help alleviate the problems that first time buyers are facing, the Group's Genie Home Purchase Plan product enables first time buyers to take a step on the property ladder, and to achieve full home ownership.

- Development Funding/Grant Levels.
  Over the last nine years, the Group has successfully delivered housing renewal through a combination of grant and property sales. It is evident that levels of grant funding are decreasing as part of the Government's spending review, meaning the current model is no longer viable. As a result, the Group has developed the Genie to attract new investment into the sector.

- Development/Achieving Sales Targets.
  The Group's future development programme is focussed on building properties for outright sale. To mitigate the sales risk associated with this, the Group responds to market demand and only builds out to order.

- Commercial Activity/Going Concern Pressures.
  The Group has a number of commercial subsidiaries that are expected to generate profit to re-invest and support our Art of Living vision. The current economic climate continues to place severe pressure on them to achieve projected profit levels. To mitigate, subsidiaries have approved business plans and targets whilst working within strict working capital controls and robust budgeting and cost control processes.

- Group Structure and Tax Strategy.
  Failure to review the Group structure will result in unfunded tax liabilities and the ability to offset this liability against tax losses in other areas of the Group. Gentoo is working with its partners to agree organisation structure changes to develop and implement a long term tax efficient governance structure.

- Government Policy - Welfare Reform.
  The Welfare Reform programme is the biggest reshaping of the welfare state in 60 years. The majority of the risk is to our customers who will receive less benefit if they have a spare bedroom and they are expected to budget on a monthly basis, receiving their money directly without having the choice of paying the rental element to their landlord. The risk to Gentoo is that our rent collection rate falls, our income management costs (including transactional costs) increase, and the consequences that may have for our loan covenants and the cost of borrowing.

  Our Welfare Reform Strategic Project Team is set up to minimise the risks associated to both our customers and our wider organisation.

- Pensions – Local Government Pension Scheme 'LGPS' and Scottish Housing Association Pension Scheme ('SHAPS'). As the cost of the pension provision and scheme deficits continues to increase due to changes in mortality and return on equity assumptions, there is a risk of affordability and the Group will continue to review the financial impact of such increases on the Group's financial projections.

Financial Risk Management
We have a formal treasury management policy which is approved by the Board. The treasury policy reflects guidance issued by the Homes and Communities Agency (HCA) and changes in the economic climate. The policy addresses the financial credit, liquidity and interest rate risks.

- Credit risk. We limit the amount invested with individual counterparties to ensure that the credit risk on investments is spread over a large proportion of institutions. All institutions must meet high credit criteria and are approved by the Group Finance Director. The treasury policy includes a list of approved investment instruments.

- Liquidity risk. We have sufficient committed loan facilities to deliver our approved plan. These facilities are held with a range of high calibre lenders. The duration of the loans are structured to minimise any re-financing risk.

- Interest rate risk. We borrow at both fixed and variable interest rates. In order to create certainty in our financing costs we aim to fix up to 70% of our current and expected future debt requirements. Our fixed rate debt comprises The Housing Finance Corporation (THFC) funding via a THFC bond and fixed rate loans embedded within our loan agreements. These embedded fixed rate loans are not subject to cash calls required by stand-alone swaps. Our debt requirements are reviewed at least annually following the approval of our business plan.

Investing in the future

Housing Stock
We have invested over £536m modernising our housing stock over the past 13 years. In addition to this, we continue to look for opportunities to add to our development portfolio over the coming years. This investment will help ensure the long term sustainability of housing stock which is great news for our customers.

Business Processes
We are continually looking for ways to improve our people, processes and services. We have continued to learn and develop new business improvement tools and techniques. A demonstration of this has been our investment in 'systems thinking' training, which focuses on putting the customer at the heart of our processes. Over the year we have carried out numerous reviews and the results demonstrate further progress towards achieving the 'Art of Living' for all of our customers. The feedback from the exercise continues to inform both strategic and operational plans for the coming year.

Staff
The world in which we operate is challenging but as a Group we are still aiming to be progressive, visionary and innovative. This does not happen by accident. It is only through the continued commitment of our staff that we can strive towards delivering our vision to improve the Art of Living beyond our imagination.

Every single member of staff has a part to play in delivering our vision. It is the sum of every action by Gentoo employees that really makes our society a better place to live and this will support our customers to turn their energy to enjoying their Art of Living.

Gentoo is a progressive employer and we operate in an environment where staff understand our Vision, Mission and Values and are loyal to working for the Group. Our employees believe that Gentoo is a great Company to work for, and their feedback helped Gentoo achieve 19th position in this year's Times Top 100 Not for profit organisations to work for in the UK.

Operational buildings
All offices are Disability Discrimination Act (DDA) compliant to provide access to our front-line staff. We continue to review the delivery of our services through our regional offices to ensure that services are being delivered efficiently and effectively to our customers.

Financial Review

Accounting policies

The principal accounting policies of the Group are set out on pages 54 to 60 of the financial statements. The policies which most impact on the financial statements are the revaluation of housing properties, the treatment of modernisation expenditure (capital and revenue split) and the treatment of capital grant.

Capital structure and treasury policy

The Group has loan facilities in place which are accessible to Gentoo Sunderland. The Group has a syndicated loan facility, arranged by Royal Bank of Canada, and administered by Nationwide Building Society of £220.2m. In addition, the Group has a £213m funding from THFC via a 40 year bond with Prudential acting as Security Trustee (the Group bond). The Bond is held by a number of large investors and is traded on the Bond market. The Group also has an additional £110m loan facility with the European Investment Bank and a £100m loan facility with the Royal Bank of Scotland of which £48m is undrawn as at 31 March 2014.

On 1 April 2013, the Group fulfilled the ambition of forming a strategic partnership with West of Scotland Housing Association (WSHA). WSHA has its own active treasury policy which is approved by its management committee. It manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. At 31 March 2014 WSHA had £60.3m (2013:£61.8m) in loan facilities and held deposits of £11.6m (2013:£11.8m). The high deposits are as a result of the availability of the loan finance period ending in the previous financial year and this being drawn down in advance of future spend on current developments.

The Group has a Treasury Policy which aims to maintain our level of drawn fixed rate debt at approximately 70% of our total drawn debt. At the year end, the Company had 68% of its borrowings at fixed rates and WSHA had 64% of its borrowings at fixed rates. We have also entered into a number of 'embedded' forward fixing arrangements to protect us from the risk of adverse interest rate movements in future years.

At the year end, Group total commercial borrowings amounted to £635.8m, £565m of which falls for repayment after more than five years. Our financial plans, which are submitted to both the HCA and our funders, indicate that we will continue to comply with both the Bond and loan covenant tests.

Cash flows

Our cash flows for the year are shown on page 53 of this Annual Report and Accounts. The key points to highlight are:

- £50.6m cash generated from operating activities.
- Net £26.1m capital investment in both existing and new housing stock.
- Net £19.1m of loans repaid in the year.

The Group policy is not to hold significant cash balances but to ensure that loan facilities are in place to fund future requirements. Short term cash balances are placed on short term, higher interest or overnight deposits at competitive rates.

Pension costs
The Group operates three pension schemes as follows:

- Local Government Pension Scheme 'LGPS' which is a final salary scheme. We have made contributions to the scheme during the year in accordance with the levels set by the scheme actuaries. Our contribution rate has been at 22.6% for the full year.
- West of Scotland Housing Association participates in the Scottish Housing Associations' Pension Scheme which is funded and is contracted-out of the State pension scheme. The contribution rate for the year was 9.6% of pensionable salaries for both employer and employees.
- The Group has a defined contribution scheme for employees who are ineligible to join the LGPS. Our contribution rate has been at 6% for the whole year.

Details of the actuarial assumptions, and the current scheme deficit, are shown in note 22 of the Financial Statements.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position, its cash flows, liquidity position and borrowing facilities are described in the Operating and Financial Review on pages 14 to 28.

The Group meets its day to day working capital requirements through the current account, which is cash positive at the year end and its revolver facility. The Group meets its development programme requirements through a combination of grant and debt funding. Note 21 to the accounts highlights the current level of debt and repayment terms. The current economic conditions create uncertainty particularly over the longer term availability of grant and bank finance.

The Group's forecasts and projections show that the Group should be able to continue to operate within the level of its current facilities and no matters have been drawn to its attention to suggest that future funding may not be forthcoming on acceptable terms.

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Members, senior staff, professional advisors and bankers
Board of Management

The structure of the Board of the Group is made up of twelve members, comprising one local authority Councillor, one tenant, seven independents and three executive members (one independent member position is currently vacant). The members of the Board who served during the year are as follows:

Independent Board members
Richard Beevers (appointed 1 June 2013)
Barrington Billings
Mary Coyle
Hunada Nouss
Ian Self
John Walker (Chair)

Tenant Board members
John Dannell (appointed 13 September 2013)
James Falade (resigned 13 September 2013)

Local Authority Board members
Jill Fletcher

Executive Board members

Julie Kelly
Andrew Taylor (resigned 14 May 2014)
Peter Walls

Senior Staff
Group Chief Executive
Peter Walls

Deputy Chief Executive
John Craggs

Executive Director of Culture and Vision
Caroline Gitsham

Assistant Chief Executive
Julie Kelly

Executive Director of Governance and Enabling Services
Steve Lanaghan

Executive Director of Property
Ian Porter

Executive Director of Finance and Value
Andrew Taylor (Resigned 31 July 2014), Steve Lanaghan (Acting)

Managing Director, Astley Facades (UK) Limited
Steven McGowan

Managing Director, Gentoo Construction
Allan Thompson

Managing Director, Gentoo Genie
Steven Hicks

Managing Director, Gentoo Homes
Barry Walker

Managing Director, Romag
Philip Murray

Registered office
Emperor House
2 Emperor Way
Doxford International Business Park
Sunderland
Tyne and Wear
SR3 3XR

Committee Membership

Risk and Audit Committee
Mary Coyle (Chair) (appointed 13 September 2013)
James Falade (resigned 13 September 2013)
Jill Fletcher (appointed 13 September 2013)
Les Hodgson
Tom Ivison (resigned 6 August 2013)
Fred McQueen
Hunada Nouss

Appointments and Remunerations Committee
Barrington Billings
Mary Coyle (appointed 16 May 2013)
Ian Self
John Walker

Gentoo Green Committee
John Craggs
Marion Dobbins
Sally Hancox
Ian Self
Anna Scothern
Ruth Thompson (Resigned 5 February 2014)

Gentoo Living Committee
Joe Cartner
Philip Curtis
Marian Dobbins
Yvonne Gray (Chair)
Anne Lawson
Patricia Stoker

The Committees are all served by relevant officers of the Group.

Independent Auditor
KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Solicitors
Trowers & Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

Bankers
National Westminster Bank plc
Sunderland City Branch
52 Fawcett Street
Sunderland
SR1 1SB

Funders
The funders for Gentoo Group are:

Nationwide Building Society
Treasury Department
King's Park Road
Moulton Park
Northampton
NN3 6NW

European Investment Bank
100 Boulevard Konrad Adenauer
L-2950 Luxembourg-Kirchberg
Grand Duchy of Luxembourg

Lloyds Bank plc
Public and Community Sector
3rd Floor
25 Gresham Street
London
EC2V 7HN

Newcastle Building Society
Portland House
New Bridge Street
Newcastle upon Tyne
NE1 8AL

Royal Bank of Scotland PLC
135 Bishopsgate
London
EC2M 3UR

The Housing Finance Corporation Limited (THFC)
4th Floor
107 Cannon Street
London
EC4N 5AF

Funding Advisors
Trade Risks Limited
3 Devonshire Square
London
EC2M 4YA

Report of the Board of Management

The Board of Management presents its report and the audited financial statements for the year ended 31 March 2014.

Legal status

The Company is limited by guarantee. It was registered with the Housing Corporation on 22 March 2001 as a Registered Social Landlord under the Housing Act 1996.

Board Members

The Board members who held office during the year are stated on page 29. Where the term director is used within these financial statements this includes the Board of Members of the Company.

Principal Activities

Gentoo Group's principal activities are the provision of affordable, rented accommodation to the social housing market and the wider regeneration of its communities. The Group also undertakes home property development, building contract and property maintenance services, PV and glass services, façade solutions and care services to both the public and private sector.

Gentoo Group Limited

Gentoo Group Limited is the Parent of Gentoo Sunderland Limited, a Registered Provider, which serves the geographical area within Sunderland. On 1 April 2013 we fulfilled the ambition of forming a strategic partnership with West of Scotland Housing Association who also became a subsidiary of Gentoo Group Limited. It also controls Gentoo Homes Limited, Gentoo Construction Limited, Astley Facades Group, Gentoo Ventures Limited, Gentoo Genie Limited, Genie Homeplan Limited, Genie Admin Limited, Gentoo Care Limited, Romag Limited, Romag PPM Limited, Gentoo Art of Living, Nuru Fund and Sunderland Prospects 2 Limited. Together the Group is known as 'Gentoo Group'.

Gentoo Group Limited provides Group-wide services including treasury and financial management, information technology, technical, legal and human resources services.

Results for the year

The consolidated retained surplus for the year, as shown on page 49, was £17.9m (2013: £1.7m surplus).

The year-end revaluation of housing properties showed an overall surplus of £37.4m (2013: £21.7m), which has been credited to the revaluation reserve. Movements in the market value of investments, held as a security for the THFC funding via a THFC bond, resulted in a net realised loss of £1.0m (2013: £2.7m surplus).

Changes in fixed assets and investments

Changes in fixed assets and investments are detailed in notes 12-14 to the accounts.

Officers' Insurance

The Company has obtained Directors' and Officers' liability insurance for the Board of Management and staff.

Employees

At Gentoo we aim to improve the Art of Living beyond our imagination, and this starts with our employees. Only by supporting our employees to realise their Art of Living will they in turn support our customers to achieve theirs which means creating an environment where people can be their best and give us all they've got.

It's about making sure that we have working environments that are positive, safe and healthy. It's about ensuring that people have the tools and training that they need to do the job effectively. It's about providing support when it is needed and also opportunities for growth and learning. But that is only part of the story, being a values driven organisation means being clear about what is expected from every individual in terms of their performance, their behaviour and the organisational culture that they create. This starts with a focus on leadership and supporting leaders to not only be great managers but to be role models of the Group's values. Our employees are the people who make Gentoo a great place to work and their feedback has resulted in us improving our position to 19th in the Times Top 100 Not for profit organisations in the UK.

The Group currently has 1,691 employees across a range of professions and roles. We continue to operate with a low turnover rate and some employees have now worked with the Company for over thirty years. It's fair to say that working at Gentoo is not just a job; it's a career where individuals are supported through professional qualifications, training and development and on the job coaching and mentoring. This approach has seen the Group awarded silver status with Investors in People.

Gentoo also firmly believes in equality and diversity in our workforce and we are included in the Stonewall Workplace Equality Index. This year we came first in the annual Stonewall Workplace Equality Index. The Stonewall Index is the definitive national benchmarking of gay-friendly employers. It is our policy to give fair consideration to disabled people applying for relevant job vacancies and we seek to retain the employment of staff who have become disabled whilst employed with us. We believe a Gentoo employee is someone with the right attitude and behaviours, regardless of their ethnicity, religion, age, sex or their beliefs. It's all about improving the Art of Living of our customers and employees.

Keeping staff up to date through a range of communication channels is important and we have a variety of online and offline internal communications tools and channels including an intranet, forums, posters, weekly newsletters, staff magazines, briefings and staff networking events.

We regularly promote health and safety and staff wellbeing in the workplace. Our aim is to achieve zero incidents and ensure that every employee's welfare is paramount. We have a Group wide initiative called 'Happy, Healthy and Here'. As part of this campaign, our staff are able to access advice and support in relation to many different health and wellbeing issues. We run regular campaigns to promote not only physical health, but also financial and mental wellbeing. The Group was awarded the Gold Award in the North East NHS Better Health at Work Awards and has also won the Business in the Community Wellbeing and Engagement Award.

Recognising and rewarding our staff is also very important to the Group and we do this through our annual staff awards - the GRAFTAS (Gentoo Recognition Awards for Talent and Achievement). The ceremony features awards linked to our Vision, Mission and Values and winners are given a golden penguin to tie in with the Gentoo brand. Those completing further education and training and long service awards are also recognised.

Political contributions.

The Company made no political donations or incurred any political expenditure during the year (2013: £nil).

Efficiency

The Board is committed to delivering an effective and efficient service to customers and other stakeholders and employs a range of techniques to increase efficiency including:

- Re-evaluation of procurement strategies
- Partnering with contractors for new build, refurbishment and maintenance contracts
- Reducing staff turnover, sickness and absenteeism

Derivatives and financial instruments (note 23)

Gentoo Group is a social landlord and not-for-profit organisation. As such, its directors are keen to mitigate potential risks associated with financing, the principal one being interest rate risk. The Group therefore seeks to fix a significant proportion of its debt in order to introduce certainty into its financial position and reduce the potential impact of adverse movements in interest rates. Current facilities are predominantly long term, which represents the initial acquisition cost of the housing properties together with requirements of ongoing spending on those properties.

Reserves held as security for the fixed rate bond are invested to result in as small a carrying cost as possible, whilst maintaining a low risk profile. This has been achieved by investment in similar bonds to the THFC bond, where a relatively illiquid investment is allowable by the rating agencies.

Any short term deposits are placed with either building societies with approved credit ratings or a UK clearing bank as a matter of policy, to ensure as far as possible that the capital is not at risk.

Corporate Governance

Leadership

The HCA's governance standard requires all registered providers to adopt and comply with an appropriate code of governance. The Group's Corporate Governance Code of Practice (the Code) was adopted during 2010, as a framework for the conduct of the Group's business, and is based on The UK Corporate Governance Code produced by the Financial Reporting Council. The Code operates on a comply or explain basis and the Board can confirm that it complies with its Code, taking account of the explanations provided within this statement.

Having unitary board status, the Group Board is comprised of seven independent board Members, one tenant board Member, one council board Member and three executive board Members. Board Members are drawn from a wide background bringing together commercial, professional and local experience. The Board meets a minimum of six times a year on both a formal and informal basis. Opportunities are available for the Chairman to meet privately with the Vice Chairman (Senior Independent) and other non-executives to discuss any matters on an informal basis and meet at least annually on a formal basis. The Group also operates with eight subsidiary Boards namely Gentoo Sunderland, Gentoo Construction, Gentoo Homes, Romag, Astley Facades Ltd, Art of Living, West of Scotland Housing Association and Gentoo Genie, an FCA regulated company.

The Group Board is ultimately responsible for the overall control of the Group, including the monitoring of its performance and the deployment of its resources. The Board ensures that the Group operates effectively and within the terms of its internal governance and upholds the Group's vision, mission and values. A number of key decisions and matters are reserved for the Board and are not delegated to management or other subsidiary boards and committees. These include but are not limited to, the development of the Group's strategy, vision, mission and values, major changes to the Group's corporate structure, changes to the Group's management and control structure, any changes to the company's status and the extension of the Group's activities into new business or geographic areas. These and all other responsibilities and duties are set out in the Board's terms of reference.

Whilst the Board is responsible for the overall strategy and policy of the Group, day to day matters are delegated to the Group Chief Executive and other executive directors through the Group's Delegation Scheme.

The Group Board is comprised of the following Directors and their attendance is shown in the table below:

	Group Board Meetings	Appointments and Remuneration Committee
	8 Meetings	6 Meetings
Richard Beevers[1]	5 out of 7	n/a
Barrington Billings	6 out of 8	4 out of 6
Mary Coyle[2]	7 out of 8	4 out of 5
John Dannell[3]	4 out of 5	n/a
James Falade[4]	2 out of 3	n/a
Jill Fletcher	3 out of 8	n/a
Julie Kelly	7 out of 8	n/a
Hunada Nouss	4 out of 8	n/a
Ian Self	6 out of 8 (Vice Chair/Senior Independent)	5 out of 6 (Chair)
Andrew Taylor	8 out of 8	n/a
John Walker	8 out of 8 (Chair)	6 out of 6
Peter Walls	8 out of 8 (Chief Executive)	n/a

1 Richard Beevers was appointed as an Independent Non-Executive Director in June 2013 therefore the maximum attendance was 7
2 Mary Coyle was appointed to Appointments and Remuneration Committee in May 2013, therefore the maximum attendance was 5
3 John Dannell was appointed as Tenant Group Board at the AGM on 13 September 2013 and maximum attendance was 5
4 James Falade stood down as Tenant Group Board Member at the AGM on 13 September 2013

Effectiveness
Board effectiveness is undertaken to consider a range of principles including leadership; accountability; probity and business strategy. The results of this review and measures for improvement are reported to the Board.

Overall Board effectiveness is comprised of an annual 360^0 appraisal process and periodic observation of Board meetings by an independent advisor. The appraisal process is designed and facilitated by the independent advisor who was appointed for the purpose of providing executive advisory services and has no other connection with the Group. 360^0 feedback from all Members of the Board in respect to the performance of the Group Chairman is reviewed by the Senior Independent Director and fed back to the Chairman supported by the independent advisor. A meeting with the non-executive directors, led by the Senior Independent Director, to discuss the performance of the Chairman will be held early 2014/15 financial year as part of the current Group Board 360^0 appraisal process.

In accordance with the principles set out in the Code, Group board considers all of its non-executive directors to be independent and continue to be effective. Biographical information for Group Board Directors can be found on the Group's website. The Code principles to determine the independence of Members is described below:

- Has not been an employee of the Group within the last five years
- Has not had any significant material business relationships within the last three years, with the Group either directly or as a partner, director or senior employee of a body that has such a relationship with the Group
- Has not received additional remuneration and are not a member of the Group's pension scheme
- Does not have close family ties with any of the Group's advisers, directors or senior employees
- Holds no cross directorships nor significant links with other directors through involvement on other companies or bodies
- Has not served on the board for more than nine years.

Risk and Audit Committee (RAC)
This committee acts on behalf of Group Board to ensure appropriate controls are in place to safeguard assets and manage the attendant risks. During 2013/14 Group Board approved that the focus of risk by the Committee be enhanced. The Terms of Reference of the Committee has been reviewed and updated to reflect this enhanced focus and has

been re-named 'Risk and Audit Committee'. During the year Mary Coyle (Group Board Independent Member) and Jill Fletcher (Group Board Council Member) were appointed as Members of the Risk and Audit Committee. Mary was also appointed as Chair.

The committee is also responsible for monitoring and reviewing a number of areas including the consistency of accounting policy, the integrity of financial statements, the adequacy of internal controls as regards financial operations and compliance, the proper management of risks and the selection of the external auditors. The committee must meet at least four times a year; however, it usually meets every other month.

Key Risks

The Group has an effective risk management process in place to facilitate the identification, monitoring and reporting of key risks and the implementation of mitigating action. This includes the integration risk into the business planning process, review of the external environment in which the Group operates including the risk profile published by the HCA and other industry bodies. Risk owners take responsibility for the identification and management of risk supported by the Group Risk function. The risk management process is also supported by the Business Assurance Team who provide assurance over the key control framework within the Group and have a risk based approach to its audit planning process. The Risk and Audit Committee oversees the risk and internal control framework on behalf of the Board and makes recommendations to the Group Board where necessary. The Committee receives regular information regarding the Group's key corporate risks, key controls to mitigate these risks, movement in the risk assessment score, and further mitigating action required. The external auditors also provide their view of the Group's risk profile. In the 2013/14 external audit plan the following key risks were highlighted:

- Impairment

The Group continues to undertake significant committed development work in relation to ongoing schemes which could lead to the carrying value of assets held within the balance sheet being overstated, leading to impairment. To mitigate, Management's assessment of property valuations and impairment calculations is undertaken at least annually, with particular focus on land bank, outright sales and shared ownership properties. KPMG has conducted a review of our impairment assessment as part of the year end audit and no issues have been identified.

- Capitalisation Policy

There is a risk of inconsistent accounting treatment of the capitalisation of costs relating to fixed assets. To mitigate, Management explained its capitalisation policy in terms of new development and major repair works, including the controls in place, and how it was compliant with the SORP. KPMG sampled amounts capitalised and all were found to be compliant with FRS15.

Other areas of focus included;

- Funding/going concern

Future financial stability is a key area for the Group in relation to current commitments and growth plans. Management will continue to address any changes through updating its financial plans and restructuring business accordingly to ensure financial viability.

- Pensions

As the cost of the pension provision and scheme deficits continues to increase due to changes in mortality and return on equity assumptions, there is a risk of affordability and the Group will continue to review the financial impact of such increases on the Group's financial projections.

These risks identified by the external auditor are also represented in the Group's Key Corporate Risks Register that is monitored by the Risk and Audit Committee
Following an OJEU tender process, KPMG LLP were appointed as the Group's external auditor and corporation tax advisors in January 2013, taking effect from 1 April 2013 for a period of 4 years with the option to extend for a further 1 year period.

KPMG LLP provide some non-audit services, however assurances were provided by KPMG LLP in their proposal document prior to their appointment that the provision of these services does not represent a conflict of interests or a threat to their independence as external auditors. KPMG LLP have systems and processes in place to assess potential conflicts of interest as they arise and will notify management and the Risk and Audit Committee immediately, should they arise.

The Risk and Audit Committee will consider the performance of the external auditor on annual basis as per their Terms of Reference and Schedule of Business. The first review of performance of KPMG LLP will take place in 2014/15.

In the coming year the committee will review the mid-year and year-end financial statements together with the annual report and accounts. There are five members of the committee:

Member Name	Position	Attendance
Mary Coyle	Risk and Audit Committee Chairman Independent Member of Group Board	3/3 (appointed Sep 13, joined RAC November 2013)
James Falade (Chairman)	Tenant Member of Group Board Group Board & South Sunderland Management Committee	3/3 (term of office ended 13.9.13)
Jill Fletcher	Council Member of Group Board	1/3 (appointed Sep 13, joined RAC November 2013)
Les Hodgson	Independent Member of Gentoo Sunderland and Central Sunderland Management Committee.	6/6
Tom Ivison	Independent Member South Sunderland Management Committee	1/2 (resigned 6.8.13)

Fred McQueen	Independent Member of Gentoo Construction Chair of Gentoo Sunderland and member of South Sunderland Management Committee	6/6
Hunada Nouss	Independent Member of Group Board	6/6

Work Undertaken by Risk and Audit Committee (RAC):
During the year the Committee, among other things:

- Reviewed the Terms of Reference for RAC and re-focussed the work of the Committee toward consideration of key risks within Gentoo Group covering traditional core business and commercial operations

- Discussed with management the impact of the Group's Regulatory judgement and the measures required to improve Governance, Viability and Value for Money

- Reviewed information on the Group's approach to risk management and the ongoing upgrade to the Group's risk management systems

- Received key risk reviews for a number of business streams including Gentoo Homes; Art of Living and Governance and Enabling Services

- Began the process of defining a risk appetite for the Group

- Considered reports from the Group's internal and external auditors regarding the internal control structure of the Group

- Considered the interim and final reports of the auditor on the Group's financial statements

- Reviewed the Group's Statement of Internal Control

- Approved the internal and external audit plans for the year and received reports

- Reviewed management responses to recommendations within audit reports and assessed implementation through follow up status reports from the Head of Business Assurance

- Considered statistics on Health & Safety and Group Insurance

- Received presentations from management on key risk areas such as Welfare Reform and Universal Credit

- Considered the degree to which the different components of the Group comply with legal and regulatory requirements

- Considered the performance of the Group's auditors

- Met with the external auditor without officers present to discuss the audit process and ensure independence and objectivity was maintained

- Reviewed the performance of Business Assurance Services in achieving coverage of the internal audit plan and reviewed resources available to achieve the plan

- Considered reports on fraud issues and investigation activities compiled by the Head of Business Assurance

- Recommended policies to Group Board on Anti-Fraud, Bribery & Corruption and Appointing Employees of Former Employees of the External Auditor

Appointments and Remuneration
This Committee acts on behalf of Group Board to make recommendations to the relevant Board or committee regarding the appointment of Members and remuneration. The Committee is responsible for developing succession plans for the Boards and committees of the Group. The Terms of Reference of the Committee is published on the Group's external website. The Committee meets at least once a year, however it has met six times during the financial year and have considered the following matters:

- Appointment and re-appointment of Board Members
- Succession planning
- Approval of the Board Diversity Policy
- Review of changes to the executive structure
- Remuneration of the Chief Executive and their direct reports*
- The Appointment of:
    - John Dannell as Group Board Tenant Member
    - Richard Beevers as an Group Board Independent Member
    - Mary Coyle to Risk and Audit Committee (as Chair)
    - Jill Fletcher to Risk and Audit Committee
    - the Chair of Gentoo Construction Board

A remuneration consultant was appointed to provide advice with regards to Executive Remuneration. The consultant has no other connection with the company.

In September 2013 the Committee considered a report outlining the requirement of the Code for a Board Diversity Policy and recommended to Group Board that it be adopted. The Committee have committed to consider the application of the policy when making appointments. However since the approval of the policy there have been no new appointments to the Board.

Internal Controls Assurance Statement

The Board acknowledges that it has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. As well as complying with the Group Code of Conduct for Board Members and following the Group's Code of Governance (based on the FRC 'UK Corporate Governance Code'), the Board obtains assurance on the effectiveness of the Group's operations by placing reliance on the Group's internal control system. For the financial year 2013/14 an effective Board has been in place.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating, and managing the significant risks faced by the Group is ongoing and has been in place throughout the year 2013/14 and up to the date of approval of the Annual Report and Financial Statements and is regularly reviewed by the Board. The Board receives, either directly or via the Risk and Audit Committee, reports from management on risk management and control arrangements on a regular basis throughout the year.

Gentoo Group is proactive in its management of risk and control issues as demonstrated by the existence of strong policies and strategies which promote high standards of governance. The risk and control framework is considered as part of everyday operations and is responsive to changes within the Group and the environment in which it operates.

Gentoo Group's primary regulator continues to be the Homes and Communities Agency (HCA), however the Group is now also subject to regulatory activity by the Financial Conduct Authority and due to the constitutional partnership with the West of Scotland Gentoo Group is also accountable to the Scottish Housing Regulator.

The Regulatory Framework requires registered providers to explain their arrangements for probity. To ensure compliance in this area a Probity Code has been compiled which sets out Gentoo's commitment to complying with the Bribery Act 2010. As part of the development of this Code, amendments have also been made to the Employee Code of Practice.

During the year the Group's Governance rating was downgraded from G1 to G2 on a scale of G1 to G4. This was solely in relation to the HCA's assessment of the Group's compliance with the Value for Money Standard and action has been taken to address the areas identified for improvement.

The approach to demonstrating Value for Money has been included in the Group's internal audit plan and will be reviewed by Business Assurance Services on an ongoing basis.

The Terms of Reference of the Risk and Audit Committee have been refreshed to re-focus and enhance the attention of the Committee on Risk Management activity across the Group.

A comprehensive framework is in place for the prevention, detection, reporting of fraud and attempted fraud and protection and recovery of assets. An Anti-Fraud and Corruption Policy is in place, which is reviewed on annual basis by the Risk and Audit Committee. Anti-Money Laundering and Data Protection policies and procedures are in place, together with a comprehensive staff training programme.

A register of actual or attempted fraud is maintained and presented to the Risk and Audit Committee on an annual basis or more regularly if significant issues occur. The quantum of fraud identified during the 2013/14 financial year did not result in a material financial loss to the Group.

Where weaknesses are identified in the system of internal control as part of ongoing internal and external audit reviews and regulatory assessment, mechanisms are in place to ensure that improvements are implemented.

Key elements of the control framework include:

- Terms of Reference, Schedule of Business and delegated authorities for all Boards and Committees including Risk and Audit Committee
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- A Risk Management Annual Plan with a mid-year and year end position statement for review by Risk and Audit Committee
- A Risk Management Group attended by nominated Risk Champions;
- Reviews of the Group's risk registers by the respective Boards
- Written acceptance by Company Directors of risk registers and mitigation strategies;
- Submission of a Key Risk Review report to Risk and Audit Committee and bespoke presentations on specific strategic, operational and legislative risks
- Established strategic and business planning processes linked to key risks
- A robust and established health and safety management system and compliance framework
- An in-house Internal Audit function who utilise a risk based internal audit approach which complies with the Chartered Institute of Internal Auditors standards and Code of Practice
- An Internal Audit Plan compiled in conjunction with the Group Executive and Group Risk and Insurance Manager covering the full risk horizon of Group operations
- Internal audit reports presented to and discussed at Risk and Audit Committee
- An aged analysis of audit recommendations presented to Risk and Audit Committee periodically
- Digests of audit recommendations relevant to Group subsidiary companies reported to Subsidiary Board Members on a regular basis
- A business planning process which integrates financial and strategic objectives
- Budgets set annually in conjunction with the relevant Director and approved by Group Board
- A robust framework for financial planning, monitoring and reporting to enable actual and forecast financial performance to be submitted to Group Board for review and action
- Documented Standing Orders and Financial Regulations

- Regular review of and compliance with established policies, procedures, laws and regulations
- Codes of Conduct for employees and Board Members
- Established customer feedback mechanisms, including a key performance indicator framework for measuring customer satisfaction and independent scoring of the Group's Customer Service Centre
- Formal recruitment, retention, training and development policies
- 360° appraisal framework for all Executive Management as well as Board and Committee Members
- Board approval and appraisal procedures for all significant new business initiatives and commitments
- A suite of business improvement processes to challenge existing working practices and facilitate continuous performance improvement
- An independent customer scrutiny panel who review the Group's services and provide feedback
- A sophisticated approach to treasury management which is subject to internal audit and external review of performance and loan covenants on a regular basis
- Regular reporting to senior management and the appropriate committee of key business objectives, targets and outcomes
- Board approved whistle blowing and anti-fraud and corruption policies
- An effective Risk and Audit Committee that oversees the Group's risk management and internal control framework

Sources of assurance on the effectiveness of key controls:
The Group draws upon various sources of assurance on an ongoing basis to establish the effectiveness of key controls, these include:

- Internal and external audit reports
- Assessment by external and regulatory bodies
- Industry accreditations
- Stakeholder feedback
- Risk management reports
- Performance management information
- Financial performance information
- Self-assessment against industry standards and best practice

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Risk and Audit Committee to regularly review the effectiveness of the system of internal control. The Group Board received the minutes of the Risk and Audit Committee on a bi-monthly basis during 2013/14. The means by which the Risk and Audit Committee reviews the effectiveness of the system of internal control includes the consideration of Risk Management reports, internal audit reports, management assurances, the external audit management letter and specialist reviews as and when appropriate. The Chair of Risk and Audit Committee has presented an annual report to Group Board on the activities of Risk and Audit Committee during the 2013/14 financial year.

The Board are aware that during the year, the assurance activities described above have, as a matter of course, identified opportunities for improvement to the Group's internal control structure. Management have provided assurances and evidence to Risk and Audit Committee to demonstrate that the organisation is keeping the internal control structure under continuous review. As such, the Board can conclude that they are satisfied that a robust system of internal control is in place; and has been in place for the year ended 31 March 2014.

Disclosure of information to auditor
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board:

Approved by the Board of Members and signed on its behalf by:

John Walker
Chairman
4 September 2014

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and Association financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Group and association financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 Group and Association and of the surplus or deficit of the Group for that period.

In preparing these Group and association financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business

The directors are 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 2012. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Association and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Gentoo Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Gentoo Group Limited only

We have audited the financial statements of Gentoo Group Limited for the year ended 31 March 2014 set out on pages 49 to 101. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with section 128 of 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 association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 46, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of affairs of the Group and Association as at 31 March 2014 and of its surplus for the year then ended
- Have been properly prepared in accordance with UK Generally Accepted Accounting Practice
- Have been prepared in accordance with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us
- The financial statements are not in agreement with the accounting records and returns
- Certain disclosures of directors' remuneration specified by law are not made
- We have not received all the information and explanations we require for our audit
- The directors were not entitled to take advantage of the small companies exemptions from the requirement to prepare a strategic report

M.R. Thompson.

Mick Thompson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

4 September 2014

Consolidated Income and expenditure account
for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Turnover	2a	**209,463**	175,191
Cost of sales	2a	**(64,274)**	(47,744)
Gross profit		**145,189**	127,447
Operating costs	2a	**(117,151)**	(100,788)
Operating surplus	2a	**28,038**	26,659
Negative Goodwill arising from the strategic partnership with West of Scotland Housing Association – exceptional item	31	**12,836**	-
Surplus/(Loss) on disposal of fixed assets	6	**442**	(387)
Interest receivable and similar income	7	**1,473**	1,423
Interest payable and similar charges	8	**(24,862)**	(24,491)
Surplus on ordinary activities before taxation	9	**17,927**	3,204
Tax on surplus on ordinary activities	10	**(59)**	(1,529)
Surplus for the financial year		**17,868**	1,675

The results for the year relate wholly to continuing activities.

Consolidated Statement of Historical Cost Surpluses and Deficits
for the year ended 31 March 2014

	2014 £'000	2013 £'000
Surplus on ordinary activities before taxation and exceptional items	**5,091**	3,204
Exceptional item	**12,836**	-
Realisation of property revaluation gains / (losses)	**253**	(191)
Excess of actual depreciation charge over historical cost depreciation	**1,041**	1,638
Historical cost surplus on ordinary activities	**19,221**	4,651

Company Income and expenditure account
for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Turnover	2a	**37,980**	34,806
Cost of sales	2a	**(8,230)**	(5,770)
Gross profit	2a	**29,750**	29,036
Operating costs	2a	**(32,205)**	(35,199)
Operating deficit	2a	**(2,455)**	(6,163)
Surplus/(Deficit) on disposal of fixed assets	6	**120**	(110)
Interest receivable and similar income	7	**24,756**	25,169
Interest payable and similar charges	8	**(24,756)**	(25,169)
Deficit on ordinary activities before taxation	9	**(2,335)**	(6,273)
Tax on deficit on ordinary activities	10	**(76)**	44
Deficit for the financial year		**(2,411)**	(6,229)

The results for the year relate wholly to continuing activities.

Consolidated Balance sheet
as at 31 March 2014

	Note		2014		2013
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	11		419		1,664
Tangible fixed assets – housing properties at valuation	12	1,087,477		997,457	
Tangible fixed assets – other	13	30,316		30,990	
			1,117,793		1,028,447
Investment properties	14		14,943		14,276
Investments	15		28,958		29,956
			1,162,113		1,074,343
Long term debtors	16		1,742		1,783
Current assets					
Properties for sale	17	47,471		36,336	
Work in progress		3,316		1,545	
Cash at bank and in hand		13,544		20,675	
Stocks	18	2,268		2,424	
Debtors	19	25,888		20,889	
		92,487		81,869	
Creditors: amounts falling due within one year	20	(52,837)		(38,592)	
Net current assets			39,650		43,277
Total assets less current liabilities			1,203,505		1,119,403
Creditors: amounts falling due after more than one year	21		633,134		600,868
Pension liability	22		11,350		29,200
Capital and reserves					
Revaluation reserve	24		218,611		183,047
Revenue reserve (excluding pension reserve)	24	56,382		30,052	
Pension reserve	24	(31,340)		(46,300)	
Revenue reserve (including pension reserve)	24		25,042		(16,248)
Capital contribution reserve	24		315,368		322,536
			1,203,505		1,119,403

These financial statements from pages 49 to 101 were approved by the Board of Directors on 4 September 2014 and signed on its behalf by:

John Walker
Chairman
Registered number: 04039205

Company Balance sheet
as at 31 March 2014

	Note		2014		2013
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	11		**380**		23
Tangible fixed assets – housing properties at valuation	12	**11,031**		12,920	
Tangible fixed assets – other	13	**19,853**		23,000	
			30,884		35,920
Investment properties	14		**5,853**		6,994
Investments	15		**28,958**		29,956
Investments in subsidiaries	15		**1,532**		5,817
			67,607		78,710
Long term debtors	16		**131**		131
Current assets					
Properties for sale	17	**22,303**		9,944	
Work in progress		**-**		615	
Cash at bank and in hand		**1,030**		2,395	
Stocks	18	**679**		715	
Debtors	19	**474,499**		510,043	
		498,511		523,712	
Creditors: amounts falling due within one year	20	**(21,466)**		(20,519)	
Net current assets			**477,045**		503,193
Total assets less current liabilities			**544,783**		582,034
Creditors: amounts falling due after more than one year	21		**565,748**		600,027
Capital and reserves					
Revaluation reserve	24		**6,502**		6,948
Revenue reserve	24		**(27,467)**		(24,941)
			544,783		582,034

These financial statements from pages 49 to 101 were approved by the Board of Directors on 4 September 2014 and signed on its behalf by:

John Walker
Chairman
Registered number: 04039205

Consolidated cash flow statement
for the year ended 31 March 2014

	Note	**2014**	2013
		£'000	£'000
Net cash inflow from operating activities	27	**50,623**	28,651
Returns on investment and servicing of finance	25	**(24,764)**	(15,289)
Capital expenditure and financial investment	25	**(26,108)**	(27,009)
Financing	25	**(19,081)**	29,992
Cash acquired with acquisition	25	**11,921**	-
(Decrease)/Increase in cash	26	**(7,409)**	16,345

Statement of total recognised surpluses and deficits
for the year ended 31 March 2014

	Note	**2014**	2013
		£'000	£'000
Income and expenditure surplus for the year	24	**17,868**	1,675
Unrealised surplus on revaluation of fixed asset investments	24	**36,858**	25,248
Actuarial gain on pension fund assets / liabilities	24	**14,960**	2,930
Total recognised surplus since the last financial statements		**69,686**	29,853

Notes to the financial statements
for the year ended 31 March 2014

1. Accounting policies
The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, excepted as noted below. The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Statement of Recommended Practice 'Accounting by registered social housing providers Update 2010 ('SORP 2010), and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012.

Basis of preparation
The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified by the revaluation of investment properties (see investment properties, accounting policy for further detail).

Basis of consolidation
For those companies in Gentoo Group which are limited by guarantee, Gentoo Group Limited is considered to be the ultimate controlling party. This is because intragroup agreements exist between the Companies, which recognise that the Board ultimately controls the overall strategy, policies and procedures of all Group Companies. All Companies in the Group are included in the consolidated financial statements.

Acquisition
During the year Gentoo Group Limited entered into a strategic partnership with West of Scotland Limited (WSHA), a Registered Provider. There are strict criteria under UK GAAP, FRS6, that must be satisfied in order for such a partnership to be brought into the group under merger accounting rules rather than acquisition accounting rules.

Although both Gentoo and WSHA view the partnership in substance as a merger, the merger criteria are not satisfied from an accounting perspective. This is predominantly due to the relative sizes of Gentoo and the significantly smaller WSHA, and Gentoo's ability to set group strategy and the group business plan to which WSHA must adhere. Therefore, this strategic partnership has been recognised using acquisition accounting.

Turnover
Turnover is recognised when it is receivable or when conditions associated with the income have been met. It comprises:

- Rental income from tenants and leaseholders in the year, net of rent losses from voids;
- Sale of residential property;
- Receipts from the sale of the first tranche of shared ownership properties; and
- Income from other services included at the invoiced value (excluding value added tax) of goods and services supplied in the year.

Notes to the financial statements (continued)
for the year ended 31 March 2014

1. Accounting policies (continued)

Properties for sale
Completed properties for outright sale and property under construction are valued at cost, and are included within current assets. Cost comprises materials, direct labour and direct development overheads.

Shared ownership
The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and on disposal the first tranche sales proceeds are shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset. Any grant attributable to shared ownership assets is wholly attributed to the fixed asset. Subsequent tranches sold ('staircasing') are accounted for as disposals of housing properties.

Housing properties held for letting
Housing properties are principally properties available for rent and are stated at professional valuation using existing use value for social housing. Additions include the cost of acquiring land and buildings, development costs and expenditure incurred in respect of enhancements to existing properties. Depreciation is provided to write down the value of housing properties on a straight line basis over the following useful economic lives. No depreciation is charged for land.

Housing property components - depreciation life

Kitchens	20 years
Bathrooms	25 years
Roof	60 years
Structure	80 years
Doors	30 years
Windows	30 years
Electrical installations	30 years
Heating installations	15 years
Lifts	30 years
PV panels	25 years
PV invertors	8 years

Housing properties in the course of construction
Housing properties in the course of construction are stated at cost and are not depreciated.

Notes to the financial statements (continued)
for the year ended 31 March 2014

1. Accounting policies (continued)

The Group sells its properties under the statutory regulations of 'Preserved Right to Buy' and 'Right to Acquire'. Profit or loss on sale of these properties are recognised after operating surplus or deficit.

Garages held for letting
Garages held for letting are stated at cost. Depreciation is provided to write down the value of garages on a straight line basis over their expected useful economic lives of 50 years.

Intangible assets
Intangible fixed assets are stated at cost less accumulated amortisation. Cost includes the original purchase price of the asset plus any associated costs.

Tangible fixed assets - other
Other tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset plus any costs incurred in bringing the asset to its working condition for its intended use.

Depreciation is calculated to write off the cost or valuation of tangible fixed assets on a straight line basis over their estimated useful lives as follows:

Land and buildings	50 years
Office equipment	3-10 years
IT equipment	3 years
Furniture, fixtures and fittings	5-20 years
Vehicles	3-5 years
Plant and machinery	10 years

Cyclical repairs and maintenance
A rolling programme of cyclical repairs and maintenance for housing properties is undertaken each year in accordance with operational requirements. The Group does not adopt a policy of providing for future repairs which are of a cyclical nature but incurs the expense in the period in which the liability arises.

Works to existing properties
Major repairs expenditure on housing properties is charged to the income and expenditure account as incurred. The cost of enhancements, together with associated management expenses, is capitalised directly to the housing properties held for letting. Depreciation is charged on these enhancements in line with the accounting policy on housing properties.

Notes to the financial statements (continued)
for the year ended 31 March 2014

Accounting policies (continued)

Disposal of housing properties
Property sales and any profits thereon are recognised when the transaction becomes legally binding on both parties. Any foreseeable loss on any proposed property sale is recognised in the income and expenditure account as soon as the decision is made to dispose of the property.

Impairment
The Group assesses at each balance sheet date whether there is any objective evidence that an asset is impaired. For assets carried at a depreciated historical cost basis the impairment loss is recognised in the income and expenditure account immediately.

For assets that are carried at revalued amounts, an impairment loss is treated as a revaluation decrease. The loss is first set off against any revaluation surplus relating to the same class of assets in reserves and the balance of the loss is then treated as an expense in the income and expenditure account.

Reversal of impairment
For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in expected use of the asset then the resultant reversal of the impairment loss is recognised in the year.

Investment properties
In accordance with SSAP 19, investment properties are revalued at least every three years and the aggregate surplus or deficit is transferred to the investment property revaluation reserve. No depreciation is charged on the investment properties in accordance with the accounting policy. This treatment represents a departure from the requirements of the Companies Act 2006 concerning depreciation of fixed assets, however these properties are held for investment not consumption therefore the Directors consider that the systematic annual depreciation would be inappropriate. The accounting policy is adopted to give a true and fair view within the financial statements.

Investments
Investments are made up of shares in subsidiary undertakings and fixed asset investments. The fixed asset investments are reserves held for security for the THFC bond and are revalued annually.

Social Housing Grant (SHG) and other grants
Where SHG has been received or are receivable as a contribution towards the capital cost of a scheme, such grants are shown in note (12) to the financial statements. Other grants in respect of revenue expenditure are credited to the Income and Expenditure Account in the same period as the expenditure to which they relate.

Notes to the financial statements (continued)
for the year ended 31 March 2014

1. Accounting policies (continued)

Grants receivable not yet received at the balance sheet date are included in debtors.

At the balance sheet date if SHG or other grants received or receivable on uncompleted properties are greater than the gross cost, the difference is included in creditors falling due within one year and disclosed as SHG and other grants in advance. The SHG is potentially repayable.

Disposal proceeds fund

The disposal proceeds fund is an internal fund used to recycle the proceeds of sale under 'Right to Acquire' procedures. This fund has been calculated and disclosed in accordance with determinations made under section 24(5) of the Housing Act 1996 and the Housing Corporation Capital Funding Guide.

Stock

Stock is stated at the lower of cost and net realisable value.

Work in Progress

Work in progress is stated at costs incurred less those transferred to the income and expenditure account, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Leased assets

Costs in respect of operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Service charge sinking funds

Where properties with communal facilities are sold under lease to tenants with the statutory 'Preserved Right to Buy' or 'Right to Acquire', a monthly service charge is levied.

Part of the service charge is retained in a sinking fund for major repairs. Interest is added annually to the fund.

Taxation and deferred taxation

The charge for taxation is based on the surplus / (deficit) 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 tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes to the financial statements (continued)
for the year ended 31 March 2014

1. Accounting policies (continued)

Value added tax (VAT)
The Company is included in a Group VAT registration which includes all Group Companies except for Gentoo Homes Limited, Gentoo Genie Limited, Romag and Astley Facades Limited which have separate VAT registrations.

A large proportion of the Group's income, including rents, is exempt from VAT. The majority of expenditure is subject to VAT which cannot be reclaimed, and expenditure is therefore shown inclusive of VAT. Partial exemption has been obtained for some business activities and the VAT recovered is credited to the income and expenditure account.

Bad and doubtful debts
Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they may be irrecoverable.

Interest
Interest on borrowings in respect of completed properties is charged to the income and expenditure account. Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme. The capitalisation rate is the weighted average of the rates applicable to general borrowings that are outstanding during the year.

Finance and issue costs of capital instruments
Where the company has incurred such costs, they are offset against the carrying value of the instrument as required by FRS4, 'Capital Instruments'. They are written off to the income and expenditure account over the life of the instrument with respect to the capital value of the instrument over time.

Derivative financial instruments
Derivative instruments utilised by the Group are interest rate swaps and interest rate swaptions. A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an existing underlying risk profile of an existing exposure of the Group in line with the Group's risk management policies.

Amounts payable or receivable in respect of these derivatives are recognised as adjustments to interest expense over the period of the contracts.

Pension schemes
The Group participates in the Tyne and Wear Local Government Pension Fund (the Fund) which is a defined benefit scheme. Accounting for the Fund is in accordance with generally accepted practice, as defined by FRS 17 'Retirement Benefits'. WSHA is a member of the Scottish Housing Association pension scheme and the Group also

Notes to the financial statements (continued)
for the year ended 31 March 2014

1. Accounting policies (continued)

Pension schemes (continued)
participates in a defined contribution scheme for Group employees who are not eligible to join the Fund.

The operating costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned. The related finance costs, expected return on assets and any other changes in the fair value of the assets and liabilities are recognised in the accounting periods in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in the fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities. The attributable assets of the scheme are measured at their fair value, at the balance sheet date, and are shown net of attributable scheme liabilities.

2. Turnover, operating cost and operating surplus

2a) Group

	Note	Turnover	Cost of sales	Operating costs	2014 Operating surplus / (deficit)
		£'000	£'000	£'000	£'000
Income and expenditure from social housing lettings	2b	**130,584**	**-**	**(100,022)**	**30,562**
Other income and expenditure:					
Property sales		**17,372**	**(13,927)**	**(2,201)**	**1,244**
Grant income		**1,457**	**-**	**(1,457)**	**-**
Other		**60,050**	**(50,347)**	**(13,471)**	**(3,768)**
Non-social housing activities		**78,879**	**(64,274)**	**(17,129)**	**(2,524)**
Total		**209,463**	**(64,274)**	**(117,151)**	**28,038**

Notes to the financial statements (continued)
for the year ended 31 March 2014

2a. **Turnover, operating cost and operating surplus (Continued)**

Group	Note	Turnover £'000	Cost of sales £'000	Operating costs £'000	2013 Operating surplus / (deficit) £'000
Income and expenditure from social housing lettings	2b	116,617	-	(84,262)	32,355
Other income and expenditure:					
Property sales		8,024	(6,852)	(1,387)	(215)
Grant income		992	-	-	992
Other		49,558	(40,892)	(15,139)	(6,473)
Non-social housing activities		58,574	(47,744)	(16,526)	(5,696)
Total		175,191	(47,744)	(100,788)	26,659

Company	**Note**	**Turnover £'000**	**Cost of sales £'000**	**Operating costs £'000**	**2014 Operating surplus / (deficit) £'000**
Income and expenditure from social housing lettings	2b	**786**	**-**	**(511)**	**275**
Other income and expenditure:					
Property sales		**9,613**	**(8,230)**	**(1,217)**	**166**
Grant income		**1,149**	**-**	**(1,149)**	**-**
Other		**26,432**	**-**	**(29,328)**	**(2,896)**
Non-social housing activities		**37,194**	**(8,230)**	**(31,694)**	**(2,730)**
Total		**37,980**	**(8,230)**	**(32,205)**	**(2,455)**

Notes to the financial statements (continued)
for the year ended 31 March 2014

2a. **Turnover, operating cost and operating surplus (Continued)**

Company	Note	Turnover	Cost of sales	Operating costs	2013 Operating surplus / (deficit)
		£'000	£'000	£'000	£'000
Income and expenditure from social housing lettings	2b	651	-	(542)	109
Other income and expenditure:					
Property sales		**5,723**	**(5,241)**	**-**	**482**
Grant income		**603**	**-**	**-**	**603**
Other		**27,829**	**(529)**	**(34,657)**	**(7,357)**
Non-social housing activities		**34,155**	**(5,770)**	**(34,657)**	**(6,272)**
Total		**34,806**	**(5,770)**	**(35,199)**	**(6,163)**

2b. Income and expenditure from social housing lettings

Group			**2014**	2013
	Housing accommodation	**Shared Ownership**	**Total**	Total
Income	**£'000**	**£'000**	**£'000**	£'000
Rent receivable net of identifiable service charges	**127,794**	**117**	**127,911**	114,377
Service charge income	**2,673**	**-**	**2,673**	2,240
Total income from social housing lettings	**130,467**	**117**	**130,584**	116,617
Expenditure				
Management	**(14,369)**	**-**	**(14,369)**	(10,640)
Management – Central Services	**(23,200)**	**-**	**(23,200)**	(22,200)
Service charge costs	**(2,500)**	**-**	**(2,500)**	(1,917)
Asset Management	**(1,722)**	**-**	**(1,722)**	(1,422)
Routine maintenance	**(26,461)**	**-**	**(26,461)**	(21,675)
Planned maintenance	**(8,205)**	**-**	**(8,205)**	(6,329)
Bad debts	**(272)**	**-**	**(272)**	(265)
Depreciation of housing properties	**(23,293)**	**-**	**(23,293)**	(19,814)
Total expenditure on social housing lettings	**(100,022)**	**-**	**(100,022)**	(84,262)
Operating surplus on social housing lettings	**30,445**	**117**	**30,562**	32,355
Rent losses from voids	**(1,201)**	**-**	**(1,201)**	(908)

Notes to the financial statements (continued)
for the year ended 31 March 2014

2b. Income and expenditure from social housing lettings (Continued)

Company			**2014**	2013
	Housing accommodation £'000	**Shared Ownership £'000**	**Total £'000**	Total £'000
Income				
Rent receivable net of identifiable service charges	**723**	**-**	**723**	591
Service charge income	**63**	**-**	**63**	**60**
Total income from social housing lettings	**786**	**-**	**786**	**651**
Expenditure				
Management	**(196)**	**-**	**(196)**	**(215)**
Service charge costs	**(3)**	**-**	**(3)**	**(10)**
Bad Debts	**(8)**	**-**	**(8)**	**-**
Depreciation of housing properties	**(304)**	**-**	**(304)**	**(317)**
Total expenditure on social housing lettings	**(511)**	**-**	**(511)**	**(542)**
Operating surplus on social housing lettings	**275**	**-**	**275**	**109**
Rent losses from voids	**(51)**	**-**	**(51)**	**(22)**

Notes to the financial statements (continued)
for the year ended 31 March 2014

3. Housing Stock

Group As at 31 March 2014:	Owned and Managed No.	Managed but not owned No.	Owned but managed by others No.	2014 Total No.
Number of units of social housing accommodation:				
General needs rented	31,065	394	84	31,543
Affordable rented	447	4	-	451
Shared ownership	176	-	-	176
Houses for Older People	216	-	-	216
Supported housing	229	12	138	379
Leasehold schemes – freehold retained	-	728	-	728
	32,133	1,138	222	33,493
Number of units of non-social housing accommodation:				
Market rent	20	-	-	20
Market rent held for sale	58	-	-	58
Shared Ownership (Equity)	46	-	-	46
Intermediate rent	47	-	-	47
Leasehold schemes	-	358	-	358
Leasehold Schemes – Freehold retained	-	170	-	170
Non-social total	171	528	-	699
Total number of units	32,304	1,666	222	34,192

Notes to the financial statements (continued)
for the year ended 31 March 2014

3. Housing Stock (Continued)

Group As at 31 March 2013:	Owned and managed No.	Managed but not Owned No.	Owned but managed by others No.	2013 Total No.
Number of units of social housing accommodation:				
General needs rented	27,905	-	16	27,921
Affordable rented	165	-	-	165
Shared ownership	112	-	-	112
Houses for older People	216	-	-	216
Supported housing	28	12	136	176
Leasehold schemes	-	722	-	722
	28,426	734	152	29,312
Number of units of non-social housing accommodation:				
Market rent	20	-	-	20
Market Rent for Sale	61	-	-	61
Shared ownership (Equity)	46	-	-	46
Intermediate rent	50	-	-	50
Leasehold schemes	5	331	-	336
Leasehold Schemes – Freehold retained	-	165	-	165
Non-social total	182	496	-	678
Total number of units	28,608	1,230	152	29,990

Notes to the financial statements (continued)
for the year ended 31 March 2014

3. Housing Stock (Continued)

Company	**Owned and managed**	**Managed but not owned**	**Owned but managed by others**	**2014 Total**
As at 31 March 2014:	**No.**	**No.**	**No.**	**No.**
Number of units of social housing accommodation:				
General needs rented	**-**	**-**	**190**	**190**
Shared ownership	**2**	**-**	**-**	**2**
Supported housing	**-**	**12**	**-**	**12**
	2	**12**	**190**	**204**
Number of units of non-social housing accommodation:				
Market rent	**18**	**-**	**-**	**18**
Market rent – Held for sale	**56**	**-**	**-**	**56**
Shared Ownership (Equity)	**46**	**-**	**-**	**46**
Leasehold schemes	**-**	**358**	**-**	**358**
Leasehold schemes – Freehold retained	**-**	**170**	**-**	**170**
Non-social total	**120**	**528**	**-**	**648**
Total number of units	**122**	**540**	**190**	**852**

Notes to the financial statements (continued)
for the year ended 31 March 2014

3. Housing Stock (Continued)

Company As at 31 March 2013:	Owned and managed No.	Managed but not owned No.	Owned but managed by others No.	2013 Total No.
Number of units of social housing accommodation:				
General needs rented	-	-	162	162
Shared ownership	2	-	-	2
Supported housing	-	12	-	12
	2	12	162	176
Number of units of non-social housing accommodation:				
Market rent	18	-	-	18
Market Rent – Held for sale	56	-	-	56
Shared Ownership (Equity)	46	-	-	46
Intermediate rent	-	-	-	-
Leasehold schemes	5	331	-	336
Leasehold schemes – Freehold retained	-	165	-	165
Non-social total	125	496	-	621
Total number of units	127	508	162	797

Notes to the financial statements (continued)
for the year ended 31 March 2014

4. Directors' and senior staff emoluments

Executive and senior staff Emoluments	**2014 £'000**	2013 £'000
Aggregate Executive emoluments	**2,112**	1,919
Company contributions to defined contribution schemes	**249**	235
Compensation for loss of office	**81**	-
	2,442	2,154

	2014 £'000	2013 £'000
Aggregate Non-executive emoluments	**152**	229
Company contributions to defined contribution schemes	**-**	-
	152	229

Retirement benefits are accruing to eleven (2013: twelve) senior staff under a defined contribution scheme. The aggregate emoluments of the Chief Executive (highest paid director) were £228,287 (2013: £212,048) and company pension contributions of £nil (2013: £nil).

The emoluments paid to the directors and senior staff, excluding pension contributions and including loss of office, were in the following ranges:

	2014 No.	2013 No.
£70,001 - £80,000	**1**	-
£80,001 - £90,000	**2**	-
£90,001 - £100,000	**-**	4
£100,001 - £110,000	**3**	3
£110,001 - £120,000	**-**	1
£120,001 - £130,000	**3**	1
£130,001 - £140,000	**1**	-
£140,001 - £150,000	**1**	-
£150,001 - £160,000	**-**	1
£160,001 - £170,000	**1**	2
£170,001 - £180,000	**3**	-
£210,001 - £220,000	**-**	1
£220,001 - £230,000	**1**	-

Notes to the financial statements (continued)
for the year ended 31 March 2014

5. Employees

The average number of persons (expressed as full time equivalents) employed during the year, analysed by category, were as follows:

	Group 2014 No.	**Company 2014 No.**	Group 2013 No.	Company 2013 No.
Executive Directors and Senior Staff	**16**	**9**	13	9
Managing Housing Services	**422**	**143**	385	118
Repairs and Maintenance	**555**	**-**	559	-
Centre Enabling Services	**329**	**273**	264	264
Development and selling homes	**36**	**-**	30	-
Other Operations	**418**	**-**	483	-
	1,776	**425**	1,734	391

The aggregate payroll costs of these persons were as follows:

	Group 2014 £'000	**Company 2014 £'000**	Group 2013 £'000	Company 2013 £'000
Wages and salaries	**50,694**	**12,980**	47,061	12,293
Social security costs	**4,021**	**1,080**	3,824	1,128
Pension contributions	**8,557**	**2,319**	8,138	2,492
	63,272	**16,379**	59,023	15,913

Notes to the financial statements (continued)
for the year ended 31 March 2014

5. Employees (Continued)

Salary banding for all employees whose total remuneration exceeds £60,000 (including executive directors) per annum is as follows:

	Group 2014 No.	Company 2014 No.	Group 2013 No.	Company 2013 No.
£60,001 - £70,000	13	3	12	5
£70,001 - £80,000	13	10	12	10
£80,001 - £90,000	10	5	7	3
£90,001 - £100,000	2	1	5	3
£100,001 - £110,000	3	1	3	1
£110,001 - £120,000	-	-	1	1
£120,001 - £130,000	3	1	1	1
£130,001 - £140,000	1	1	-	-
£140,001 - £150,000	1	1	-	-
£150,001 - £160,000	-	-	1	1
£160,001 - £170,000	1	1	2	2
£170,001 - £180,000	3	2	-	-
£210,001 - £220,000	-	-	1	1
£220,001 - £230,000	1	1	-	-

6. Surplus/(loss) on disposal of fixed assets

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Proceeds from sales	16,896	3,204	5,758	403
Cost of sales	(1,019)	(1,006)	1	2
Net book value of assets sold	(14,533)	(2,007)	(4,806)	(515)
Net book value of assets demolished	(95)	-	(733)	-
	1,249	191	220	(110)
Transfer to disposal proceeds fund	(579)	(71)	(607)	-
Transfer to recycled capital grand fund (RCGF)	(228)	-	-	-
	442	120	(387)	(110)

Notes to the financial statements (continued)
for the year ended 31 March 2014

7. Interest receivable and similar income

	Group 2014 £'000	**Company 2014 £'000**	Group 2013 £'000	Company 2013 £'000
Bank interest receivable	**31**	**16**	13	13
Interest receivable on treasury deposits	**62**	**-**	4	4
Interest receivable on fixed rate investments	**1,380**	**1,380**	1,406	1,406
Interest receivable from group companies	**-**	**23,360**	-	23,746
	1,473	**24,756**	1,423	25,169

8. Interest payable and similar charges

	Group 2014 £'000	**Company 2014 £'000**	Group 2013 £'000	Company 2013 £'000
Interest on loans repayable within five years	**220**	**181**	523	441
Interest on loans repayable in more than five years by instalments	**12,600**	**11,150**	11,311	11,311
Interest on fixed rate bond net of hedge amortisation	**13,121**	**13,121**	13,342	13,342
Bank fees and similar charges	**373**	**373**	401	401
Net return on pension scheme assets/liabilities	**(1,380)**	**-**	(760)	-
	24,934	**24,825**	24,817	25,495
Interest payable capitalised on non-housing properties under construction	**(72)**	**(69)**	(326)	(326)
	24,862	**24,756**	24,491	25,169
Capitalisation rate used to determine the finance costs capitalised during the year	**5%**	**5%**	5%	5%

Notes to the financial statements (continued)
for the year ended 31 March 2014

9. Surplus on ordinary activities before taxation

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Surplus on ordinary activities before taxation is stated after charging:				
Depreciation:				
Housing properties	**23,293**	**304**	19,814	317
Other tangible fixed assets	**2,980**	**1,805**	2,399	1,395
Amortisation of intangible assets	**493**	**91**	403	1
Impairment of intangible assets	**1,208**	**-**	880	-
Impairment of assets	**108**	**108**	1,387	5,902
Operating lease rentals:				
Property	**938**	**96**	930	22
Vehicles	**1,488**	**133**	2,501	143
Auditors' remuneration				
Audit services	**178**	**61**	153	95
Non-audit services	**127**	**125**	138	138

The Group undertakes a detailed impairment exercise annually and the carrying value of the Company's properties have been revised accordingly.

10. Taxation

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Deferred tax:				
Origination and reversal of timing differences	**198**	**183**	2,531	121
Adjustments in respect of previous years	**(12)**	**1**	(1,069)	(134)
Arising on rate change	**(127)**	**(108)**	67	(31)
Total deferred tax charge	**59**	**76**	1,529	(44)
Tax on surplus / (deficit) on ordinary activities	**59**	**76**	1,529	(44)

Notes to the financial statements (continued)
for the year ended 31 March 2014

10. Taxation (Continued)

Unprovided deferred taxation is as follows:

	Group 2014 £'000	**Company 2014 £'000**	Group 2013 £'000	Company 2013 £'000
Capital allowances	**(476)**	**-**	249	-
Short term timing differences	**(112)**	**-**	(128)	-
Losses	**(1,937)**	**-**	(2,355)	-
Capital gains rolled over / revaluations	**39,055**	**-**	37,810	-
Deferred tax asset on pension scheme liability	**(2,270)**	**-**	(6,716)	-
	34,260	**-**	28,860	-

Provided deferred taxation is as follows:

	Group 2014 £'000	**Company 2014 £'000**	Group 2013 £'000	Company 2013 £'000
Capital allowances	**1,066**	**904**	1,147	977
Losses and other deductions	**(24)**	**-**	(164)	(149)
	1,042	**904**	983	828

The current tax charge for the year for the Group is lower *(2013: lower)* than the UK standard corporation tax rate of 23% (*2013: 24%*). The current tax charge for the year for the Company is higher *(2013: higher)* than the UK standard corporation tax rate of 23% (*2013: 24%*).

Notes to the financial statements (continued)
for the year ended 31 March 2014

10. Taxation (Continued)

Current tax reconciliation:

	Group 2014 £'000	Company 2014 £'000	Group 2013 £'000	Company 2013 £'000
Surplus / (deficit) on ordinary activities before tax	**17,927**	**(2,335)**	3,204	(6,270)
Tax at 23% (2013: 24%)	**4,123**	**(537)**	769	(1,505)
Effects of:				
Expenses not deductible for tax purposes	**1,768**	**804**	1,406	1,273
Fixed asset differences	**4,591**	**383**	4,039	358
Income not taxable for tax purposes	**(4,962)**	**-**	(5,652)	-
Other timing differences	**660**	**-**	628	-
Capital allowances (in excess of)/ less than depreciation	**(288)**	**(186)**	200	(209)
Tax losses unutilised in the year	**532**	**-**	1,374	83
Utilisation of tax losses	**(219)**	**(24)**	(2,744)	-
Contaminated land relief tax credits	**(18)**	**-**	(20)	-
Charitable tax exemptions	**(6,187)**	**-**	-	-
Group relief claimed	**-**	**(440)**	-	-
Current tax charge for the year	**-**	**-**	-	-

11. Intangible fixed assets

Group	**Goodwill £'000**	**Licences £'000**	**Total £'000**
Cost			
At 1 April 2013	2,925	24	2,949
Additions	457	-	457
At 31 March 2014	**3,382**	**24**	**3,406**
Amortisation			
At 1 April 2013	1,284	1	1,285
Impairment	1,208	-	1,208
Charged in the year	493	1	494
At 31 March 2014	**2,985**	**2**	**2,987**
Net book value			
At 31 March 2013	1,641	23	1,664
At 31 March 2014	**397**	**22**	**419**

Notes to the financial statements (continued)
for the year ended 31 March 2014

11. Intangible Assets (Continued)

Amortisation and impairment charge

The amortisation and impairment charge is recognised in the following line terms in the Income statement

	2014	2013
	£'000	£'000
Administrative expenses	**1,702**	403

Company	**Goodwill**	**Licences**	**Total**
	£'000	**£'000**	**£'000**
Cost			
At 1 April 2013	-	24	24
Additions	448	-	448
At 31 March 2014	**448**	**24**	**472**
Amortisation			
At 1 April 2013	-	1	1
Charged in the year	90	1	91
At 31 March 2014	**90**	**2**	**92**
Net book value			
At 31 March 2013	-	23	23
At 31 March 2014	**358**	**22**	**380**

The amortisation charge is recognised in Administrative expenses in the income statement.

	2014	2013
	£'000	£'000
Administrative expenses	**91**	1

Notes to the financial statements (continued)
for the year ended 31 March 2014

12. Tangible fixed assets – housing properties

Group	Housing properties held for letting	Shared ownership	Housing properties under construction	Garages held for letting	Total
Cost or valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2013	1,031,845	6,197	25,946	1,595	1,065,583
Additions	58,862	903	15,768	4	75,537
Enhancements	16,378	-	-	5	16,383
Schemes completed	16,180	-	(16,191)	11	-
Disposals	(15,321)	(101)	-	-	(15,422)
Demolitions	(117)	-	-	-	(117)
Category transfer	2,219	(13)	-	-	2,206
Transferred to properties for sale	(887)	-	(17,913)	-	(18,800)
Transferred from properties for sale	3,116	-	14,338	-	17,454
Impairment	(83)	-	-	-	(83)
Revaluation adjustment	28,728	-	-	-	28,728
At 31 March 2014	**1,140,920**	**6,986**	**21,948**	**1,615**	**1,171,469**
Depreciation					
At 1 April 2013	63,954	170	-	296	64,420
Charged in the year	23,226	43	-	24	23,293
Disposals	(1,115)	(5)	-	-	(1,120)
Demolitions	(22)	-	-	-	(22)
Category transfer	(5)	-	-	-	(5)
Revaluation adjustment	(6,536)	-	-	-	(6,536)
At 31 March 2014	**79,502**	**208**	**-**	**320**	**80,030**
Grant					
At 1 April 2013	2,411	-	1,295	-	3,706
Additions	466	-	2,164	-	2,630
Transferred from disposal proceeds fund	-	-	323	-	323
Schemes completed	2,293	-	(2,293)	-	-
Transferred to properties for sale	-	-	217	-	217
Disposals	(702)	-	-	-	(702)
Transfer to recycled capital grant fund	(127)	-	-	-	(127)
Category transfer	(80)	-	-	-	(80)
Revaluation adjustment	(2,005)	-	-	-	(2,005)
At 31 March 2014	**2,256**	**-**	**1,706**	**-**	**3,962**
Net book value					
At 31 March 2013	965,480	6,027	24,651	1,299	997,457
At 31 March 2014	**1,059,162**	**6,778**	**20,242**	**1,295**	**1,087,477**

Notes to the financial statements (continued)
for the year ended 31 March 2014

12. Tangible fixed assets – housing properties (continued)

	Housing Properties held for Letting £'000	Shared ownership £'000	Housing properties under construction £'000	Garages held for letting £'000	Total £'000
At 31 March 2014 the historical cost of the assets were					
Cost	1,184,347	10,354	24,164	1,465	**1,220,330**
Accumulated depreciation	(145,883)	(463)	-	(170)	**(146,516)**
Grant	(216,452)	(3,113)	(1,613)	-	**(221,178)**
Net book value	**882,012**	**6,778**	**22,551**	**1,295**	**852,636**

The housing properties were valued on 31 March 2014 by FPD Savills, International Property Consultants, who are qualified to do this work, on the basis of Existing Use Value for Social Housing (EUV-SH), in the sum of £998,138,148 (2013: £964,026,495). The interim desktop valuation was undertaken in accordance with the RICS Appraisal and Valuation Manual.

Existing Use Value for Social Housing (EUV-SH) means the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

The Group undertakes a full valuation exercise every five years. Currently a desktop valuation is required each year under the Group's financial covenants. The Group includes the results of the valuation each year where there is a material movement on the prior year.

The last full valuation exercise was undertaken in March 2010, to the sum of £907,119,447.

For the valuation as at 31 March 2014, the following assumptions were used in the discounted cash flow calculations:

Discount rate:	5.8%
Rent increases:	0.5% real

Notes to the financial statements (continued)
for the year ended 31 March 2014

12. Tangible fixed assets – housing properties (continued)

Depreciation has been charged on housing properties, on the basis of useful economic lives of the constituent components as set out in the Company's accounting policy.

Expenditure to works on existing properties:

	2014	2013
	£'000	£'000
Amounts capitalised – improvements	**16,383**	12,606
Amounts charged to income and expenditure account	**8,205**	6,329
	24,588	18,935

Notes to the financial statements (continued)
for the year ended 31 March 2014

12. Tangible fixed assets – housing properties (continued)

Company	Housing properties held for letting £'000	Shared Ownership £'000	Total £'000
Cost or valuation			
At 1 April 2013	12,532	2,848	15,380
Additions	210	-	210
Category Transfer	93	-	93
Disposals	(1,895)	(80)	(1,975)
Transferred to properties for sale	(887)		(887)
Impairment	(83)	-	(83)
Revaluation adjustment	451	-	451
At 31 March 2014	**10,421**	**2,768**	**13,189**
Depreciation			
At 1 April 2013	722	110	832
Charged in the year	304	-	304
Category Transfer	2	-	2
Disposals	(30)	(6)	(36)
Revaluation adjustment	(32)	-	(32)
At 31 March 2014	**966**	**104**	**1,070**
Grant			
At 1 April 2013	**1,628**	-	**1,628**
Category Transfer	(46)	-	(46)
Disposals	(540)	-	(540)
Revaluation adjustment	46	-	46
At 31 March 2014	**1,088**	-	**1,088**
Net book value			
At 31 March 2013	10,182	2,738	12,920
At 31 March 2014	**8,367**	**2,664**	**11,031**

Notes to the financial statements (continued)
for the year ended 31 March 2014

At 31 March 2014 the historical cost of the assets were:

	Housing Properties held for Letting £'000	Shared ownership £'000	Total £'000
At 31 March 2014 the historical cost of the assets were			
Cost	19,983	2,780	**22,763**
Accumulated depreciation	(1,451)	(117)	**(1,568)**
Grant	(6,513)	-	**(6,513)**
Net book value	**12,019**	**2,663**	**14,682**

13. Tangible fixed assets – other

Group	**Land and buildings £'000**	**Furniture, fixtures and fittings £'000**	**Vehicles and Equipment £'000**	**Total £'000**
Cost				
At 1 April 2013	27,186	2,506	16,790	46,482
Additions	2,995	68	1,913	4,976
Disposals	(7)	-	(108)	(115)
Category transfer	(2,833)	-	119	(2,714)
Transfer to Group subsidiary	-	-	(44)	(44)
At 31 March 2014	**27,341**	**2,574**	**18,670**	**48,585**
Depreciation				
At 1 April 2013	4,078	2,176	9,031	15,285
Charged in the year	635	82	2,263	2,980
Disposals	(4)	-	(65)	(69)
Category transfer	(252)	-	118	(134)
At 31 March 2014	**4,457**	**2,258**	**11,347**	**18,062**
Social Housing Grant				
At 1 April 2013	207	-	-	207
At 31 March 2014	**207**	**-**	**-**	**207**
Net book value				
At 31 March 2013	22,901	330	7,759	30,990
At 31 March 2014	**22,677**	**316**	**7,323**	**30,316**

Notes to the financial statements (continued)
for the year ended 31 March 2014

13. Tangible fixed assets – other (continued)

Assets held under finance leases, capitalised and included in tangible fixed assets:

	2014	2013
	£'000	£'000
Cost	**1,373**	1,373
Accumulated depreciation	**(313)**	(175)
Net book value	**1,060**	1,198

The net book value of land and buildings comprises:	**2014**	2013
	£'000	£'000
Freehold	**19,789**	19,912
Short leasehold	**8**	13
Long leasehold	**2,880**	2,976
	22,677	22,901

Company	**Land and buildings £'000**	**Furniture, fixtures and fittings £'000**	**Vehicles and Equipment £'000**	**Total £'000**
Cost				
At 1 April 2013	25,448	1,978	7,891	35,317
Additions	(38)	60	1,260	1,282
Transfer to Group subsidiary	-	-	(44)	(44)
Category transfer	(2,833)	-	-	(2,833)
At 31 March 2014	**22,577**	**2,038**	**9,107**	**33,722**
Depreciation				
At 1 April 2013	3,949	1,740	6,421	12,110
Charged in the year	503	56	1,246	1,805
Category transfer	(253)	-	-	(253)
At 31 March 2014	**4,199**	**1,796**	**7,667**	**13,662**
Social Housing Grant				
At 1 April 2013	207	-	-	207
At 31 March 2014	**207**	**-**	**-**	**207**
Net book value				
At 31 March 2013	21,292	238	1,470	23,000
At 31 March 2014	**18,171**	**242**	**1,440**	**19,853**

Notes to the financial statements (continued)
for the year ended 31 March 2014

13. Tangible fixed assets – other (continued)

The net book value of land and buildings comprises:	**2014**	2013
	£'000	£'000
Freehold	**16,424**	19,501
Long leasehold	**1,747**	1,791
	18,171	21,292

14. Investment properties

	Group freehold	Company Freehold
	£'000	£'000
Valuation		
At 1 April 2013	14,276	6,994
Additions	1,284	47
Acquisition	225	-
Disposals	(80)	-
Category transfer	(1,348)	(1,188)
Revaluation of properties	586	-
At 31 March 2014	**14,943**	**5,853**

No depreciation is charged on the investment properties in accordance with the accounting policy. This treatment represents a departure from the requirements of the Companies Act 2006 concerning depreciation of fixed assets; however these properties are held for investment not consumption therefore the Directors consider that the systematic annual depreciation would be inappropriate. The accounting policy is adopted to give a true and fair view within the financial statements.

The Directors have reviewed the market value of the investment properties as at 31 March 2014. Based on current and future rental cash inflows, the condition of the properties and the current housing market, the Directors consider the carrying value of investment properties to be an appropriate market value.

15. Fixed Asset Investments: Group and Company

	Historical Cost	Market Value
	£'000	£'000
At 1 April 2013	25,218	29,956
Revaluation as at 31 March 2014	-	(998)
At 31 March 2014	**25,218**	**28,958**

Notes to the financial statements (continued)
for the year ended 31 March 2014

15. Fixed Asset Investment: Group and Company (continued)

At 31 March 2014, the investment assets are reserves held as security for the Group's bond (see note 23).

Investments in subsidiaries	**Group 2014 £'000**	**Company 2014 £'000**	Group 2013 £'000	Company 2013 £'000
Gentoo Genie Limited	**-**	**250**	-	4,547
Genie Admin Limited	**-**	**100**	-	100
Astley Facades Limited	**-**	**1,182**	-	1,170
	-	**1,532**	-	5,817

16. Long term debtors

The long term Group debtor of £1,742k (2013: £1,783k) and the Company debtor of £131k (2013: £131k) relates to the amount owed to the Group as part of the HomeBuy Direct Scheme.

17. Properties for sale

	Group 2014 £'000	**Company 2014 £'000**	Group 2013 £'000	Company 2013 £'000
Properties under construction	**23,346**	**-**	31,486	7,499
Completed properties	**24,125**	**22,303**	4,850	2,445
	47,471	**22,303**	36,336	9,944

18. Stocks

	Group 2014 £'000	**Company 2014 £'000**	Group 2013 £'000	Company 2013 £'000
Raw materials and consumables	**2,114**	**679**	2,254	715
Finished goods and goods for resale	**154**	**-**	170	-
	2,268	**679**	2,424	715

Notes to the financial statements (continued)
for the year ended 31 March 2014

19. Debtors

	Group 2014 £'000	**Company 2014 £'000**	Group 2013 £'000	Company 2013 £'000
Arrears of rent	**6,683**	**120**	5,811	104
Less: provision for bad and doubtful debts – rent	**(2,895)**	**-**	(2,650)	-
Trade debtors	**12,473**	**158**	9,776	535
Less: provision for bad debts	**(1,917)**	**(36)**	(2,030)	(29)
Amounts owed by subsidiary undertakings	**-**	**471,235**	-	505,755
Amounts receivable on contracts	**3,133**	**-**	2,947	-
Other debtors	**3,939**	**1,594**	2,775	1,590
Prepayments and accrued income	**4,472**	**1,428**	4,260	2,088
	25,888	**474,499**	20,889	510,043

20. Creditors: amounts falling due within one year

	Group 2014 £'000	**Company 2014 £'000**	Group 2013 £'000	Company 2013 £'000
Bank overdraft	**278**	**-**	-	-
Commercial loans	**11,880**	**10,643**	9,767	9,767
Other loans – Get Britain Building	**7,705**	**-**	-	-
Obligations under finance leases	**248**	**-**	227	-
Trade creditors	**8,015**	**4,258**	7,071	3,210
Rent received in advance	**2,075**	**44**	1,292	35
Other tax and social security	**1,162**	**1,015**	1,286	989
Other creditors	**13,303**	**2,852**	14,302	4,341
Accruals and deferred income	**6,791**	**2,642**	3,512	2,147
SHG and other grants in advance	**12**	**12**	30	30
Disposal proceeds fund	**1,368**	**-**	1,105	-
	52,837	**21,466**	38,592	20,519

Reconciliation of disposal proceeds fund

	£'000
At 1 April 2013	1,105
Additions to the fund	586
Recycling of grant: Ryhope and Doxford Extra Care – Renewal	(323)
At 31 March 2014	**1,368**

Notes to the financial statements (continued)
for the year ended 31 March 2014

21. Creditors: amounts falling due after more than one year

	Group 2014 £'000	**Company 2014 £'000**	Group 2013 £'000	Company 2013 £'000
Commercial loans	**623,938**	**564,844**	599,199	599,199
Other Loans – Get Britain Building	**7,705**	**-**	-	-
Obligations under finance leases	**449**	**-**	686	-
Deferred taxation (note 10)	**1,042**	**904**	983	828
	633,134	**565,748**	600,868	600,027

All companies in Gentoo Group are financed by way of Group facilities. Gentoo Group is the principal borrower and as such the principal financing transactions are shown in these financial statements. Interest is charged to the subsidiary companies. The financing is currently all secured by way of a fixed charge on the housing properties of the Group.

WSHA has its own active treasury policy which is approved by its own management committee and manages its own borrowing arrangements.

The commercial loans and bond can be analysed as follows:

	2014 £'000 Group	**2014 £'000 Company**	2013 £'000 Group	2013 £'000 Company
Due between one and two years:				
Repayable by instalments	**12,635**	**11,070**	10,646	10,646
Due between two and five years:				
Repayable by instalments	**42,135**	**37,050**	35,109	35,109
Due after more than five years:				
Repayable by instalments	**564,912**	**512,468**	548,769	548,769
Hedge proceeds	**4,228**	**4,228**	4,644	4,644
Issue Costs	**28**	**28**	31	31
	623,938	**564,844**	599,199	599,199

22. Pension liabilities

The disclosures below relate to the Tyne and Wear Pension Fund (the 'Fund') which is part of the Local Government Pension Scheme. Gentoo Group participates in the fund which provides defined benefits, based on members' final pensionable salary. In accordance with FRS 17 – 'Retirement Benefits' disclosures of certain information concerning assets, liabilities, income and expenditure related to pension schemes is required.

Notes to the financial statements (continued)
for the year ended 31 March 2014

22. Pension liabilities (continued)

Gentoo Group's contribution rate over the accounting period was 22.6% of members' pensionable salary plus capital contributions of £2,070k to cover the deficit in the Fund.

In addition, the admission agreement for Gentoo Group requires a valuation to be undertaken every year and the contribution rate adjusted if necessary.

The latest actuarial valuation of the Fund took place on 31 March 2013. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS 17 purposes were:

Main financial assumptions	**2014**	2013
	% p.a.	% p.a.
RPI	**3.4**	3.7
CPI	**2.4**	2.8
Rate of general long term increase in salaries	**3.9**	4.7
Rate of increase to pensions in payment	**2.4**	2.8
Rate of increase to deferred pensions	**2.4**	2.8
Discount rate for pension cost over following year	**4.4**	4.7

Principal demographic assumptions

Post retirement mortality

	2014	2013
Males		
Base table	**Standard SAPS Normal Health All Amounts**	Standard SAPS Normal Health All Amounts
Scaling to above base table rates	**120%**	110%
Cohort improvement factors	**CMI_2012 with a long Term rate of improvement of 1.5% p.a.**	CMI_2009 with a long Term rate of improvement of 1.25% p.a.
Minimum underpin to improvement factors	**1.25%**	1.25%
Future lifetime from age 65 (currently aged 65)	**23.0**	21.7
Future lifetime from age 65 (currently aged 45)	**25.0**	23.5

Notes to the financial statements (continued)
for the year ended 31 March 2014

22. Pension liabilities (continued)

Females		
Base table	**Standard SAPS Normal Health All Amounts**	Standard SAPS Normal Health All Amounts
Scaling to above base table rates	**115%**	110%
Cohort improvement factors	**CMI_2012 with a long Term rate of improvement of 1.5% p.a.**	CMI_2009 with a long Term rate of improvement of 1.25% p.a.
Minimum underpin to improvement factors	**1.25%**	1.25%
Future lifetime from age 65 (currently aged 65)	**24.6**	23.9
Future lifetime from age 65 (currently aged 45)	**26.9**	25.8

Expected return on assets	**2014**	2013
Asset Class	**% p.a.**	% p.a.
Equities	**7.6**	7.8
Property	**6.9**	7.3
Government bonds	**3.4**	2.8
Corporate bonds	**4.0**	3.8
Cash	**0.9**	0.9
Other	**7.6**	7.8
Average return	**6.8**	6.9

Gentoo Group Limited employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2014.

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund administering Authority) is shown in the table below:

Notes to the financial statements (continued)
for the year ended 31 March 2014

22. Pension liabilities (continued)

Asset Class	2014 % p.a.	2013 % p.a.
Equities	**66.8**	68.0
Property	**8.5**	9.0
Government bonds	**3.5**	7.0
Corporate bonds	**11.5**	11.0
Cash	**2.9**	1.6
Other	**6.8**	3.4
Average return	**100.0**	100.0

Reconciliation of funded status to balance sheet	2014 £'000	2013 £'000
Share of assets	**146,830**	126,960
Estimated funded liabilities	**(158,180)**	(156,160)
Deficit	**(11,350)**	(29,200)

Analysis of income and expenditure charge	2014 £'000	2013 £'000
Current service cost	**(8,660)**	(7,880)
Past service cost	**(200)**	(550)
Interest cost	**(7,500)**	(6,890)
Expected return on assets	**8,880**	7,650
	(7,480)	(7,670)

Changes to the present value of liabilities during the year	2014 £'000	2013 £'000
Opening present value of liabilities	**156,160**	140,390
Current service cost	**8,660**	7,880
Interest cost	**7,500**	6,890
Contributions by participants	**2,360**	2,260
Actuarial (gains)/losses on liabilities	**(12,600)**	2,500
Net benefits paid out	**(4,100)**	(4,310)
Past service cost	**200**	550
Closing present value of liabilities	**158,180**	156,160

Notes to the financial statements (continued)
for the year ended 31 March 2014

22. Pension liabilities (continued)

Changes to the fair value of assets during the year	**2014**	2013
	£'000	£'000
Opening fair value of assets	**126,960**	105,660
Expected return on assets	**8,880**	7,650
Actuarial gain / (loss) on assets	**2,360**	5,430
Contributions by the employer	**10,370**	10,270
Contributions by participants	**2,360**	2,260
Net benefits paid out	**(4,100)**	(4,310)
Closing fair value of assets	**146,830**	126,960

Actual return on assets	**2014**	2013
	£'000	£'000
Expected return on assets	**8,880**	7,650
Actual gain / (loss) on assets	**2,360**	5,430
Actual return on assets	**11,240**	13,080

History of asset values, present value of liabilities and deficits

	2014	**2013**	**2012**	**2011**	**2010**
	£m	£m	£m	£m	£m
Fair value of assets	**146.83**	126.96	105.66	96.83	72.15
Present value of liabilities	**(158.18)**	(156.16)	(140.39)	(119.48)	(107.89)
Deficit	**(11.35)**	(29.20)	(34.73)	(22.65)	(35.74)

In accordance with Paragraph 77(o) of FRS 17 (as revised), the assets for the current period are measured at current bid price. Asset and liability values previously measured at mid-market value for previous periods have not been restated as the difference in value is immaterial.

History of experience gains and losses

	2014	**2013**	**2012**	**2011**	**2010**
	£'000	£'000	£'000	£'000	£'000
Experience gains / (losses) on assets	**2,360**	5,430	(5,900)	10,220	15,710
Experience gains / (losses) on liabilities	**(1,100)**	80	(180)	(12,550)	200

The cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses is £14,960k. With effect from 1 April 2011, increases to local government pensions in payment and deferred pensions will be linked to annual increases in the

Notes to the financial statements (continued)
for the year ended 31 March 2014

22. Pension liabilities (continued)

Consumer Price Index (CPI) rather than the Retail price index (RPI). Since over the long term CPI increases are expected to be lower than RPI increases, this gives rise to a reduction in the value of the liabilities on the Balance Sheet. The change also reduces this (and future) periods' current service cost and interest cost.

23. Derivatives and financial instruments

Financial instruments are defined in FRS 25, Financial Instruments: Disclosure and presentation, as a 'contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity'. Financial instruments should be identified as financial assets, financial liabilities or equity instruments and accounted for on the appropriate line of the balance sheet.

There are three types of risk associated with financial instruments:

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. For Gentoo, credit risk arises mainly from tenant and other debtor balances. Gentoo manages this risk by regular review of aged debtor balances and provides for any deemed to be impaired. Once the balance is determined to be irrecoverable the amount is written off.

£29m of Gentoo's current asset investments are held within a Debt Service Reserve. These assets are required to be held in a charged account as a condition of the £239.5m 6.38% Secured Bonds issued in 2001. Between September 2009 and March 2010 £26.7m of the Bond was repurchased by the Group leaving £212.8m outstanding. To minimise the carrying cost of the reserve the assets are held in the form of corporate bonds with a similar maturity date to the Group's own bond.

The credit risk associated with all other financial instruments is considered to be low.

Liquidity risk
Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. Gentoo largely finances its capital from internally generated resources and funds available from financing agreements. At 31 March 2014 Gentoo had long term, committed debt facilities in place totalling £670.6m, £71.2m of these facilities were undrawn.

Notes to the financial statements (continued)
for the year ended 31 March 2014

23. Derivatives and financial instruments (Continued)

Market risk

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

It is the policy of Gentoo to maintain approximately 70% of debt on fixed rate terms with the remaining 30% being based on variable rates. This has been achieved through a combination of a fixed rate bond issue and fixed rate loans embedded with Gentoo's loan agreements. At 31 March 2014, 68% of the Company's commercial loans were based on fixed interest rates and 64% of West of Scotland's loans were based on fixed interest rates. Gentoo has taken out forward interest rate fixes to maintain this ratio of fixed to variable debt over the next 20 years.

Other than as described above, none of the remaining financial assets or liabilities carry interest rates which vary with market rates and therefore interest rate risk is not deemed material.

Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in exchange rates. Gentoo has negligible foreign currency income or expenditure and therefore is not exposed to significant foreign currency risk.

The following disclosures of financial liabilities and assets exclude short term debtors and creditors, as permitted by FRS 13, 'Derivatives and Other Financial Instruments'.

Company **Financial Liability**	**Maturity profile**	**Capital** **£'000**	**Interest rate**
Fixed rate			
Bond	Repayment beginning 31 March 2011 and ending 31 March 2042	212,802	Coupon rate 6.38% *see below
Term loan	Repayment beginning 31 March 2014 and ending 30 September 2033	146,273	Fixed at 5.074%
Term loan (RBS)	Repayment beginning 1 December 2021 and ending 30 November 2040	30,000	Fixed at 4.7375%

Floating rate			
Revolving credit facility	Matures September 2033	25,750	Based on LIBOR
Term loan	Repayment beginning 31 March 2014 and ending 30 September 2033	25,000	Based on LIBOR
Term loan (EIB1)	Repayment beginning 30 September 2006 and ending 30 March 2021	35,000	Based on EIB 'pool rate'
Term loan (EIB2)	Repayment beginning 31 March 2015 and ending 30 March 2031	75,000	Based on EIB 'pool rate'
Term loan (RBS)	Repayment beginning 1 December 2021 and ending 30 November 2040	22,000	Based on LIBOR
Overdraft	Renewable annually		

*The original funding structure included a hedge which reduces the effective rate of the bond to 6.1%.

West of Scotland Housing Association

Financial liability	Maturity profile	Capital £'000	Interest Rate
Fixed rate			
Term Loan (Barclays)	Repayment beginning 31 March 2016 and ending 24 January 2043	4,000	4.10% fixed
Term Loan (Barclays)	Repayment beginning 31 March 2013 and ending 24 January 2043	8,300	4.87% fixed
Term Loan (Nationwide)	Repayment beginning 30 April 2020 and ending 31 March 2043	9,999	4.23% fixed

West of Scotland Housing Association (Continued)

Term Loan (RBS)	Repayment beginning 28 May 2013 and ending 20 September 2041	6,396	4.20% fixed
Term Loan (RBS)	Repayment beginning 26 June 2013 and ending 20 September 2041	779	1.74% fixed
Term Loan (RBS)	Repayment beginning 27 December 2006 and ending 26 February 2018	997	7.16% fixed
Floating rate			
Term Loan (Barclays)	Repayment beginning 31 March 2013 and ending 24 January 2043	7,200	Based on LIBOR
Term Loan (BOI)	Repayment beginning 31 July 2009 and ending 31 October 2025	2,689	Based on LIBOR
Term Loan (Nationwide)	Repayment beginning 30 April 2015 and ending 31 March 2043	8,000	Based on LIBOR
Term Loan (Nationwide)	Repayment beginning 28 February 2012 and ending 24 January 2043	744	Based on LIBOR
Term Loan (Nationwide)	Repayment beginning 28 February 2013 and ending 24 January 2043	4,246	Based on LIBOR
Term Loan (Nationwide)	Repayment beginning 28 February 2012 and ending 24 January 2043	5,661	Based on LIBOR
Term Loan (RBS)	Repayment beginning 26 June 2013 and ending 20 September 2041	286	Based on LIBOR
Term Loan (RBS)	Repayment beginning 28 May 2013 and ending 20 September 2041	1,035	Based on LIBOR

Notes to the financial statements (continued)
for the year ended 31 March 2014

23. Derivatives and financial instruments (Continued)

The Group also had a £48m Term loan (RBS), repayable by 30 November 2040 and a £23m revolver credit facility unutilised at the year end 31 March 2014.

The directors of the Group are of the opinion that the fair values of the Group's financial liabilities are not materially different to their carrying value.

Financial Asset	Maturity profile	Capital £'000	Interest rate
Fixed rate			
Bonds	Managed on behalf of the Group, with a final maturity coinciding with the maturity of the Group's bond	28,958	Coupon rates range Between 4.556% And 5.9%

The historic cost of the Group's bonds is given in note 15.

24. Reserves

Group	Arising on fixed asset investments £'000	Arising on housing properties £'000	Revaluation reserve £'000
At 1 April 2013	6,344	176,703	183,047
Transfer in respect of depreciation on revalued properties	-	(1,041)	(1,041)
Transfer in respect of realised losses on disposal on revalued properties	-	(253)	(253)
Revaluation of assets	(560)	37,418	36,858
At 31 March 2014	**5,784**	**212,827**	**218,611**

Notes to the financial statements (continued)
for the year ended 31 March 2014

24. Reserves (Continued)

Group	Revenue reserve excl pension £'000	Pension reserve £'000	Revenue reserve incl pension £'000
At 1 April 2013	30,052	(46,300)	(16,248)
Surplus for the year	17,868	-	17,868
Transfer in respect of depreciation on revalued properties	1,041	-	1,041
Transfer in respect of realised losses on disposal of revalued properties	253	-	253
Actuarial gain on pension scheme	-	14,960	14,960
Transfer from capital contribution reserve	7,168	-	7,168
At 31 March 2014	**56,382**	**(31,340)**	**25,042**

Group	Capital Contribution reserve £'000
At 1 April 2013	322,536
Realisation of capital contribution	(7,168)
At 31 March 2014	**315,368**

Company	Revaluation Reserve £'000	Revenue Reserve £'000
At 1 April 2013	6,948	(24,941)
Deficit for the year	-	(2,411)
Revaluation of investments	(561)	-
Transfer in respect of depreciation of revalued properties	115	(115)
At 31 March 2014	**6,502**	**(27,467)**

Notes to the financial statements (continued)
for the year ended 31 March 2014

25. Gross Cash flows

Group	2014 £'000	2013 £'000
Returns on investment and servicing of finance		
Interest received	**1,477**	1,404
Interest paid	**(26,241)**	(16,693)
	(24,764)	(15,289)
Capital expenditure and financial investment		
Purchase of housing properties	**(2,562)**	(1,336)
Payments to acquire other tangible fixed assets	**(3,186)**	(3,719)
Sale of housing properties	**14,399**	12,224
Sale of other fixed assets	**565**	1,536
Enhancements to housing properties	**(16,383)**	(12,691)
Construction of new properties	**(21,050)**	(25,231)
Movement of investments	**-**	(963)
Grant received	**2,109**	3,171
	(26,108)	(27,009)
Financing		
Loans received	**105,547**	90,590
Loans repaid	**(124,635)**	(60,607)
Issue costs	**7**	9
	(19,081)	29,992
Cash acquired with Acquisitions	**11,921**	-

26. Changes in net debt

	1 April 2013 £'000	Cash flows £'000	31 March 2014 £'000
Cash at bank and in hand	20,675	(7,409)	**13,266**
Debt	(608,967)	(42,261)	**(651,228)**
	(588,292)	(49,670)	**(637,962)**

Notes to the financial statements (continued)
for the year ended 31 March 2014

27. Reconciliation of operating surplus / (deficit) to net cash inflow from operating activities

	2014	2013
	£'000	£'000
Operating surplus	**28,038**	26,659
Depreciation / impairment of tangible fixed assets	**28,082**	23,513
Increase in stocks	**(1,641)**	(172)
(Increase)/Decrease in debtors	**(3,458)**	3,573
Increase/(Decrease) in creditors	**2,492**	(22,322)
Difference between pension charge and cash contributions	**(2,890)**	(2,600)
Net cash flow from operating activities	**50,623**	28,651

28. Reconciliation of net cash flow to movement in net debt

	2014	2013
	£'000	£'000
(Decrease)/Increase in cash in year	**(7,409)**	16,345
Cash inflow from loan advances	**(105,547)**	(90,589)
Cash outflow from loan repayments	**124,635**	60,607
Acquisition of West of Scotland commercial loans	**(61,769)**	-
Amortisation of hedge and premium	**419**	458
Increase in debt in the year	**(49,671)**	(13,179)
Opening net debt	**(588,291)**	(575,112)
Closing net debt	**(637,962)**	(588,291)

29. Capital commitments

	2014	2013
	£'000	£'000
Expenditure contracted for but not provided for in the financial statements	**590**	2,376

The commitments will be funded through existing facilities.

Notes to the financial statements (continued)
for the year ended 31 March 2014

30. Other financial commitments

Annual amounts payable under non-cancellable operating leases were as follows:

Group	2014 Land and buildings £'000	2014 Other £'000	2013 Land and buildings £'000	2013 Other £'000
Operating leases which expire:				
Within one year	34	632	55	1,496
In the second to fifth years inclusive	181	1,292	131	224
Over five years	780	-	780	-
	995	1,924	966	1,720

Company	2014 Land and buildings £'000	2014 Other £'000	2013 Land and buildings £'000	2013 Other £'000
Operating leases which expire:				
Within one year	-	68	19	136
In the second to fifth years inclusive	24	148	-	31
Over five years	3	-	3	-
	27	216	22	167

Notes to the financial statements (continued)
for the year ended 31 March 2014

31. Strategic Partnership

On 1 April 2013 we formed a strategic partnership with West of Scotland Housing Association who became a subsidiary of Gentoo Group. Under accounting rules we have had to use acquisition accounting within the Group accounts.

	Book and fair value
	£'000
Fixed Assets	
Housing Properties	222,540
Social Housing Grant	(162,680)
	59,860
Investment property	225
Other tangible fixed assets	3,026
	63,111
Current Assets	
Debtors	1,970
Cash at bank and in hand	11,921
	13,891
Creditors: amounts due within 1 year	(3,890)
Net Current Assets	**10,001**
Total assets less current liabilities	**73,112**
Creditors: amounts falling due after more than 1 year	**(60,276)**
Net assets as at 1 April 2013	**12,836**
Consideration	-
Negative Goodwill	**12,836**

32. Related party transactions

The Board of Management includes one member, as shown on page 29, who is a tenant of a subsidiary Company. The terms of the tenancy arrangements are consistent with those offered to other tenants of those companies and at the end of the year no amount was due to the Company in respect of this member.

The Board of Management also includes one member, as shown on page 29, who is an elected member of the City of Sunderland Council (Council). The Company and Group undertake transactions with the Council at arm's length in the normal course of business.

The Company has taken the exemption available under FRS 8 'Related Party Transactions' for subsidiary undertakings where 90% or more of the voting rights are controlled within the Group, not to disclose transactions with other Group organisations.

Notes to the financial statements (continued)
for the year ended 31 March 2014

32. Related Party Transactions (Continued)

	2014 £'000
Balances with the Council as at 31 March 2014 were:	
Accruals and deferred income	(290)
Other creditors	(140)
Transactions with the Council during the year ended 31 March 2014 were:	
Sales to the Council	3,165
Purchases from the Council	1,966

33. Analysis of Intra group transactions

Intra group trading is undertaken at arm's length and is predominantly tender/market driven. During the year the Group had the following intra-group transactions with non-regulated entities:

	Sales to 2014 £'000	**Purchases from 2014 £'000**	Sales to 2013 £'000	Purchases From 2013 £'000
Gentoo Homes Limited				
Group Management Charges	**619**	**-**	716	-
Gentoo Sunderland renewal plan	**-**	**14,055**	-	13,866
Gentoo Homes – growth	**-**	**14,850**	-	3,622
	619	**28,905**	716	17,488
Gentoo Construction Limited				
Group Management Charges	**1,656**		1,981	-
Sunderland planned maintenance expenditure	**-**	**20,009**	-	15,028
Parent – New build	**-**	**10,025**	-	-
Sunderland – New build	**-**	**15,066**	-	16,739
	1,656	**45,100**	1,981	31,767
Romag Limited				
Group management charges	**68**	**-**	68	-
PV on dwellings	**-**	**2,078**	-	3,897
	68	**2,078**	68	3,897
Property sales to Genie	**-**	**-**	1,316	-
Astley Group Management charges	**246**	**-**	-	-
Group management charges	**-**	**-**	85	-
Art of Living – interest payment	**-**	**312**	-	-
Art of Living – gift aid payment	**-**	**25,500**	-	18,000
	2,589	**101,895**	4,166	71,152

Notes to the financial statements (continued)
for the year ended 31 March 2014

34. Ultimate parent undertaking

Under the terms of existing intragroup agreements, Gentoo Group Limited, an RP, is considered by the Board to be the ultimate parent undertaking of the following companies incorporated in the UK:

RP:
Gentoo Sunderland Limited – Registered Social Landlord
West of Scotland Housing Association – Registered Social Landlord

Non-RPs:
Astley Facades Limited
Astley Facades (Midland) Limited
Astley Facades (North East) Limited
Astley Facades (UK) Limited
Nuru Fund
Gentoo Art of Living
Gentoo Care Limited
Gentoo Construction Limited
Gentoo Genie Limited
Genie Admin Limited
Genie Homeplan Limited
Gentoo Homes Limited
Gentoo Ventures Limited
Romag Limited
Romag PPM Limited

All subsidiary companies are 100% owned by Gentoo Group Limited and included in the consolidated financial statements.

Gentoo Group Limited provides central administration, finance and legal services to the operating RP. It is not expected that over time this will make a surplus. Any surpluses made by Gentoo Group Limited will be put to the benefit of the operating RP.

In the consolidated Income and Expenditure Account, intercompany trading is eliminated.